



Africa Region Working Paper Series Number 110

Development of the Cities of Ghana

Challenges, Priorities and Tools

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January 2008



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DEVELOPMENT OF THE CITIES OF GHANA

– Challenges, Priorities and Tools

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Abstract

This report presents an analysis of the urban sector in Ghana and provides practical recommendations on how to unlock the development potential of the cities of Ghana. Three entry points have been identified:

Urbanization and land markets. Current rapid and largely uncontrolled urban growth is stressing capacity to efficiently deliver infrastructure and services and is resulting in urban sprawl and inefficient use of land. Land management is a key constraint, with lack of systematic planning complicated by an overlap between the customary and formal systems of land delivery.

Decentralization, municipal finance and service delivery. Financing of service delivery and practical arrangements for sharing of duties and responsibilities between the District Assemblies and the central Government remain to be implemented. There is a need to move away from dependency on transfers and to link the local planning process to the mandate of local authorities.

Local economic development. Urban areas provide the ideal environment for businesses to maximize opportunities for economic growth. Currently, the country's service sector is inching along and productivity gains and economies of scale are limited.

The report advocates moving away from "business as usual" and recommends a set of concrete actions linking municipal management reforms to improved access to services and economic growth, providing operational tools for planning for the future, improving fiscal transfers and local taxation and creating an environment favorable to businesses and economic activities.

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DEVELOPMENT OF THE CITIES OF GHANA – Challenges, Priorities and Tools

By

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**Water and Urban Development Division II
(AFTU2)**

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ACRONYMS AND ABBREVIATIONS

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AAP	Africa Action Plan
AMA	Accra Metropolitan Assembly
BRT	Bus Rapid Transit
CAS	Country Assistance Strategy
CBD	Central Business District
CSIR	Council for Scientific and Industrial Research
CWIQ	Core Welfare Indicators Questionnaire
DA	District Assembly
DACF	District Assembly Common Fund
DDF	District Development Fund
DUR	Department of Urban Roads
ECG	Electricity Corporation of Ghana
FOAT	Functional Organizational Assessment Tool
GDP	Gross Domestic Product
GOG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GWC	Ghana Water Company
HIPC	Heavily Indebted Poor Countries
ICT	Information and Communication Technology
ISSER	Institute of Social Statistics and Economic Research
ITES	IT Enabled Services
KMA	Kumasi Metropolitan Assembly
LVB	Land Valuation Board
MA	Municipal/Metropolitan Assembly
MDG	Millennium Development Goal
MLGRDE	Ministry of Local Government, Rural Development, and Environment
MSME	Micro, Small and Medium-Sized Enterprises
MWRWH	Ministry of Water Resources, Works, and Housing
NCA	National Communications Authority
NDAP	National Decentralization Action Plan
NDPC	National Development Planning Commission
NEPAD	New Partnership for African Development
OHCS	Office of the Head of Civil Service
PEF	Private Enterprises Foundation
PNDC	Provisional National Defense Council
SAEMA	Shama Ahanta East Metropolitan Assembly
SME	Small and Medium Enterprise
SSNIT	Social Security and National Insurance Trust
SSS	Senior Secondary School
TDC	Tema Development Corporation
WMD	Waste Management Department

DEVELOPMENT OF THE CITIES OF GHANA – Challenges, Priorities and Tools

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EXECUTIVE SUMMARY

Sub-Saharan Africa is on a path of transition and faces immense challenges in promoting economic growth and combating poverty. In 2000, the level of urbanization in Africa stood at 37 percent, but is expected to increase to 54 percent by 2030.¹ Indeed, Africa is approaching a turning point since, between 2000 and 2030, the annual increase in the number of new urban residents is expected to be more than double the rural population growth.

Although urbanization rates have been lower than in neighboring countries of West Africa, Ghana is following similar trends where by 2030, 58 percent of the population will be located in urban areas, averaging an annual growth rate of 3.1 percent from 2000-2010 and 2.2 percent from 2020-2030, respectively.² Currently, the 5 largest cities (Accra, Kumasi, Sekondi-Takoradi, Tamale and Tema) are home to half of the urban population and play an important role in creation of national wealth. About 34 percent of the urban population lives in Accra (estimated to be 1.9 million people)³ and in Kumasi (estimated to be 1.5).⁴ These two cities account for almost 20 percent of Ghana's GDP.⁵ The Greater Accra Region is home to about 3.2 million people and alone accounts for close to 51 percent of manufacturing activity in Ghana.⁶

Ghana has been averaging close to 5 percent annual GDP growth rate over the past decade. Already evident in urban areas of Ghana are the effects of urbanization manifesting in socio-economic, environmental and institutional challenges for urban residents and local authorities.

Although the levels of urban poverty are relatively low (close to 9 percent in 2003), it is slightly increasing compared to rural areas where poverty is declining. However, from an overall poverty perspective, the shifting of activities from rural to urban areas has generated the largest reduction in poverty.

The World Bank⁷ estimates that to achieve 7 percent growth rates needed to combat poverty, developing countries in Sub-Saharan Africa require 5 percent of GDP towards new investments in infrastructure and an additional 4 percent towards operations and maintenance needs. Experience suggests that most of these investments are publicly funded and are primarily concentrated in sectors like roads, electricity and telecommunications.⁸ For cities like Accra and Kumasi, infrastructure investments are essential to their growth and progress. A well-functioning infrastructure network with transparent regulatory environment and a sound municipal governance system will create an enabling environment for private sector development.

The report concentrates on three key pillars which, if unlocked in urban areas, can have significant impact on economic growth and poverty reduction. These entry points are: (i) urbanization and land markets; (ii) decentralization/municipal finance/infrastructure delivery; and (iii) local economic development.

¹ Financing Urban Shelter, Global Report on Human Settlements 2005, United Nations.

² Ibid.

³ 2003 The challenge of Slums, Global Report on Human Settlements, 2003, United Nations Human Settlements Program.

⁴ http://www.unhabitat.org/programmes/guo/city_profile.asp; <http://esa.un.org/unup/p2k0data.asp>.

⁵ <http://www.worldbank.org/urban/upgrading/ghana.html>.

⁶ <http://www.ghanadistricts.com/reg-info.asp/RegionID=1>.

⁷ World Bank (2005) "Meeting the Challenge of Africa's development: A World Bank Group Action Plan" The World Bank.

⁸ Fay and Yepes (2003) "Investing in Infrastructure, What is needed from 2000 to 2010?" World Bank Policy Research Working Paper no. 3102. The World Bank.

The urbanization pattern reveals strong physical growth, which is typified by moderate and patchy densification within the inner city core, involving the replacement of residential by commercial users, and uncontrolled and low density peripheral growth. The urban expansion is expanding the boundaries of the urban areas and one key issue that emerges in this context is the efficient delivery of infrastructure and services. Linked to this, urban productivity is also hampered by low-density urban sprawl, which is increasing the cost of infrastructure and commuting.

Land management remains a key constraint for effective growth in urban areas: (i) the dual system of land delivery, i.e. traditional and public, and the lack of systematic planning at the local level have created a complicated system of property rights; (ii) existing revenue mechanisms like property tax rates add minimal value to the local government own-source revenues; (iii) the poor have very limited access to decent shelter and are often forced to live in slums or overcrowded tenements; (iv) the rapid demand for land in key cities like Accra and Kumasi has significantly increased land values in the central business districts, so that they now are comparable to some European cities; (v) lack of property rights is having an impact on business development in urban areas; and (vi) within the decentralized context, it is evident that the District Assemblies clearly have little authority and resources to undertake land management activities.

The decentralization agenda has taken a long time to take off in Ghana. Practical arrangements for sharing of duties and responsibilities between the DAs and the Government remain to be defined and delivery of services to the population is hampered by a number of factors: (i) functional overlap between deconcentrated administration and DAs; (ii) use of secondment of deconcentrated staff to DAs leaving DAs little influence on personnel matters and training; (iii) transfers make up 84 percent of DA revenues leaving little incentive for savings; (iv) DAs generate only modest amounts of internal revenues; (v) DAs budgets are not linked to investment plans; and (vi) transfer systems favor small DAs and capital expenditures are low in the main cities at US\$2.7 per capita compared to an estimated need of US\$80.

This results in a situation where the larger DAs are not able to provide services to their populations. Due to inadequate financing and management capacity, water coverage has declined in urban areas, from 85 percent in 1990 to 61 percent in 2004. Solid waste management presents a huge expense on the DAs budgets but is still not functioning, with only 70 percent being collected. Traffic congestion is perennial in larger cities. The electricity sector is strained, which could result in reduction of GDP by as much as 0.9 percent per year.

Urban areas provide the ideal environment for businesses to maximize opportunities for economic growth. Currently, the country's services sector is inching along and has marginally improved. However, the manufacturing sector, which seems dominated by small firms, absorbing large portions of unskilled labor, and where productivity and capital labor ratios are relatively low per international standards⁹, is declining. Urban areas in Ghana are also experiencing an increase in non-farm self employment in terms of small businesses and recent studies indicate that among urban poor there is a trend among workers with no education to be involved in the agricultural sector (that seems to be the occupation of last resort).

With respect to investment climate issues, firms in urban areas are constrained by a number of challenges, including the cost (in terms of fees and procedures) of starting a business anywhere in Ghana, registering a commercial property, enforcing a contract, going through bankruptcy and trading across borders. Small and micro enterprises are severely constrained by lack of access to

⁹ Teal, 1999.

credit. Additionally, inadequate infrastructure facilities and public services hinder the formation and growth of firms by increasing the cost of doing business, limiting access to markets, and reducing efficiency. A vibrant urban agglomeration with improved connectivity and productivity can help bridge the gap with the rural areas in areas like trade, services, and employment.

There is a need for strong Government commitment to address the emerging issues of the urban sector. It is clear that urbanization is here to stay and that it needs to be tackled strategically within the context of economic development and poverty reduction. The report shows the pervasive inertia which has prevented the Government of Ghana from effectively and decisively tackling the decentralization agenda and the subsequent service delivery and financing of local investments. The report advocates to move away from “business as usual” and recommends a set of concrete actions linking municipal management reforms to improved access to services and economic growth, providing operational tools for planning for the future, improving transfers and local taxation and creating an environment favorable to businesses and economic activities.

FOREWORD

The World Bank has provided support to urban development in Ghana for 20 years through a number of sector projects funded by IDA (see summary of past interventions in Annex III). The most recent is the ongoing Second Urban Environmental Sanitation Project (IDA financing US\$62 million), which is scheduled to close in 2010. These projects have had a mixed performance and all parties involved have felt the need to clarify the vision and formulate a strategic framework for future interventions.

The 2004 World Bank Country Assistance Strategy (CAS) highlighted the need for a study of the urban sector to provide input into the design of the Bank's proposed support to decentralization and community empowerment. The CAS also noted that, if significant progress is made on critical policy issues, a proposed urban development/infrastructure operation could be designed accordingly.

This report does not intend to be a full fledged urban policy nor cover all aspects of urban development. It also does not intend to cover all aspects of local economic development but just those which are directly relevant to the subject matter (infrastructure and services locally delivered). A close consultation process with the Government and other stakeholders resulted in a decision to limit the present analysis to a number of key strategic areas. These are:

- i. Urbanization and land markets.
- ii. Decentralization, Municipal Finance, and Service Delivery.
- iii. Local Economic Development.

Based on a close consultation process with the Government of Ghana, the five major District Assemblies, the business community, and universities, this report provides cutting edge knowledge on these three topics and presents an agenda for the future designed to unlock the developmental potential of the cities of Ghana.

A round table discussion was held in Accra on June 5, 2007 to review the findings and recommendations of the draft report and discuss the next steps. Over 100 people, representing all groups of stakeholders in urban development, participated to this event. The report has been finalized based on the comments from the round table. As pointed out by several participants at the round table discussions, there is a pervasive inertia, which has prevented the Government of Ghana from effectively and decisively committing to the decentralization agenda and the interrelated issues of service delivery and financing of local investments. Financial and land issues stand at the heart of the local development effort. There is an urgent need to move away from "business as usual" and to take on the issues documented in this report by implementing concrete actions through sound operational tools as developed during the analytical process.

I. URBANIZATION AND LAND MARKETS

1. URBANIZATION PATTERNS

1.1. What is the story?

1. Evidence suggests that the key cities in Ghana, i.e. Accra, Tema, Sekondi-Takoradi, Kumasi and Tamale are rapidly urbanizing. Table 1 illustrates the rapid population growth that has occurred in the major urban centers of Ghana. Even though the growth rate has been consistent nationally, the share of population growth is shifting considerably from rural to urban areas.

Table 1: Ghana Intercensal Population Growth Rates

Locality	1960-1970	1970-1984	1984-2000
Ghana, all	2.4	2.6	2.7
Rural	1.6	2.3	1.5
Urban	4.7	3.3	4.6
Urban area	1960-1970	1970-1984	1984-2000
Accra	5.0	3.1	3.4
Greater Accra	5.2	3.3	4.6
Kumasi	7.3	3.2	5.6
Tamale	7.3	3.4	5.6
Takoradi sub-metro	*	2.7	2.8
Sekondi sub-metro	*	0.7	3.0
Tema	14.0	3.6	2.2

Source: Ghana Population Data Analysis Report, Volume 2: Policy Implications of Population Trends, Ghana Statistical Service, 2005; Tables 1.1, 7.1, 7.10, 7.11

2. Population trends indicate that by 2010, more than half of Ghana's population will be living in urban areas, with urbanization expected to reach 65 percent by 2030. The number of urban localities increased from 39 in 1948 to 364 in 2000, accompanied by a strong increase in the rate of urbanization.

Table 2: Growth in Urban Space

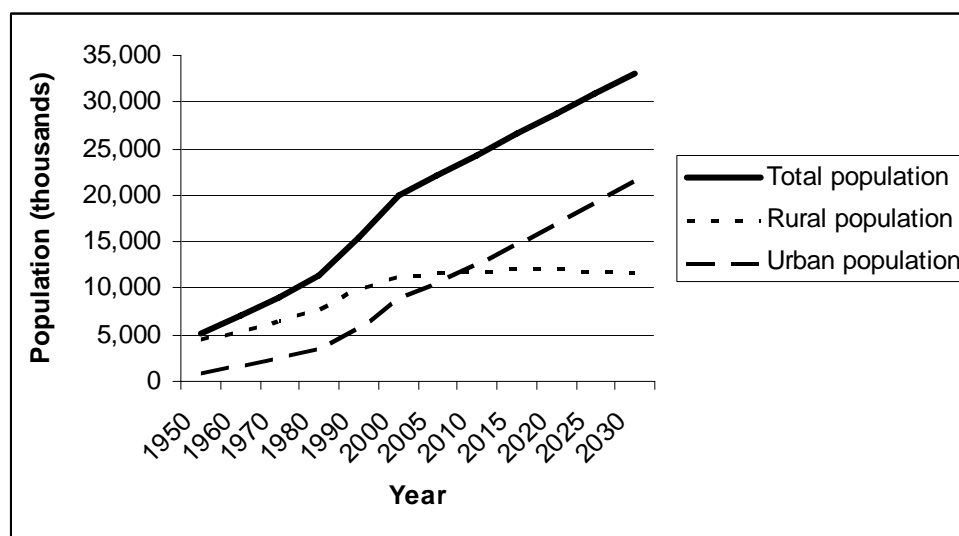
Year	1948	1960	1970	1984	2000
Urban Localities (#)	39	98	135	188	364
Urbanization (%)	13	23	29	31	44

3. Despite the increase in the number of urban localities, it is worth noting that cities like Accra and Kumasi host 33 percent of the urban population. However, trends indicate that the population growth is expected to stabilize in these primary cities (Table 3). Figure 1 clearly shows that population growth will take place in cities in the years to come.

Table 3: Population Trends in Ghana, 1950-2030 (thousands of inhabitants)

Year	1950	1960	1970	1980	1990	2000	2005	2010	2015	2020	2025	2030
Total	5,243	7,131	8,982	11,303	15,480	19,867	22,113	24,312	26,562	28,790	30,964	33,075
Rural	4,433	5,473	6,380	7,780	9,836	11,124	11,537	11,780	11,922	11,946	11,860	11,655
Urban	810	1,658	2,602	3,523	5,644	8,743	10,576	12,532	14,640	16,844	19,104	21,420
% urban	15.4	23.3	29	31.2	36.5	44	47.8	51.5	55.1	58.5	61.7	64.8
Accra	177	393	631	863	1,197	1,674	1,981	2,321	2,666			
Kumasi	99	221	349	452	696	1,187	1,517	1,818	2,095			

Source: 2005 World Urbanization Prospects.

Figure 1: Population Trends in Ghana

Source: 2005 World Urbanization Prospects.

4. A gradual extension of the urban boundaries towards the rural space is being observed. For example, localities adjoining Accra such as Dome, Taifa, Gbawe, New Achimota, Anyaa, Santa Maria, Amanfrom, Nii Boye Town, Mallam, Kissieman, and Agboba, which were classified as rural in the 1984 census, have attained urban status in the 2000 census.¹⁰ In Tema, Ashaiman has outstripped the area controlled by the Tema Development Corporation.¹¹ In Sekondi-Takoradi, areas like Shama, which were rural in 1984, had attained urban status by 2000 and areas like Diabekrom, Inchaban, Kansaworodo and Bronikrom, which were considered to be remote, have now become part of the metropolitan area.

5. Although urbanization rates have been lower than in neighboring countries of West Africa, Ghana is following similar trends where by 2030, 65 percent of the population will be located in urban areas, averaging an annual growth rate of 3.1 percent from 2000-2010 and 2.2 percent from 2020-2030, respectively. According to Kessides (2005), Africa is approaching a turning point wherein between 2000 and 2030 the share of increase in the new urban residents is going to be more than twice the rural population increment.

¹⁰ This change in classification is expanding the definition of an urban area into a larger conglomeration of urban/rural communities and is being defined as a metropolitan entity. However, most of the official statistics do not report figures for metropolitan areas and tend to focus on the administrative boundaries of Accra. This tends to underestimate the figures for Accra.

¹¹ In 1984, its population was only half of that of Tema and in 1970 only about a third.

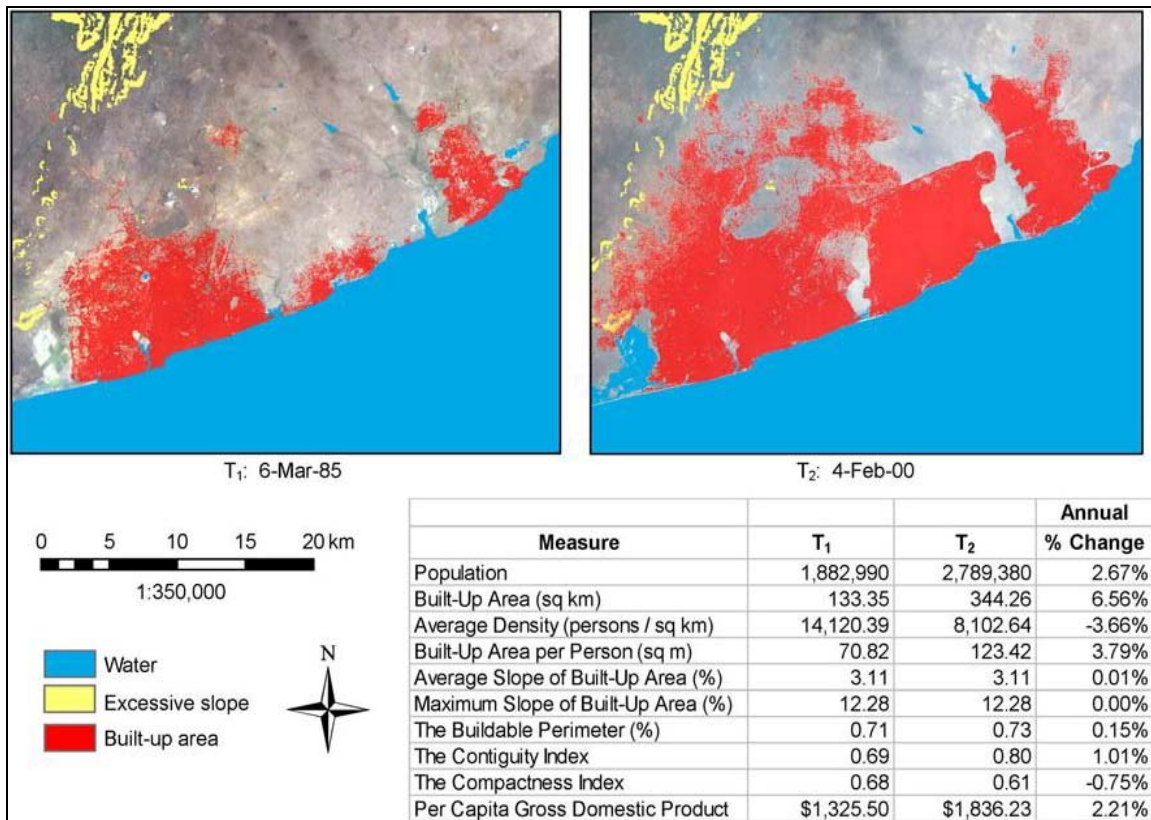
**Table 4: Population Growth in Selected Countries
- Total Population, Urban Population, 1982-2003**

Country	Total Population (millions and %)			Urban Population (millions and %)		
	1982	2003	% annual growth 1990-2003	1982	2003	% annual growth 1990-2003
Burkina Faso	7.3	12.1	2.4	0.7	2.1	4.4
Cameroon	9.3	16.1	2.5	3.1	8.2	4.3
Ghana	11.8	20.7	2.3	3.7	7.7	3.1
Cote d'Ivoire	8.8	16.8	2.7	3.2	7.6	4.3
Guinea	4.6	7.9	2.4	0.9	2.3	4.1

Source: Kessides (2005).

6. *The urbanization pattern reveals strong physical growth, which is typified by moderate and patchy densification within the inner city core, involving the replacement of residential by commercial users, and uncontrolled and low density peripheral growth. A recent study by the World Bank (Angel et. al 2005) reveals that the built-up area in the Accra Metropolitan area increased from 133 square kilometers in 1985 to 344 square kilometers in 2000 (Figure 2). Similarly, the built-up area per person has increased from 70 square meters in 1985 to 123 square meters in 2000, whereas the average density per square kilometer has decreased from 14,120 in 1985 to 8,102 in 2000. What is interesting to note is the rapid spatial expansion of boundaries that are encroaching into rural areas including Tema. The rate of growth of low density built up area is occurring at a much more rapid pace than urban population growth. Kumasi and Sekondi-Takoradi are mirroring the pattern that is observed in Accra. Annex I: City Profiles provides detailed information on the urbanization trends for the five major cities in Ghana, i.e. Accra, Kumasi, Sekondi-Takoradi, Tamale and Tema.*

Figure 2: Trends in Urban Expansion



Source: Angel et al, 2005.

7. Over the coming decades, the rate of growth in urban areas is expected to outpace rural growth (Table 5). This poses significant challenges in terms of effective delivery of infrastructure services such as water, transportation, sanitation, etc. and the provision of basic shelter for the population.

Table 5: Trends in Rural/Urban Growth in Ghana, 1950-2030

Period	1950-1955	1960-1965	1970-1975	1980-1985	1990-1995	2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2025-2030
Rural annual growth rate (%)	2.18	2.01	2.31	2.89	1.51	0.73	0.42	0.24	0.04	-0.14	-0.35
Urban annual growth rate (%)	7.3	5.05	3.36	4.49	4.65	3.81	3.39	3.11	2.8	2.52	2.29

Source: 2005 World Urbanization Prospects.

1.2. Consequences of urbanization: Increasing urban poverty and rapid growth of informal settlements

8. The urbanization process as manifested in Ghana has resulted in increasing poverty in urban areas. It is estimated that 1.9 million people live below the poverty line in Ghanaian cities. Table 6 begins to capture this increasing urban poverty trend that has been underway for some time now. While rural poverty is declining, urban poverty is increasing slightly. Based on the emerging trends and the increasing migration of people from rural to urban areas it can be expected that living conditions of the poor among urban dwellers will be further negatively impacted, though the percentages are currently small. The 2005 PRSC also notes that households belonging to the self-employment category have a greater chance of falling into poverty in urban areas compared to rural areas.¹² Additionally, urban poverty seems to have worsened the conditions of women, especially female-headed households, who are overrepresented among the urban poor.¹³

Table 6: Distribution of Households by Place of Residence, Ghana 1997-2003 (%)

	CWIQ 1997	CWIQ 2003	% Change
Rural	69%	58%	-9%
O/w rural poor	38%	30%	-8%
Urban	31%	42%	9%
O/w urban poor	8%	9%	1%

Source: Calvalcanti (2004).¹⁴

9. Qualitative indicators for nutritional are on a decline among urban children. Table 7 (below) illustrates that 26.5 percent of urban poor children are underweight compared to 21.3 percent of rural poor children. The trends on nutrition are extremely worrisome, as poor nutrition is one of the underlying factors behind the apparent increase in infant mortality.

¹² Ghana Third Poverty Reduction Strategy Credit, World Bank Report no.33096-H, July 2005.

¹³ Ghana Third Poverty Reduction Strategy Credit, World Bank Report no.33096-H, July 2005.

¹⁴ Analysis of the GLSS5 figures for the draft Ghana Country Economic Memorandum is ongoing, and initial findings neither contradict nor confirm this trend.

Table 7: Nutritional Indicators and Participation in Government Programs by Place of Residence, 2003 (%)

	Under Weight	Program Participation				
		Nutrition	Weigh-in	Polio	Vitamin A	Measles
Total	23.3	76.9	93.0	93.0	92.0	89.0
By place of residence						
Rural	21.8	71.8	90.5	92.5	91.5	88.4
- Rural poor	21.3	51.6	82.1	91.0	90.7	87.7
Urban	25.9	86.2	97.6	94.1	93.0	90.2
- Urban poor	26.5	76.1	94.4	93.5	92.6	90.5

Source: Core Welfare Indicator Questionnaire (2003), adapted from 2007 PRSC document.

10. However, urban areas, and especially the metropolitan area of Accra, have witnessed high rates of pro-poor growth (Table 8). This has benefited the population in the poorest three quintiles, compared to rural areas. This can definitely be attributed to the increased distribution of growth effects among the poor.

Table 8: Annualized rates of pro-poor growth: percentage changes in welfare measure between 1991/92 and 1998/99 at different points

Locality	Pro-poor growth rate at poverty line	Pro-poor growth rate at 20th percentile	Growth rate at mean
Accra	7.6%	7.6%	7.3%
Other urban	0.9%	0.8%	2.3%
Rural Coastal	0.7%	0.1%	2.0%
Rural Forest	5.0%	4.6%	4.8%
Rural Savannah	-0.6%	-0.1%	1.2%
GHANA	2.1%	1.3%	3.2%

Source: McKay and Ernest Aryeetey, 2004, *Operationalizing Pro-Poor Growth*, DFID <http://www.dfid.gov.uk/pubs/files/oppghana.pdf>.

11. One of the most observed consequences of urbanization is the rapid proliferation of the housing stock. Table 9 illustrates that over the past two decades (1984-2000) the housing stock increased sharply, owing to a rapid population shift.

Table 9: Household formation and housing stock: Greater Accra 1960 – 2000

Period	1960-1970	1970-1984	1984-2000
Percentage increase in number of households	57.0	66.9	74.6
Percentage increase in number of houses	94.3	63.8	156.8

Source: Ghana Population Data Analysis Report, Volume 2, *Population Implications of Population Trends Table 1.17*.

12. In the Greater Accra Metropolitan area, a further examination of the housing pattern reveals that close to 42 percent of the population lives in compounds followed by 18 percent in separate houses and 16 percent in semi-detached houses (see Table 10, below). Compound

housing is typically characterized by a large number of households and groups of between 10 and 30 rooms with kitchen and toilet facilities arranged around an open court that is used as a common living space.

Table 10: Types of dwelling unit: Greater Accra

Type of dwelling	Percentage of total
Separate house	18.5
Semi-detached house	16.2
Flat/apartment	8.1
Rooms (compound)	42.1
Several huts/buildings	2.7
Hotel/hostel	0.4
Tent	0.2
Kiosk/container	3.9
Attached to shop	0.8
Others	7.1

Source: *Ghana Population Data Analysis Report, Volume 2, Population Implications of Population Trends, Table 1.25*

13. However, Figure 3 (below) illustrates that in 2001 more than half of the urban population in Ghana was living in slum settlements. According to a recent study by Columbia University¹⁵, 58 percent of the Greater Accra metropolitan area comprises of low-income neighborhoods that are characterized by high density, poor infrastructure including low housing quality, existence of informal businesses, and irregular development without any planning and built up with little scope for expansion. This also raises an important issue of affordability of housing for the poor. It is currently estimated that under current regulations and practice, the minimum cost per unit is in the range of US\$20,000 to US\$25,000 for a Social Security and National Insurance Trust (SSNIT) project in Tema. This is extremely high compared to a per capita income of US\$450 and does raise concerns on the supply of affordable housing for the poor.

14. Closer examination of the living conditions reveals that due to poor shelter options, people are forced to live in overcrowded tenements (Table 11). Overcrowding of settlements poses a serious public health and safety issue. Besides that, it also reflects the gap between the rich and the poor in terms of meeting shelter needs. It is estimated that Ghana currently produces only 21.4 percent of the annual need of between 110,000 and 140,000 housing units. Accra alone needs between 14,000 and 16,000 units per year. However, there is a backlog of 500,000 units, which are needed to reduce congestion in existing units.¹⁶

Table 11: Housing Characteristics in Accra and other Urban Areas, 2003

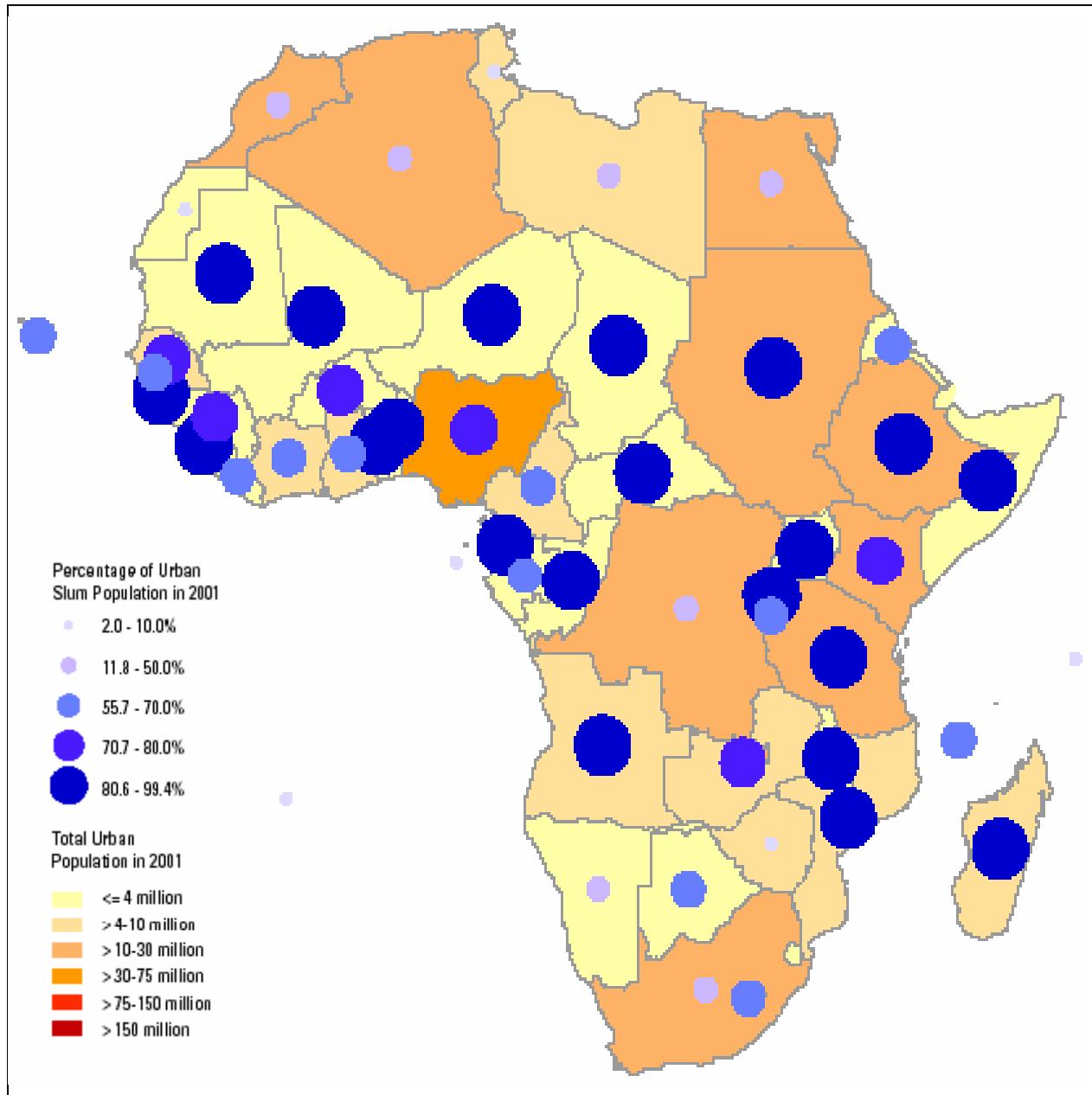
Locality	Mean household Size	Mean rooms/ household	Mean persons /room	Mean area occupied by household %	% households sharing dwelling
Accra	3.69	1.57	2.36	22.8	93.4
Other Urban	4	1.6	2.5	24	89.7

Source: <http://www.arch.columbia.edu/Studio/Spring2003/UP/Accra/PDF's%20to%20printer/10%20-%20housing.pdf#search=%22overcrowding%20accra%22>.

¹⁵ Source: <http://www.arch.columbia.edu/Studio/Spring2003/UP/Accra/PDF's%20to%20printer/10%20-%20housing.pdf#search=%22overcrowding%20accra%22>.

¹⁶ <http://www.arch.columbia.edu/Studio/Spring2003/UP/Accra/PDF's%20to%20printer/10%20-%20housing.pdf#search=%22overcrowding%20accra%22>; and Ministry of Water Resources, Works and Housing.

Figure 3: Urban and Slum Growth Rates Proportions in Africa, 2001



Source: *State of the World Cities 2006, UN-Habitat*

2. DISTORTED LAND MARKETS: THE CRITICAL BOTTLENECK THAT NEEDS TO BE UNBUNDLED

2.1. Many vested interests and a keen attachment to status quo

15. *A prominent characteristic of the land economy in Ghana is the duality of land ownership and management between the customary (informal) system and the state (formal) system. Traditional concepts of land ownership and rights in land have persisted amidst the demands of modernization. One effect has been the development of a dual land market in the country; the*

state sector employs formal transaction instruments while in the traditional sector such instruments are rarely used. Very significant steps have been taken to bridge the gap between the two sectors through the introduction of formal instruments in the traditional sector. While the effect has been a significant improvement in operations in the sector, there is still much room for improvement.

Table 12: Policies Governing the State (Formal) System

Policies	Purpose of use	Legal Application
Acquisition of Land by Eminent Domain under the State Lands Act, 1962 (Act 125).	Acquired for specific purposes in the “public interest”.	-The state owns such lands absolutely as compensation is normally paid to the original owners. -However, under the 1992 Constitution (Art. 20(6)), where the state no longer requires the land, it is to revert to the original owners.
State lands vested under Section 7 of the Administration of Lands Act, 1962 (Act 123).	Lands are managed by the state though the absolute interest essentially rests in the original owners, usually the customary owners.	-Revenues accruing from such lands are apportioned between the state, represented by the local authorities, and the traditional authorities in accordance with Section 267(6) of the 1992 Constitution.
Section 10 of the Administration of Lands Act, 1962.	President may authorize the occupation and use of any land if it is deemed to be in the interest of the State.	-Compensation is to be paid for such lands though it is to be reduced by whatever benefits the community is expected to derive from the proposed use of the land.
Section 4 of the Kumasi Lands Ordinance, 1943 (Cap 145) – used solely in Kumasi.	The Colonial Administration reserved land, about one square mile in area in the centre of Kumasi, with the Kumasi fort as centre, for the British Crown “in perpetuity”.	This land is often treated in practice as vested lands though it is purely state land.

16. *The traditional system is complicated since all lands not classified as state lands are private lands.* These are principally stool lands though there are different variants in the cities under consideration (Table 13, below).

Table 13: Functioning of the Traditional Land Market

Key players	Characteristics	Actual practice	Any attempts to absorb them	Evolving Trends
Accra Stool (Ga Traditional Council).	-Do not control significant amount of land -Owned by stools, quarters (Akutsei), maximal and major lineages.	-Maximal lineages are composed of a number of major lineages, some major lineages show the characteristics of maximal lineages when it comes to land delivery. Such groups are most likely to have purchased the land or may have been occupying the land for a considerable length of time and have extended long usage into ownership.	Some families have sworn statutory declarations under the Statutory Declarations Act, 1971 (Act 389) vesting the absolute interest in land in themselves. - Some stools, quarters and families have alienated the freehold in land to private individuals, thus creating a land-owning class of individuals.	The effect is that the prospective developer has difficulty identifying the right persons with capacity to alienate land. The issue is complicated by a body of judicial decisions which has sought to impose the traditional land ownership structure prevalent in the centralized states on Accra.
Kumasi Absolute land vested with the Asantehene.	As Kumasihene (Paramount chief of the state), the Asantehene has sub-chiefs (55 of them) who constitute the Kumasi Traditional Council. Such sub-stools are referred to as caretaker chiefs.	Each sub-chief also has minor chiefs under him, the number varying in accordance with the status of the stool in the traditional hierarchy. In the context of land administration they are referred to as the principal elders of the stool and the sub-stool (i.e. their over-lord) needs to be in constant consultation with them before taking any decisions concerning land.	None	In some of the sub-stools there may be large land administering families. These are families which do not own the absolute interest in land but over the years have acquired usufructuary estates in large tracts of the community's land.
Tamale The absolute interest in land in Tamale is vested in the Ya Na as the King of Dagbon.	Land management in Tamale is, however, vested in about six Divisional chiefs. These are: Gulkpegu Na, Sagnari Na, Nanton Na, Bavim Na, Katariga Na, and Dakpema.	The divisional chiefs are sub-chiefs who are in charge of the numerous villages which constitute the Dagbon State. It is estimated that the Gulkpe Na alone controls about 51 villages.	NA	NA
Sekondi-Takoradi Vested under three paramount stools: Sekondi Traditional area, Ahanta traditional area and Essikadu Traditional Area.	Sekondi Traditional area comprises of 16 divisional stools, Ahanta has 16 divisional stools and Essikadu has 5 divisional stools.	Since 1980, considerable rise in families that claim absolute interest in the lands they occupy. During the period 1982-1991, there were 44 main grantors of land in the city, comprising of 25 sub-stools and 19 families (According to the records of the Land Commission). Additionally, from 1997 to 2000, five new sub-stools were included while 45 new families joined the ranks of grantors. In 2000, the numbers stood at 47 sub-stools and 113 families with land granting rights.		Entry of peri-urban areas within the land markets. Existence of weak enforcement that has led to the entry of many players in the land market.

2.2. Mechanism of land delivery: No commitment to public goods

State Lands

17. *Land delivery in the state land sector is fairly simple in all the cities under consideration.* The Lands Commission is the public body responsible for administering lands controlled by the State. The Commission has been established under the Lands Commission Act, 1994 (Act 483) and is the sole authority to make grants of public lands. Though subtle differences exist in the various cities, acquisition of state land from the Commission is fairly uniform in the cities under study.

18. *The process for acquisition is straightforward with the caveat that a person can only be granted one plot of land by the Commission for residential purposes in the same city or town.* In Tamale and Sekondi-Takoradi usually the person requiring the land has to identify the land and apply to the Lands Commission for the land to be allocated. In such situations, the person has to obtain a site plan of the land and present this with an application letter¹⁷ to the Commission. The transaction fees vary between the cities as shown in Table 14.

Table 14: Transaction Fees Associated with Public Land (Cedis)

CITY	Processing Fee	Inspection/ Search Fee	Development Charge	Premium
Accra	200,000	50,000/80,000	50,000	-
Kumasi	200,000	50,000/80,000	50,000	-
Tamale	500,000	100,000	-	-
SAEMA	100,000	50,000/80,000	1,000,000	40% of land value
Tema	-	-	-	-

19. In Tema, the Tema Development Corporation undertakes the processing of documents on land purchased from the Corporation and the fees are paid to the Corporation. In Sekondi-Takoradi, the inspection fee is assessed at ¢50,000 or ¢80,000 depending upon whether the land is situated within or outside the metropolitan area. Also, where the land is subsequently assigned by the lessee, the Commission charges a consent fee of 2.5 percent of the land value. In all the cities, the lessee is required to pay the first year's ground rent in addition to these charges. The rent is not uniform and depends upon the size and location of the land. This rent would be paid annually until the Commission varies it in accordance with the terms of the lease.

¹⁷ Where the application is approved, the Regional Lands Officer issues an "offer letter" to the applicant. The offer letter identifies the exact plot that is being offered through a site plan. Some of the terms of the offer include ninety-nine (99) years in the case of residential properties and fifty years for commercial, agricultural and industrial uses, from the date right of entry is granted. Usually this date is the same as the date the leasehold document is executed. The rent payable: This is fixed on an annual basis payable in advance and it is subject to periodic reviews by the Government. That the lessee would commence the development of the land within 12 months from the date of the grant of right of entry and complete same, in accordance with approved plans and specifications, within three (3) years from that date. It is also required that a development charge (a proportion of the cost of development of roads and drains on the estate) would be paid.

Private Lands

20. In Accra, without a clear hierarchy of land ownership, land delivery becomes simple as the investor often has to deal with only one individual or a single stool or family head. It is, however, a legal minefield for the unsuspecting developer. To acquire stool land in Accra, it is important to identify a vacant plot and convey this information to the occupant of the stool concerned. Alternatively, where a person has information that a stool has land to sell, they may approach the occupant of the stool with a request. If land is available the prospective grantee pays the *shikpondaa* – land drink. These days, it is common for the landowner to prepare a layout of the area and a site plan extracted from the layout. The land may, however, *not have been surveyed* and so it is the responsibility of the purchaser to ensure that the land is surveyed and site plans prepared by a licensed surveyor and endorsed by the Director of Surveys. Stools will normally grant leaseholds of 99 years for residential purposes and 50 years for other users and would normally insert a rent renewal clause as a covenant. In accordance with the 1992 Constitution, a stool cannot grant freehold titles.

21. In Kumasi, to acquire land in this sector the prospective grantee has to identify an area where land is available for occupation. This information may be obtained through friends and relations or through contacts in the Lands Commission, the Department of Town and Country Planning, the Land Valuation Board or the Asantehene's Land Secretariat. Where land is available for alienation, the chief issues an *Allocation Note* to the prospective grantee and this is the written indication of the stool's grant of land. As consideration for the grant of the land by the chief the prospective grantee must pay him *drinks money (nsa)*. The grant is not valid unless it is endorsed by the Asantehene who by custom, is entitled to a third of the drinks money. Though this system enables the Asantehene to raise the needed revenue, it constitutes an additional financial burden on the unsuspecting purchaser of land who believes that having paid the drinks money to the grantor chief, he is absolved from any further payments. The process just described holds true even if the prospective grantee is a subject of the grantor stool. After the Asantehene's endorsement of the allocation note, the Land Secretariat forwards it to the Regional Secretariat of the Lands Commission. The transaction is noted in the Records Office and a leasehold document is prepared between the grantor stool, as lessor, and the prospective grantee, as the lessee, with the Asantehene as the confirming party. At this stage the prospective grantee is invited by the Lands Commission to pay the first year's ground rent and the preparation and presentation fee.

22. The grantee is also required to pay the development charge. The development charge is a levy imposed on all grantees of land in the city and it is meant to pay for the cost of providing infrastructure such as access roads, drainage, water and electricity to the site. Currently, it is fixed at ₵50,000, which is so low that it can hardly make an impact on infrastructural provision.

23. In Tamale, to acquire stool lands, the prospective developer has to contact the sub-stool in whose area the land is located. The allocation notes are submitted to the divisional chief who confirms the grant of land. In the case of the Gulkpegu Na, the Land Administration Project has established a Customary Land Secretariat for his stool and the allocation notes are presented to the Secretary at the Secretariat. The Divisional chief keeps one allocation note and records the allocation in a notebook kept at the palace for the purpose. The grantee takes the other two allocation notes to the Lands Commission where a leasehold agreement is prepared for him. He submits the leasehold document to the Ya Na at Yendi. The lease is not valid until the Ya Na has signed it. At the Lands Commission, the officers check if the land is uncommitted and whether a planning layout has been prepared for the area. Where a scheme has not been prepared for the area the Commission seeks advice from the Department of Town and Country Planning as to the suitability of the site for the user envisaged. When everything is in order, the Commission notes

the transaction in records and proceeds to prepare the leasehold document which is later forwarded to Yendi for execution by the Ya Na.

24. To acquire land in Sekondi, a person has to see the sub-chief in whose area the land is situated. He pays the purchase price and is given a receipt. He is then required to prepare a leasehold agreement in accordance with a prototype which the chief provides. The term is usually 99 years for residential and 50 years for other users. It is customary that the sub-chief pays a third of the purchase price to the divisional chief but it is at the discretion of the divisional chief to pay any part of this to the paramount chief. In Takoradi, there are some sub-stools which operate directly under the paramount stool. In such situations, land is acquired from the sub-stools and they pay one-third of the purchase price to the paramount stool.

25. One major issue in the land delivery system is the emergence, and proliferation, of land owning families in the city. This makes identification of land owners difficult as one may not know whether a particular piece of land belongs to the stool or to a family. This is more serious because boundary demarcation and identification is unclear between the various land owning groups. The Lands Commission checks whether the land falls within the appropriate zoning regulations of the area and if there are any court proceedings (particularly injunctions) affecting the land and whether all the appropriate signatures have been obtained. In the case of stool lands, they also check the rent reserved and may revise it appropriately. In Takoradi, the paramount chief also charges a flat rate of ₵1,000,000 as signature fee on executing the leasehold agreement. At the Lands Commission, he is required to pay a presentation fee of ₵100,000, a processing fee of ₵100,000 and a deeds registration fee of ₵150,000.

3. LAND VALUES AND THEIR INFLUENCE ON SPATIAL DISTRIBUTION OF CITIES

26. *What is evident in the Ghanaian context is that urbanization has led to rapid increase in consumption of land in the past two decades.* The factors that have influenced the increase of land values are a combination of the following: population growth, inefficient town planning, activities of the Central Government, and the monopoly of land-holdings. The spatial distribution of activities is following the path outlined in existing literature which suggests poor spatial patterns can cause diseconomies of agglomeration. Under such circumstances, traffic congestion, pollution, and land degradation impose external costs on enterprises and cancel out the beneficial effects of agglomeration economies (Dowall and Clarke, 1996).

27. In Accra, a large conurbation has been created with Tema, which has taken in La, Teshie and Nungua. Areas like Madina, Adenta, Taifa, Ofankor and Pokuase which only a few years ago were classified as Ga Rural District have now firmly become part of the Accra - Tema conurbation. Tema has also expanded to now include Ashaiman. Tamale's lateral expansion has meant that areas to the south of the Savelugu Nanton District, areas to the east of the Tolon Kumbungu District and areas to the north and north-west of the Salaga District are now effectively part of the Tamale Metropolis. The situation is no different in Sekondi-Takoradi where areas like Kojokrom, Ketan, Fijai and Anoe which only about ten years ago were outlying villages have now effectively become integral parts of the city. The result has been the formation of formal and traditionally acquired land with pockets of traditional housing surrounded by modern accommodation provided by those who have acquired land on the outskirts of the city distorting land values in those areas.

28. The declaration of areas as "Statutory Planning Areas" has also contributed to the increase in land values. The requirement that all developers must seek planning permission has the effect of placing restrictions on land developers. But the loss in value due to this restriction is

adequately offset by the fact that utility companies become more willing to extend their services to such areas. A recent decision by the Electricity Company of Ghana that electricity would only be extended to houses where the owners can produce building permits means that electricity would not be extended to areas without planning schemes. In Kumasi, these issues are significant in influencing land values. Unless land for development is demarcated into plots and a layout is prepared and approved by the Department of Town and Country Planning there will be little or no demand for such lands. Both the Asantehene's Land Secretariat and the Lands Commission would not accept allocation notes of such plots for processing. The preparation of town planning layouts, thus, increases demand and, subsequently, the price of land in the city. Again, as mentioned above, utility companies are unwilling to extend services to areas where planning layouts have not been prepared.

29. Activities of the central government and its agencies can also affect the supply and demand for land. The recent location of the offices of the Council for Scientific and Industrial Research (CSIR) in Fumesua on the periphery of Kumasi, has led to land value increments in the villages around Fumesua, such as Kyerekrom and Kokobra. A similar situation has accounted for land value increments in Tamale and Sekondi where the location of sports stadiums in the peri-urban areas for the 2008 Africa Cup of Nations has led to an increased demand for land in those areas. Again, where new roads or highways are constructed, these invariably lead to land value increments as hitherto inaccessible areas are opened up for development.

30. The monopoly held by the traditional political institutions in land has meant that they decide how much land, when, to whom, where, and the price at which land is released into the development stream. Thus, they play a key role in the land market of the city. One result of the monopoly position in land holdings of these traditional authorities is that they could create booms and depressions in the supply of land in the city and hence influence land prices whenever it suits them.

31. The location of economic activities normally has the effect of enhancing land values. For this reason land values were found to be higher in the CBD in all the cities, though in the high class residential areas land values equalled those of the CBD in some cases. The reason is that there are two markets for high class residential properties – the local Cedi market and the U.S. dollar market. Owing to high land prices in the inner city, many prospective developers move to the peri-urban areas where absence of basic infrastructure and services tends to make land affordable for development. This has the effect of fuelling the lateral expansion of the city. For a discussion of land values in particular cities, refer to Annex 1: City Profiles.

Planning is sporadic and non-compliant

32. As described in Table 15 (below) within the decentralized context, the DAs/MAs have been entrusted with significant responsibilities related to planning and enforcing the physical development within their administrative boundaries. *However, it is evident that links between the national planning system and the local authorities are extremely weak.* For example, the Greater Accra Metropolitan Area Structure plan was developed in 1991 to plan for future growth. The enforcement of the structure plan remains a challenge as there is very limited coordination between the Central Government agencies and metropolitan assemblies. This has obviously filled in a vacuum within the planning structure and has clearly benefited the private sector. Without any active enforcement of planning standards, any individual can hire a surveyor (who may or may not be certified by the District Assembly) to develop a layout plan for a discrete development. These layout plans are developed randomly without any consideration for trunk or

feeder infrastructure standards. Unless the property requires a title, it rarely passes through the District Assembly system for approval.

Table 15: Planning Instruments for Urban Policy used in Ghanaian Cities

Regulation instruments	Institutional Agency with designated oversight	Key aspects	Shortcoming	Extent of use
Town and County Planning Ordinance (CAP 84) of 1945.	Town and Country Planning Department.	Requires that all urban areas be covered by a Town Planning scheme. Comprises of a detailed document that identifies all land uses, road alignment and standards, plot sizes and layouts.	- No statutory backing to the planning process. - Weak enforcement and implementation. - Design specifications like plot size do not reflect current conditions that exist in Ghanaian cities.	Weak
The Local Government Act of 1993, Act 462.	District/ Municipal/ Metropolitan assemblies.	Within the decentralized framework entrusts the following responsibilities of planning to local authorities: 1. Development of Economic, Social, spatial and human settlements policies including harmonization of development policies of districts with national policies. 2. Coordination, integration and enforcement of planning processes including issuance of development permits, developing planning standards and building regulations.	- In Accra, the system is very disorganized and unplanned. At the city level, the layout is hardly approved by the DA.	Limited
National Planning (Systems) Act of 1994, Act 480.	National Development Planning Commission.	Issues guidelines to guide the DAs and sector ministries, departments and agencies on the preparation of development plans on a 5 year basis. - First guidelines were issued in 1996 for the preparation of Medium Term Development Plans (1996-2000). Also guidelines were formulated for 2006-2009.	- Lack of resources and support to DA's in the preparation of the plans. - No adequate enforcement. - Weak alignment with sectoral ministries.	Limited

33. *There is no formal mechanism for mixed use development in key cities like Accra as land is scarce and is quite often under dispute.* Kumasi faces similar situation but is more organized than Accra. In Tamale, there is no existence of a structure plan and most of the planning is done by the Chief including the layout for the properties.

34. Also missing from the planning process is the participatory approach of working with communities/public consultation process on designing infrastructure needs and priorities. Lack of coordination with utilities companies is also a major impediment.

Virtual absence of the District Assemblies in the land markets

35. The land ownership structure and the systems of land delivery in the cities under discussion have significant implications for spatial development and urban sprawl. The multiplicity of agencies involved in land management has led to an environment of information

asymmetry and distortion in the land markets (Table 16). Within the decentralized context, it is clear that the *District Assemblies have clearly little authority and resources to undertake land management activities*. This also has to be seen in the context of highly centralized control over urban land development, land-use controls, titling, and registration.

36. Added to this is the complicated system of traditional land ownership that tends to work in an ad-hoc manner. For example, in Tamale, it was found that owing to the Yendi conflict, no lease has been prepared in the Metropolitan area since 2003 when the crisis began. This is because there has been no Ya Na to execute leases. The result is that the Lands Commission only gives out letters assuring potential investors and financial institutions that leases would be granted as soon as the situation is normalized. In the meantime, without any development control, development is occurring all over the metropolitan area.

Table 16: Role/Relationship of Various Agencies in the Land Market

Agency	Land-Use Planning	Land Management	Land Prices	Revenue collection (e.g. Property Taxes)	Spatial Issues	Land Policy	Housing	Data Collection
Department of Town and Country Planning (Currently under Ministry of District Assembly)	X	X			X	X	X	X
DA/MA				X			X	X
Survey Department					X			X
National Development Planning Commission						X		
Land Commission	X	X						X
National and Regional House of Chiefs		X						
Office of the Administrator of Stool Lands		X				X		X
Land Title Registry		X						X
Land Valuation Board		X	X	X				X
Ministry of Works and Housing							X	X
Ministry of Land and Forestry and Mines		X	X	X		X		X

37. *After the fact approach rather than a systematic approach to planning: The multiplicity of owners implies that controlling land alienation and development is difficult.* In the case of Sekondi-Takoradi and Accra where, by the use of statutory declarations, new land owners are created quite frequently it is impossible for the land sector agencies to keep their records up-to-date. As landowners alienate land in all sectors of the city's periphery – often without the knowledge of the land sector agencies or the city authorities, the city's boundaries expand as

people build on such lands without either development or building permission. Planning authorities can hardly provide exact statistics about the city's boundaries as there is always an official boundary, as evidenced in the Master Plan, and an unofficial boundary, determined by the extent of land alienation and development beyond the official boundaries.

38. *Impact on service delivery.* In all the cities, it is clear that landowners alienate land at the same time in all parts of the city – particularly in the peri-urban areas. The result is that utility providers can hardly keep pace with land developments. It also means that development control mechanisms cannot be implemented and city and planning authorities are overwhelmed with the proliferation of unauthorized developments.

39. *The area where District Assemblies can seek maximum impact/leverage on land development is in the area of title security.* However, title insecurity remains a huge issue in Ghana. The system of registration is sporadic rather than systematic and this makes it inherently slow and expensive. In the first 13 years of its operation, only 55,385 applications were received at the registry out of which 11,382 titles were issued. In addition, between the various stools there may be “grey areas” where two or more stools may claim ownership. This is due to the fact that stools do not keep good records of lands allocated by them. The result is that there are often dual sales of land engendering litigation among land developers. This problem is prevalent in Accra. On top of this, chieftaincy disputes tend to nullify land transactions and this further exacerbates the land transaction market, adding substantial transaction costs. Lack of an effective proof of ownership makes it difficult for prospective buyers to get accurate information on the property and forces them to conduct extensive research on property ownership. Furthermore, it does not allow individual owners to use land as collateral for obtaining loans from financial institutions and thus effectively shuts down the functioning of land markets. This is evident from the weak mortgage markets and lack of instruments like private mortgage insurance, title insurance etc.

40. *Finally, the growth in the boundaries of cities like Accra and Kumasi indicates that there is an active private sector involvement in the land markets which seems to work in this chaotic condition.* However, it is interesting that private residential land is not actively traded in Ghana and is treated as a family symbol. This perpetuates inefficient land-use with a preference for low density development which is currently the norm in cities like Accra and Kumasi.

4. URBAN LAND TAXATION: AN UNDERVALUED FISCAL RESOURCE AND UNTAPPED LAND DEVELOPMENT INSTRUMENT

41. The taxation of land as a land management instrument has not been utilized in Ghana. The few taxes on land transactions are aimed at raising revenue but are not achieving land management objectives. Taxes on land transactions are principally the property rate, the capital gains tax, the stamp duty, the gift tax and the rent tax. Added to these are transaction costs in land management such as the fees collected by the land sector agencies for their services. These are generally regulated by Parliament through a legislative instrument and such monies are normally paid into the Consolidated Fund as part of general Government revenue.

4.1. The Property rate: A potentially important District Assembly resource that requires drastic revisiting

42. The Local Government Act, 1993 (Act 462) provides for the imposition of the property rate in all District Assembly areas. The property rate is perhaps the only tax that can be said to be based entirely on property. The basis of valuation is the replacement cost and it is the

responsibility of the Land Valuation Board to carry out the valuation of properties in the District Assembly's area and prepare the *Valuation List* which is a list of all properties valued, with their rateable values.

43. Owing to the wide diversity of properties in any particular area, the application of the replacement cost method of valuation in the assessment of the rateable value leads to a high degree of subjectivity in the assessments. Added to this are the “difficulties in valuation of specialized properties, such as plant and machinery and very large industrial buildings” and the high level of corruption in the assessment and collection of the property rate (Koney and Akwensivie, 1995:26) owing to the level of subjectivity involved.

44. Finally a very relevant question to ask is: Are resources yielded by property rates commensurate with the costs associated with assessing and administering it? And should these expensive valuation exercises in urban areas continue or should alternatives be identified?

4.2. Current initiatives in the land sector

45. Under the Land Administration Project (LAP), which is an initiative of the Ghana Government with support from the World Bank and other development partners, the Government of Ghana seeks to develop a sustainable and well functioning land administration system that is fair, efficient, cost-effective, decentralized and enhances land tenure security. To achieve this, the Government hopes to:

- Harmonize land policies and the legislative framework with customary law for sustainable land administration.
- Undertake institutional reform and capacity building for comprehensive improvement in the land administration system.
- Establish an efficient, fair and transparent system of land titling, registration, and valuation.
- Issue and register land titles in selected urban and rural areas to test innovative methodologies and land dispute resolution mechanisms.

4.3. Implications for future action

46. *The first question to ask is: Are the great resources and efforts to improve the revenues from property rates worth pursuing?* In a context where urbanization is taking place informally for the most part, where titling is scarce and land registration inefficient, where the judicial system is not in place to address mounting issues of multiple claims, is taxation based on property the best way to go? Some have advocated the need to change the basis of valuation to the open market value. In the better areas of Accra and other urban centers, enough market data exist to support the use of the open market as a basis for assessing the rate. When this is done, the Accra Metropolitan Assembly will be able to levy rates that are commensurate with the earning capacity of the properties. This suggestion may be implemented without necessarily amending the law. The Local Government Act, 1993 (Act 462) provides that “the Minister may by legislative instrument prescribe either generally or in respect of any particular district a basis for the assessment of rateable values of the premises.”

47. *Local authorities could base their assessment of taxes on land values only.* This means that improvements on land would be ignored and the tax levied on land. This would make the assessment less cumbersome and faster as mass valuations could be carried out. This would

discourage speculation as the tax could be made to fall more heavily on vacant land. This tax would also capture increases in land value that occur in the economy and which are not the result of investment decisions of landowners (what the classical political economists call *unearned increments to land value*). In other words, society will reserve for itself part of the wealth it creates for landowners. Under the Land Administration Project, the Ministry of Local Government is considering the possibility of adopting mass valuation techniques to replace the property rate. This would involve the valuation of land, instead of developments on land, and hence would be cheap and could be speedily undertaken. Even if the basis for valuation was to be reformed, the question of coverage and collection remain major concerns. The bottom line is that drastic reforms need to be undertaken to shake off years of “business as usual”.

48. ***The second question is: are there alternatives to the existing property rate?*** A major alternative is to base taxation on occupancy rather than property rates. In this case, the local authorities could base the tax on the occupant of an improved lot, who could either be an owner, renter or living for free. The taxpayer would initially be the primary occupant of the property and this could be enhanced later to include the families like in compound dwellings. For businesses, the tax would be applied only to the dwellings, leaving the business activities to be collected by fees and licenses. This taxation could be linked to the level of infrastructure service delivery. This form of taxation is prevalent in countries such as Benin and Burkina Faso and has taken the form of an urban tax or residence tax. Street addressing has been instrumental in providing the basis for improved local taxation by (a) improving the tax base and (b) improving the tax collection through the update of fiscal registers and the greater involvement of DAs in collection.

49. ***The third question is: Are there any land development related fiscal instruments which can help guide future development and service delivery?*** The betterment levy is a tax that has seen little use in the country – because it is thought to be cumbersome to assess and operate. In Ghana, though betterment levies have been on the statute books since about 1945 when the Town Planning Ordinance (Cap 84) was passed, it has never been levied. The basis of the levy is that where a public body, like the local authority, carries out any public project which leads to increases in land values, a tax should be levied on the increment in land values which is a direct result of the public investment. This levy helps to defray some of the cost of the project and, thus, creates more funds for re-investment in more public projects. Such land value increments are created everyday in the cities and are particularly apparent in the peri-urban areas. In Accra, the construction of the motorway extension and the effect it had on opening up areas like Kwashieman and the subsequent increase in land values is too obvious to recount. In Kumasi, when buying land on the outskirts of town, there are often two prices quoted – one for where there is water and electricity and the other for where these services do not exist. The difference is betterment and part of it rightly belongs to the public body, which provided the water and the electricity.

50. ***Is there a best practice? The Tema Development Corporation provides a model of land management that is working effectively in the Ghanaian Context.*** Tema Development Corporation (TDC)¹⁸ was set up in 1952 with an endowment of 63 square miles of land for the development of Tema Township. Currently, it functions under Legislative Instrument 1468 of 1989. The core functions of TDC include: a) To plan, layout and develop the Tema area; b) Construct roads, public building and markets; c) Prepare and execute housing schemes and develop industrial and commercial sites; d) Provide public utilities such as sewerage and street lights; and e) Manage its rental units, the central sewerage system, planning, controlling and

¹⁸ Source: www.tdctema.com.

leasing plots for private and large-scale real estate development. TDC allows for two options: purchase of serviced plot or purchase of TDC housing schemes.

51. All the land transactions by TDC are on leasehold basis. Currently the lease period is 60 years with an option to renew for 20 years. In case of serviced residential lands and houses, the lease terms differ between Ghanaians (80 years) and Non-Ghanaians (50 years). However, TDC imposes restrictions on the height of the structures, usually limited to single or double storey buildings based on preexisting land use zoning and architectural building codes.

52. Process: In terms of developing land, a prospective buyer submits a building plan to Tema Metropolitan Assembly and TDC before construction. The permit fee is based on rates applied to 1.5 percent of the building site, which vary by community. Furthermore, once the plot is serviced an annual ground rent is levied, subject to revision every three years. For TDC constructed houses, leases are prepared upon completion of construction.

53. Advantages: i) The houses/serviced plot by TDC are usually free of claims and come with a title which allows for borrowing in the mortgage market; ii) if a housing scheme is developed by TDC, it usually comes with a warranty of 6 months after completion of the house; and iii) since TDC has a dual mandate for planning and developing land, it tends to be better planned and zoned, avoiding chaotic development.

II. DECENTRALIZATION, MUNICIPAL FINANCE, AND SERVICE DELIVERY

1. THE LEGAL FRAMEWORK FOR DECENTRALIZATION

54. The efficiency and performance of a decentralized system is determined by the financial system, the institutional framework, and its ability to deliver services to the population. Below, the overall progress in implementing decentralization in Ghana is presented, providing the basis for determining priority areas in policy and sector interventions.

1.1. District Assemblies: Loci of the decentralization process

55. *Decentralization has been under way for a long time in Ghana.* Municipalities were established in Ghana in the middle of the 19th century. The decentralization process started in 1988, when the then military Government promulgated Law 207 (PNDC) that transferred greater functions to the District Assemblies and increased the number of DAs from 45 to 65. The PNDC initiated a shift in the structure of governmental authority whereby the responsibilities for policy formulation, planning, and implementation of local infrastructure were devolved to the DAs. Additionally, DAs were given responsibilities for roads and street cleaning, waste management, markets, and lorry parks.

56. The Local Government Act (Act 462 of 1993), which replaced Law 207, gave the District Assemblies the powers to: (i) exercise political and administrative authority in the District; (ii) provide guidance; (iii) supervise all administrative authorities in the District; and (iv) assure overall development of the District including development of basic infrastructure, provision of municipal works and services, and management of human settlements and the environment. However, Act 462 does not mention specific sectoral functions of District Assemblies.

57. *The territory of Ghana is divided into DAs and some Districts tend to cover very large surfaces.* Act 462 defines the structure of District Assemblies by distinguishing them according to population size: Metropolitan Assemblies (at least 250,000 inhabitants); Municipal Assemblies (at least 95,000 inhabitants); and District Assemblies (at least 75,000 inhabitants). Of the 138 DAs, three have metropolitan status (Accra, Kumasi, and Shama Ahanta East) and ten have municipal status. Each District has its administrative center (city or town), surrounded by satellite communities of urban, semi-urban or rural areas. The Metropolitan Assemblies are almost entirely urban and the Municipal Assemblies are also largely urban although they are surrounded by substantial rural or semi-rural communities. The District Assemblies tend to be the least urbanized, characterized by few towns or cities and surrounded by rural communities. The District Assemblies further comprise of a number of Unit Committees, which are neighborhood level political entities. Table 17 (below) provides a snapshot of the various competencies of each of the entities.

Figure 4: District Map of Ghana



Ghana Urban Development and Economic Growth ESW
Date Prepared: October 2006

**Table 17: Fields of Competence and Organization
in the 3 Types of Local Authorities**

Metropolitan	Municipal	District
1. Central Administration Department	1. Central Administration Department	1. Central Administration Department
2. Finance Department	2. Finance Department	2. Finance Department
3. Education, Youth and Sports Department	3. Education, Youth and Sports Department	3. Education, Youth and Sports Department
4. Metropolitan Health Department	4. Municipal Health Department	4. District Health Department
5. Waste Management Department		
6. Agriculture Department	5. Agriculture Department	5. Agriculture Department
7. Physical Planning Department	6. Physical Planning Department	6. Physical Planning Department
8. Social Welfare and Community Development Department	7. Social Welfare and Community Development Department	7. Social Welfare and Community Development Department
9. Natural resources Conservation Department, Forestry, Game and Wild-life Division	8. Natural resources Conservation Department, Forestry, Game and Wild-life Division	8. Natural resources Conservation Department, Forestry, Game and Wild-life Division
10. Works Department	9. Works Department	9. Works Department
11. Industry and Trade Department	10. Industry and Trade Department	10. Industry and Trade Department
12. Budget and Rating		
13. Legal Department		
14. Transport Department	11. Transport Department	
15. Disaster Prevention	12. Disaster Prevention	11. Disaster Prevention
16. Urban Roads	13. Urban Roads	

58. *Each District Assembly comprises of elected and nominated members, including: (i) President (elected); (ii) Executive Committee elected by members of the Assembly; and (iii) Chief Executive, chairman of the Executive Committee, nominated by the President of Ghana. The Chief Executive is the chief representative of the central Government in the District and presides over the meetings of the Executive Committee with responsibilities for the day-to-day functioning.*

59. *The DAs have planning authority within their boundaries but are assisted by the MLGRDE, in particular with the planning process. Whatever the status of the DAs, each is required to prepare an economic development plan, with guidance from the National Development Planning Commission (NDPC) a copy of which is left with the NDPC. The development plan consists of key findings, development prospects, and programs of action. A part of these programs serve as inputs for the capital expenditures of the Districts.*

60. *DAs only have limited influence in the recruitment of personnel.* Recruitment of professional staff to the Assemblies is mainly done by the Office of the Head of Civil Service (OHCS) which has been affected by the ban to engage personnel. Besides, the DAs have to contend with various directives from the MLGRDE. There have been occasions where an Assembly has trained staff at its own expense, but the staff has been transferred to other Assemblies. It is normal practice for senior staff at the Metropolitan and Municipal Assemblies to be seconded from central Government agencies that have the tendency to recall without prior consultation. Not only do such actions on the part of the departments create problems of integration, but it discourages AMA and other leading MAs from investing in staff.

61. *A new Local Government Service Act was enacted by Parliament in June 2003 to provide the legal and administrative framework for decentralization and address issues of staff retention.* It also provides the DA's with the independent responsibility to set terms and conditions of employment. It provides the DAs the flexibility to recruit and retain professional staff for statutory mandated functions. However, to date only the governing council has been established. The additional legislative instruments and operational arrangements are not yet in place.

1.2. Central and local government responsibilities

62. The shift of authority from the center to the DAs is occurring in two directions: vertically (deconcentration), with 22 central government ministerial departments being represented in each District; and horizontally (devolution and delegation), at the district level, from the central Government to the Assembly.

63. The deconcentration is supported by a number of key Ministries and Agencies, including:

1. The Ministry of Water Resources, Works and Housing (MWRWH)
2. The Ghana Water Company Limited
3. The Ministry of Tourism
4. Ministry of Finance, Controller and Accountant General's Department
5. Town and Country Planning Department
6. Ministries of Health and Education and Sports, together with the Forestry Department

64. The reform of 1993 gave a supporting role in the technical domains to 22 central Government ministries vis-à-vis the Districts. For example the Ministry of Works and Housing (MWRWH) implements large drainage projects in cities in addition to policy and regulatory responsibilities over central government public works on water and housing sectors. In principle these competencies are not decentralized.

65. *MLGRDE has the mandate to assist the DAs in a number of areas:* (i) drafting by-laws; (ii) monitoring the financial performance and promoting internal auditing of their accounts; (iii) providing guidelines with respect to revenue collection; and (iv) promoting capacity building within DAs. In addition, MLGRDE serves as an interlocutor between DAs and international donor agencies with respect to projects that are appropriately implemented at the local level. Besides that there is also a project coordinating unit, the Decentralization Secretariat which is located in the Ministry.

Figure 5: A Typology of Decentralization

For the purposes of this report, decentralization is a generic term covering various degrees of relinquishing of the responsibilities of the central State to other entities:

1. **Deconcentration** means that the central State retains its powers and responsibilities, but that the undertaking of the functions is moved outside the capital, by means of local representation of the ministries. Financing for deconcentrated activities come from the national budget.

2. **Delegation** is the process by which the central administration keeps its responsibilities and competencies but delegates the delivery and administration of services to some form of sub-national local government, (Region, Province, Canton, Municipal government). If the necessary funds are available at the sub-national level, the administration of services is adequate and permits the local government to achieve a certain degree of independence in the delivery of the delegated mandate. The delegated competencies are, however, often accompanied by a functional doubling, which causes confusion and inefficacy. Financing comes from the local budget, with possible contractual payments from the state from the national budget

3. **Devolution** is where the state relinquishes most powers, and significantly transfers responsibilities and competencies from the state to the local governments (DAs). This transfer means that the state loses decision powers over the quality and quantity of services and on the means of delivery. However, it is possible to have devolution with national norms, which requires a minimum level of services. Financing comes from the local budget, financed by local taxes or transfers from the state from the national budget.

66. The Regional Coordinating Council is a deconcentrated entity of the State, chaired by the Regional Minister, who represents the President in the Region.

67. *Actual implementation of the decentralization process is asymmetrical:* On one hand, in terms of political decentralization, substantial authority has been devolved to the district level. On the other hand, devolution of administrative functions has not kept pace with the decentralization process and in reality has vested increasing concentration of power and resources in key sector Ministries, Departments, and Agencies. This situation is not surprising, since decentralization is a long and ongoing process, even in countries with mature democracies. Areas that require further probing include:

- What is the real *degree of participation* of the population? This could be measured by the number of meetings of the District Assembly but also of the Town Councils or Unit Committees.
- How is the population involved in *capital infrastructure choice*, or in kind and quantity of *service delivery*?
- Is the *planning process* the result of technical appraisals or public participation?
- With the responsibilities split between District Assemblies and technical Ministries, who has the real *ability to appraise* capital infrastructure projects?

2. FRAMEWORK FOR LOCAL GOVERNMENT FINANCE

68. The Local Government Act (Act 462) lays down the following principles for the financing of services by the District Assemblies:

- The DA is responsible for the preparation and approval of its *annual budget*; the approved budget *is for the relevant year*.
- The DA may charge *fees* for any *license or permit* prescribed by the MLGDRE by legislative instrument.
- The DAs receive financing from the *Common Fund*, which may only fund projects that are part of the approved development plan for the District. This usually (but not exclusively) refers to capital expenditures.
- The DA opens and maintains *a bank account* for all revenues and other monies raised or received.
- The DA may raise *loans*. No approval is required where the loan or overdraft to be raised does not exceed 20 million Cedis. In fact, the level of borrowing is so low (US\$2,200 total) that we can say that there is no municipal loans in Ghana.
- The budget is submitted to the Regional Coordinating Council.
- The DA must publish the annual statement of its accounts.

69. *Financial legislation for DAs is similar to that found in other countries*: Necessity to prepare a budget, control by deconcentrated administration, system of transfer of funds from central government. However, compared to many other countries, the freedom in definition of rates and fees or opening bank accounts makes the system more liberal. Thus the DAs have some level of autonomy in terms of raising revenues, but they are limited in terms of borrowing which impacts the scope of capital expenditures.

70. Besides the Local Government Act, the following laws set out the structure and functions of the DAs within the context of Ghana's decentralization:

- Act 455 of 1993 District Assemblies Common Fund (DACF) Act sets aside 5.0 percent of total revenue for District Assemblies to be used for various infrastructure developments.
- Legislative Instrument 1589 of 1994 provides for the establishment of urban, zonal, town councils, and unit committees.
- Act 479 of 1994 the National Development Planning Commission Act empowers the commission to ensure that local level development occurs within the context of national development goals.
- Act 506 of 1995 the Ghana Education Service Act requires District Assemblies to provide educational infrastructure up to the Senior Secondary School level.
- Act 525 of 1996 the Ghana Health Service Act prescribes modalities for the provision of health facilities by local authorities.

3. FINANCIAL SITUATION OF DISTRICT ASSEMBLIES

71. *DA revenues are largely made up of transfers.* In 2004, the total revenue of DAs including Municipalities, Metros, and Districts was 1,423 billions Cedis (US\$158 million), of which 84 percent were transfers from central government or donors. *Only 16 percent are generated from internal revenues* such as rates, fees, and land revenues.

72. *DAs revenues represent about 5 percent of central Government revenue.* In 2004, the receipts of the central Government included 28,736 billion Cedis (US\$3,192 million), and without loans included 23,938 billion Cedis (US\$2,659 million). In terms of transfers, the Common Fund is the principal source of transfer. According to the law, the central Government is expected to transfer at least 5 percent of the national budget to the districts, but in fact transfers amount to less than 4.5 percent.

73. *Capital expenditure is high and personnel emolument low on DA budgets.* In 2004, the expenditures of the DAs rose to 1,438 billion Cedis of which 78 percent were targeted towards investments. The personnel emolument was not greater than 11 percent, as most of the staff were paid by the central Government. Similarly, the capital expenditure for sectors like roads or some educational expenses were paid directly by the central Government. Current expenses rose to 313 billion Cedis and were covered by current revenues of 342 billion Cedis. Saving amounted to no more than 29 billion Cedis.

74. *The transfer system poses a disincentive for savings.* The system of funding for the DAs comprises of grants for investments (includes capital expenditures), transfer of salaries for personal emolument, etc. In such a system, there is no incentive for savings. On one hand, it is simple to fund every expense; on the other hand, it may explain why there is a lack of dynamism in recovering internally generated revenues. Shifting to discretionary and fungible revenues would move the municipal finance in a more efficient direction.

75. Compared to other countries within the region, the financial structure of DAs is very different (see Table 18).

Table 18: Some Comparative Local Government Ratios for Three Countries (2004)

Country	Ghana	Côte d'Ivoire	Senegal
Current expenses / total expenses	22.0%	80.0%	90.0%
Capital expenses / total expenses	78.0%	20.0%	10.0%
Own local revenues / GDP	0.0%	1.0%	0.8%
Local resources / public resources	0.8%	8.6%	9.4%
Local fiscality/ national fiscality	0.5%	9.2%	5.5%
Current grants /current revenues	33.7%	13.0%	0.0%
Local budgets / all public budgets	5.0%	--	11.0%

76. *Ghana shows characteristics that are very different from other countries:*

- In Ghana, the finances of DAs are clearly dedicated to capital expenses (78 percent), while in Côte d'Ivoire and Senegal the main part of the budget comprises of current expenditures (80 percent and 90 percent, respectively).
- In Ghana, local taxes and local resources are almost non-existent, whereas they make up a significant share of the overall envelope of the public sector in Côte d'Ivoire and Senegal.
- As a consequence, grants make up a large part of DA resources in Ghana, representing 33 percent of current resources, whereas in Senegal there are no current grants.
- The weight of own resources is very low with respect to GDP in all the three countries (less than 1 percent).

77. *The high level of grants for capital expenditures skews local finances.* The low weight assigned to current expenses must be interpreted correctly: central ministries often support some current expenses, whereas delivery of services is often financed by the private sector. In the case of Ghana, the Common Fund, which is mostly financed by grants, is dedicated to capital expenditures, which results in low current revenues.

78. Municipal finance can also be characterized by the economic situation of big cities. A comparison between five Western African cities shows a sharp differentiation in allocation of resources (Table 19), especially between Accra and other capitals of the region.

Table 19: Main Resources and Expenses per Capita for Five Major African Cities

US\$	Accra (2003)	Cotonou (2003)	Dakar (2002)	Ouagadougou (2002)	Porto-Novo (2003)
Current revenues	4.5	23.8	15.0	16.0	14.0
Taxes	1.4	12.0	12.0	8.3	1.8
Fees and rent	1.2	1.6	2.2	2.0	1.8
Other revenues (grants included)	1.8	7.7	0.7	1.0	9.4
Income n-1	-	2.6	-	4.6	1.0
Current expenditures	4.3	17.8	11.0	12.7	10.4
Personnel	1.3	2.8	4.0	2.8	2.3
Other current expenses	3.0	15.1	7.0	7.9	8.1
Interest	-	-	-	0.2	-
Deficit n-1	-	-	-	1.8	-
Saving (income)	0.1	6.0	3.9	3.3	3.6
Capital revenues	2.6	6.7	1.8	5.3	3.6
Saving used	-	6.7	1.8	-	3.6
Grants from State	2.2	-	0.0	0.0	-
Other grants	0.4	-	-	-	-
Loans	0.0	-	-	-	-
Other revenues	-	-	-	5.1	-
Capital expenditures	2.6	6.7	1.8	4.9	5.3
Reimbursement of debt	-	-	-	0.2	0.1
Equipment	2.6	6.7	1.8	4.6	5.3
Other expenses	-	-	-	0.2	-
Result	0.0	-	-	0.3	-1.7
Total revenues	7.1	30.6	16.8	21.2	17.6

Source: Statements of the cities.

4. MOVING TO THE LOCAL LEVEL: WHAT IS THE STORY? A REVIEW OF MUNICIPAL BUDGETS

79. The budgets of the five key urban areas (Accra (AMA), Kumasi, Shama Ahanta East (Sekondi Takoradi), Tema, and Tamale), make up no more than 15 percent of total local revenues although their share of the total population is 21 percent. The data reveals that the five key cities represent 44 percent of the total of current internally generated revenues, but only 10 percent of the grants. It is clear that financing remains a key issue for the major cities of Ghana.

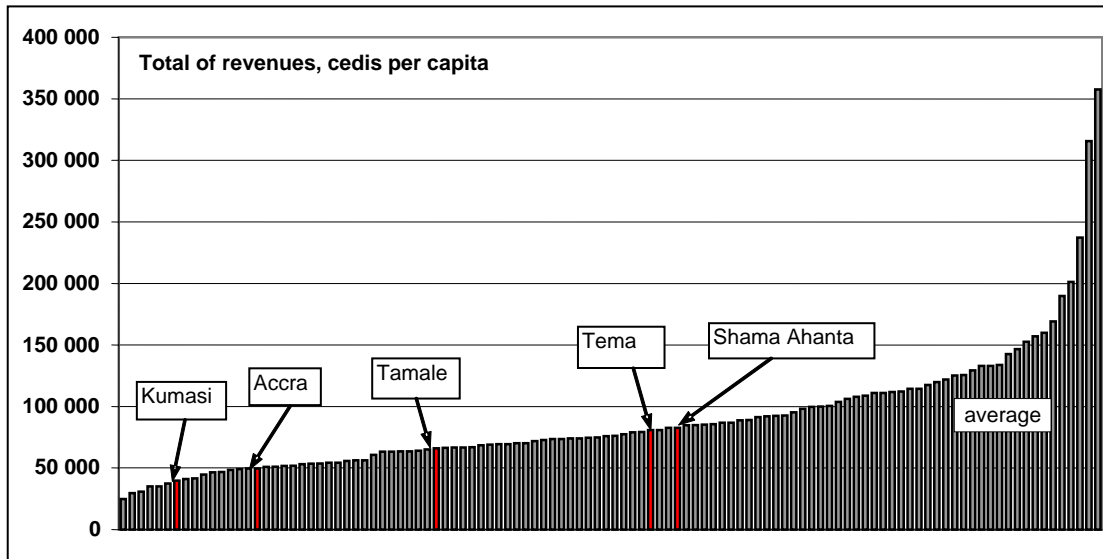
Table 20: Consolidated Budgets for District Assemblies of Ghana (2004)

Category	Millions of Cedis	Average (Cedis per capita)	Percentage of total
Rates	54,420	2,899	3.8%
Lands	33,963	1,808	2.4%
Fees	68,015	3,620	4.8%
Licenses	31,788	1,692	2.2%
Rent	11,469		
Investments	7,438		
Miscellaneous	20,003		
Sub-total internally generated revenues	227,097	12,086	16.0%
Transfers salary	115,547	6,150	8.1%
Common Fund	619,551	32,973	43.5%
Donors	138,759	7,385	9.8%
HIPC	322,076	17,141	22.6%
Total grants	1,195,933	63,649	84.0%
Total revenues	1,423,031	75,735	100.0%
Expenses			
Personnel emolument	163,708	8,713	11.4%
Other current expenditures	149,640	7,964	10.4%
Capital expenditure	1,125,003	59,874	78.2%
Total expenses	1,438,351	76,551	100.0%
Result	-15,321		

Source: Ministry of Local Government and Rural Development, Government of Ghana, 2006.

4.1. Revenues

80. *Revenues per capita in large DAs are low compared to the average.* Three of the five cities have revenues per capita that are lower than the average of all the Districts (the average is 75,000 Cedis). Figure 6 shows that Accra and Kumasi are among those with lowest revenue per capita of all cities. Tamale is closer to the average revenue of 75,000 Cedis per capita and Tema and Shama Ahanta have revenues slightly above the average.

Figure 6: DA revenues per capita

Source: MLGRDE.

4.2. Internally generated revenues

81. *The rise in internally generated revenues has been 11 percent per year. However, the amount of internally generated revenues remains extremely low in absolute terms: 16,000 Cedis per capita (US\$1.7), corresponding to about 16 percent of annual revenues. Figure 7, Figure 8, Table 21, and Table 23 show the breakdown of internally generated revenues and the evolution. It is clear that, in many Districts, the share of internally generated revenues as part of total revenues is minimal. The revenues related to land have been discussed in the previous chapter. The low level of revenues from rates and licenses is mainly due to: (a) the property base in a country where legal property is marginal; (b) the method of calculation; and (c) the inefficient system of tax collection.*

82. *Apart from Tema, revenue from rates is less than one dollar per capita. Fees show a better results as AMA and Tema have been successful in their efforts to raise revenues. However, it appears that today local authorities are in a better situation to raise revenues from services than from property taxes.*

**Table 21: Internally Generated Revenues per Capita 2004
for the Five major Cities**

Cedis per capita	AMA	KUMASI	TEMA	SAE	TAMALE
Rates	7,201	4,303	21,503	8,100	1,740
Lands	229	1,276	-	1,927	291
Fees and fines	11,055	5,325	14,330	3,177	1,060
Licenses	5,661	2,945	8,906	4,640	862
Rents	1,899	819	118	2,003	391
Investments	19	71	781	7	17
Miscellaneous	4,015	319	2,099	478	17
Total	30,079	15,057	47,738	20,333	4,377

Source: Financial statements 2004 of each city.

83. *The capacity for saving is weak and as consequence savings do not contribute towards funding capital expenditures.* Table 22 highlights the low capacity for saving for the five major DAs.

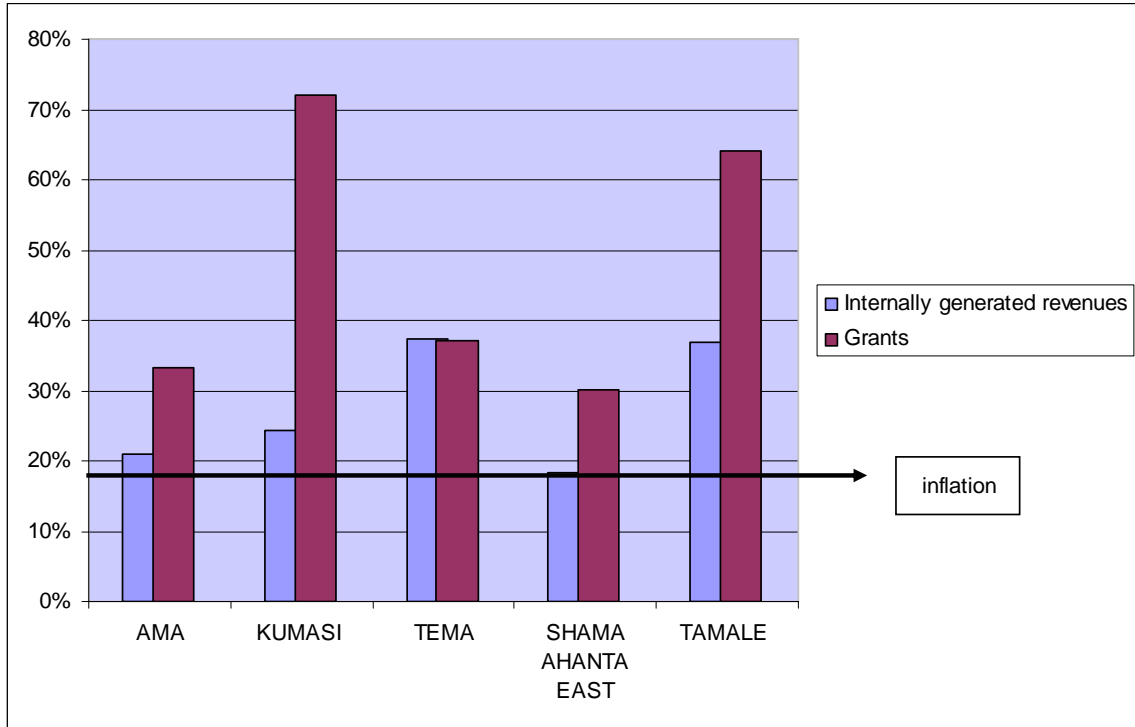
Table 22: Savings of Five District Assemblies in Ghana 2004

2004 Million Cedis	Total for all DAs	Total five DAs	Accra	Kumasi	SAEMA	Tamale	Tema
Current revenue	342,644	128,861	61,357	23,595	11,085	3,815	29,008
Current expenses	313,348	122,122	63,929	22,579	11,202	3,916	20,496
Savings	29,296	6,739	-2,571	1,015	-117	-100	8,512

Source: Ministry of Local Government and Rural Development

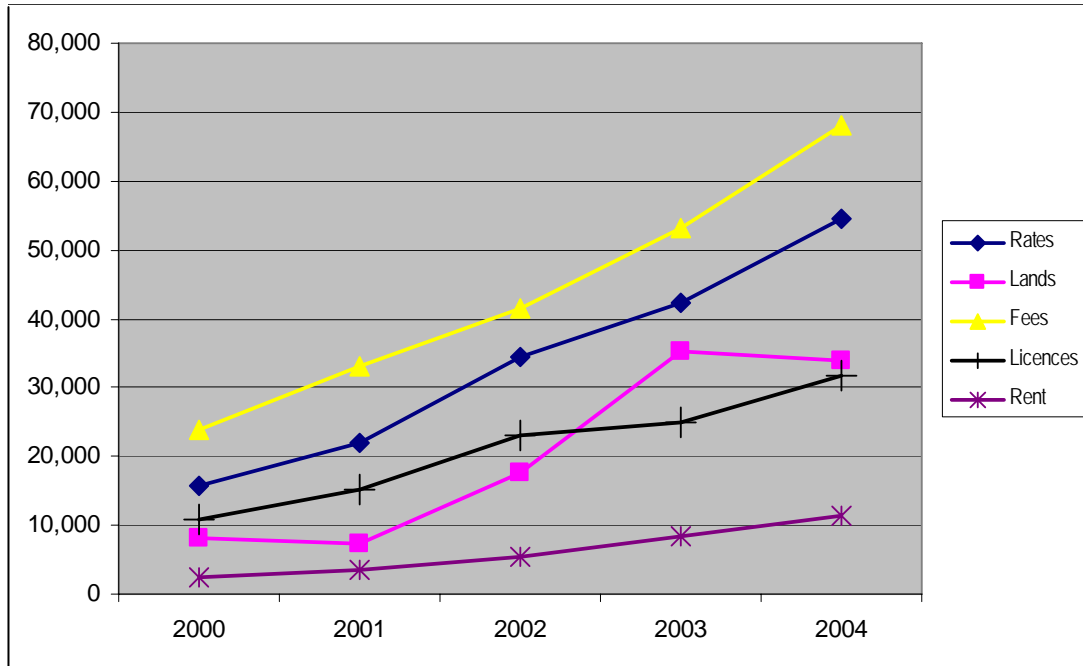
84. *Contrary to internally generated revenues, grants have shown a dynamic evolution.* However, this situation is temporarily distorted, as grants currently include HIPC funds and this situation is expected to change in the future.

Figure 7: Average annual growth of Internally Generated Revenues 2001-2005 (five major DAs)



Source: Financial statements of the DAs.

Figure 8: Evolution of internally generated revenues 2000-2004 (all DAs, Million Cedis)



Source: Financial statements of the DAs.

**Table 23: Evolution of Internally Generated Revenues:
Current Cedis and Constant Cedis**

Million Cedis current	2000	2001	2002	2003	2004	Increase 2000-2004	
Rates	15,640	21,923	34,431	42,229	54,420	248%	
Lands	8,140	7,456	17,673	35,377	33,963	317%	
Fees	23,842	33,135	41,480	53,105	68,015	185%	
Licenses	10,964	15,309	23,153	25,050	31,788	190%	
Rent	2,525	3,626	5,419	8,390	11,469	354%	
Investment	2,590	4,003	4,749	4,779	7,438	187%	
Total	63,701	85,452	126,906	168,930	207,094	225%	
Annual inflation rate	25.20	32.91	14.8	26.7	12.6		
Index 2004	45.9	61.1	70.1	88.8	100.0	118%	
Million Cedis constant 2004	2000	2001	2002	2003	2004	Increase 2000-2004	Average annual increase
Rates	34,044	35,904	49,121	47,550	54,420	60%	12%
Lands	17,719	12,212	25,213	39,835	33,963	92%	18%
Fees	51,897	54,269	59,178	59,796	68,015	31%	7%
Licenses	23,866	25,072	33,031	28,206	31,788	33%	7%
Rent	5,495	5,939	7,731	9,447	11,469	109%	20%
Investment	5,638	6,556	6,775	5,381	7,438	32%	7%
Total	138,659	139,952	181,049	190,215	207,094	49%	11%

Source: MLGRDE for internally generated revenues and Bank of Ghana statistical data for overall inflation.

4.3. Rates

85. *The tax bases are archaic and the rates are set low.* For example, the poll tax is set at ₵10,000 (US\$1.1) for rateable adults (18-70 years). This is so low that often Districts do not go to the trouble to collect it. The property rate has a higher efficiency, even though it is set at a very low level. As described in detail in the section on Land Markets, there are two major bottlenecks to raising rates: the valuation process and the collection system.

4.4. Fees and fines

86. *Fees and fines were the most important internally generated revenues in 2004 with more than 68 billion Cedis for all of Ghana.* Usually, for urban municipalities, the business licenses or other business taxes are key for financial equilibrium, especially when they are borrowing. However there are other factors in Ghana that explain such low levels of collection: Reliance on the state through the transfer mechanism and the rigidity of calculation methods for business licenses.

4.5. Funds and loans

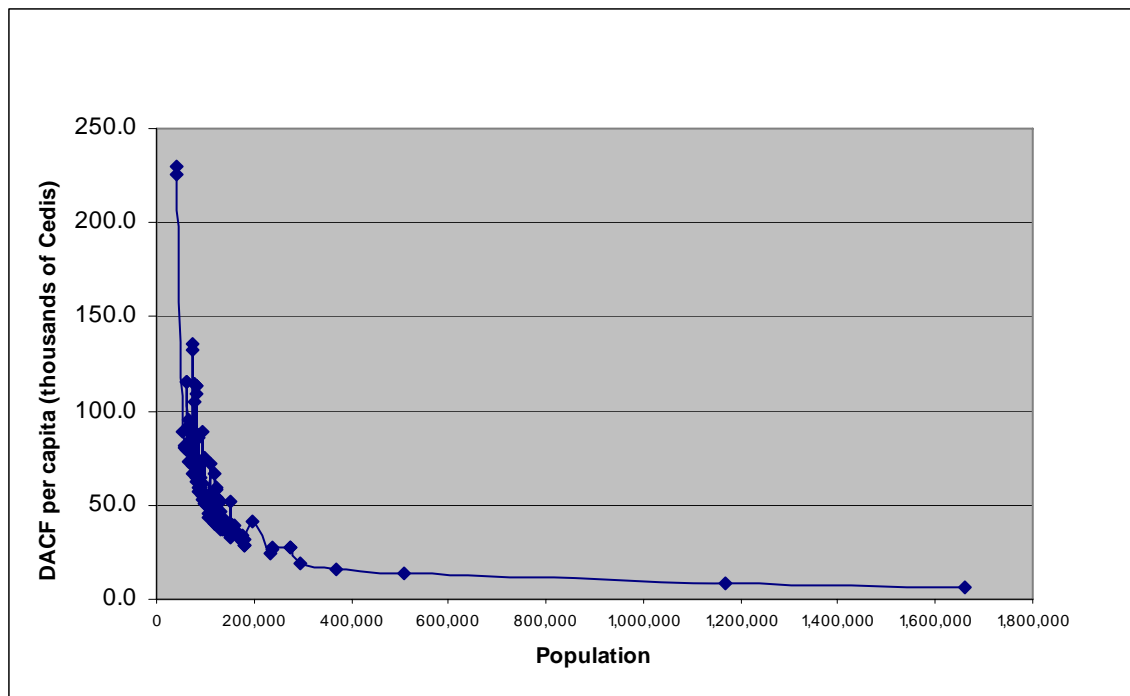
The District Assembly Common Fund (DACF)

87. Under DACF, repartition is made on the basis of a formula approved each year by parliament. Normally, the DACF is used for funding capital expenditures, but it is unclear whether it is totally utilized for financing expenditures.

88. *The DACF has multiplied 40 times from 1994 to 2005, some years with dramatic growth.* In real terms, the DACF has only multiplied by a factor of 3 due to inflation. In 2005, the DACF level was 1,048 billion Cedis (US\$116.5 million). The formula for the allocation of DACF is approved annually by Parliament. In 2005, the main weight (60 percent) was for equalization, 35 percent for needs, 3 percent for improvement in revenue generation and collection and only 2 percent for density of population. In a transfer system, the criterion express political choices and/or choices related to national and regional development.

89. The weights attached to equalization needs to be examined closely. An average district represents 0.72 percent of the total population of Ghana, and usually receives the same proportion of the Common Fund. But Accra, which represents 8.7 percent of the population, receives no more than 1.2 percent of the Common Fund. Two factors explain this situation: (i) leveling effect of the equalization factor and (ii) no size effect in calculation.

Figure 9: Relation between Common Fund and population



Source: DACF.

90. The distribution of the DACF favors small DAs. The unequal distribution is shown by the fact that the DACF varies between 6,000 and 230,000 Cedis per capita. Excluding the extremes, the ratio is 1 to 7. The median is 54,000 Cedis and the average DACF is 44,000 Cedis per

inhabitant. The asymmetric ratio (median/average) is over 1, reflecting the fact that more than half of districts receive more than the average ratio. The statistical distribution is diametrically opposite to the size of population. In large countries, transfer mechanisms tend to favor large cities as they are most often the providers of diverse and expensive services. However, under the existing Ghanaian fiscal transfer system, the resource transfers tend to favor small towns (Figure 9, above).

HIPC

91. *Grants are the main source of revenues for all DAs with HIPC funds being one of the key contributors.* With the HIPC program, the Ghanaian Government converts the reimbursement of its debt into social spending (Relief Fund for Poverty Reduction). The beneficiaries, in particular, are the DAs. A fund dedicated to DAs is managed by MLGRDE. It is distributed according to a formula, which in principle is the same as for the DACF. The funds available from the HIPC program are regressive and will eventually decrease. At the outset of the process, the HIPC program brought more than US\$300 million and will bring no more than US\$150 million after 10 years.

92. *Since the distribution of HIPC funds follows the DACF repartition formula, this also disfavors large DAs.* According to 2004 data, the situation differs according to region. For example, in 2004, the Upper West Region received high transfers from DACF and HIPC at 134,658 Cedis per capita, while the Greater Accra Region received only 30,598 million Cedis for an average of 63,236 Cedis per capita.

93. *Rural areas are clearly favored over urban areas.* This is no surprise since almost all grants are dedicated for the poorest regions in the Ghana Poverty Reduction Strategy. Between the five targeted DAs, the situation follows the regional trend, the DACF being far below the national average. Shama Ahanta East and Tamale, the poorest of the five District Assemblies under review, receive more HIPC funds than the three others, but that is only enough to put them at the average situation for total grants. AMA receives three times less.

94. The question for the future capital funding of urban DAs would be: **If all the various grant distribution methods, existing or in preparation, disfavors urban areas, from where would revenues for capital expenditure in these Districts come?** Unfortunately, the great majority of Metros and Municipalities do not generate enough own revenues to save and self finance capital expenses. The current result is inadequate and the urban DAs will not be able to borrow, except for one or two local authorities. A well-balanced financial system for investment therefore needs to be established.

The District Development Fund (DDF)

95. *The District Development Fund, under preparation, again seems to be more designed for rural areas than urban.* Within the framework of the National Decentralization Action Plan (NDAP), the Government of Ghana intends to introduce a District Development Fund (DDF), replenished with funds provided by development partners and the Government. As of early 2008 the project seems well designed but several decisions remain to be taken before the new fund is scheduled to be operational around the third quarter of 2008.

96. *The DDF is a funding modality that seeks to strengthen the institutional performance of Districts by linking access to discretionary development funds with regular performance assessments and capacity building support.* The size of the DDF is not finally defined since it will

depend on the level of donor financing. The objective is to reach an amount equal to two thirds of DACF each year during 5 years.

97. *The funding arrangement seeks to harmonize and consolidate the flow of financial resources for funding development activities at the district level.* The DDF, unlike the DACF, will be administered on the basis of performance of the DAs, and thus presents an improvement in the method of allocation of resources. The Functional Organizational Assessment Tool (FOAT) provides the evaluation mechanism for allocating performance-based grants and less weight will be placed on equalization. Such a system is already in use in Uganda and Tanzania. The first FOAT was conducted in Ghana in the first quarter of 2008.

Grants and Budget Distortion

98. The Common Fund is often presented as an example of good governance. It appears to be based on a transparent system, but the results are not satisfactory as seen from an urban DA perspective:

- The system is equal but not equitable.
- The main reactive factor has a very low weight.
- The reserve fund is too high, giving sanitation a weight of 10 percent of the total share.

99. *The five DAs represent 44 percent of the total current internally generated revenues, but only 10 percent of the grants.* This poses serious barriers to financing of investments in the big cities of Ghana.

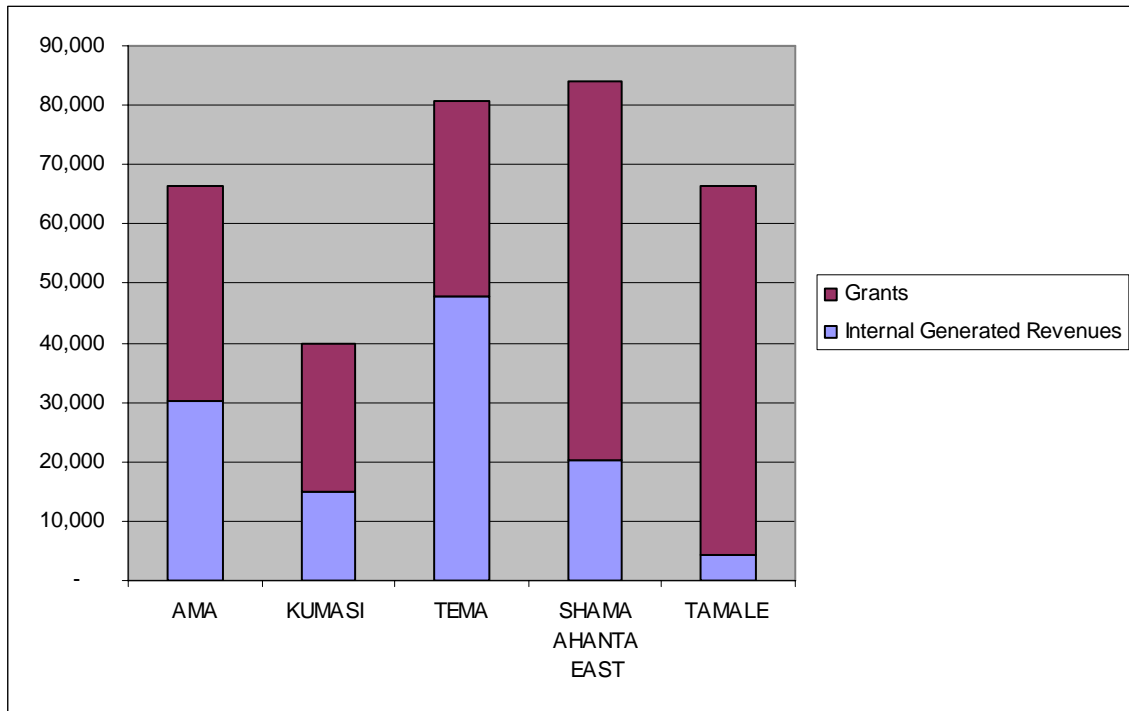
Table 24: Main figures for Five DAs (2004)

Million Cedis	AMA	Kumasi	Tema	SAEMA	Tamale	Total
Internally generated revenues	49,899	17,621	24,174	7,506	1,286	100,487
Grants	60,344	28,827	16,773	23,484	18,230	147,658
Total revenues	110,243	46,449	40,948	30,991	19,516	248,145
Current expenditures	63,928	16,760	20,496	12,234	3,490	116,908
Capital expenditures	38,467	25,418	20,351	16,470	18,063	118,768
Total expenditures	102,396	42,178	40,847	28,703	21,553	235,676

Source: Financial statements 2004 of each city.

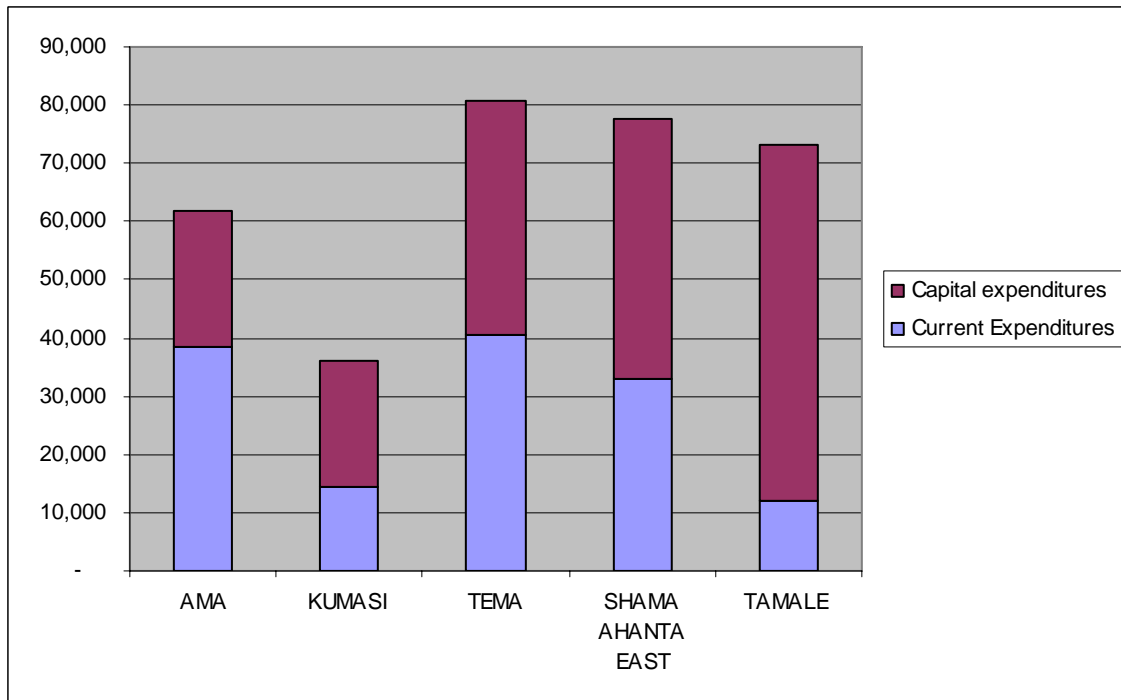
100. *Grants can have significant effect in terms of equalizing revenue per capita (Figure 10 and Figure 11, below).* Tamale, which is the poorest metropolitan assembly, tends towards the same result per capita as Accra. Tema and Shama Ahanta East are in complete different situations with higher level of per capita investments (more than 80,000 cedis per capita). Only Kumasi seems to stand apart, and this could be due to old figures.

Figure 10: Revenues per Capita for Five DAs (2004)



Source: Financial statement 2004 of each city.

Figure 11: Expenditures per Capita for Five DAs (2004)

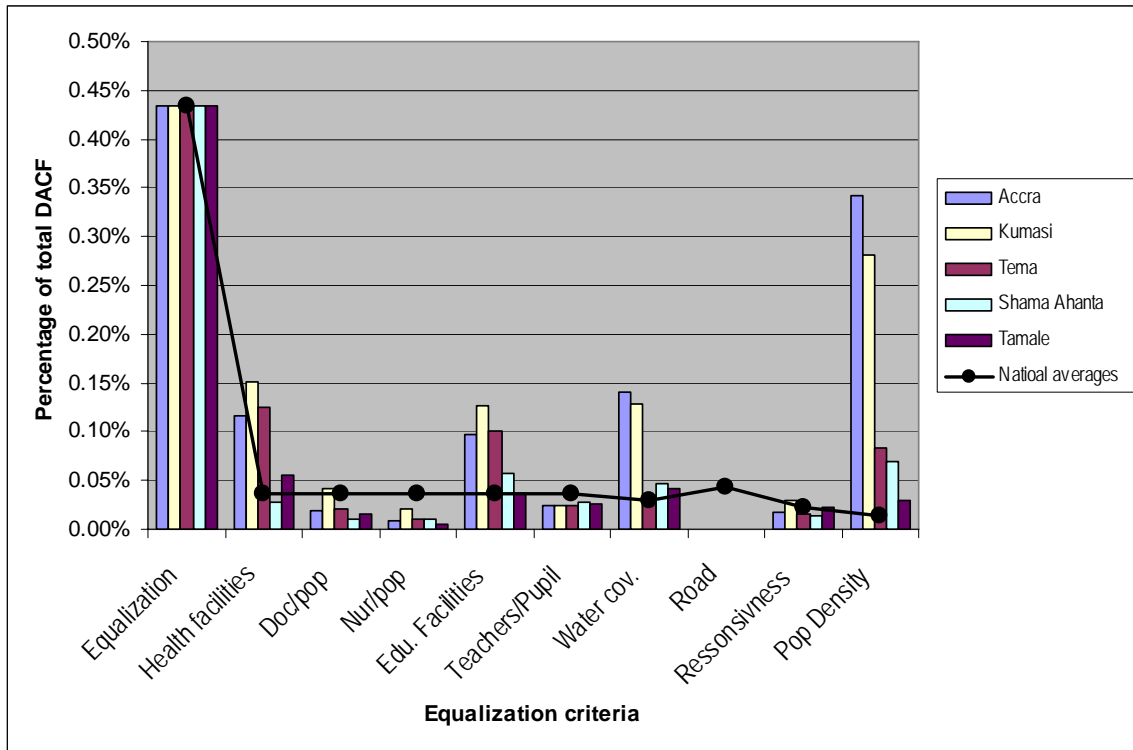


Source: Financial statement 2004 of each city.

101. *There is a strong relationship between the nature of funding and the nature of expenses: the higher the grants, the higher the capital expenditures.* The situation shows a paradox: the more the Metro is dependent on grants for revenues, the more it is able to invest. Grants provide a strong leverage to force the local authorities to invest instead of spending money on current expenditures. However, it is also weakening the capacity of the DAs to raise revenues in the capital markets. Such a system is not effective in the long run as it will not be able to meet the growing infrastructure needs of Accra, Kumasi and Tema.

102. Also, if the transfer system is not changed; it is probable that it will reinforce inequitable allocation.

Figure 12: DACF for Five DAs and National Averages



Source: Nicol, 2005.

Loans

103. *A number of factors prevent the DAs from borrowing.* From the three sources available to fund capital expenditures (saving, grants, and loans) the DAs rely on only two: grants and savings, but the latter only for a few DAs and only as a marginal source of funding. DAs are not mature enough to borrow due to a number of factors, already pointed at: (i) savings are very weak or inexistent; (ii) the fiscal system (rates and licenses) generates poor revenues; and (iii) transfers from central Government are not current resources and most often neither discretionary nor fungible. On top of this, unless DAs receive approval from MLGRDE, they are only allowed to borrow 20 millions cedis (US\$2,200) from the private markets. This situation explains the sluggishness in capital expenditures whereby DAs have to wait before they can raise the total amount for investments.

104. *However, there are ways to explore to finance investments.* One vehicle could be to consider districts that are ready to borrow on their existing savings potential. In this case an opportunity for borrowing exists. One of the potential avenues would be to complement loans for service delivery entities managed by private companies (public-private-partnership). This can be done only by creating a special entity that would be responsible for such investments. The recently created Municipal Finance and Management Initiative (launched in June 2007) is a step towards generating borrowing capacity and aiming at providing access to credit to the DAs and reinforce the fact that DAs have to achieve financial health and an increase of their internally generated revenues before borrowing.

Distribution of main sources of Revenues

105. *To summarize, it is clear that the financial situation of the Districts depends more on grants (84 percent of revenues) than on internally generated revenue.* It is unlikely that grants will continue to increase, given the gradual decrease in HIPC funds, so mobilization of resources will be the key towards increasing the budget envelope for the District Assemblies. Highlighted below are the summary of each instrument:

- *Rates:* the average rate per capita is about 3,000 cedis (US\$0.3). The median is less: 1,000 cedis (about US\$0.1); only in the big cities do the rates reach between 5,000 and 10,000 cedis (about US\$1 per capita); *Rates are a derisory source of revenue.*
- *Land:* the situation for revenue from land is worse with no more than 2,000 cedis per capita, even in Accra.
- *Fees and licenses* are between 50,000 and 3 million Cedis per establishment, and show better performance, mainly because the focus is on businesses. Revenue ranges from 10,000 to 20,000 cedis per capita in the five major DAs.
- *Transfers for salaries.* They are a counterpart of costs, which explains that 50 percent of distribution is between 5,000 and 10,000 cedis.
- *Donor support* is concentrated on half of the Districts; the large cities do not receive anything, or close to nothing.
- *Grants cover all transfers:* donors, grants for salary and District Assemblies Common Fund (DACF); the average amount is huge, 65,000 cedis (US\$70) per capita, illustrating the Districts' dependency on transfers; *the distribution is regressive with population:* all the big cities are under the median of the distribution, which is the result of the policy of sharing of DACF.
- The *sum* of the above main resources per capita is far below the average for Accra.

4.6. Expenditures

106. *Little information is provided on the usage of District expenditure.* Although the Districts' financial statements provide detailed information on the nature of expenditures (personnel, vehicles, etc.) they do not provide much information on the type of service the expenditures are used for. In other words, it is difficult to analyze what kind of services the Districts are delivering.

107. Several factors explain this situation:

- Districts delegate a number of services. For example, tax collection is privatized. AMA's Director of Budget evaluates the return of private services for revenue collection as being 50 percent more efficient than AMA revenue collection.
- Technical ministries, such as the Ministry of Roads, may fund several expenditures.

108. *The expenses are not balanced: in many countries the weight of capital expenditures is about 30 percent of total budget; but in Ghana, it is 60 percent.* It is difficult to imagine an institution with a mandate for investing which is unable to carry out any daily operations. If it were possible to consolidate all the expenses made directly by Districts and indirectly by other bodies (private firms or ministries) the weight would probably be different. The ministry most involved with the Districts is the Ministry of Roads. It has a special department for Urban Roads and carries out maintenance and constructs new works for the Districts.

109. Some general comments on expenditures:

- *Personal emoluments are usually high* for the Metros and Municipalities; the ratio per capita is rather uniform: 80 percent of the districts spend between 5,000 and 15,000 cedis per capita.
- *Other current expenses* are more important in large cities.
- *Capital expenditures*, on the contrary, are very low for these same District Assemblies; the smaller the district the higher the expenditures per capita:
 - Contrary to the general trend in other countries, the Metros have the lowest ratio; the main reason is the low level of grants, absence of donors and poor targeting of the DACF.
- The *ratio transfer for salary / personal emolument* indicates the extent to which the transfer covers the cost; for the large part of Districts, the transfer covers between 60 percent and 85 percent of the emoluments. Big cities have very low ratios: less than 50 percent in Accra, Tema and Kumasi.

4.7. Budgets and financial statements

Budgets

110. Some of the key observations on the *budget* include:

- Current revenues are very detailed and provide a good knowledge of the rates and licences system. For example, business licences include details such as disaggregated figures for each licence. It is unclear whether such an effort is really efficient. Interestingly, the rates are less discussed, probably because the collectors do not provide enough data on the potential sources.
- Current expenditures are also very detailed:
 - The personnel emolument is less detailed but a distinction is made between the salaries paid by central government (e.g. 71 percent of total in SAEMA) and other personal expenditures. Travel allowance and vehicle costs are disaggregated.
 - Unfortunately there is no single source of information on expenditures by type of service delivery. Sometimes a budget line is unclear, e.g. it is unclear in the AMA

budget whether “Refuse Lifting Expenses” covers the total concerned expenditures. In Shama Ahanta East, the budget table provides disaggregated annual cost of the waste management vehicles.

- *For capital expenditures, the information is insufficient.* At present, it consists of a list of projects (new or ongoing), without any relation to funding. In Shama Ahanta East projects are divided between DACF, Assembly projects, sanitation projects and counterpart funding projects.
- Finally, the budgets are presented with equilibrium.

Financial statements

111. *The information in financial statements is aggregated to the highest extent with precision in most cases.* Balance sheets are rare in other countries of Western Africa, but they exist in Ghana and provide a complete view of the cash situation, assets and liabilities. The statement provides full information concerning bank statements (for example SAEMA holds 30 financial accounts, banks and insurance companies, each one is detailed), list of advances granted to personnel and bank accounts which concerns the use of Common Fund. The information on Common Fund is not so precise. For example, in Tema, information highlights each type of capital expenditure with a comparison of what was expected and what was realized; but in SAEMA, the statement provides limited information.

112. *The DAs planning process is supposed to end with an investment program, but the link between budgeting and investments is missing.* During the period of analysis (2001-2004), it was not possible to find any link between the Development Plan reports and the budgeting process, for example budget estimates or financial statements.

113. *It is clear that budgets and financial statements do not provide complete information on financial matters.* It is difficult to follow the nature of investments over several consecutive exercises, as categorizations change and only a few items retain the same label from year to year.

114. *In conclusion, there is a need for better information on capital expenditures.* It is difficult to deduct from the existing data if expenditures are completely financed in any given year, when the realisation was 70 percent or less than the estimates. Further, no explanation can be provided for why some expenditure was omitted. Therefore, even though the budget and financial statements are generally in good shape, compared to what is seen in the region, there is a need for better information on capital expenditures.

5. ANALYSIS OF THE 5 TARGETED DISTRICTS

115. The five DAs comprise of over 4.6 million inhabitants and represent 248 billion cedis or 17.4 percent of all revenues of Ghanaian local authorities in 2004. The size of DA budgets varies: AMA represents more than six times the Tamale budget. But the power of grants to equalize the revenue per capita is substantial: *Tamale, the poorest metropolitan area, achieves the same result per capita as Accra.*

Table 25: Revenues and expenditures of Five DAs (2004)

Million Cedis	Total all DAs	Total 5	AMA	Kumasi	SAEMA	Tamale	Tema
Rates	54,420	31,217	11,946	5,036	2,795	551	10,889
Lands	33,963	2,649	380	1,494	690	85	-
Fees	68,015	33,171	18,339	6,231	1,032	312	7,257
Licenses	31,788	19,289	9,391	3,446	1,690	253	4,509
Rent	11,469	5,015	3,185	959	697	115	60
Investments	7,438	672	32	236	2	5	396
Miscellaneous	20,003	8,254	6,661	373	152	5	1,063
Sub-total internally generated	227,097	100,267	49,934	17,775	7,058	1,327	24,174
% Total	100%	44%	22%	8%	3%	1%	11%
Transfers salary	115,547	28,594	11,423	5,819	4,028	2,489	4,835
Common Fund	619,551	43,718	12,299	9,356	8,063	5,818	8,182
Donors	138,759	14,806	-	13,498	-	902	406
HIPC	322,076	32,484	8,719	-	11,394	9,021	3,350
Total grants	1,195,933	119,602	32,441	28,674	23,485	18,230	16,773
% Total	100%	10%	3%	2%	2%	2%	1%
Total revenue	1,423,031	219,869	82,375	46,449	30,542	19,556	40,946
% Total	100%	15%	6%	3%	2%	1%	3%
Expenditures							
Personnel emolument	163,708	55,936	25,986	10,716	5,507	2,590	11,137
Other current expenditures	149,640	66,186	37,943	11,863	5,695	1,326	9,359
Capital expenditures	1,125,003	100,954	38,467	25,418	637	16,063	20,369
Total	1,438,351	223,076	102,396	47,997	11,839	19,978	40,865
% Total	100%	16%	7%	3%	1%	1%	3%
Result	-15,321	-3,207	-20,021	-1,548	18,703	-422	81

Source: Ministry of Local Government and Rural Development, Government of Ghana, 2006.

5.1. Remarks on municipal finance

116. Based on the above, the following keys points can be made:

- The level of internally generated revenues is too low for most District Assemblies; either the rates are too low or tax collections are inefficient.
- As a consequence, most Metros and Municipalities are dependant on transfers from central government or from DACF, which is targeted more towards rural areas than urban areas, because of a regressive correlation with population.

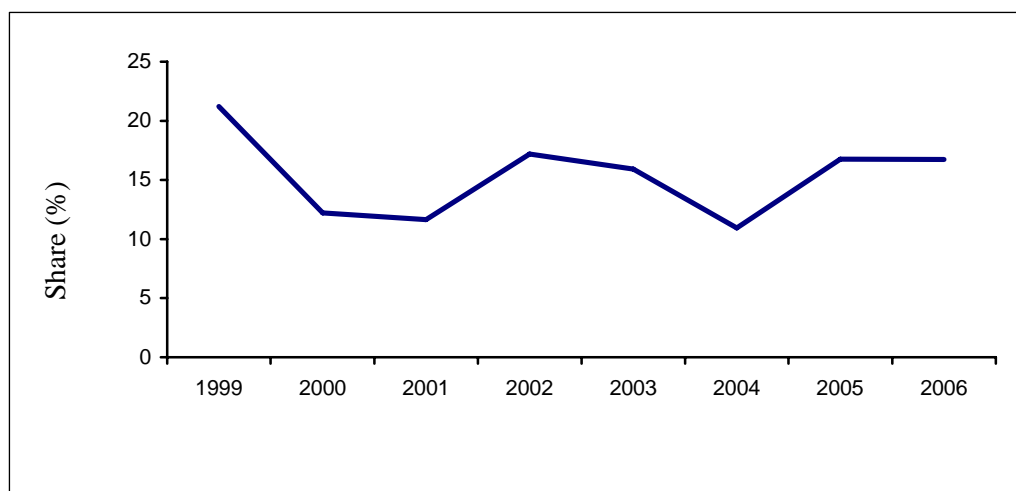
- The low level of savings will be a handicap in terms of developing a borrowing system for District Assemblies

117. The local financial system is cyclical, explained in part by inflation. Each District Assembly tries to increase the internally generated revenues at least as fast as the rate of inflation. They all succeed – some (Shama Ahanta East) by retaining their revenues from falling in real terms due to inflation and some by succeeding to a larger extent due to revenue enhancements in areas like business licenses (especially Tema).

6. IMPLICATIONS FOR INFRASTRUCTURE: LOW LEVELS OF INVESTMENT

118. *Infrastructure expenditure as a part of total expenditure has fluctuated over recent decades but is currently falling.* Central Government spending on infrastructure as a share of total discretionary expenditures decreased from 18.9 percent in 1972 to 9.2 percent in 1983. With the introduction of the Economic Recovery Program (ERP) in 1983, there was a reversal in this trend, with the figures rising to as high as 21.2 percent in 1999. In recent years, however, infrastructure’s share of discretionary expenditures has fallen again to levels observed in the 1970s (see Figure 13).¹⁹

Figure 13: Infrastructure share of total Discretionary Expenditures



Source: Calculations based on government's budget statements.

119. Recent data from the government provides some indication of the distribution of DACF resources across various categories of development expenditures, including infrastructure, in the districts (see Table 26, below).

¹⁹ Ministry of Finance and Economic Planning, Annual Budget Statements.

Table 26: Expenditure of DACF Resources by Sectors (%) (1994-2003)

Main Sector	Sub-sector	% Share
Education	Basic education	16.4
	Secondary education	7.9
Health	Medical facilities	3.4
	Sanitation	9.8
	Water	2.6
Administration and Development	Administration	36.7
	Markets	3.4
	Roads	3.5
	Electricity	7.2
	Housing	2.0
	Income generation (poverty alleviation)	6.9
	Community-initiated projects	1.1
Total		100.0

Source: DACF Administrator's office, quoted in Ofei-Aboagye (2005), unpublished monograph.

120. Given the level of capital expenditures for the five cities of 118,768 million cedis (US\$12,619,100) in 2004²⁰, this gives a per capita investment of 25,446 cedis (US\$2.7).²¹ This can be compared to the wide range in investments in infrastructure per capita in urban areas in the Sub-Saharan Region.

Table 27: Infrastructure Investment per Capita, Urban areas. Selected Countries (US\$)

Country	Ghana	Chad	Gabon	Lagos	Mali	Rwanda	Senegal
Investment per capita	2.7	0.20	Less than 5% of public investments	13	17	46	4

Source: World Bank, 2006.²²

121. *Investments are very far from the level needed for upgrading basic urban infrastructure in Ghana.* A World Bank study (Casalis and Banes, 2002) estimated that for Accra, Kumasi and Tema, an investment of US\$80 per capita would be needed to upgrade infrastructure for urban residents in these cities, over an area of 3,000 hectares.

²⁰ Financial statements of the cities.

²¹ Total population for the five cities: 4,667,447. City populations: Accra 1,981,000; Kumasi 1,517,000 (World Urbanization Prospects, 2005). Tema 506,400; Shama Ahanta East 369,166; Tamale 293,881 (DACF, 2002 figures).

²² Chad: the number only covers N'Djamena. Feasibility study for the Urban Development Project (2006). Gabon: Project Appraisal Document of the Local Infrastructure Development Project. Lagos: Figures derived from Project Appraisal Document of Lagos Metropolitan Development and Governance Project. Mali: Figure includes donor funding. Development of the Cities of Mali – Challenges and Priorities. World Bank, AFTU2, 2006. Rwanda: Including donor funding. Financial Audit of the municipalities, 2005. Senegal: Guide des ratios financiers des communes 2004, 2005. Agence de Développement Municipal.

7. SERVICE DELIVERY

122. *Infrastructure development has fluctuated considerably since the 1970s, in line with the available financing, as shown above, and perhaps in line with the underlying conditions that drive urbanization.* Following the 1966 military coup, the country's infrastructure stock went into a steady state of decline due to inadequate maintenance and investment. The scale and complexity of the problems in the urban areas of Ghana are intensifying and the urban poor with their low income, inconsistent employment and low assets makes them more vulnerable in their ability to access basic services. Slums are the most acute result of urban poverty, physical and environmental deprivation. This has created a big challenge for national authorities and District Assemblies in Ghana as providing access to infrastructure, including water and sanitation, housing, health delivery, education, etc., becomes difficult.

123. *The deficiencies of urban infrastructure in Ghana are due partly to the nation's low GDP and high informal sector.* Nevertheless, there is considerable scope for improving urban infrastructure and services by reducing waste and inefficiency. Moreover, without improvements in delivery systems, most importantly institutional arrangements for service provision, additional investments will not be sustainable. The demands from users for services at higher levels of quality and price go unmet even when users are willing and able to pay.²³

124. *Economic, social and civic infrastructure services together form the basis of any economy, local or national.* Depending on their quality, they may foster or hinder economic development. Data from the Assemblies as well as surveys of local firms provide some insight into the state of infrastructure in each of the metro areas.

Targeting the urban poor

125. *Many of the urban poor live in communities characterized by inadequate water supply and sanitation, electricity, lack of drainage, poor road access, telecommunications, and inefficient, low-quality public transport. Geographically targeted upgrading of infrastructure and services in lower income urban areas should be high priority.* The urban poor, along with all other households, place considerable value on environmental improvements and are willing to pay significant amounts to obtain them. Physical improvements should be part of an overall strategy for poverty alleviation that includes macro-economic measures to foster stable growth, policies to promote investment for employment generation, and the improvement of primary health and education.

Delivery of efficient municipal services

126. The country's ambitious District Assembly system sought to devolve a lot of development responsibilities to district assemblies who were also given authority to mobilize revenue. Over the past two decades, with general economic decline and the resultant erosion of the revenue base, DAs have not had the financial resources to maintain infrastructure.

²³ See Dale Whittington et al, "Household Demand for Improved Sanitation Services: A Case Study of Kumasi, Ghana", UNDP-World Bank Water and Sanitation Program, May 1992; and G. Benneh et al, 1993.

Figure 14: Making Urban Service delivery more efficient

The many alternative institutional arrangements that are available to make infrastructure and service provision more efficient and sustainable can be summarized in four main categories: (i) public ownership and public operation based on financially sound principles and freedom from political interference; (ii) public ownership with private provision, using service, management, leasing, or concession contracts; (iii) private ownership and provision under appropriate regulation; and (iv) community and user provision.

7.2. Investment needs

127. *Deficient urban services – water supply, sanitation, waste management, urban roads, and others – is a major constraint on urban productivity in Ghana.* Mobilizing more public and private capital for investment in urban infrastructure is a major need, along with using financial and institutional resources more efficiently.

128. The gap between investment requirements and actual funds highlights the tremendous importance of economic growth and improved cost recovery through local taxes and user fees and restructuring the rate system for utilities to move away from a situation with operating deficit.

129. The magnitude of the gap between actual investments and investment needs is huge, as shown in the table below.

Table 28: Annual Infrastructure Investment Needs, all of Ghana

Category	Actual	Need	Gap
Investment (% of GDP)	2.7%	6.0%	3.3%
Operation and maintenance (% of GDP)	2.1%	6.0%	3.9%
Total (% of GDP)	4.8%	12.0%	7.2%
Per capita	US\$22	US\$54	US\$32
Total (US\$ million)	420	1,040	620

Source: Draft Ghana Country Economic Memorandum, presented in Accra in May 2007.

7.3. Service delivery on the aggregate level

130. There is considerable scope for improving urban infrastructure and services by reducing waste and inefficiency. Moreover, without improvements in institutional arrangements for service provision, additional investments will not be sustainable. There is a large extent of functional overlap between DAs and various ministerial departments, agencies, and utilities. The complexity of the system is illustrated in Annex 4. The demands for users for services at higher levels of quality and price go unmet even when users are willing and able to pay.²⁴

²⁴ See Dale Whittington et al, “Household Demand for Improved Sanitation Services: A Case Study of Kumasi, Ghana”, UNDP-World Bank Water and Sanitation Program, May 1992; and G. Benneh et al, 1993.

Water Supply and Sanitation

131. According to a recent MDG progress report (WPS, 2006), 61 percent of the urban population is covered by potable water compared with rural coverage of 52 percent. However, *coverage in urban areas has declined* from 85 percent in 1990. The report estimates that there is a funding deficit of US\$45 million per year in order to achieve the MDG of 85 percent access to water in urban areas in 2015.

132. The five main cities of Ghana; Accra, Kumasi, Tema, Sekondi Takoradi, and Tamale all suffer from insufficient quantities of treated water. Tamale has suffered acute water crises over the past year and the Government has only since the beginning of 2006 signed a contract for improvement of the water systems there. Investments are being made in the Kwanyaku urban water supply system, and this is expected to make potable water available to about 700,000 additional people (Cavalcanti, 2007)

133. *According to the MDG progress report, the nationwide urban sanitation access is 40 percent and rural sanitation access is 31 percent.* Parallel to the evolution of water coverage in urban areas, access to sanitation has stagnated in urban areas, remaining at 40 percent since 1990. In some poor urban communities consisting mostly of tenements with absentee landlords, the coverage with household latrines is below 10 percent. The overall coverage in the five project cities is estimated at about 50 percent with household latrines and 30 percent with public toilets. All Assemblies have by-laws on requiring the provision of safe sanitation, which are not enforced and in most cases need revision, at least in the amount of the fine imposed. Older settlements in traditional areas with owner-occupied houses and large families also have low coverage due to their poverty and social conditions.

Table 29: Access to Water, Sanitation and Electricity by DA

City	Access to water (%). Measured as piped water into dwelling or compound	Access to sanitation (%). Measured as flush toilet to sewer	Access to electricity (%)
Greater Accra	62	30	93
Kumasi	No reliable figures	No reliable figures	No reliable figures
SAEMA	47	30	87
Tema	44	37	87
Tamale	37	6	63

Source: CWIQ, 2003.

Storm Drainage

134. Ambiguities in the responsibility for maintenance of storm drains have contributed to inadequate investment and ineffective service of storm drains in Accra. In Accra, the Hydrological Service Department of the Ministry of Works and Housing is responsible for the maintenance of large drains and AMA for the rest. Much of the drain cleansing is done in an ad-hoc manner, and occasionally contracts are awarded by two agencies for the same area. The Department of Urban Roads, which operates in all five project cities, maintained the street-side drains for some years as a temporary measure, but in 2002 it handed over the responsibility to the Assemblies, albeit without corresponding budget transfers. The street drains are in a better shape. A proposal to establish a drain maintenance unit in AMA was not implemented because AMA did not want to assume the responsibility of financing from its own resources. The results is that most

of the storm drains are not adequately maintained, and some have silted and received accumulated refuse to a level where they can be mistaken for refuse dumps. The situation is much better in the other four cities where responsibilities are clear, and surface run-off is better than Accra.

Waste Management

135. *Waste management is one of the most frequently raised concerns by people in urban areas and by government representatives.* DAs spend a large part of their revenues on solid waste management, and still the situation is far from satisfactory. AMA spends about 37 percent of its current expenses on refuse collection (see Annex 1). Hardly a day goes by without a complaint in the media about the poor sanitary conditions in Accra or Tema, be it solid waste accumulation, lack of drain maintenance, or inadequate toilet facilities. While people try to keep their environment clean, no matter whether they live in upper or low-income areas, the DAs are unable to maintain a regular solid waste service. Residents of Accra generate about 1,500 to 1,800 tons of solid waste per day. On average, only about 70 percent of this waste generated is collected (Ghana Districts, 2007). The situation is similar in other cities.

136. Considerable progress has been made in recent years to improve the situation, notably through the creation and empowerment of the Waste Management Departments (WMD), the increasing involvement of the private sector in refuse collection, the increasing reliance on user charges for solid and liquid waste collection, improvements in internal revenue collection by the MAs, and a greater awareness that refuse dumps have to be replaced with sanitary landfills. The required subsidy to the MAs, which amounts to nearly half their discretionary budget, is not regularly available. The central Government provides substantial subsidies to some of the Assemblies.

137. The accumulation of uncollected refuse in the cities is the most obvious urban waste management problem. Being heavily criticized for their failure to manage the situation, the MAs are expanding the participation of private contractors in refuse collection in addition to deploying their own equipment, more than half of which tends to be out of order at any one time. All MAs have divided their city into waste collection zones and award franchises or contracts for some of them.

Transport

138. The transport sector plays a strategic role in the economy. It accounts for approximately 9 percent of GDP and generates a significant share of the budgetary revenues of the Government. The country has a well developed transportation system consisting of two deep-water ports that yearly handle about 7 million tons of import and export traffic; 944 kilometers of railway system serving the southern part of the country; 60,000 kilometers road network system consisting of 20,500 kilometers of trunk roads, 34,000 kilometers of feeder roads and over 5,500 kilometers of urban roads; and one internal airport and 8 regional airports and airstrips throughout the country.²⁵ Road transport is the predominant mode of transportation, and accounts for 94 percent of freight and 97 percent of all traffic movements in the country.²⁶

²⁵ Ghana Roads Sector Development Project – Credit 3554 – Project Appraisal Document 2001.

²⁶ Ghana Highway Sector Investment project – Staff Appraisal Report 1997.

139. As of June 2005, the overall condition of the DUR network was 29 percent Good, 16 percent Fair, and 55 percent Poor, for a network of 5,500 kilometers in the 14 largest cities. While 42 percent of the overall network is paved, about 54 percent of the network in Accra is paved.

Urban Roads and Traffic Management

140. In spite of the growing economic importance of Accra, most parts of the city are not adequately served by good access roads. The urban transport environment in Accra is characterized by heavy congestion particularly during the peak periods, low vehicle utilization rates, weak implementation of traffic management measures, and inadequate facilities for pedestrians and bicyclists, poor road safety arrangements and high accident rates. Almost 70 percent of person trips in Accra depend on some form of bus as the dominant mode, using less than 15 percent of the road space; in contrast, private cars and taxis move less than 30 percent of the person trips but occupy over 70 percent of the road space. The transport sector is a dominant source of local air pollutants that are responsible for poor health and other negative impacts.

141. *In spite of the importance of urban public transport in satisfying mobility needs of the residents, it operates under financial and management constraints.* The inadequate public transport system suppresses the economic and social advantages for which Accra developed in the first place. Despite these problems, the urban transport sector is in a much better shape than the other service delivery sectors. This is because the Department of Urban Roads that has managed this sector is adequately staffed and received substantial investment from donor partners and road fund over the last few years. However, areas remain with high traffic congestion in critical parts of Accra and Kumasi.

142. There is the ever increasing vehicle population of more than 10 percent per annum. In 2006, the vehicular growth rate is expected to exceed 15 percent of 2005 figures and this will pose major problems, especially in the cities, where the bulk of the increase is occurring. Already, about three hours are spent commuting to and from work each day by the working population living at the periphery of Accra, and this situation has the tendency to reduce productivity, increase pollution by exhaust fumes of vehicles, increase the already high fuel consumption bill of the nation, and cause stress and deterioration in the overall health condition of the population. To facilitate efficient urban transport and mobility, the Government is developing an efficient and affordable means of mass movement of people offering limited competition for private sector operation of public transport with the public sector providing the infrastructure and regulatory support.

143. In 2004 and 2005, the Government undertook extensive long term transport planning studies²⁷ in Accra, Kumasi, Sekondi-Takoradi, Tamale, Tema, Cape-Coast, and Koforidua to find lasting solutions to the problem. The Government has accepted the main recommendations of the study and will, as part of the ongoing comprehensive transport policy review, adopt policies on urban transportation. The study recommends the development of segregated and prioritized operation of large buses in Accra and Kumasi in addition to the expansion and dualization of the arterial network. The outcome is to encourage a modal shift from car use to bus use. In light of this a pilot project for the introduction of a Bus Rapid Transit (BRT) system on selected roads in Accra will be initiated under the Urban Transport Project. The objective is to ensure an affordable, safe, and efficient transportation system that supports the overall development and competitiveness of the urban areas of Ghana.

²⁷ Improving Urban Transport through private sector participation in Accra – Adam Smith International.

144. Major traffic management works involving junction improvement, networking of traffic light operation, parking management, safe walk to school programs, enforcement of traffic regulations, and control of hawkers will be implemented. The government should assist the Metropolitan and Municipal Assemblies to develop the institutional and regulatory framework and capacity to manage transport operations in the cities. Adequate provision will be made for walking and cycling as complementary and sometimes alternative means of travel in the cities. Adequate provision will also be made for the mobility needs of the physically challenged

Sub-urban Railway

145. The Government has proposed a restructuring of the railway sector which would retain state ownership of the core railway operations, while non-core operations are leased to private operators. Several previous attempts of this type have failed to improve the quality or sustainability of service. Radical restructuring of the sector is necessary. Despite the slow restructuring of the entire sector, the Government has scaled up development of the sub-urban railway sector between Accra and Tema to improve the mass transport system. An OPEC loan has been secured to improve the existing line and also replete the rolling stock and according to the 2007 Budget statement, the Accra Tema railway line will be fully operational in 2007 after more than 15 years of disuse.

Energy sector

146. Ghana obtains its energy supplies from electricity, petroleum, wood products, and other renewable energy sources, in particular solar energy in remote rural communities. Though electric power constitutes only 10 percent of Ghana's energy supply mix, it plays an important role in the country's economy, powering its industrial, commercial and urban development. The industry and service sectors, which are largely located in urban areas and together account for over 60 percent of Ghana's GDP, rely critically on electricity. The electricity sector is a key driver of economic growth, and is therefore accorded prominence in the GPRS. The 10 percent electricity consumption amounts to about 7,050 GWh in 2002, at a per capita consumption of 370 kWh, lower than the average of 461 kWh for Africa. Access to electricity in Ghana is, however, 49 percent compared to an average of 18 percent for West Africa. Ghana's supply of electric power is obtained primarily from hydropower generated at the Akosombo and Kpong dams and two thermal plants (light crude oil fired) at Aboadze, near Takoradi, Western Region. Generally, about 65 percent of the energy is obtained from hydro sources, while the remaining 21 percent is obtained from thermal. Recently with a low level of the Akosombo dam, hydro power sources has reduced to 50 percent while the remaining 50 percent is obtained from thermal plant and imports from Côte d'Ivoire.

147. *Recent electricity shortage caused by low levels of water in the reservoir of the Akosombo dam is estimated to reduce real GDP growth by about 0.7 to 0.9 percent (Cavalcanti, 2006).* The supply shortage has resulted in a nationwide power rationing. It is against this background that Ghanaian consumers pay 8 to 9 US Cents per kilowatt hour as against 6 to 8 US Cents per kilowatt hour paid in developed countries. Among the main factors underlying these problems are: (i) services are usually provided by monopolistic public agencies which are not subject to pressure of competition for improving performance; (ii) providers lack effective managerial and financial autonomy, which results in pressures to meet objectives other than efficient services provision and fosters a lack of accountability; (iii) lack of finance for new investment and clearance of maintenance backlog; and (iv) users are not well positioned to make their demands known.

148. In order to get a well functioning electricity sector, it is estimated that investments of between US\$800 million and US\$990 million are needed over the coming years (Koljonen, 2006 and ECG, 2007).

Urban growth and electricity demands

149. As income levels rise, households move up the “energy ladder” using cleaner fuels such as gas for cooking and electricity for lighting. For instance, GLSS4 1998/99 data revealed that 88 percent of all Ghanaians that use electricity for lighting fall in the non-poor category of the poverty line. Similarly, among the Accra residents and non-urban households that use electricity for lighting, 97 percent and 80 percent fall in the non-poor category respectively. Electricity used for cooking is only seen in high income urban households. The incidence of charcoal and wood for cooking is relatively high also in the middle - income category, which is mainly urban. This pattern has been confirmed through several surveys in Ghana and is also common in other developing countries.²⁸ According to CWIQ 2003, generally, 78.8 percent of urban households use electricity for lighting, compared with 23.8 percent for rural households.

150. A number of developments are ongoing in Ghana’s electricity sector. In recent times, regional energy integration has added a new dimension to the sector’s development. Ghana is one of the key players in the regional push towards energy trade. The West Africa Gas Pipeline Project, now under construction, would enable Ghana, Benin and Togo to gain access to natural gas resources in Nigeria. With an investment of about US\$550 million, due largely to direct foreign private investment, the pipeline is one of largest private investments in the region. The goal of regional energy exchange will receive a further boost through the development of the West Africa Region electricity market and power pool, an initiative in which 14 Sub-Saharan African countries have undertaken to participate.²⁹ This long term project, which will be developed in several phases, would eventually enable all participating countries to gain access to the region’s rich hydro and natural gas resources and share in the resulting development benefits. Ghana will play a prominent role in this market in view of its physical location, its political significance and the large hydropower resource in the form of the Akosombo hydro complex.

151. This is a sound platform on which to build a rapid access enhancement program. This would of course require substantial investment support from donor development partners and private sector. However, the investment climate, and the enlarged participation of donor development partners is somewhat constrained due to continuing financial viability issues in the core sector and the performance of the sector institutions. Furthermore, most initiatives and investments are currently viewed and operated as stand-alone projects. Against this background, there is a need for Ghana to develop a more comprehensive framework which would integrate these various initiatives, improve the sector’s performance to reassure investors and development partners and enable it to derive the full development value of individual investments. By highlighting key issues and policy choices, the electricity policy paper would help the Government formulate strategic steps in that direction.

²⁸ Ghana Energy Policy Economic and Sector Work Papers – Electricity Sector.

²⁹ The Bank has approved US\$40 million IDA credit to Ghana to execute the first phase of the Coastal Transmission Backbone Project under this regional power pool program.

Information and Communication Technology

152. The emergence of the information age has no doubt brought to the fore, the important role information and communication technology can play in facilitating socio-economic development. According to a World Bank report³⁰, all economies are knowledge-based – what is different today is that rapidly growing economies depend more on the creation, acquisition, distribution, and the use of information and knowledge. The effective use of knowledge is becoming the most important factor for international competitiveness, and for creating wealth and improving social welfare.

153. Significant improvements have occurred in Ghana’s ICT sector over the past five years, and the result is an unprecedented explosion in penetration, from 4.7 percent in 2003 to over 20 percent in mid-2006. Most of this growth is attributed to mobile communications, largely occurring in urban areas.

154. Ghana was one of the first countries in Sub-Saharan Africa to undertake a program of liberalization in the telecommunications sector. The liberalization process began with the 1996 NCA Act which created the regulatory authority, the National Communications Authority (NCA) and established a five-year fixed-market duopoly through the issue of licenses in Ghana. There are currently three fixed operator licenses and four mobile operators. The fixed operators have 313,000 customers. The Mobile Market is very competitive with four operators and subscribers totaling close to 2.4 million. It is estimated that about 90 percent of mobile phone users are in urban areas giving it a penetration rate of 40 percent, as compared to the national average of 20 percent.

155. Ghana has a number of prospering ICT companies, including internet service providers, software and IT service providers, and IT Enabled Services (ITES) ventures. The ITES sector alone currently employs just over 2,000 professionals. Ghana has been recognized as a rising global sourcing destination, as illustrated by AT Kearney Global Services Location Index ranking Ghana number one destination in Sub-Saharan Africa (before South Africa) and number 22 globally out of 40 countries in November 2005. Most of the local companies have excellent technical capabilities and productive and capable staff, however many lack the ability to grow and compete globally.

³⁰ Connecting Sub-Saharan Africa – A World Bank Group Strategy for ICT sector Development.

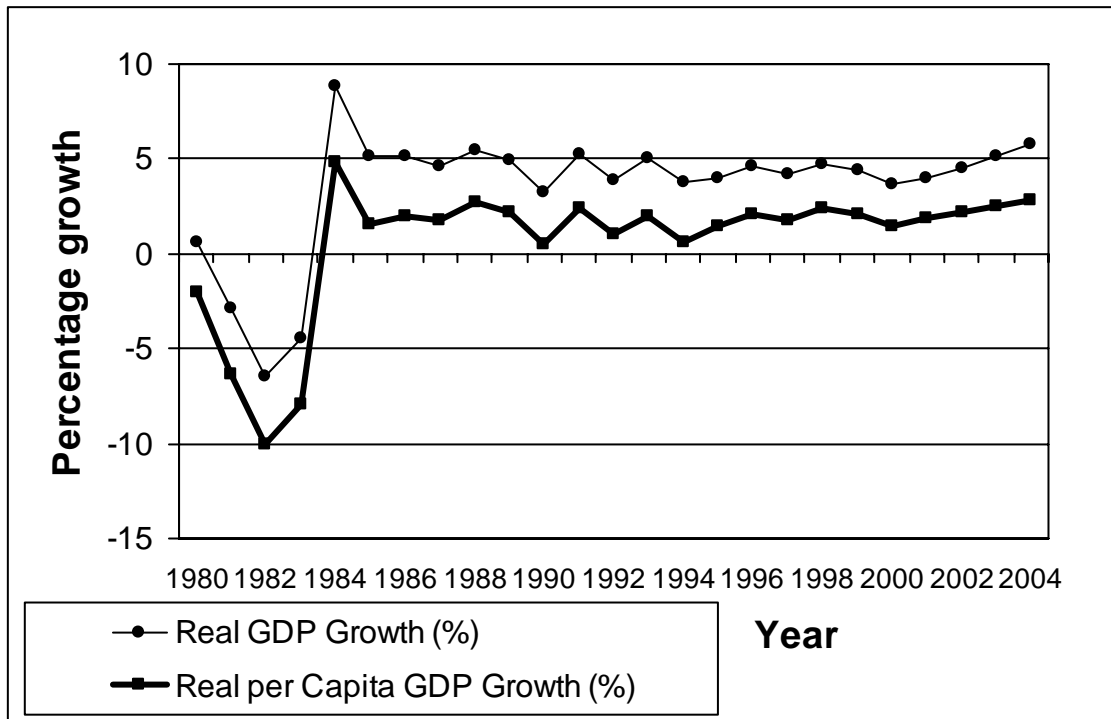
III. LOCAL ECONOMIES: ENGINES OF GROWTH

1. ECONOMIC PROFILES

1.1. National trends

156. *The Ghanaian economy has experienced a positive real GDP growth trend over the past two decades (Figure 15). It is evident that the Economic Recovery Program that was initiated in the mid-1980s has had a positive effect on the economy. However, growth in real per capita GDP has not kept pace with the overall growth in real GDP. This can be partially explained by the increase in population in the 1980s.*

Figure 15: Trends in Real GDP Growth and Real per capita GDP Growth



Source: World Bank, African Economic Indicators.

157. *The structure of GDP since the 1970s reveals an interesting trend. Even though the share of agriculture has declined from 52 percent in 1970-75 to 39.5 percent in 1995-2000, it still contributes significantly to the overall GDP. 2004 estimates³¹ reveal that the agricultural sector was a major factor in the higher than expected growth of the economy. While contributing 36.7 percent of GDP, its 7.5 percent growth rate was also the fastest among real sectors due to the strong performance in cocoa sub-sector.*

³¹ State of the Ghanaian Economy in 2004, ISSER, University of Ghana, Legon, 2005.

Table 30: Sectoral Distribution of Real GDP (Averages (%))

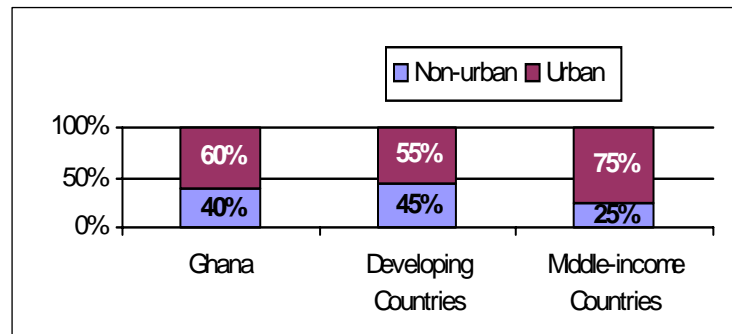
Sector	1970-75	1976-82	1983-86	1987-90	1991-95	1995-2000
Agriculture	52	51	52	46	42	39.5
Industry	19	17	12	14	14	27.5
Services	29	32	36	40	44	33

Source: Fosu and Aryeetey (2003) *Economic Growth in Ghana*,
<http://www.saga.cornell.edu/images/aryeetey-fosu.pdf>.

158. In the same period, industry's share increased from 19 percent to 27.5 percent, which is lower than average of its expected performance. In the industrial sector, the Government's efforts have focused on promoting accelerated and sustainable industrial development within a liberalized economic environment.³² The policy objective is to move the sector from third to first position among the three real sectors of the economy in terms of contribution to GDP, with a goal to attain a 37 percent share by 2007. According to recent Institute of Social Statistics and Economic Research (ISSER) estimates, the industrial sector contributed 24.7 percent of total GDP in 2004, marginally down on the 2003 share of 24.9 percent and continues to decline from 2000 (Table 30). The trends in the industrial sector reveal that despite economic reforms the economy has not experienced a structural shift. The services sector has also experienced a slight decline, but the trends are encouraging as tourism has become the third largest contributor of foreign reserves in Ghana.

1.2. Trends in urban areas

159. While there are no official figures on the contribution of the overall urban economy to Ghana's GDP, it may be estimated, based on the share of industry and services (which are mainly urban-based) that the urban economy contributes about 60 percent to GDP.³³ This is slightly higher than other low-income countries (55 percent) but significantly lower than the roughly 75 percent reported for middle-income countries. This implies that stimulating Ghana's urban economies to add more value to their output with balanced agricultural growth is critical to achieving the nation's aim of achieving middle-income status by 2015.

Figure 16: Urban share of Gross Domestic Product, 2005

Sources: Kessides (2005); authors.

³² Ibid.

³³ According to GPRS-II, industry accounted for 24.7 percent and services 28.7 percent in 2004. Accounting for the fact that significant amounts of some agricultural activities, such as fishing and poultry farming, take place in urban and peri-urban areas, the actual contribution of urban economies may be greater than the sum of the two figures, which is about 55 percent. The total urban share of the national economy could thus be as high as 60 percent, if not more.

160. The Foreign Direct Investment in Ghana in 2005 consisted of 212 projects with foreign equity of US\$155.75 million and US\$46.20 million in local contribution (Table 31). *All but 0.005 percent of these investments were located in urban centers with the Greater Accra Region alone grossing nearly 80 percent of the total inflow.* The Greater Accra Region continues to be the major destination for FDI in the country. At the end of 2005, about 1,545 (79.64 percent) of the 1,940 cumulative registered projects were located in the region. Ashanti Region had 129 projects (6.65 percent) while the three northern regions had a combined total of 25 projects (1.29 percent). Recent statistics indicate that a significant share of investment in urban areas, especially in the Greater Accra Region, is going into the manufacturing, services, general trade and tourism sectors. However, what is lagging is the trade in exports whose share is comparatively low.

Table 31: Regional Distribution of Investment Projects by Sectors, 2005

Region	Total	% Of Grand Total	SECTORS						
			Agriculture	Manufacturing	Building & Const.	Tourism	Services	Export Trade	General Trade
Greater Accra	1545	79.64%	64	462	122	159	460	87	191
Ashanti	129	6.65%	6	38	11	16	35	10	13
Western	85	4.38%	6	20	6	16	26	6	5
Central	60	3.09%	18	13	3	17	7	2	
Eastern	56	2.89%	29	11	3	7	4	2	
Volta	28	1.44%	16	7	1	2	1		1
Northern	19	0.98%	6	1	1	5	3	2	1
Brong Ahafo	12	0.62%	2	5	2		1	2	
Upper East	5	0.26%		1	1	1	1	1	
Upper West	1	0.05%			1				
Total	1,940	100%	147	558	151	223	538	112	211

Source: Ghana Investment Promotion Council: *Doing Business in Ghana*. November 2005.

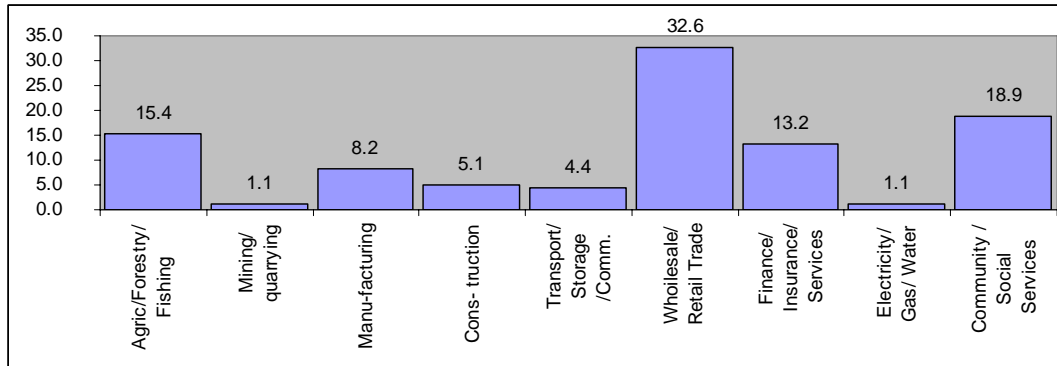
161. *In terms of labor markets, there appears to be a marked shift in the employment pattern with workers in rural areas moving out of agriculture.* This is to be expected in terms of growth patterns. However, what is interesting is the shift out of wholesale and retail trade in urban areas, even though it provides employment for a large share of households (Table 32). A recent World Bank study (2005) provides interesting insights on the urban poor showing a trend among workers with no education to be involved in the agricultural sector (that seems to be the occupation of last resort).

Table 32: Distribution of Heads of Household by Place of Residence, Economic Status and Branch of Economic Activity, 1997-2003 (%)

		Agriculture and Fishing	Manufacturing, Mining and Construction	Wholesale and Retail Trade	Other Sectors
1997	National	51.5	8.0	24.0	16.5
	Rural	68.9	6.0	15.5	9.6
	Rural poor	76.7	4.7	14.2	4.5
	Urban	15.0	12.1	42.0	30.8
	Urban poor	29.2	9.8	43.0	17.9
2003	National	45.0	11.2	22.3	21.5
	Rural	66.1	8.8	14.6	10.5
	Rural poor	74.2	9.1	11.1	5.6
	Urban	15.4	14.4	32.6	37.6
	Urban poor	33.9	13.2	30.8	22.1

Source: World Bank (2005): *The Youth and Prospects for Quality Jobs in Ghana, Ghana*.

162. Examining by employment, over one-third of the urban economy is made up of services, which includes transportation, communication, wholesaling and retailing, as well as the hospitality and financial industries. Of these, about 60 percent are found in wholesale and retail.

Figure 17: Urban Employment by Industry (%) 2003

Source: CWIQ 2003.

163. We can infer that the national economy is the aggregation of local economies. Promoting national economic growth, therefore, requires some attention to local economies. Adequate urban infrastructure and services, a supportive urban policy framework at the DA and national level, and good institutional capacity are essential components of the enabling environment for the growth of the urban economy. Urban areas also provide advantage like economies of scale due to concentration of industries and labor. *However, in Ghana, inadequate infrastructure facilities*³⁴

³⁴ The United States Commercial service in its advice for potential investors in Ghana explicitly states that the process to get clear title over land is often difficult, complicated, and lengthy. It recommends that investors conduct a thorough search at the Lands Commission to ascertain the identity of the true owner of any land being offered for sale. Investors

and public services hinder the formation and growth of firms by increasing the cost of doing business, limiting access to markets, and reducing efficiency. Urban productivity is also hampered by low-density urban sprawl, which increases the cost of infrastructure and commuting. Concentrations of small and micro enterprises in urban areas provide thousands of jobs and serve as incubators for the growth of firms, but these areas lack most basic services and are at risk from ill-conceived location schemes. In the medium to longer term, the development of industry will be constrained unless measures are taken to facilitate the availability of land and services for industries. At the household level, the productivity of the urban poor is kept low by, among other things, deficient basic services, especially road access and sanitation.

164. It is impossible for the present study to address all the factors but the following section will examine three key factors, i.e. labor market conditions, infrastructure service delivery and cost of doing business. If unbundled, these factors have the potential to enhance the productivity of urban areas.

2. KEY CONSTRAINTS

2.1. Inadequate Infrastructure is Choking the Growth of Businesses

165. The relative improvements in infrastructure have helped turn around the country's economic fortunes over the past two decades. The positive though moderating growth rates that followed under the ERP, especially in urban areas, was therefore largely capital-intensive, leading to what the Ghana Human Development Report of 1997 described as “jobless growth” in the 1980s and 1990s. In 1996, more than 40 percent of firms surveyed in a study reported receiving electricity for an average of 3 days or less per week. By 1998, the figure had fallen to 5 percent and remained there until recently when the country began experiencing an electricity crisis as a result of low water levels in the Akosombo Dam.³⁵ Energy issues remain a challenge in Ghana, as described in the Section II chapter on Service Delivery. Water delivery in urban areas remains a problem. The Ghana Water Company Limited faces challenges related to over-aged facilities, growing population, low tariffs and its inability to generate sufficient revenue for rehabilitation and expansion, and high levels of unaccounted water (UNDP 2006).³⁶ Telephone services, however, have increased substantially, especially in the past few years as mobile phones have become more affordable and increased competition among providers has forced down prices.

2.2. Labor markets: The weakest link

166. Table 33 (below) provides a snapshot of the labor markets in the three key metropolitan assemblies of Accra, Kumasi, and Sekondi-Takoradi. *The urban informal sector provides about 60 percent of the total labor force in the key DAs and is predominantly comprised of self-employed workers.* The formal sector accounts for some 2 percent of the total labor force in the DAs wherein employment contracts are generally written and subject to the general conditions of performance specified by the market. The formal labor market comprises of the industrial relations system including the system of laws, regulations and conventions, labor and employers' associations, regulators, and collective bargaining agreements.

are also warned that land records could be incomplete or non-existent and, therefore, clear title may be impossible to establish < http://www.buyusa.gov/ghana/en/doing_business_in_ghana.html>.

³⁵ See Teal et al.

³⁶ UNDP et. al (2006) Getting Africa on track to meet the MDGs on water and sanitation: A status review of sixteen African Countries.

**Table 33: Employment Shares (%)
by Status, Sector, and Industry (2000 vs. 2003)**

Status	AMA		Kumasi		SAEMA		National	
	2000	2003	2000	2003	2000	2003	2000	2003
Self-employed with employees	5.5	6.0	7.3	5.4	4.6	4.6	3.9	3.7
Self-employed without employees	35.0	47.8	35.9	55.2	34.8	56.0	50.0	66.7
Unpaid family worker	0.9	0.7	2.0	1.7	1.4	1.7	5.1	7.4
Casual employee	NA	5.7	NA	3.5	NA	3.5	NA	3.6
Regular employee	24.3	28.5	17.0	19.9	22.1	19.9	11.8	12
Domestic employee	0.8	2.9	1.0	1.6	0.5	1.6	0.6	0.9
Student/apprentice	3.5	7.2	6.4	12.1	4.2	12.1	2.5	4.7
Other	1.1	1.3	1.8	0.5	1.2	0.5	0.7	1.1
Sector/industry	2000	2003	2000	2003	2000	2003	2000	2003
Agric/forestry/fishing	6.2	1.8	8.0	3.4	21.1	19.2	52.1	44.5
Mining/quarrying	1.4	0.2	2.4	0.1	1.6	1.0	1.5	0.9
Manufacturing	17.4	7.6	19.2	10.6	19.0	6.0	10.9	6.4
Construction	5.5	4.2	5.7	4.9	5.8	7.4	3.1	3.9
Transportation/storage/communic.	6.6	3.0	6.7	7.7	6.8	4.8	3.1	2.7
Wholesale/retail/, etc.	38.5	26.7	39.8	41.4	12.2	31.6	17.5	22.3
Finance/ins./real estate/biz services	4.8	20.2	2.7	9.4	2.3	19.8	1.4	7.6
Electricity/gas/water	0.5	0.5	0.4	2.1	0.8	1.4	0.4	0.6
Community/social services	13.3	35.8	11.0	20.4	9.2	8.7	7.3	11.1

Source: Ghana Statistical Service.

167. Given the relatively low rate of urbanization in SAEMA, with a significant proportion of its population being rural and semi-rural communities, its higher-than-average proportion of 73.9 percent workers in the informal sector is due largely to agricultural activities – as opposed to the urban commercial and industrial activities of AMA and KMA.

168. The status of workers across the three cities over time also shows significant changes. As a reflection of the growth in the informal sector, the proportion of workers who are self-employed without employees has risen for all three cities, in line with the national trend. With the exception of SAEMA, however, the proportion of “regular employees” in the two other cities appeared to have followed the increase, though marginal, for the category of workers at the national level. But the decline in regular employees in SAEMA (from 22.1 percent to 19.9 percent) is due to the fact that it registered the largest rise in self-employment without employees (21.2 percentage points difference between 2000 and 2003, versus 12.8 percentage points for AMA and 19.3 percentage points for KMA).

169. Beyond employment status, employment by industry, perhaps the most reflective of what is actually happening in the economies of these cities shows both interesting and disturbing trends. The decline in manufacturing employment in all three cities, for example, does not only mirror a similar decline in national-level industry employment but also parallels the steady fall in manufacturing *value added*, as a share of the nation’s total economic output.

**Table 34: Percentage Distribution of Workers (15+ Years)
By Sector**

	Public	Private formal	Private informal	Semi-public/ parastatal	NGOs/ Int. Organizations	Other	Total
AMA	12.8	15.3	69.7	0.7	0.4	1.1	100.0
KMA	10.0	18.8	70.1	0.3	0.3	0.4	100.0
SAEMA	14.1	10.6	73.9	0.7	0.3	0.5	100.0

Source: CWIQ 2003 (GSS).

170. Between 2000 and 2003, the GDP share of the broader industrial sector, which includes manufacturing, declined from 25.4 percent to 24.7 percent, while that of manufacturing specifically fell from 9.0 percent to 8.75 over the same period.³⁷ In explaining this decline, the Government stated: “The manufacturing sub-sector continued to decline due largely to high costs of production and the influx of cheaper imports. While the liberalization of trade has increased access to imported inputs, weak enforcement of laws and regulations at the nation’s entry points has resulted in increasingly unfair trade practices. As a result, locally manufactured products have become increasingly uncompetitive, both in terms of price and quality.”³⁸

2.3. Challenges of creating an “enabling environment”

171. In Ghana, as in most other places, the challenges of business formation – such as national laws on registration fees and the type and number of procedures involved in registration – tend to be national, irrespective of size or location. Similarly, economy-wide factors, such as monetary and fiscal policies, which ultimately have an effect on business credit and the tax burdens faced by businesses, are also national in scope and therefore beyond the control of local governments. This section of the report is based on studies that are national in scope. In the absence of city-specific studies they have relevance to the three metropolitan areas under consideration.

172. The World Bank/IFC publication (2006) *Ghana: Doing Business in 2007 – How to Reform*, provides the most recent data on some of the challenges facing private sector development in Ghana. *These challenges include the cost (in terms of fees and procedures) of starting a business anywhere in Ghana; registering a commercial property; enforcing a contract; going through bankruptcy; and trading across borders.* By most measures, as shown in Table 35 (below), Ghana compares favorably with other African countries but falls considerably short when compared to more advanced economies, an indication that Ghana – and for that matter the three cities which play a major role in Ghana’s economy – will have to do a lot more to be globally competitive.

³⁷ Government of Ghana, *Growth and Poverty Reduction Strategy – 2006-2009*, September 2005, p.38.

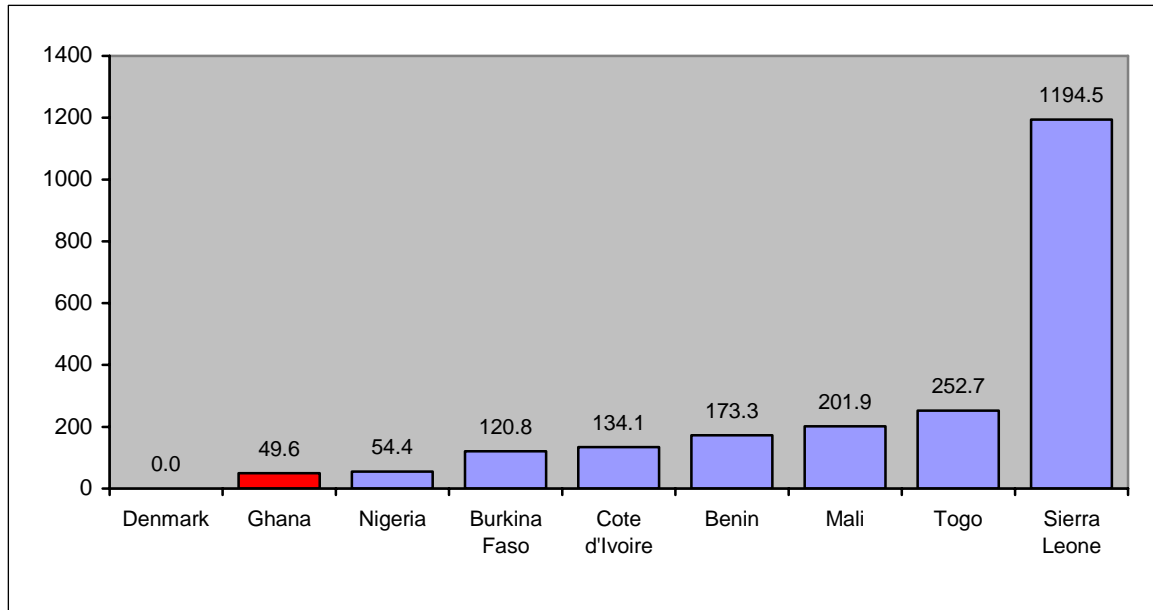
³⁸ Ibid.

Table 35: The challenges of business formation: Ghana vs. Others

		Number of procedures required to start a business	Time to start business (days)	Minimum capital to start business (percent of per capita income)
1.	Australia	2	2	1
2.	Benin	7	31	379.1
3.	Burkina Faso	8	34	481.4
4.	Nigeria	9	43	29.0
5.	Sierra Leone	9	26	0.0
6.	Cote d'Ivoire	11	45	226.7
7.	Ghana	12 (6th)	81 (9th)	23.2 (3rd)
8.	Mali	13	42	519.8
9.	Togo	13	53	539.7

Source: *Doing Business 2007 – How To Reform*. World Bank.

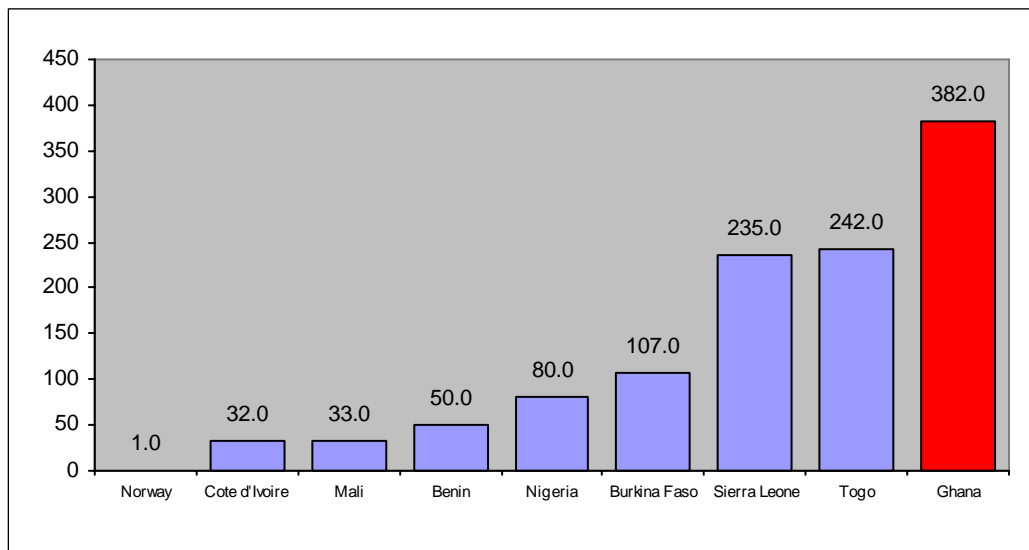
173. Similarly, the cost of starting business is much lower compared to other countries in West Africa.

Figure 18: Cost of starting business (% of income per capita)

Source: *Ghana: Doing Business 2007*.

174. Whereas one of the key aspects of attracting businesses, i.e. property rights, is relatively weak compared to other countries in West Africa.

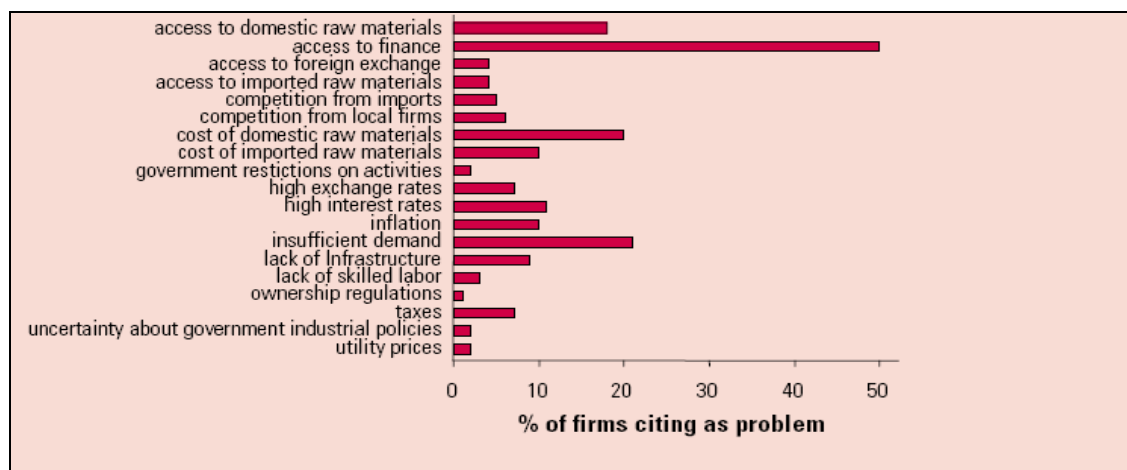
Figure 19: Time to register property (days)



Source: Ghana: Doing Business 2007.

175. Other studies point to different challenges to Ghana’s private sector development. Figure 20 highlights that the predominant constraints that firms in Ghana face are access to credit, the cost of and access to domestic raw materials, insufficient demand, and high inflation and interest rates.³⁹ Close to 50 percent of firms, most of them (70 percent) small- and medium-size enterprises, ranked access to credit as the biggest problem. It is surprising to note that insufficient demand was ranked as the “second most severe problem,” followed by the cost of raw materials. For example, inter-regional trade is extremely expensive in West Africa as it costs US\$1,000 to ship a container from Accra to Lagos.⁴⁰

Figure 20: Firms in Ghana - Perceived Constraints to the Investment Climate



Source: Broadman 2006.

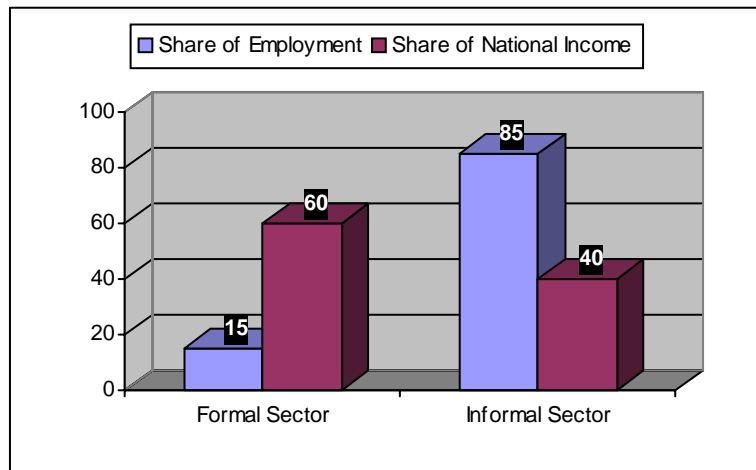
³⁹ Broadman, H., *Africa’s Silk Road*, Washington, D.C., World Bank, 2006, p. 214.

⁴⁰ Ibid.

Drilling down to the informal sector

176. The informal sector is dominated by micro-, small-, and medium-sized enterprises (MSMEs) and accounts for 40.0 percent of national income. Given the generally low growth of the economy – about 5.0 percent per annum instead of the 8-percent-or-better anticipated in the Government’s development programs – it is safe to assume that both the formal and informal sector, but especially the latter, are operating below their potential. To understand the causes of this under-performance and thus spur growth, various studies focusing on both MSMEs and large firms have been undertaken by various stakeholders, including the Private Enterprise Foundation (PEF), the Government of Ghana, and donors. With respect to MSMEs, they found the following:⁴¹

Figure 21: Ghana: Share of Employment and National Income, disaggregated by Formal and Informal Sector, 2006



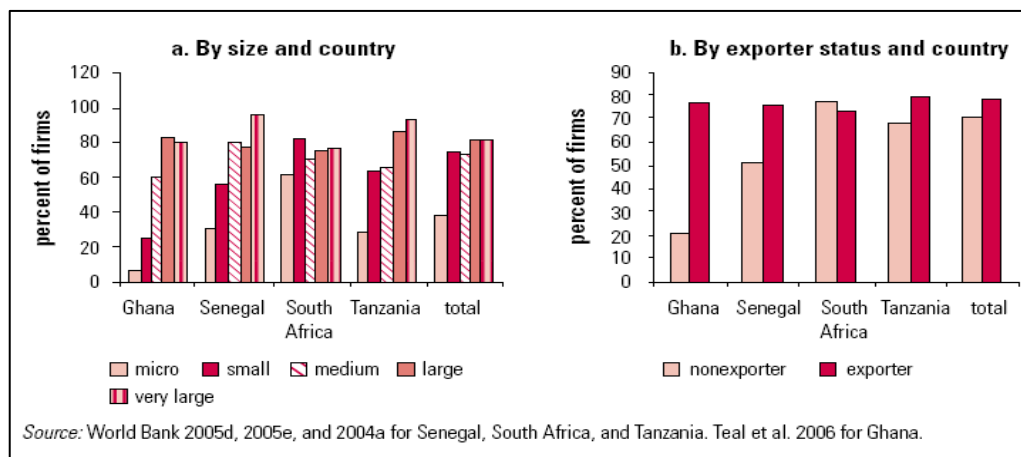
177. National level constraints:

- High taxes, levies and fees.
- Inefficient delivery of government services.

178. Small businesses’ views on why they don’t grow:

- Informal nature of businesses.
- Lack of trust.
- Limited access to finance: Figure 22 illustrates that in Ghana small and micro enterprises have weak access to financial services including overdraft facility. However in countries like South Africa more than 60 percent of micro and small firms have access to financial services.
- Limited managerial skills.
- Lack of markets/export promotion.

⁴¹ Study on forming larger business units in Ghana by Management and Economic Development Consultants Limited, May 2003; UNCTAD / Empretec Ghana Survey on Small and Medium Firms in Ghana, 2002; A survey of nearly 400 firms in 2002 by Bruks Associates for Government of Ghana.

Figure 22: Proportion of Firms with Access to Financial Services

179. Studies focusing on medium and large-scale companies involved in manufacturing and agro-processing established the following as among the factors impeding the optimal growth of the Ghanaian economy, both formal and informal:

180. Constraints (based on degree of severity):

- Interest rates and bank loan regulations (access to credit)
- Poor utility connections and services
- Customs clearance
- Tax rates and administration
- Corruption
- Complexity and non-transparency of regulations
- Unpredictability and uncertainty of laws and policies
- Access to land and construction
- Currency/foreign exchange regulations

181. On the basis of these findings, the government, with the help of donors, has introduced three major policy initiatives to address these problems and create an “enabling environment” for the effective and efficient development of the private sector. The Ghana Trade Sector Support Program, the National Medium-term Private Sector Development Strategy (PSDS), and the World Bank-supported Micro, Small and Medium Enterprises Project constitute these initiatives.

182. While the first two initiatives aim at broader and comprehensive reforms for private sector growth, the last one deals with more specific problems facing MSMEs, such as market access and entrepreneurship development, and thus is likely to benefit the urban informal sector most.⁴²

Avoiding Mistakes of the Past

183. The problems of MSMEs have persisted despite several policy initiatives in the past, including the creation of a department under the Ministry of Trade and Industry known as the

⁴² The project’s “business environment component” also proposes activities to support both the PSDS and trade policy reforms.

National Board for Small-Scale Industries (NBSSI) to help MSMEs. The Bank of Ghana, in a recent study of financing for MSMEs argued that various subsidized credits had prevented the MSMEs from growing to sustainable levels to able to access business credit on their own.⁴³

184. But Camilleri (2006:19) cautions against regarding all MSMEs in the informal sector as homogeneous (and thus treating them equally) and makes a case instead for “segmentation”, based on the following criteria:

- i) Enterprises whose operations are “closer to subsistence than to market economy” and thus lack the potential for “growth” and “accumulation”.
- ii) Emerging enterprises “with premises and sufficient technical knowledge” in need of working capital and possibly equipment.
- iii) Established enterprises, with sophisticated technologies, such as welding shops. These are considered “dynamic” with a growth potential worth nurturing through some form of assistance.

185. Implied in these criteria is the need for MSME support programs to be dynamic in nature, focusing on the transformation rather than the survival of the beneficiaries. For example, support for micro-enterprises may be structured to equip them not only with finance but the skills and ethos to “graduate” into medium or possibly large-scale operations so that they can profit from the cost advantages of operating on a larger scale. Graduation should therefore mean the eventual capacity for beneficiary enterprises to stand alone afterwards. Such capacity should include the ability to borrow from the banks at market rates rather than a continued reliance on subsidized credit, which, from an economic stand-point, undermines the efficient allocation of a scarce resource and discourages MSMEs from pursuing long-term strategies for survival and development.

186. It is clear that concerted efforts need to be made at the DA level to promote growth and productivity. Currently AMA tends to attract all the investments in the country and has better infrastructure compared to other DAs. It is evident that all the key DAs need to develop a comprehensive economic development plan that would prioritize the investment decisions in the DAs related to infrastructure investments, labor-force skills training, incentives to attract businesses and improving the quality of life of cities.

187. Related to this is the necessity for a policy to address the needs of the informal sector. Since a large share of the population is self-employed in the informal sector and their contribution is significant to the local economies, the DAs need to plan for their growth. Such a policy would examine conditions of work, constraints in terms of credit, location, licensing issues, providing informal traders a secure place to trade, representation of interests in the local chamber of commerce etc.

188. The MLGRDE and NDPC play a crucial role in the planning process. However, local governments should be independently working to develop plans that work best for their situation. MLGRDE should play the facilitating role of ensuring that the local economic needs are well represented within the national policy.

⁴³ Bank of Ghana, *Financing Small and Medium Enterprises (SMEs) in Ghana*, Accra, (2006).

IV. NEW FRONTIERS AND OPPORTUNITIES: AN AGENDA FOR THE FUTURE

189. Below is a proposed set of actions which provides a comprehensive program of interventions designed to unlock the developmental potential of the cities of Ghana. Some actions are general in nature, cutting across the thematic areas of this report, while others are specifically targeted towards sector related issues.

Action I: Municipal Contracts – Linking Local Municipal Management Reform with Improved Access to Services and Economic Growth

Background and justification

190. In a context of increased decentralization and greater involvement of local governments and of communities, the municipal contract has emerged as a useful tool to facilitate the selection, implementation and financing of urban services and infrastructure and push the envelope on municipal management reforms. Today, more than 160 municipalities have signed one or more municipal contracts and have benefited from rigorous municipal adjustment programs (thereby improving their management capacity, their revenue base and their way of conducting business) while benefiting in parallel from financing for priority investments. The objective of a municipal contract is to reach a consensual and contractual agreement on a four-year adjustment and investment program.

Process

191. The municipal contract is based on a highly participatory process during which municipal audits are carried out by local consultants under the supervision of the Bank and the Government or Project Coordination Team. The process of data collection and validation of conclusions involves close consultation with mayors, members of city councils, private operators, community groups and neighborhood leaders. In this process, two audits are carried out concomitantly: (a) The urban audit has for main objective to gather baseline information on existing level of infrastructure and services, patterns of urbanization, and pockets of poverty. Data collected through the inventory of public infrastructure and services (IPIE) carried out as part of the urban audit help identify levels of services and poverty zones in urban areas. The audit also leads to the identification of a coherent priority investment program (PIP) and maintenance works, the value of which corresponds to the budget envelope determined by the financial audit; (b) The financial and organizational audit has as a main objective to assess the municipality's financial health and management structure, determine its capacity and therefore the volume of investments to which it can aspire, and identify a set of pragmatic adjustment measures the municipality is willing to take to improve its management and finances (Municipal Adjustment Program).

Cost

192. The cost depends on the size of the city and can range between US\$50,000 and US\$200,000. This buys the process of data collection, analysis, needs assessment, and the actual definition of very precise and targeted program of investments (PIP: Priority Investment Program) as well as a very pragmatic and doable adjustment program (MAP: Municipal Adjustment Program).

Action II: Street Addressing

Background

193. Street addressing makes it possible to identify the location of a plot or dwelling on the ground, that is, to "assign an address" using a system of maps and signs that give the numbers or names of streets and buildings. This concept may be extended to urban networks and services; in addition to buildings, other types of urban fixtures, such as public standpipes, streetlamps, and taxi stands also get addresses.

Justification

194. Street addressing is an activity that cuts across the thematic areas of this report. It has applications for urban management, land management, service delivery and maintenance, resource mobilization and local economic development. For the various urban stakeholders, street addressing has several benefits:

- For the public, it makes the city more "user-friendly" by:
 - Improving the system of street coordinates to enabling people to get around the city more easily.
 - Facilitating the delivery of emergency health, fire, and police services.
 - Locating urban facilities.
- For local governments, it increases municipal revenues and improves urban management through the use of:
 - Tools for planning and managing municipal services by technical departments.
 - The identification of public assets (street system, facilities, their length, number, and condition) allows a monitoring system to be put in place to assist with urban planning and programming of investments.
 - Tools to improve local tax collection: using information gathered by street addressing initiatives, it is possible to locate and compile a register of taxable individuals or businesses and thereby more accurately determine the tax base.
 - Improving data on settlement patterns and demographics.
 - Possibility of evolving the addressing system into a cadastre and gradually formalizing land titling and ownership.
- For the private sector:
 - It enables utility concessionaires to manage their networks more effectively. In fact, street addressing helps water, electricity, and telecommunications concessionaires to maintain their networks and collect fees.
- It enables informal businesses to be recognized.

Process

195. The key tasks in a street addressing program include conducting a feasibility study and determining the estimated costs and time frames for a street addressing program, defining the

scope of the program and choosing a codification system. Following which, some of the key tasks include: mapping, surveying and numbering doorways, recording addresses, installing street signs, producing the address map and street index, conducting a media campaign, and maintaining and adapting the system.

Responsible Entities

196. Street addressing programs are a DA undertaking. Some programs have been implemented as part of projects begun under ministerial supervision before subsequently coming under the control of local governments. But this approach should be considered an exception to the rule: implementing a street addressing program is an opportunity to mobilize the community, specifically through the creation of a street addressing unit, which should gradually evolve into an urban data bank unit, an urban observatory or the city's urban planning unit (see also Action V on Developing a Robust Monitoring and Evaluation Mechanism at the Local Level).

Costs

197. Street addressing programs range between US\$100,000 for a city of 50,000 inhabitants to US\$500,000 for a city of 500,000 inhabitants.

Action III: Planning for future expansion: Urban Grid and Preservation of Right of Ways

Background

198. Most of the cities in Ghana lack a systematic approach to planning for future development. In Ghana, planning mechanisms are perceived to be a) too centralized; b) an isolated process, undertaken without reference to the parallel task of planning investments; c) failing to consult with the people affected; d) taking too long and thus not keeping up with constantly shifting circumstances on the ground; and e) being inappropriate for the current context.

199. To date, most of the efforts have focused largely on providing serviced plots for new settlers and have only rarely tried to anticipate the direction of urban development. One of the key objectives for the DAs should be to channel growth in peri-urban zones more effectively, by establishing a viable basic setting for new occupants. Such work needs to be tackled swiftly and on a large scale. This would entail the development of a broad "*super grid*" that would outline road and drainage routes while securing necessary rights-of-way with incremental service provision.

Justification

200. The key objective of the Urban Grid is to guide and channel the process of urbanization in a minimalist manner. The Urban Grid corresponds to the pattern of the major arterial roads. Improvements within the zones on the grid (covering perhaps 25 to 100 hectares) can then be carried out by various parties, public or private, or even by the customary owners.

201. Moreover, the subdivision of these zones into plots does not bind the DAs obligation to undertake public works, beyond the building of roads and providing protection against water erosion. The process needs to be focused in a careful and regular pattern, to facilitate installation of utility networks (water, electricity). Such an approach not only meets time and financing

constraints, it can also be implemented on a large scale and can be kept more compatible with the habits and living standards of the majority of the candidates for housing.

Process

202. The implementation mechanism comprises of three components: First, is the physical design of the layout: The layout is usually flexible, since it is dependent on topography including drainage, and must connect with existing links to the city and future growth areas. The layout must be continuous, however, so that traffic can flow smoothly. By way of indication, and to establish orders of magnitude, the interval between major roads is about one kilometer: this corresponds to an Urban Grid of 100 hectares (or 30,000 inhabitants) to be subdivided into four urban blocks of 25 hectares-which implies providing for one major road every 500 meters. The grid work can be developed on a larger scale (one kilometer or more).

203. Second, training and human resources development: Setting up the Urban Grid should be accompanied by information and training sessions, covering such matters as implementation and subsequent monitoring, land management, relocation of people inhabiting the rights-of-way, and laying out the roads scheme with reference, etc. as a framework for future development concessions. This part should be carried out under the Municipal Adjustment Program part of the Municipal Contract.

204. Third, for the expenditure on infrastructure of a new urban zone, a separate account will have to be created in the DA budgets, which will make it possible to evaluate the cost and to push for cost recovery from the beneficiaries. The Street Addressing system will have to be implemented for the super grid from the beginning, assuring that new residents can be located precisely for cost recovery purposes, payment of utility fees, taxation, etc.

Responsible Entities

205. The Urban Grid is usually the responsibility of the DAs in coordination with line ministries like MLGDRE, Ministry of Urban Transport, and Ministry of Water Resources and utilities like Ghana Water Company. For example, for such a project, AMA would establish a team comprising of representation from Town and Country Planning Department, Ga DA, Tema Metropolitan Assembly and Tema Development Corporation, besides the support of all affected ministries and utilities.

Cost

206. Varies according to local conditions.

Action IV: District Office of the Lands Commission

Background

207. The study has shown that local governments in the country do not have any role to play in land delivery. Thus, issues such as the amount of land to be released into the development stream, at what locations and at what prices are not within the purview of the local authorities. These are the preserve of the Lands Commission in the state/formal sector and the customary land owners in the traditional/informal sector. Nevertheless, the local authority is expected to coordinate the supply of utility services and infrastructure to such areas. The effect is an effective

disconnect between land delivery, land development, and service/infrastructure provision. The result of this is haphazard development and a proliferation of uncompleted houses on the urban peripheries. This was particularly evident in the study areas.

Justification

208. Owing to the multiplicity of actors in the land market, particularly on the supply side, development control has broken down. City authorities do not become aware of land alienation until the developers apply for development and building permits. However, developers often do not do this until construction is well underway. This often leads to haphazard development and building in unauthorized and unapproved areas. Involving the DAs in the land delivery system will ensure that the DAs will not only control the pattern of the city's spatial growth and development, but would also be better able to monitor development within the city.

Process

209. The study has shown that the process of land delivery begins with the customary landowners and often ends in the Lands Commission, except in the case of public lands where the process begins and ends in the Lands Commission. The required intervention is for the process to begin in the DA and end in the Lands Commission or the Land Title Registry as the case may be. This means that initial acquisitions – particularly for the traditional/informal sector would commence in the DA where all monies would be paid and documentation begun. It is necessary that to enlist the support of the traditional authorities, all monies due them under the current system should be the given to them under the suggested intervention.

210. No new legislative instruments would be required, but institutionally the Lands Commission would need to establish a District Office in the DA to oversee the process. A pilot process could be initiated in Kumasi, where the Ministry of Lands, Forestry and Mines would soon commence an initiative aimed at streamlining the land delivery system, and Sekondi-Takoradi where the system of land delivery is chaotic, as shown in the study.

Cost

211. Implementation arrangements and cost sharing with the Land Administration Project (LAP), under the Institutional Reform Component, should be explored.

Action V: Developing a Robust Monitoring and Evaluation Mechanism at the Local Level

Justification

212. There is a dire need in the DAs to develop a robust monitoring and evaluation mechanism. A systematic monitoring effort will allow for effectively determining the impact of the interventions within the DAs and will also allow for better planning for investments.⁴⁴ A well-established indicator system can also help in areas like financial management, human resource planning, budgetary allocations and overall conditions of infrastructure in DAs. For

⁴⁴ A typical typology could include the following indicators: Site constraints and urbanization trends: determining whether the neighborhoods are located in high risk zones or no-build zone and identifying whether the neighborhoods were recently developed or not? Land occupancy: housing, businesses, open spaces, major facilities like markets, conditions of roads including whether feeder routes exist in neighborhoods. Drainage: main outflow points and run-off channels, sanitation and garbage including wastewater systems, potable water supply and planned growth corridors.

example, cities in Latin America and Caribbean region are standardizing monitoring indicators to comply with the ISO 14000 standards⁴⁵, which would require them to report regularly on fiduciary, economic, infrastructure, and social variables.

213. Currently, there are scattered efforts to collect data at the DA level by various donor agencies⁴⁶ and most often they are not comparable across regions. Even though NDPC has dedicated guidelines as part of the GPRS monitoring system, it is currently not working at the DA level.

Process

214. It is proposed that the DAs in coordination with NDPC develop a well-established monitoring and evaluation system that would collate information from existing agencies like the Survey Department, Ghana Statistical Service, utility companies, Street Addressing units, Land Commission, Ministry of Housing, National Bureau of Small Scale agencies, Town and Country Planning Department, etc.

215. The data from the municipal audit process for the municipal contracts would feed into the establishment of the system and provide basic data sets to be developed further. The system could initially be placed in an academic setting like CERGIS and could eventually be transferred to the DAs.

216. The idea behind the exercise is not to undertake detailed surveys but to bring together all the information that is being collected at the DA level and disseminate it for public use and planning purposes. This will ensure transparency and continuity in reporting and would also help in providing inputs for public policy.

Costs

217. There will be initial investment costs for setting up the Mechanism and equipping the unit and for developing the monitoring and evaluation system (with the cost depending upon the number of indicators). The municipal audit process would bear part of the cost of collecting data for some of the cities, and further work would have to be done to collect the same quality of data for other cities.

218. It is expected that once the agency starts to disseminate this information, it can charge a nominal user fee sufficient to cover operating costs of the unit and for maintaining and updating the system.

Action VI: Strengthening the Municipal Budget Process and Expenditure Management

Background

219. Accounting nomenclature and practices hamper municipal budgetary control and financial management (budget preparation, cost controls, financial management, etc.). The larger Ghanaian local governments have detailed planning documents, which include investment programs for equipment along with the expected funding. However, there is no relation between

⁴⁵ <http://www.cityindicators.org/>

⁴⁶ Like SIDA providing support to AMA in developing a GIS system for poverty mapping exercise and World Bank's GIS initiative in the UESP2 project.

these documents and the estimated budgets or the annual statements. If such relations exist, they are never explicit. In certain cases, even the use of DACF or HIPC funds for the financing of the investments does not appear, even though this is mandatory.

220. Current expenditures are very detailed, but there is no single source of information on expenditures by type of service delivery. For capital expenditures, the information is insufficient. At present, it consists of a list of projects (new or ongoing), without any relation to funding.

221. In terms of expenditure management, 80 percent of the districts spend between 5,000 and 15,000 cedis per capita on personnel. Other current expenses are more important in large cities, but capital expenditures, on the contrary, are lower for the large cities. The trend is that the smaller the district the higher the capital expenditures per capita.

Justification

222. In order to create realism in programming, capital expenditure must be related to future resources, which requires a better ability to forecast available funds. The objective of the measures to be taken is to help local governments exercise the functions which are devolved to them, better organize programming of investments, and improve the saving capacity.

Process

223. The financial audits carried out for the municipal contracts will be the basis for the municipal adjustment program, specifying the expected improvements in budgeting procedures and expenditure management. The audits will give a clear picture of the potentials of each action and evaluate costs of implementing the recommendations.

224. Development of a fiscal and budgetary manual for DAs and a financial ratio guidebook will improve the budget process and improve expenditure management. The production of the manual includes: (i) Produce an appendix “Capital expenditures” in all DA budgets and accounts, make sure that the budget balance reveals the saving capacity and its use in the financing of the investments and states the use of various funds (DACF, HIPC, DDF); (ii) Clarify relationship to the development plan and create a separate account in the event of expenditure on infrastructure for new urban zones (see Action III), which will make it possible to evaluate the cost and for cost recovery from the beneficiary community; (iii) Ensure that accounts reflect implemented and remaining infrastructure investments; and (iv) Create a handbook on budget and accounting models, adopted to municipal contracts and the evolution of the DACF and DDF.

Responsible Entities

225. DAs and the Ministry of Finance. The manual and guidebook will be developed under the supervision of the Ministry of Finance, but in the context of financial audits of the DAs.

Cost

226. Experience from other countries in the region shows a cost of around US\$100,000 (for three secondary cities of Benin). Update of financial ratio guidebook and production of a fiscal and budgetary manual for cities is being prepared in Guinea for US\$40,000.

Action VII: Increasing Predictability and Equity of Transfers

Background

227. Grants allocated to cover identifiable expenditure form a large proportion of Assemblies' budgets and make them dependant on central Government. The DDF remains largely in this logic in spite of the use of performance criteria. The distorted revenue per capita is a problem for development of the larger DAs of Ghana. With 3 of the 5 cities under study having lower revenues per capita than the average of all the Districts, this goes against the knowledge that larger cities need to invest more in infrastructure per capita than small cities, and thus the large cities are not able to deliver services to the residents. Accra and Kumasi are among those with lowest revenue per capita of all cities, from which the inequity of the transfer system is clear.

Justification

228. The objective of the measures to be taken is to help local governments exercise the functions which are devolved to them and secure their financial independence. In order to create realism in programming, engagements of the Government for the DACF and HIPC funds must be respected. It is necessary to weigh equity to match the importance of cities for economic growth of Ghana and in the creation of wealth.

Process

229. The process to reform transfers would involve carrying out a consultant study to simulate various changes in the transfer mechanisms and the distribution of DACF and HIPC funds. For the HIPC, a report of execution similar to that of the DACF should be produced by the Administrator, and the participation of Ministries and specialized agencies should be the subject of multi-annual contracts.

Responsible Entities

230. The responsibility for reforming the functioning of transfer mechanisms rests with the Ministry of Finance, in consultation with the MLGRDE and the municipalities.

Cost

231. The cost will be limited to a study clarifying the effect of various simulated changes to the transfer mechanisms. This can be carried out for maximum US\$50,000.⁴⁷

Action VIII: Strengthening Local Taxation (fiscal revenues)

Background

232. As shown in the analysis, business taxes and fees produce limited revenue for the major cities of Ghana and are generally unsuited to the informal sector. The property tax applies only to developed land (that is, land with buildings). Its application is hampered by several problems: the limited number of land owners with official title, the lack of adequate land-ownership records; repeated, costly, and ultimately failed attempts to create land registries; and continued resistance

⁴⁷ A study to identify a Transfer Fund for resources allocation to local governments is being planned in Guinea for US\$25,000.

to paying the tax. Moreover, the state system for collecting this tax functions poorly, partly because of these constraints, and partly because the stakes involved are modest, while the deconcentrated tax services have limited means at their disposal.

233. The amount of internally generated revenues remains extremely low: 16,000 cedis per capita (US\$1.7), corresponding to about 16 percent of annual revenues for the DAs. The increase in internally generated revenues has been sluggish at 10 percent per year. It is clear that in many Districts, the share of internally generated revenues as part of total revenues is minimal. The low level of revenues from rates and licenses is mainly due to the method of calculation and inefficient system of tax collection.

Process

234. A number of actions can be envisaged:

1. Improvement of the tax base and creation of fiscal registers: Street addressing will be instrumental in identifying and locating taxpayers (individuals and businesses). Experiences of reconciliation between the street addressing data base and the rolls have shown a drastic increase in tax collection.
2. Assessment study of property tax: A lot has been said on the valuation basis and on the fact this is a tax based on property in cities which develop outside of the formal tenure system. It is time to evaluate the tax and to do so in light of the many investments in valuation exercises and in administering the tax. This study should also look at alternatives such as the introduction of a residence tax or urban tax based on occupancy and rated on the level of services for more equity.
3. Improvement of tax collection through deconcentrated/decentralized entities.

Responsible Entities

235. Reforming fiscal revenue is the joint responsibility of the Ministry of Finance and the DAs.

Action IX: Increasing non-fiscal Revenues

Background

236. Increasing cost recovery from revenue-producing services such as markets and bus stations can be an important component of municipal financial resources (between 15 and 30 percent for mid-size towns, and up to 70 percent for many cities of between 50,000 and 100,000 inhabitants). Because collection is in the local authorities' hands, such fees generally enjoy greater public acceptance and can thus be more readily enhanced.

237. Levels of rates and their payment remain poor. The level of market dues is incredibly low in Accra; the fee for an open market stall is 8,000 cedis per month, a store is between 20,000 to 40,000 cedis per month. Only a tiny proportion of those developing land currently apply for formal consent and therefore the enforcement system must be strengthened. Town and Country Planning fees do not cover the cost of the service.

Justification

238. As shown, fees, fines, and licences are the most important internally generated revenues for DAs. As the DA has direct contact with the payer it is normal that the collection would be more efficient than for taxes. The system for contracting out the management of markets, bus and truck depots should be developed. The street addressing system will provide a complete register of municipal assets that can generate revenues.

239. Town and Country Planning fees should be increased to a level where they cover the cost of the service. This would enable the Departments to upgrade their facilities, equipment and transport. Development charges should be increased from the present 50,000 cedis to a charge based on the cost of providing bulk infrastructure services to unserved land. We would expect this to be in the region of between US\$15,000 and US\$30,000 per hectare.

Process

240. If DAs choose to engage in a reform process (a municipal adjustment program) carried out under municipal contracts, the financial audits carried out as basis for the content of the municipal contract would clarify the level of expectations and the implementation arrangements for an increase in revenue-earning potentials.

Responsible Entities

241. DAs.

Action X: Establishing a Champion of LED at the Local Level

Background

242. On average, about 70 percent of employment in the cities studied for the LED component of this study is found in the informal sector, with a significant proportion of self-employed. However, in keeping with the size of the cities, they all have proportions of “regular employees” (wage earners) that are considerably higher than the national average.

243. With few exceptions, the cities face almost identical challenges in improving infrastructure services to stimulate local economic growth. Perennial traffic congestion impedes the efficient pursuit of economic activities. Surveys of businesses have also shown dissatisfaction with infrastructure and business services. Concerns ranged from limited markets to inadequate access to credit and dissatisfaction with the electricity supply.

244. Public-private partnership in the area of education and health, for example, where the private sector far outnumbers the DAs in the number of establishments, has a great potential to enhance the human resources of the DAs for common economic development.

245. Similarly, while the Assemblies acknowledge the need to support their respective business communities, there are no official or institutionalized mechanisms to consistently solicit the views and concerns of the business community for the making of public policy. The challenges of doing business in the cities are therefore either assumed or based on technical studies that may lack the nuances or timeliness of views directly put forth by these businesses.

Justification

246. While each DA is making efforts to address infrastructure bottlenecks and skills shortages, these efforts tend not to be institutionally linked to the activities of key state and private institutions. This missing link justifies the creation of a permanent body to give voice to local businesses to express their needs and draw attention to the barriers to local economic development.

247. Under the leadership of the DAs, this permanent Champion of LED should comprise representatives from both the formal and informal private sector and include the major infrastructure services providers (such as the Department of Urban Roads, the Electricity Company of Ghana, Ghana Water Company, and the various telecommunications services) and the education sector. The purpose of the LED champion is to raise the importance of local economic development and play an advocacy role at the local and national level so that conditions for an enabling environment are met.

Process

248. The LED unit would be established to propose operational solutions to issues raised by the members of the permanent LED body. The outcome of the deliberations would further feed the data gathering work of the Monitoring and Evaluation Mechanism (Action V). The LED body would operate in synergic relationship with the M&E Mechanism, as the Champion of LED can be a partner in reporting local level data to the M&E Mechanism and in return implement policies that arise from the aggregation of urban data, to the benefit of local businesses.

Responsibilities

249. The municipalities will be supported in implementing this action by the MLGDRE, the Ministry of Trade, Industry, Private Sector and PSI, and by other stakeholders involved in implementing other Actions that overlap with LED initiatives.

Action XI: Strengthening Business Development and Licensing

Background

250. As shown in Chapter III, businesses are faced with a number of challenges. Apart from infrastructure bottlenecks and skills shortage business development is also hampered by a large number of procedures and a long period of time required to start a business, coupled with lack of access to credit by the informal sector.

251. Usually, in urban local governments, the business licences or other business taxes are vital for financial equilibrium. Obviously it is not the case for Ghanaian districts, because of the high weight of the transfers and because the calculation methods of the business licences are inflexible.

Justification

252. Business taxes and licences have the potential to become an important resource. However, at present, the business license system is very complex: AMA annually decides the level of more than 1,400 individual tariffs (for business licences, rent of market stalls, use of lorry parks, etc.). For hotels, AMA provides 13 tariffs in a very broad evaluation (from 1 to 100). In

other cases, the taxes are not high: for the best category of hotel, the business licenses represent no more than 20 or 25 day-room let.

253. Business taxes will to some extent be channeled into financing of economic infrastructure for LED, creating an incentive for the businesses to pay, and for informal businesses to obtain a business license.

Process

254. The street addressing system will be the basis for the issuance of business licenses and for collection of fees. These licenses will at the same time be a requisite for accessing credit and for export licenses.

Responsibilities

255. The responsibility for the reform of business licensing and fees rests with the municipalities for the setting of the fees and with the Ministry of Finance and the MLGRDE for the types of fees to be collected. A more comprehensive reform of the business licensing system to link it to a system of credit and export licenses is beyond the scope of an urban project, but can be carried out in cooperation with the Ministry of Finance and the Ministry of Trade, Industry, Private Sector and PSI.

Action XII: Supporting Market Development

Background

256. Businesses consistently cite “limited market” as a major constraint to firm expansion and private sector development.

Justification

257. Given the centrality of urban economies in the national economy, a review of Ghana’s international competitiveness revealed the need to do more to improve the processes of forming and running businesses in the country and to develop export markets.

Process

258. The government could revive the External Markets Intelligence program which was started by the National Development Planning Commission in the late 1990s but abandoned shortly thereafter due to lack of funds. The EMI would be developed in conjunction with the M&E Mechanism (Action V).

Responsibilities

259. The responsibility for the revival of the EMI lies with the Ministry of Trade, Industry, Private Sector and PSI. The implementation of trade policies and development of export markets is beyond the scope of an urban project, but will never the less have a significant impact on Local Economic Development.

ANNEX I. CITY PROFILES

ACCRA

Facts at a Glance	
Population (thousands):	1,981
Annual population growth:	4.4 percent
Area (square km):	344
Revenues, 2004, ₵ bio. (US\$ m.):	110.2 (12.1)
Revenues per capita, ₵ (US\$):	55.6 (6.1)
Grants, ₵ bio. (US\$ m.):	60.3 (6.6)
Grants per capita, ₵ thousand (US\$):	30.5 (3.4)
Expenditure, ₵ bio. (US\$ m.):	102.4 (11.3)
Expenditure per capita, ₵ (US\$):	51.7 (5.7)
Capital investments, ₵ bio. (US\$ m.):	38.5 (4.2)
Capital investments/capita, ₵ (US\$):	19.4 (2.1)

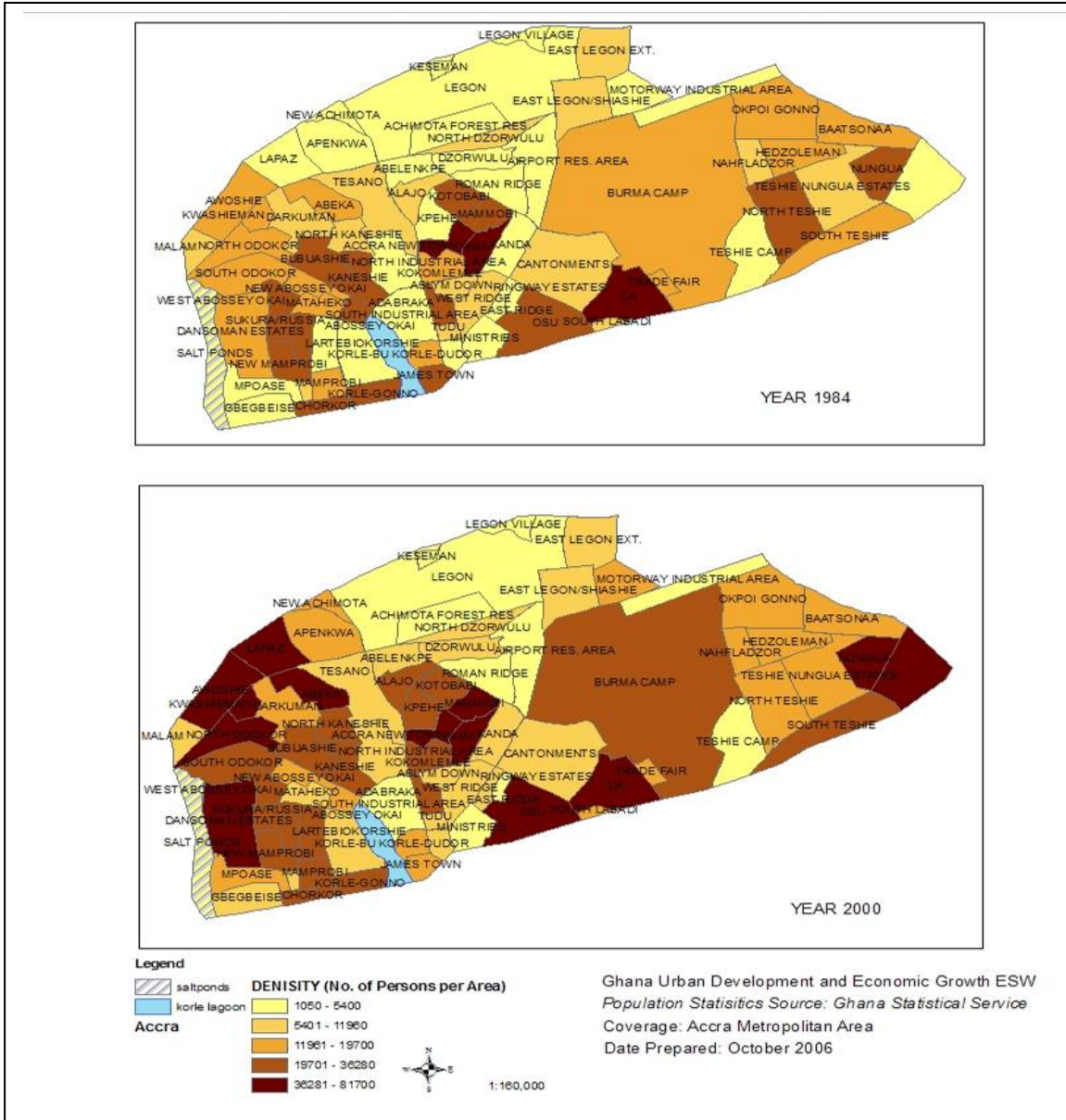
1. URBANIZATION PATTERNS AND LAND MARKETS

According to population trends, the annual population growth of Accra is 4.4 percent. Figure 23 illustrates the growth in the city which has been concentrated in the western parts (including Awoshie, Kwashieman, LaPaz, Abeka, North Odokor) and far eastern suburbs (Nungua Estates and South Teshie). Areas like Burma Camp, Osu and La have also shown increase in population. What is interesting is that the Localities adjoining Accra such as Dome, Taifa, Gbawe, New Achimota, Anyaa, Santa Maria, Amanfrom, Nii Boye Town, Mallam, Kissieman, and Agboba, which were classified as rural in the 1984 census, have attained urban status in the 2000 census reflecting the growth in the administrative area under Accra Metropolitan Assembly.

In 2000, the gross population density for Accra Metropolitan Area was 10.03 person per hectare compared to 6.23 per hectare in 1970. At the Community level, densities exceeding 250 persons/ha occurred mostly in the dominant immigrant and depressed areas and the oldest parts of Accra such as Accra New Town, Nima, James Town and Ussher Town while densities ranged between 17.5 - 40 persons/ha in high-income areas.⁴⁸ Accra exhibits unique characteristics in terms of low densities in central Accra due to a large number of vast empty or under-used plots. By contrast, some of the old housing areas such as James Town and Ussher Town, and many of the informal settlements use the land very intensively, though not very effectively in terms of their central location.

⁴⁸ http://www.ghanadistricts.com/districts/?r=1&_=3&sa=3004&PHPSESSID=9e386eb1e85cee21c77f8b6803dbcf76.

Figure 23: Accra - Trends in Population Densities, 1984 and 2000



Source: Ghana Statistical Service, Government of Ghana, 2006.

Land Markets: Key Actors and their Characteristics

Traditional

Accra traditionally comprises six states which together constitute the Ga Traditional Council. These are Ga Mashie, Osu, La, Teshie, Nungua, and Tema. Culturally, they constitute, with minor variations, a homogenous whole. Politically, each state is independent with well-developed internal structures.

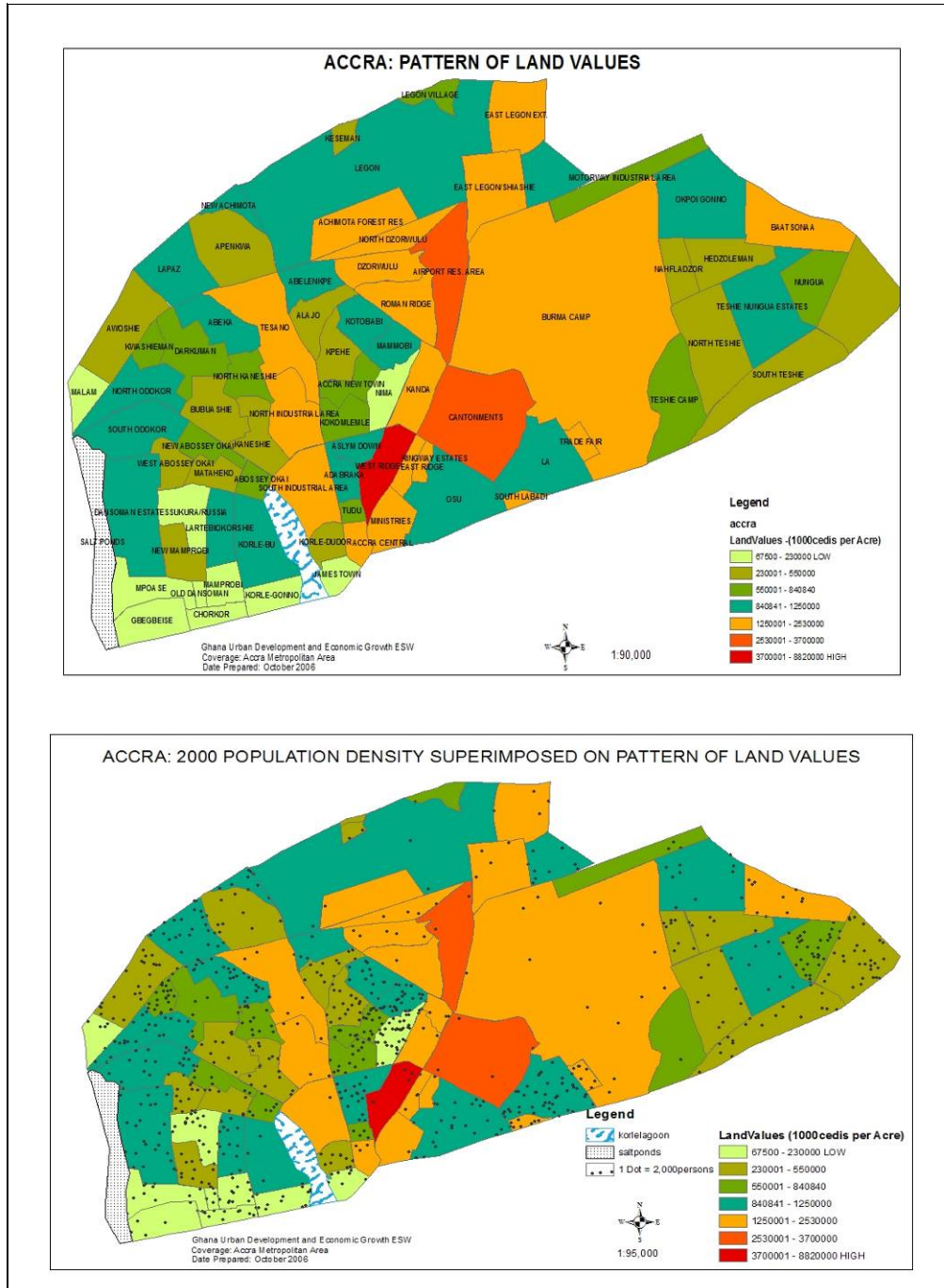
In practice, however, land is owned by stools, quarters (*akutsei*), maximal and major lineages. This often creates confusion in land management in the city as some maximal lineages are Quarters while others are not. Maximal lineages are composed of a number of major lineages, some major lineages show the characteristics of maximal lineages when it comes to land delivery. Such groups are most likely to have purchased the land or may have been occupying the land for a considerable length of time and have extended long usage into ownership. Some maximal lineages who own large land areas include the Niikoitsewe family of La, the Onamrokor Adain family of Accra, the Odai Nteo family of Haatso, while the Reindorf family of Accra is an example of a major lineage which owns a considerable amount of land.

Some families have sworn statutory declarations under the Statutory Declarations Act, 1971 (Act 389) vesting the absolute interest in land in themselves. Some stools, quarters and families have alienated the freehold in land to private individuals, thus creating a land-owning class of individuals.

Land Delivery Mechanism

In Accra, without a clear hierarchy of land ownership, land delivery becomes simple as the investor often has to deal with only one individual or a single stool or family head. It is however a legal minefield for the unsuspecting developer. To acquire stool land in Accra, one would normally have to identify a vacant plot and convey this information to the occupant of the stool concerned. Alternatively, where a person has information that a stool has land to sell, he may approach the occupant of the stool with his request. If land is available the prospective grantee pays the *shikpondaa* – land drink. This, technically, is an amount of money meant to thank the stool for the grant of the land though in practice, it is equivalent to the market price of the land. It is common these days that the landowner would have prepared a layout of the area and a site plan extracted from the layout is attached to the document. The land may, however, *not have been surveyed* and so it is the responsibility of the purchaser to ensure that the land is surveyed and site plans prepared by a licensed surveyor and endorsed by the Director of Surveys. Stools will normally grant leaseholds of 99 years for residential purposes and 50 years for other users and would normally insert a rent renewal clause as a covenant. In accordance with the 1992 Constitution, a stool cannot grant freehold titles. Ground rents reserved in the lease are usually very low and they could be varied by either the Lands Commission or the Office of Administrator of Stool Lands. Where the grantor is a family, the procedure is the same except that the Lands Commission cannot vary the terms of the lease. Some families sometimes grant freehold titles though this is now not very popular.

Figure 24: Accra, Pattern of Land Use



Effects on Land Use Patterns

The land use pattern in Accra exhibits high prices (comparable to European Standards) due to the low level of transactions in the market (Figure 24). It is evident that land is rarely viewed as an economic good. This makes land a very valuable and scarce resource. For example, when a piece of land comes up for sale, fierce competition forces prices to increase. In interviews with property

valuers, it was mentioned that in a recent sale of land with only seven years remaining on the lease was sold for about \$500,000 an acre. Under no system of valuation could that price be justified for a mere seven year's right to occupy that land. These high prices are a reflection of another aspect: where clear title has been established, through use over an extended period without legal challenge, the value of the land increases correspondingly.

In an inflationary environment with low transaction costs land is one of the best investments. As infrastructure has improved and inflation has been controlled, land has proved itself an outstanding investment, and there are no signs that the market will weaken in the foreseeable future.

2. MUNICIPAL FINANCE

General financial situation

Between 2001 and 2005, the total revenues of AMA increased at an average rate of 28 percent per year. Over the same period the rate of inflation was 18 percent. The rate of growth of the main revenues was not much higher than inflation and revenues from rates and lands were lower than inflation.

The positive results of the total revenues were contributed from grants with an average growth of 33 percent per year.

Table 36: Main ACCOUNT figures of AMA 2001-2005

AMA millions Cedis	2001	2002	2003	2004	2005	Evol.
Revenues						
Rates	7,373	9,092	12,552	11,946	11,833	13%
Lands	247	273	533	380	414	14%
Fees & fines	10,233	12,341	14,962	18,339	21,937	21%
Licenses	6,421	9,344	7,940	9,391	14,165	22%
Rents	1,338	1,683	2,528	3,150	4,632	36%
Investments	70	40	204	32	2,656	148%
Miscellaneous	1,344	6,442	5,593	6,661	2,034	11%
Internal Generated Revenues	27,026	39,214	44,311	49,899	57,669	21%
Grants	30,414	46,068	57,526	60,344	95,855	33%
Total revenues	57,441	85,282	101,837	110,243	153,524	28%
Expenditure						
Personal emolument	12,699	15,653	19,323	25,986	33,303	27%
Traveling	3,689	4,052	5,387	5,702	8,515	23%
General expenditure	2,691	3,447	3,698	4,911	7,047	27%
Maintenance Repairs and renewals	776	804	1,125	1,466	3,665	47%

AMA millions Cedis	2001	2002	2003	2004	2005	Evol.
Miscellaneous	17,662	29,266	32,926	25,864	51,368	31%
Grants and subvention	150	80	-			
Current Expenditures	37,666	53,303	62,460	63,928	103,898	29%
Cap expenditure	18,420	32,136	37,654	38,467	33,703	16%
Vehicle/plant/equip	1,296	2,811				
Other cap exp	282	2,073				
Capital expenditures	19,997	37,021	37,654	38,467	33,703	14%
Total expenditures	57,664	90,323	100,114	102,396	137,601	24%
Result R-E	(223)	(5,042)	1,724	7,847	15,924	

Source: *Financial statements 2001-2005 AMA.*

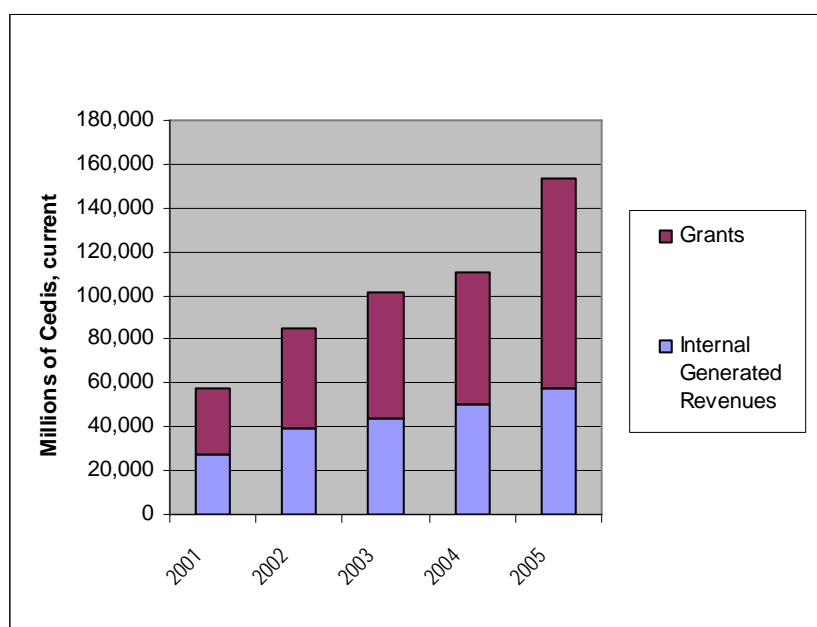
The increase in revenues is substantial, but the revenues in 2005 were only slightly higher than revenues in 2002, adjusted for inflation.

Table 37: AMA Revenues 2001-2005 in constant value 2005

	2001	2002	2003	2004	2005
Year to year inflation (%)		13.68	29.6	12.0	15.7
Revenues current value	57,441	85,282	101,837	110,243	153,524
Revenues 2005 value	109,663	143,223	131,964	127,551	153,524

Source: *financial statement 2001-2005 AMA and Bank of Ghana.*

The increase in inflation adjusted revenues principally took place between 2001 and 2002 due to an increase in the level of grants. Over this period, grants grew from 53 percent to 62 percent of AMA revenues. However, AMA received less DACF per capita than other local authorities.

Figure 25: Accra Revenues – Grants and Internally Generated

Source: Financial statements 2001-2005 AMA.

The financial situation has improved since 2003, as previously, the DAs were entirely relying on cash and a mix of capital and general expenditures. In the aggregate, the results are increasing, varying between 19.7 billions Cedis (2001) and 46.9 billions Cedis (2005). Further, the 30 percent of the revenues are being saved constantly.

Table 38: AMA Apparent Savings 2001-2005

	2001	2002	2003	2004	2005
Total revenues	57,440.8	85,281.6	101,837.0	110,242.6	153,524.3
Investments	70.4	39.6	204.3	32.2	2,655.5
Current revenues	57,370.4	85,242.0	101,632.7	110,210.4	150,868.8
Total expenditures	57,663.7	90,323.1	100,113.5	102,395.6	137,600.5
Cap expenditure	18,419.6	32,136.2	37,653.8	38,467.3	33,702.7
Vehicle/plant/equip	1,295.6	2,810.9	-	-	-
other cap exp	282.1	2,073.4	-	-	-
Current expenditures	37,666.4	53,302.6	62,459.7	63,928.3	103,897.8
Saving (current surplus/deficit)	19,704.0	31,939.4	39,173.0	46,282.1	46,971.0
Current surplus/Current revenues	34%	37%	39%	42%	31%

Source: Financial statements 2001-2005 AMA.

Unfortunately, this situation is brought about by the high level of grants allocated for capital expenditures (DACF and HIPC). The saving ratio is still positive until 2004 and begins to be negative in 2005.

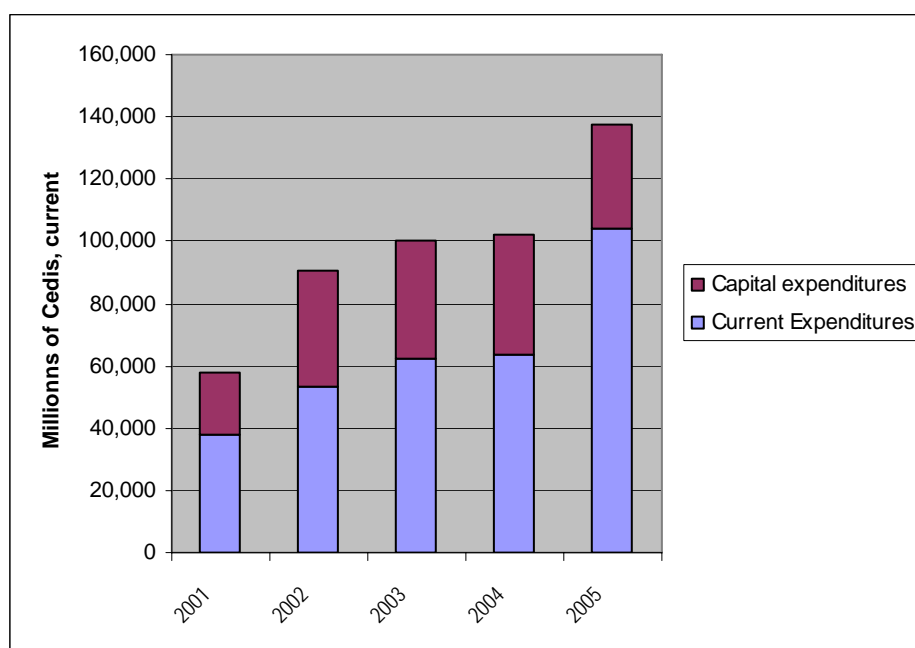
Table 39: AMA Current Results 2001-2005

	2001	2002	2003	2004	2005
Current revenues unless cap. grants	52,237	79,339	79,803	89,193	100,525
Real current result	14,570	26,037	17,343	25,264	(3,373)
Ratio	28%	33%	22%	28%	-3%

Source: Financial statements 2001-2005 AMA.

Three conclusions may be drawn at this point:

- The accounting system does not provide real appreciation of the financial situation and of the savings capacity which is a requirement for access to borrowing.
- The high allocation of grants indirectly shows the weakness of rates and licenses. The review of revenues showed that only the fees and fines were growing but not high enough.
- The paradoxical situation in 2005 with a high level of positive savings and a negative real operating income is explained by low incidence of capital expenditures in 2002. In fact, the grants allocated for investments were not used.

Figure 26: AMA Expenditures 2001-2005

Source: Financial statements 2001-2005 AMA.

In 2005, current expenditures represented 75 percent of total expenditures, much higher than the average situation of Districts. Two sub-categories are prominent:

- Salaries accounted for 24 percent of total expenditures and 32 percent of current expenditures and were balanced between government and assembly personnel. In fact the latter is higher because the major share of other salary expenditures went towards assembly personnel.

- “Other current expenditures” combine several expenses of which two are very important: refuse lifting expenses, and “commission” which refers to the tax collectors.

The low level of investments is striking.

Revenues

More than 170 sources of revenues exists in the account but an analysis of the accounts reveals that about 20 revenue sources represent more than 90 percent of total revenues (see below where the trend is an average annual evolution). Some of the key comments include:

- Total growth rates were no more than 13 percent each year, with some rates stagnating. Only the industrial and commercial rates fared better.
- The best improvements were shown for lorry parks, waste tipping, toilets and marriage registration.
- The level of market fees was incredibly low⁴⁹; the fee for an open market stall is 8,000 Cedis per month (UD\$0.9), a store is between 20,000 to 40,000 Cedis per month (from US\$2 to US\$5).

Table 40: AMA Detailed Main revenues 2001-2005

Millions Cedis	2001	2002	2003	2004	2005	Evol.
Rates	7,373	9,092	12,552	11,946	11,833	13%
Domestic properties (PRI, RES)	2,122	5,419	5,898	3,322	1,918	-2%
Domestic properties (arrears)	1,000	1,106	1,261	3,172	950	-1%
Industrial/comm/mix prop	815	618	620	1,840	5,006	57%
Comm/indust//mixed	3,349	2,431	5,316	3,530	3,826	3%
Basic rate	71	106	75	80	69	-1%
Lands	247	273	533	380	414	14%
Cemeteries	247	267	415	380	396	12%
Fees, charges & fines	10,233	12,341	14,962	18,339	21,937	21%
Lorry parks	2,158	3,356	4,496	5,089	7,139	35%
Market dues	2,284	2,314	2,582	3,194	3,553	12%
Cesspit Emptying	460	740	744	849	627	8%
House to house refuse collection	892	728	116	78	181	-33%
Liquid/solid waste tipping	353	251	723	819	1,421	42%
Toilets (sub districts)	920	1,049	1,647	1,856	2,613	30%
Marriage registration	137	430	1,412	1,759	1,676	87%
Building permit	2,060	1,504	2,250	3,559	3,874	17%

⁴⁹ May be it is the sub-districts that receive the fees directly.

Millions Cedis	2001	2002	2003	2004	2005	Evol.
Education levy	720	293	345	357	160	-31%
Licenses	6,421	9,344	7,940	9,391	14,165	22%
Financial institutions	617	1,344	759	1,574	1,087	15%
Commercial use/dept stores	1,990	2,200	2,281	2,587	3,134	12%
Telex fax services	1,469	2,150	205	300	3,813	27%
Vehicle license	463	616	683	748	981	21%
Commercial drivers license	222	260	261	373	360	13%
Rents	1,338	1,683	2,528	3,150	4,632	36%
Grants	30,414	46,068	57,526	60,344	95,855	33%
Salary subvention	5,282	6,374	7,890	11,423	16,760	33%
Gov grants to AMRD	14,821	21,215	17,626	27,776	28,575	18%
Local gov. grant	5,000	11,899	-	-		
Specific grant		672				
Ceded revenues	-	-	-	-	-	
Sanitation grant			10,000	-	50	
Common fund	5,134	5,903	9,975	12,299	36,744	64%
HIPC			11,855	8,719	13,600	
Investments	70	40	204	32	2,656	148%
Miscellaneous	1,344	7,865	5,593	6,661	2,034	11%
Sales of used vehicles		2,008	4,757	5,625	-	
Total revenues	57,441	86,704	101,837	110,243	153,524	28%

Source: Financial statements 2001-2005 AMA.

The licenses break down into a number of categories:

Table 41: Comparison of Business Licenses in Accra and SAEMA (US\$)

	ACCRA	SAEMA		ACCRA	SAEMA
Bakeries	17	11	Pharmacy	160	111
	9	9		24	56
Bookshops	200	33	Chemical sellers	12	13
	19	11		0	6
Boutiques	176	33	Photographic studios/shops/operators	253	33
	29	17		9	13
Car washing	92	44	Printing houses	2,000	111
	22	17		32	0
Chp bar/eating houses	51	0	Private clinic	84	56
	8	10		33	33
Cold store	460	222	Private maternity homes	31	0
	17	44		16	17
Forex Bureau:	64	56	Record sellers	153	22
Insurance companies	10,580	1,111	Restaurants	506	111
	147	222		64	27
Carpentry workshop	84	33	Shipping agencies	843	1,667
	20	13			333
Barber's Shops	17	0	Spare parts sales outlets	267	22
	8	7		9	11
Hardware store	77	3	Tailoring/dressmaking shops	64	22
	11	7		7	7
Hotel	4,033	333	Herbal medicine shops	101	56
	31	67		11	22
Guest Houses/resorts	106	0	Refrigeration/air conditioner mechanics	128	17
	43	44		32	11
Medical laboratories	153	0	A.M.A. commercial driver's license	4	4
	68	44	Taxi cab sticker	3	2
Petroleum retail outlet	528	111			
	22	44			

Source: AMA fee-fixing resolution 2005 and estimates 2005 for SAEMA.

With respect to rates, the Local Government Bulletin (January 20, 2006,) provides all the rates and fees for AMA. For example, premises are rated from 0.46 percent per cedi of rateable value in the first class residential area to 0.27 percent in the fourth class. The rateable values are not known but the Bulletin provides some provisional rates from 70,000 to 290,000 Cedis by properties which belong to first to fourth class. Therefore the rates average from US\$8 to US\$32 per year, which is very low. Looking at the revenue from rates, no more than 30,000 premises are

paying. In accordance with the AMA Planning Plan (2002-2004) the number of houses in AMA is more than 135,000.

Expenditures

A detailed review of expenditures highlights that current expenditures are increasing more rapidly than capital expenditures. Capital expenditures are concentrated on roads, drains, toilets, and sanitation. For example, in 2003, AMA received a grant for 10 billion Cedis from DACF for sanitation.

Table 42: AMA Detailed Main Expenditures, 2001-2005

Millions Cedis	2001	2002	2003	2004	2005	Evol.
Personal emolument	12,699.0	15,653.3	19,323.2	25,985.5	33,302.7	27%
Salaries Government	5,284.6	6,374.1	7,892.2	11,423.1	16,759.1	33%
Salaries Assembly	5,268.8	6,373.6	7,704.3	9,426.7	10,597.7	19%
Special allowance (honorarium)	1,163.3	1,741.6	1,802.2	2,317.3	3,217.0	29%
Assembly members' sittings allow	307.0	316.1	557.6	821.3	1,159.1	39%
Travel	3,688.8	4,052.4	5,387.3	5,701.8	8,514.5	23%
General expenditure	2,690.6	3,446.7	3,698.0	4,910.5	7,047.0	27%
Repairs and	776.4	804.2	1,124.8	1,466.3	3,665.4	47%
Miscellaneous	17,661.8	29,266.1	32,926.4	25,864.2	51,368.2	31%
Epidemic control	2,838.7	3,070.4	2,951.7	3,144.1	2,616.1	-2%
Refuse lifting expenses	11,407.0	19,939.3	21,761.0	14,605.8	37,880.0	35%
Payment of commission	1,448.3	3,033.5	4,096.6	3,142.2	4,111.9	30%
Grants	149.8	79.9	-		12.0	-47%
Cap expenditure	18,419.6	32,136.2	37,653.8	38,467.3	33,702.7	16%
Roads /drains	8,753.7	18,803.7	16,303.6	26,209.2	16,142.3	17%
Rehab. toilets	37.1	113.0	6,004.8	58.8	650.0	105%
Infrastructure sanitation	6.6		579.5	0.0	4,177.9	402%
Routine maintenance	7,013.0	8,667.5	4,395.6	2,374.3	544.3	-47%
Purchase of office equip/plant		2,810.9	734.4	2,869.5	3,810.1	
Cap expenditure assembly						
Cap expenditure common fund	1,078.6	3,572.1		1,747.5		
Vehicle/plant/equip	1,295.6	2,810.9				
Other cap exp	282.1	2,073.4				
HIPC			-	0.0	68.8	
Total expenditures	57,663.7	90,323.1	100,113.5	102,395.6	137,612.5	24%

Source: Financial statements 2001-2005 AMA.

It is possible to identify the types of services that are delivered at the local level. These include:

- Lorry parks and markets
- Road works permits
- Toilets and sanitation
- Part of solid waste collection
- Solid and liquid waste treatment
- Building permits
- Education

In 2001, the salaries were balanced between the salaries of central government and assembly personnel. In 2005, the central government personnel represented 61 percent of salaries. Comparison of salary grants to salaries of government personnel indicates that the grant is only able to cover the expenses.

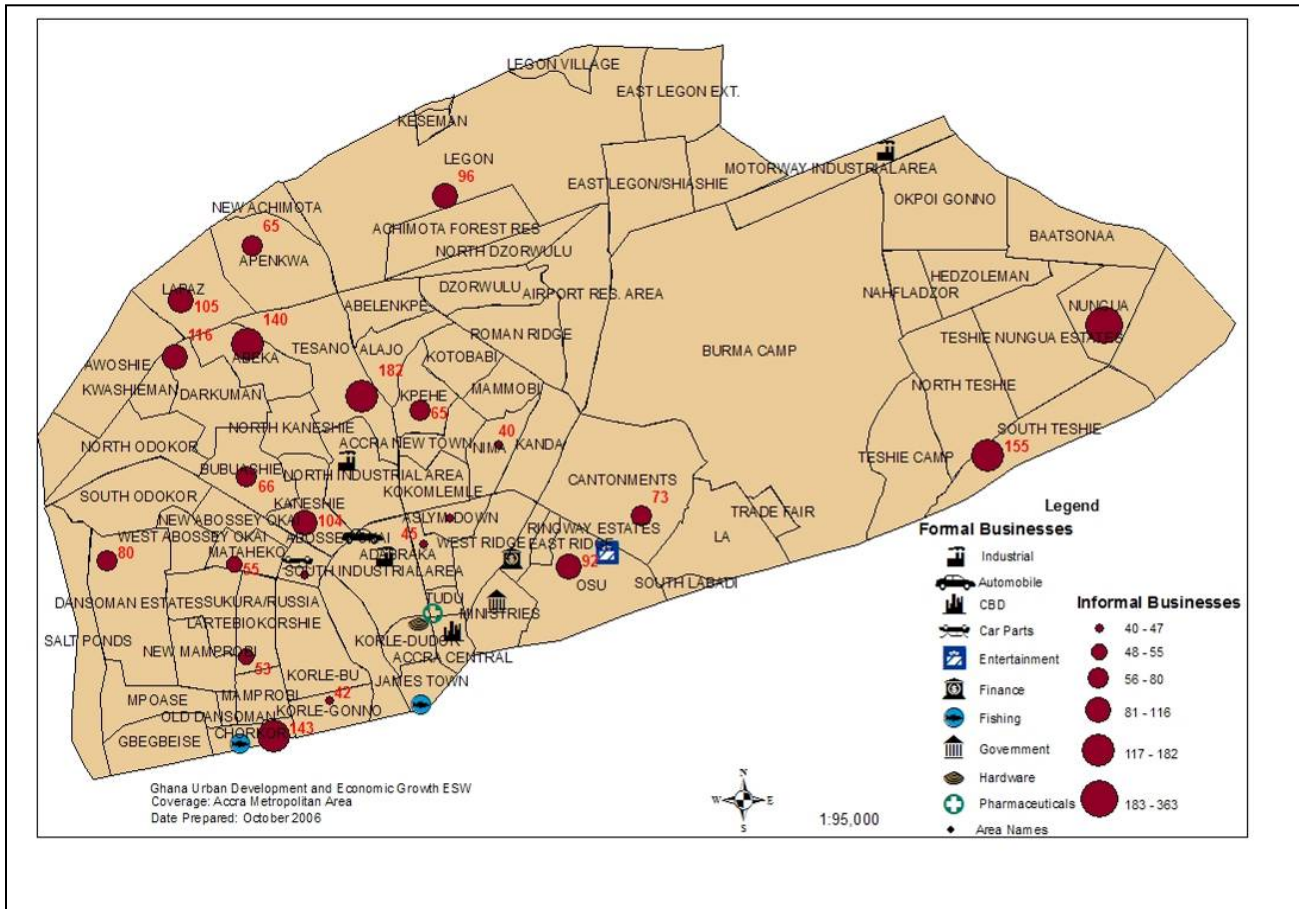
Additionally, refuse collection expenses account for about 37 percent of the current expenses. It is obvious that this cost is not balanced by the dedicated revenues.

3. LOCAL ECONOMY

The AMA estimates that total economic activity in the city accounts for at least 10.0 percent of Ghana's Gross Domestic Product (GDP), with manufacturing (secondary) activities contributing to over 50.0 percent of valued added.⁵⁰ Most employment, however, is found in the tertiary (services) sector, suggesting that productivity – and hence incomes – may be higher in manufacturing than it is in services, which is dominated by retailing, itself in turn made up largely of petty trading of meager earnings and low value addition. There are overall intra-sector differences, however. Wholesale and retail services, for example, account for 46.9 percent of tertiary services, with transport, storage and communications coming in a distant second, with 11.5 percent. Manufacturing, not surprisingly, makes up 67.0 percent total value added for industry, followed by construction at 22.0 percent. Within agriculture, which includes urban farming and animal husbandry, fishing – the mainstay of the costal economy of Accra – accounts for about 78.0 percent of employment.

⁵⁰ This section of the report is based on the AMA Medium-term Development Plan, 2002.

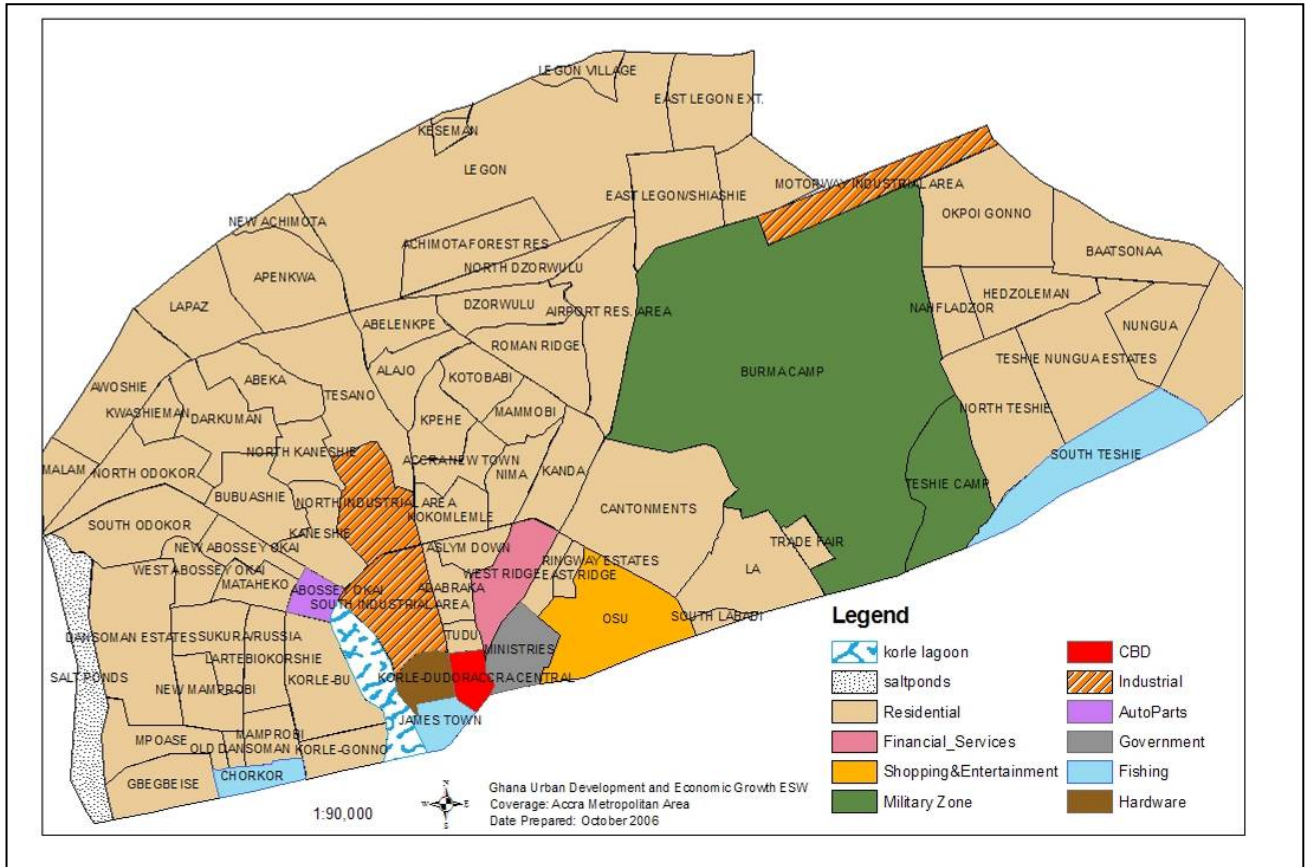
Figure 27: Accra Formal and Informal Businesses



Urban agriculture also plays a significant role in the city’s economy, especially in the coastal communities, where family-owned fishing activities are most prevalent. It is estimated that fishing alone accounts for nearly 78.0 percent employment in urban agriculture. About 10.0 percent of fish catch is exported, but lack of adequate cold storage facilities tends to keep prices artificially low, especially during the peak season, contributing to widespread poverty in the coastal areas like Chorkor, Teshie, and Nungua.⁵¹ These problems are compounded by limited access to credit by the fishermen, most of who operate with small individually owned canoes and are thus viewed as a credit risk by financial institutions.

⁵¹ www.ghanadistricts.com (accessed on November 8, 2006).

Figure 28: Geographical Distribution of Business Concentrations in Accra, 2006



Vegetable farming that involves mostly carrots, cabbage, lettuce, cucumber, and garden eggs, comprise the remaining portion of local agriculture. The city, however, describes the volume of production of these vegetables as “negligible and declining”, citing increasing land values as one principal cause.⁵²

Key constraints

The Medium Term Development Plan of the Accra Metropolitan Assembly (AMA) paints a dire picture of the city’s hard infrastructure, especially roads, although other forms of infrastructure, such as electricity, water, and education and health facilities appear to be in modestly good state. For example, the proportion of the city’s roads ranked “poor” by the Department of Urban Roads is higher than the national average (see Figure 29).

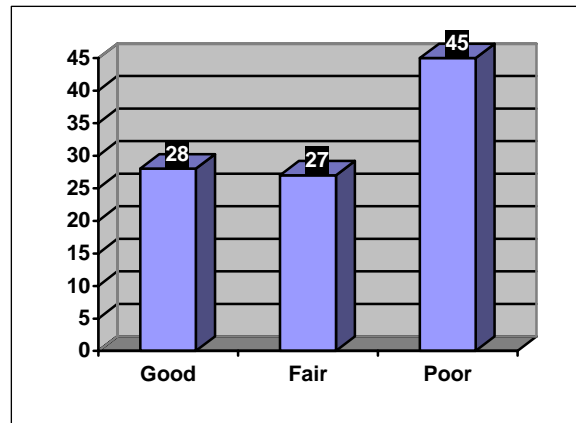
Rapid urbanization and its associated phenomenon of unplanned settlements accounts for a significant proportion of this problem, with over 400 kilometers listed as un-engineered.⁵³ Service roads, which are essential for commercial and industrial activity, are “intermittent or non-

⁵² Ibid.

⁵³ Accra Metropolitan Assembly, *Medium Term Development Plan (2002-2004)*, Accra.

existent,” according to the Assembly. This is especially the case in the Central Business District (CBD), where an estimated 80.0 percent of the City’s traffic is destined on any given day.⁵⁴ Most roads leading to the CBD are two-lane single carriageways, contributing to traffic congestion.

Figure 29: State of roads in AMA (%)



The city, nevertheless, is endowed with a number of two-lane dual carriageways that mostly facilitate traffic to the outlying areas and beyond (see Table 43). The 9-kilometer Circle-Achimota dual carriage, still under construction, is expected to supplement this stock of dual carriageways and help alleviate traffic congestion in other parts of the city where existing roads have exceeded their original capacities. In mid-October 2006, the national government commissioned a number of road projects in the CBD that, upon completion, are expected to help ease traffic congestion in the area.

Table 43: Current stock of dual-carriageways in Accra

- Accra-Tema Motorway – recently expanded with an overhead to ease once perennial problem of rush-hour traffic
- La (Osu Ako-Adjei Junction) to Kpeshie Lagoon
- Kwame Nkrumah Avenue (Liberia Road) to UTC
- Kaneshie (Obetsebi-Lamptey) to Mallam
- Brewery Road
- Kanda Highway
- Liberation Road

At the local level, the Assembly requires resources of its own to construct and maintain other roads. Low revenue collections, however, place severe constraints on its ability to do so. In 2001, the Assembly estimated that it had a fiscal capacity of ø89.4 billion (about ø182 billion in 2006 prices) but a tax effort of “only 30.17 percent”.⁵⁵

Electricity supply has remained largely stable, although at the time of writing this report (June 2007), electric power was being rationed throughout the country as a result of a lower-than-

⁵⁴ Ibid, p.61.

⁵⁵ The fiscal capacity is the revenue “which could be obtained if AMA applies the standard rate for taxable properties and entities in its tax base.” The tax effort is “actual revenue generated as a ratio of revenues that could have been raised if the standard tax rates were applied.” Ibid, 73-78.

normal water level at the Akosombo Dam, the main source of electricity for the country. But even when the dam is operating normally, electricity supply remains erratic, despite the presence of 14 sub-stations. Where supply is available, usage in many areas tends to be lower than optimal due to high initial capital costs required by the Electricity Company of Ghana (ECG). In some instances, delayed connections by ECG have led to illegal connections, which further deprive ECG of resources to manage its affairs and upgrade its equipment.

Problems with water supply for industrial or commercial consumption typically depend on several factors, principally the size of firms or their location. Larger established businesses are said to “rarely suffer from shortage in supply because they are located in sectors in which water is distributed in priority or they have to compensate for this situation [with] large-capacity private storage facilities”.⁵⁶

For small- and medium-scale businesses (SMEs), such as hair-dressing salons, car washing bays, and chop bars, which tend to be situated in various parts of the city and are least able to buy private water tanks, the intermittent supply of water in the city is likely to impede both production and productivity. According to the AMA, there are several strategically located reservoirs that can hold enough water to meet the City’s needs, but delivery to households and SMEs tends to fall below demand because of inadequate production at the two main water pumping stations – Weija and Kpone-Akuse. The Assembly insists, based on studies conducted for the Ghana Water Company, that the Kpone-Akuse station, in particular, “has the capacity to supply quantities of water many times over.”⁵⁷

Between three of the cities (AMA, KMA and SAEMA), AMA has the most extensive financial infrastructure. In addition to the Central Bank, it is home to the headquarters of 9 commercial banks, 4 development banks, 4 merchant banks, as well as several insurance companies and foreign exchange bureaus. Most of these financial institutions, however, such as Barclay and Standard Chartered Banks, have branches in the other two cities, where they offer similar services to household and business consumers.

The AMA also estimates that by the year 2015, the demand for water in the metropolis would have doubled from the levels 10 years earlier, with the connection rate expected to rise to 60 percent, up from 45 percent. “There should be 10,000 additional hook-ups each year for the period 1995-2015,” notes its medium-term development plan.

⁵⁶ Ibid, p.67.

⁵⁷ Ibid, p. 63.

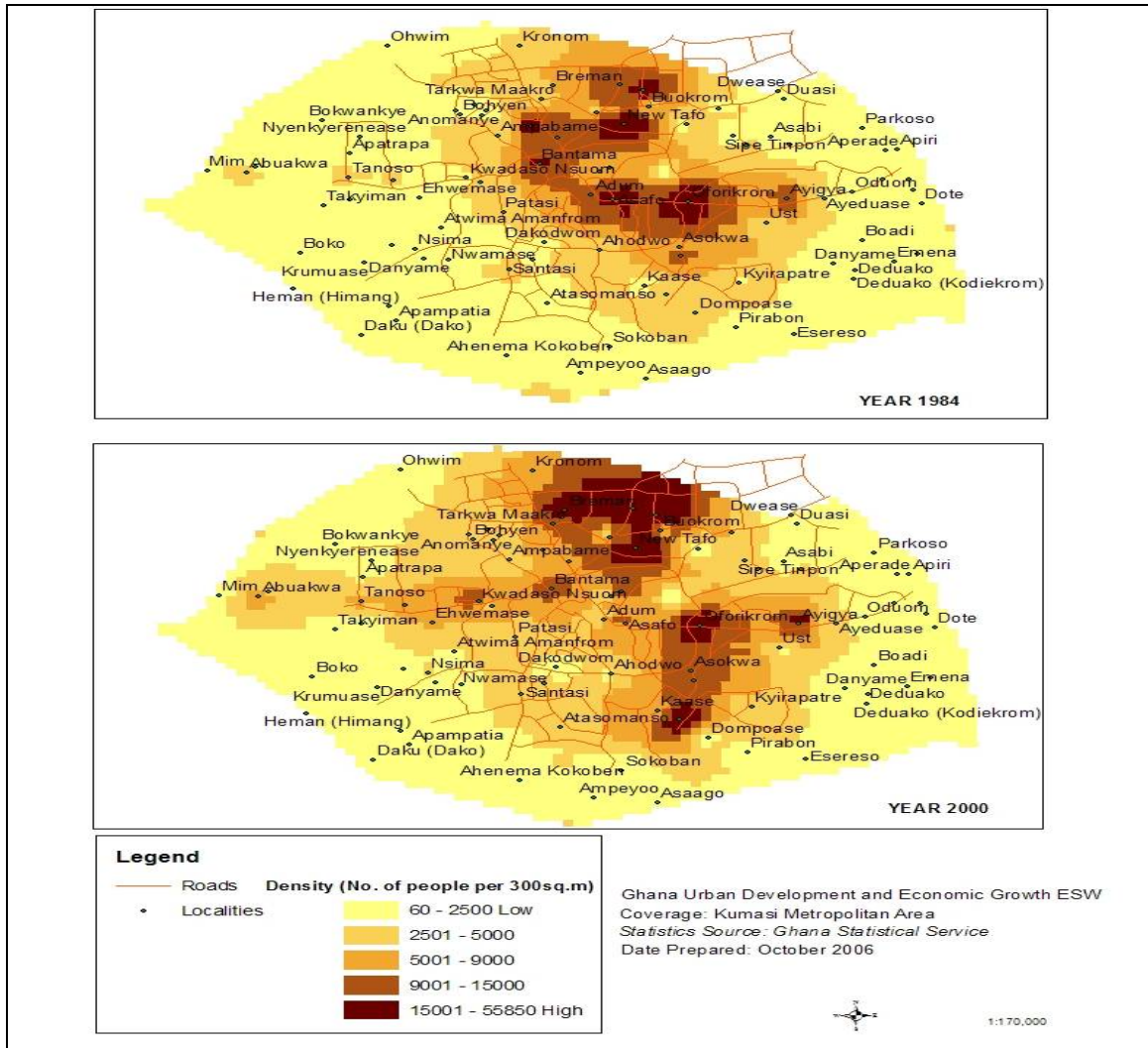
KUMASI

Facts at a Glance	
Population (thousands):	1,517
Annual population growth:	5.6 percent
Area (square km):	254
Revenues, 2004, ₵ bio. (US\$ mio.):	46.4 (5.1)
Revenues per capita, ₵ thousands (US\$):	30.6 (3.4)
Grants, 2004, ₵ bio. (US\$ mio.):	28.8 (3.2)
Grants per capita, ₵ thousands (US\$):	19 (2.1)
Expenditure, ₵ bio. (US\$ mio.):	42.2 (4.6)
Expenditure per capita, ₵ (US\$):	27.8 (3.1)
Capital investments, ₵ bio. (US\$ mio.):	25.4 (2.8)
Capital investments/capita, ₵ (US\$):	16.8 (1.8)

1. URBANIZATION PATTERNS AND LAND MARKETS

According to population trends, the annual population growth of Kumasi is 5.6 percent. Figure 30 illustrates the growth of the city which has been concentrated in the central and northern parts. This could be attributed to the increase in the market activities in the central business district. Migration has been significant contributor to the population increase in the metropolitan area. Other reasons for the growth of the metropolis can be attributed to the reclassification of rural settlements to urban areas. For example, areas such as Ayigya, Dikyemso (Dichemso), and Tarkwa Maakro, which were small communities in 1960 and 1970, have grown into densely populated residential areas with 20,000 to 40,000 people.

Figure 30: Trends in Population Densities for Kumasi, 1984 and 2000



Source: Ghana Statistical Service, Government of Ghana, 2006.

Land Markets: Key Actors and Characteristics

The major land use in the metropolitan area include: Residential land use which takes up 8,512 hectares (43.8 percent) of the total land. Commercial activities take approximately 460 hectares (2.4 percent) of the total land area. Commercial activities are mainly concentrated in the central area of the metropolis. However, these activities are now taking up new locations along the radial roads. The central area comprising Adum Central Business District, the Central Market, Asafo Market, Kejetia and Asafo Transport terminal acts as the main magnetic points, creating a concentration of activities in the metropolis. Land for educational facilities takes up 3,408 hectares (17.5 percent), of which The Kwame Nkrumah University of Science and Technology (KNUST) takes a greater proportion of land than the other educational institutions. Public land use takes up 1446 hectares (7.4 percent) of the total land area including for public, health delivery facilities, security establishments and centers for religious and social functions.

Traditional

The absolute interest in land in Kumasi is vested in the people of Kumasi with the Asantehene, who is also the Kumasihene (i.e. the paramount chief of the Kumasi state), as administrator. As Kumasihene, the Asantehene has sub-chiefs below him who comprise the chiefs of the various towns and villages, such as Amakom, Asokwa, Patasi, Kwadaso etc, which make up the Kumasi state. These, together with the paramount stool, constitute the Kumasi Traditional Council and it is estimated that there are 55 such sub-chiefs within the Kumasi Traditional Council. In the city's land administration system, such sub-stools are referred to as caretaker chiefs.

Each sub-chief also has minor chiefs under him, the number varying in accordance with the status of the stool in the traditional hierarchy. In the context of land administration they are referred to as the principal elders of the stool and the sub-stool (i.e. their over-lord) needs to be in constant consultation with them before taking any decisions concerning land.

In some of the sub-stools there may be large land administering families. These are families which do not own the absolute interest in land but over the years have acquired usufructuary estates in large tracts of the community's land. Any decision by the sub-chief concerning such lands must be in consultation with the heads of the families concerned.

Land Delivery Mechanism

In Kumasi, to acquire land the prospective grantee has to identify an area where land is available for occupation. This information may be obtained through friends and relations or through contacts in the Lands Commission, the Department of Town and Country Planning, the Land Valuation Board or the Asantehene's Land Secretariat. Where land is available for alienation, the chief issues an *Allocation Note* to the prospective grantee; this is the written indication of the stool's grant of land. As consideration for the grant of the land by the chief the prospective grantee must pay him *drinks money (nsa)*. This is equivalent to the *shikpondaa* in Accra. The grant is not valid unless it is endorsed by the Asantehene who by custom, is entitled to a third of the drinks money. Though this system enables the Asantehene to raise the needed revenues, it constitutes an additional financial burden on the unsuspecting purchaser of land who believes that having paid the drinks money to the grantor chief, he is absolved from any further payments. The process just described holds true even if the prospective grantee is a subject of the grantor stool. The amount of drinks money paid may, however, be lower for the subject. After the Asantehene's endorsement of the allocation note, the Land Secretariat forwards it to the Regional Secretariat of the Lands Commission. The transaction is noted in the Records Office and a leasehold document is prepared between the grantor stool, as lessor, and the prospective grantee, as the lessee, with the Asantehene as the confirming party. At this stage the prospective grantee is invited by the Lands Commission to pay the first year's ground rent and the preparation and presentation fee. He is also required to pay the development charge.

Table 44: Annual Ground Rents per Acre of Land, Kumasi

User	Ground Rent (in Cedis)
Residential	
First Class	784,800
Second Class	501,400
Third Class	414,200
Commercial	
CBD	2,725,000
Other Areas	2,180,000
Industrial	
Heavy Industries	1,635,000
Light Industries	981,000

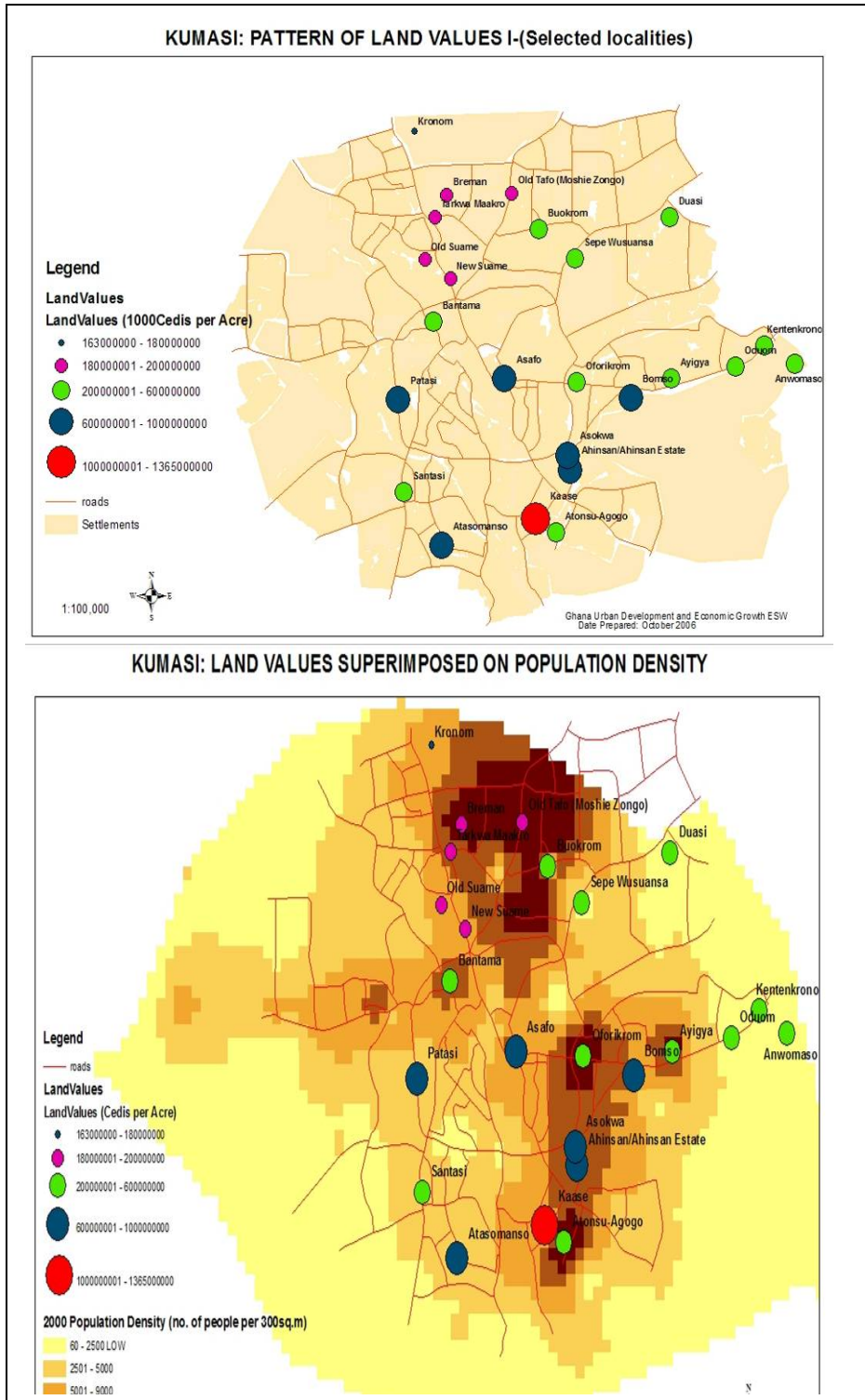
Source: Office of Administrator of Stool Lands, Kumasi.

The development charge is a levy imposed on all grantees of land in the city and it is meant to pay for the cost of providing infrastructure such as access roads, drainage, water and electricity to the site. Currently, it is fixed at ₵50,000 which is so low that it can hardly make an impact on infrastructure provision. No data is available on the annual amount of development charges.

Effects on Land Use Patterns

The land use pattern shows that due to low level of transactions in land, the land values tend to be very high especially in the central business districts. The land values in core areas are comparable to developed countries. Similar to Accra, the lack of title and the scarcity of land without claims are the key contributing factors for such high values of land.

FIGURE 31: KUMASI – PATTERN OF LAND USE



The Property Rate

The Kumasi Metropolitan Assembly is doing better in revenue generation (Table 45). In Kumasi, the share of property rates as part of the overall District Assembly budget is close to 10 percent.

Table 45: Kumasi Metropolitan Assembly – Revenue Performance

Description	Revenues estimate		Actual revenues	
	2004	2005	2004	2005
			Jan. - Sept.	
Property rate		6,340,850,000	5,035,908,631.15	3,554,314,559
Land		1,670,800,000	1,493,846,000	962,445,000
Fees and fines		7,892,301,000	6,231,268,955.13	4,898,250,799.60
Licenses		4,285,934,000	3,446,449,180	2,951,010,425.80
Rents		397,776,000	-	208,795,000
Grants-in-aid		21,686,349,599	28,673,653,850	12,890,618,937
Investment		100,000,000	236,284,398.72	100,781,529
Misc. income		394,000,000	679,094,173.12	575,767,027
Total		42,768,012,604	29,589,032,421.84	26,141,985,284

Source: Kumasi Metropolitan Assembly.

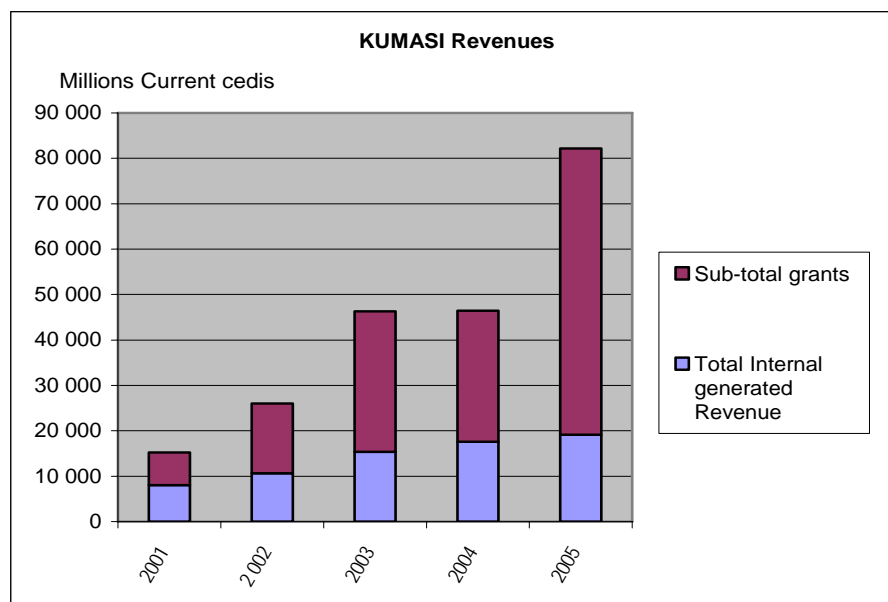
2. MUNICIPAL FINANCE

Examining the main figures of Kumasi, we notice that almost all its revenues increased faster than inflation. Only rents did not keep pace with inflation.

Table 46: Kumasi Main account figures 2001-2005

KUMASI Millions Cedis	2001	2 002	2003	2004	2005	evol
Revenue						
Rates	1 937,2	2 777,4	5 120,9	5 035,9	4 552,7	24%
Lands	543,8	1 633,3	1 139,2	1 493,8	1 747,7	34%
Fees & fines	2 788,8	3 628,0	4 959,9	6 231,2	6 470,8	23%
Licences	1 765,3	1 656,0	2 268,1	3 446,4	3 893,7	22%
Rents	761,8	225,5	1 101,6	958,6	1 002,8	7%
investments	34,5	2,6	83,6	82,6	132,9	40%
Miscellaneous	191,2	751,4	679,0	372,8	1 371,2	64%
Total Internal generated Revenue	8 022,6	10 674,2	15 352,3	17 621,3	19 171,8	24%
Grants salary	7 337,2	10 677,6	15 261,5			
Common fund	2 946,6	3 745,3	4 687,9	5 819,2	7 549,3	27%
HIPC etc	4 236,7	5 241,9	11 296,5	9 509,9	24 349,0	55%
		6 350,0	14 992,6	13 498,1	31 107,1	70%
Sub-total	7 183,3	15 337,2	30 977,0	28 827,2	63 005,4	72%
Total revenues	15 205,9	26 011,4	46 329,3	46 448,5	82 177,2	52%
Expenditure						
Personal emolument	1 535,4	2 611,6	3 897,9	4 896,9	5 841,7	40%
Travelling and Transport	1 721,7	2 626,7	3 761,1	4 598,2	4 993,3	30%
General expenditure	1 062,8	1 430,5	1 742,0	2 825,7	1 638,6	11%
Repairs and Maintenance	420,9	502,7	780,2	1 144,8	652,4	12%
Miscellaneous	1 514,9	1 896,8	2 650,1	3 294,2	5 119,2	36%
Sub-total Recurrent	6 255,7	9 068,3	12 831,3	16 759,8	18 245,2	31%
Cap expenditure assembly	965,2	2 025,9	2 275,6	1 259,9	528,6	-14%
DACF Funded		5 041,4	14 654,0	14 507,2	21 027,9	#DIV/0!
HIPC funded	3 395,3	5 345,8	8 277,0	9 650,9	9 650,9	30%
Sub-total capital	4 360,5	12 413,1	25 206,6	25 418,0	31 207,4	64%
Total	10 616,2	21 481,4	38 037,9	42 177,8	49 452,6	47%

Source: Financial statements 2001-2005 Kumasi.

Figure 32: Grants and internally generated revenues, Kumasi 2001 2005

Source: Financial statements 2001-2005 Kumasi.

The main revenues were grants, which represent 77 percent of total receipts. In 2001, their proportion was only 47 percent.

The salary grant follows the personnel emolument and was almost doubled while the DACF grew dramatically and increased six-fold. Kumasi also receives HIPC funds, which represented half of

the grants in 2005. With these resources, Kumasi almost multiplied its revenue by 3 from 2001 to 2005, adjusted for inflation.

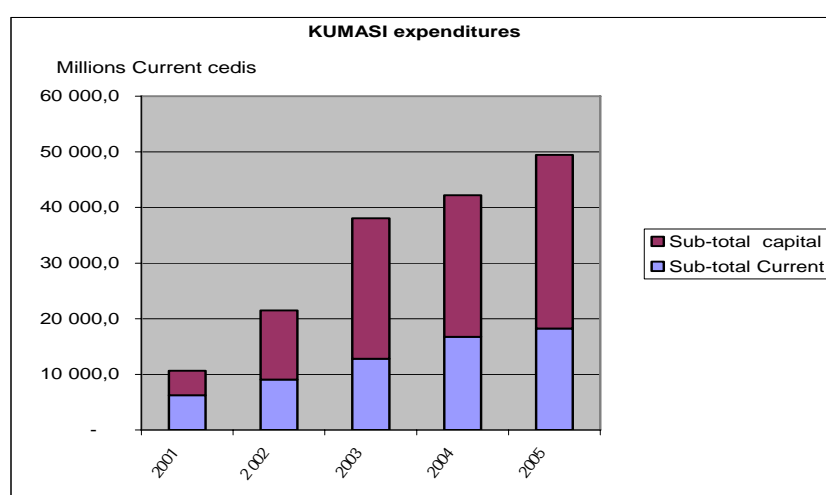
Table 47: Kumasi Revenues 2001-2005 in Constant Value 2005

KUMASI	2001	2002	2003	2004	2005	
year to year inflation %		13,68	29,6	12,0	15,7	
Revenues current value	15 206	26 011	46 329	46 449	82 177	
Revenue 2005 value	29 030	43 684	60 035	53 741	82 177	30%

Source: Financial statements 2001-2005 Kumasi.

Since grants are usually dedicated to capital expenditures, these figures reflect very high share of expenditures (63 percent of expenses in 2005).

Figure 33: Kumasi expenditures 2001-2005



Source: Financial statements 2001-2005 Kumasi.

The financial situation is also very healthy. Operating incomes have increased to form a substantial part of current revenues. The capital result is sometimes negative (2004) or extremely positive (2005), in relationship to the rate of progress of investments.

Table 48: Kumasi Operating income and capital results 2001-2005

	2001	2 002	2003	2004	2 005	
current result	4 713,5	5 351,2	7 208,9	6 680,7	8 475,9	16%
capital result	(123,8)	(821,2)	1 082,5	(2 410,0)	24 248,7	
total result	4 589,7	4 530,0	8 291,4	4 270,7	32 724,6	63%

Source: Financial statements 2001-2005 Kumasi.

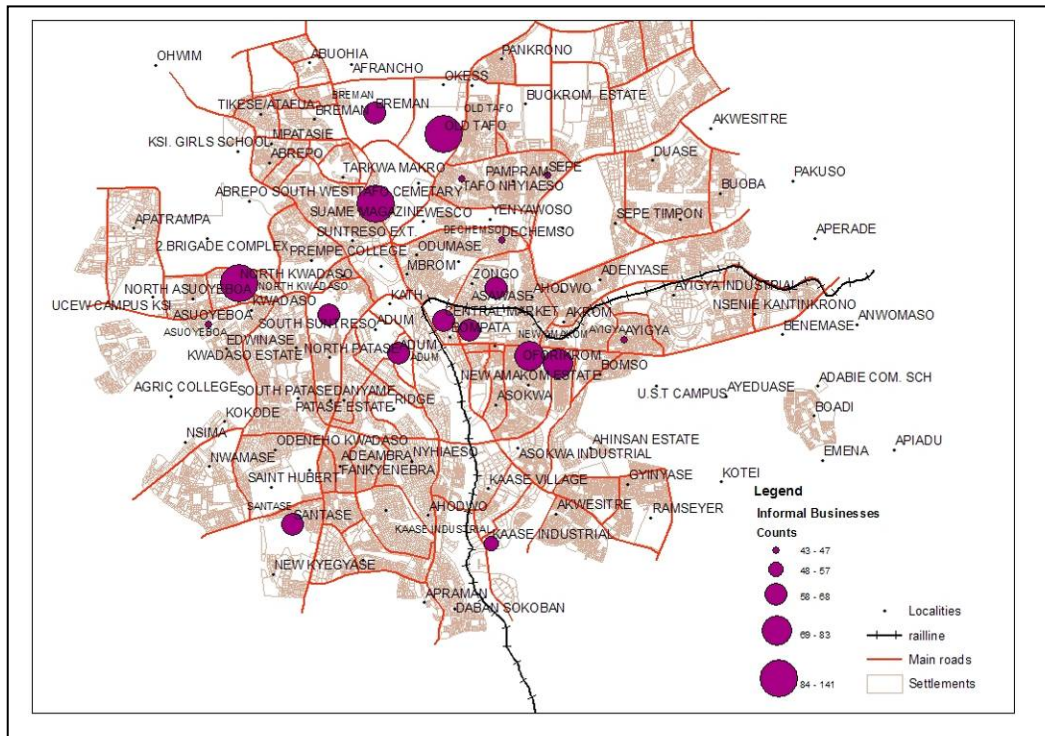
3. LOCAL ECONOMY

The city estimates that 60 percent of local value added comes from the services sector, 30 percent from industry and 10 percent from agricultural activities. Most of the service sector is made up of commercial activities, such as retail and wholesale trading, all facilitated by the city's central location for both Ghanaian and West African merchants. The Kumasi Central Market, Asafo

Market, and Bantama Market, as well as the Kejetia Lorry Park, are among the main centers of commercial and allied activities in the city.

Most of the city’s industrial activities involve small- to medium-scale manufacturers of footwear, cosmetics, soap, plastics and metal products. The medium- to large-scale firms are to be found mostly in breweries, textiles, pharmaceuticals, as well as logging and sawmilling. Coca-Cola Company and Guinness Ghana Ltd. are among the largest firms in the city.

Figure 34: Kumasi Informal Business Concentrations



It is estimated, however, that 50 percent of industrial employment is in the wood and wood-related industries.

Agriculture activities occurs mostly on the periphery of the city, involving maize, cassava, plantain, cocoyam, and vegetables, along with industrial crops like palm nuts and sugar cane. These are used mostly by small-scale mills.

Key constraints

Under the World Banks’ various urban projects, the Kumasi Metropolitan Assembly (KMA) benefited from a number of infrastructure improvements, such as road construction and the provision of waste containers. Through various other programs, substantial investments were also made in areas such as electricity, water, and telecommunications.⁵⁸

Because of its strategic position as the second largest city in the country and as a major thoroughfare for travelers to the northern part of Ghana and beyond, KMA experiences a lot of

⁵⁸ KMA, *Kumasi City Development Strategy (KCDS) 2006 – 2020*, Kumasi, 2006.

intra- and trans-city traffic that has put a lot pressure on its roads over the years. Within the city, the Central Business District (CBD), which encompasses the Central Market, Adum, the Asafo Market, the National Center of Culture, the Kejetia Lorry Park, and the Ministries/Post Office areas, is both the source and destination of most of the traffic. As much as 60 percent of traffic in the city is said to start or end at the Kejetia Lorry Park.⁵⁹

A recent policy document by the City said the following about the resulting congestion in the city:

The CBD is characterized by too many taxis and too few large buses. For example, cars and taxis together form about 70.0 percent of the traffic mix yet they account for less than 30.0 percent of person trips. In comparison, though tro-tro/light buses and heavy buses together constitute about 23.0 percent of the traffic mix, they cater for 62.0 percent of all person trips to and from the CBD. There is therefore the general uneconomic use of road space by low occupancy vehicles in the transportation of persons to and from the CBD. (Emphasis added).⁶⁰

Outside the CBD, the city's road network is characterized by "missing links, badly deteriorated paved local roads, lack of inter-connecting road links imposed by major streams, intersection capacity constraints and lack of an outer by-pass to take extraneous and through traffic away from the city centre so as to reduce congestion and improve traffic operations in the city."⁶¹ (See Figure 35, below).

Under the city's Arterial Development Program, however, some of these problems are being addressed. Intersections that have exceeded their original capacity are to be upgraded into grade separated junctions in order to ease congestion. Similarly, an Interchange Development Program under way seeks to redirect outbound traffic away from the city center to by-passes. More recently, the Assembly has introduced a paid parking system in an attempt to ease traffic in the CBD.

The city acknowledges, however, that funds for constructing and maintaining roads are limited largely because of weak revenue collection. Despite the sub-contracting collection to private companies, the problem persists in part because the city, lacking the technical skills, does not have complete and reliable knowledge of taxable revenue. The problem of revenue "leakages" thus persists, and the Assembly is contemplating increasing the commission paid to private collectors to improve the situation. In the absence of full knowledge of taxes due the city, higher commissions may have only a minimal impact on the problem.

Electricity and water services have improved over the years, although there are some challenges to be addressed. In their medium-term development plan, city authorities said that the "status of electricity supply from the grid to various parts of Kumasi" is "generally good except Deduako, Kentinkronu and beyond."⁶² This improvement was due largely due to up-grading of overhead lines and the installation of distribution stations certain parts of the city, including Asafo Market and Adum, both in the CBD. Nevertheless, problems remained in certain areas. For example, demand in some areas, including the Kaase Industrial area, is said to exceed supply, leading to the

⁵⁹ KMA, *Development Plan for Kumasi Metropolitan Area (2002-2004)*, Kumasi, 2003.

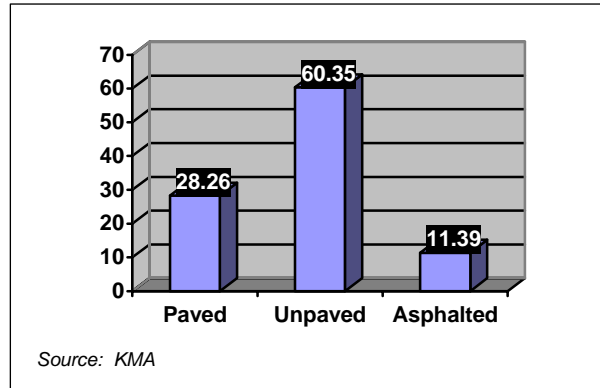
⁶⁰ Ibid, p.34.

⁶¹ Ibid, pp-34-35.

⁶² KMA (2003), p31.

over-loading of some transformers. When the current load shedding is over, the city will have to work with the Electricity Company of Ghana to address these residual problems.

Figure 35: State of Roads in Kumasi (percent)



The city derives its water from two dams, Owabi and Barekese, built in the 1920s and 1950s, respectively. While the Owabi Dam is said to be operating at fully capacity and thus has no further room for expansion, the Barekese Dam is described as having the potential for further expansion to increase production. Increased population growth and economic activities, including usage by two breweries and a bottling plant, without corresponding increases in supply has led to frequent acute water shortages in the metropolis. Daily shortfall in production is estimated at between 50,000 and 60,000 gallons.⁶³

Besides problems of expansions, constraints faced by water providers in the city include the following:

- Frequent power outages that affect the power stations.
- Lowing metering (estimated at 50.0 percent), implying a high incidence of illegal connections.
- Arrears and payment defaults by government departments, which deprives GWC of financial resources for its operations.

⁶³ KMA (2003), p. 30.

TEMA

Facts at a Glance	
Population (thousands):	506
Annual population growth:	2.2 percent
Area (square km):	565
Revenues, 2004, ¢ bio. (US\$ mio.):	40.9 (4.5)
Revenues per capita, ¢ (US\$):	80.9 (8.9)
Grants, ¢ bio. (US\$ mio.):	16.8 (1.8)
Grants per capita, ¢ (US\$):	33.1 (3.6)
Expenditure, ¢ bio. (US\$ mio.):	40.8 (4.5)
Expenditure per capita, ¢ (US\$):	80.7 (8.9)
Capital investments, ¢ bio. (US\$ mio.):	20.4 (2.2)
Capital investments/capita, ¢ (US\$):	40.2 (4.4)

1. URBANIZATION PATTERNS AND LAND MARKETS

According to population trends, the annual population growth of Tema is 2.2 percent. The growth can be attributed to migration for jobs in the Tema Harbor and surrounding industries/factories. For example, Ashaiman, which is a migrant community and has now become a part of Tema which has the highest population growth rate in Ghana (4.6 percent).

Land Delivery Mechanism

Tema is a unique case in Ghana whereby all the land is vested with the Tema Development Corporation (TDC), which has been a major player in the real estate development. TDC has developed twenty self-contained residential neighbourhoods in Tema, a port and industrial city, which is adjunct to Ghana's capital city, Accra. TDC, as part of its mission to execute and facilitate developmental activities, is now embarking on the servicing of industrial lands in the Tema Heavy Industrial Area, to provide easy access to land ready for development by investors on long-term leasehold basis at very low annual ground rents. The payment plans include selling Price of US\$42,000 per acre and if used for industrial development tends to discount it by 10 percent. TDC undertakes the processing of documents on land purchased from the Corporation and the fees are paid to the Corporation.⁶⁴

⁶⁴ <http://www.gipc.org.gh/documents/GUIDELINES%20ON%20THE%20ACQUISITION%20OF%20LAND.htm>

2. MUNICIPAL FINANCE

The main account figures for Tema show that both internally generated revenues and grants have gone up by 37 percent annually from 2000 to 2004. Current expenditure and capital expenditure have also increased at almost the same pace.

Table 49: Tema Main account figures 2001-2005

millions Cedis	2000	2001	2002	2003	2004	Evol.
Revenues						
Rates	2,243.6	3,690.7	4,850.0	5,947.7	10,889.2	48%
Lands	84.8	35.4	1.7	30.8	0.0	-100%
Fees & fines	2,599.5	3,570.8	5,547.4	4,398.7	7,256.9	29%
Licenses	887.7	1,238.7	1,768.8	2,874.0	4,509.9	50%
Rents	20.8	15.1	49.1	44.6	59.9	30%
Investments	562.7	1,613.2	1,106.5	61.0	395.7	-8%
Miscellaneous	405.7	306.1	547.9	429.7	1,062.8	27%
Internally generated revenues	6,804.8	10,470.0	13,871.4	13,786.5	24,174.4	37%
Assembly grants (salary, HIPC)	4,747.2	6,760.2	2,360.8	8,742.7	8,184.5	15%
Common fund			4,751.3	7,542.9	8,182.0	
NGO grants			-	1,005.7	406.6	
Sub-total grants	4,747.2	6,760.2	7,112.1	17,291.3	16,773.1	37%
Total revenues	11,552.0	17,230.2	20,983.5	31,077.8	40,947.5	37%
Expenditure						
Personal emolument	2,470.2	3,613.0	5,329.4	6,537.8	11,137.2	46%
Travel	1,241.9	1,286.1	2,647.2	2,770.6	3,873.6	33%
General expenditure	549.8	845.8	1,788.8	1,814.2	2,869.2	51%
Repairs and	260.2	382.9	686.8	1,392.8	687.2	27%
Miscellaneous	888.5	1,824.0	3,214.6	2,208.1	1,928.9	21%
Current expenditure	5,410.6	7,951.8	13,666.8	14,723.5	20,496.1	40%
Cap expenditure assembly	281.5	51.7	1,473.8	8,127.0	11,553.9	
Cap expenditure common	5,279.3	5,738.2	6,487.4	7,184.4	8,390.7	
NGO Funds			-	1,005.7	406.0	
Capital expenditures	5,560.8	5,789.9	7,961.2	16,317.1	20,350.6	38%
Total expenditures	10,971.4	13,741.7	21,628.0	31,040.6	40,846.7	
Result R-E	580.6	3,488.5	-644.5	37.2	100.8	

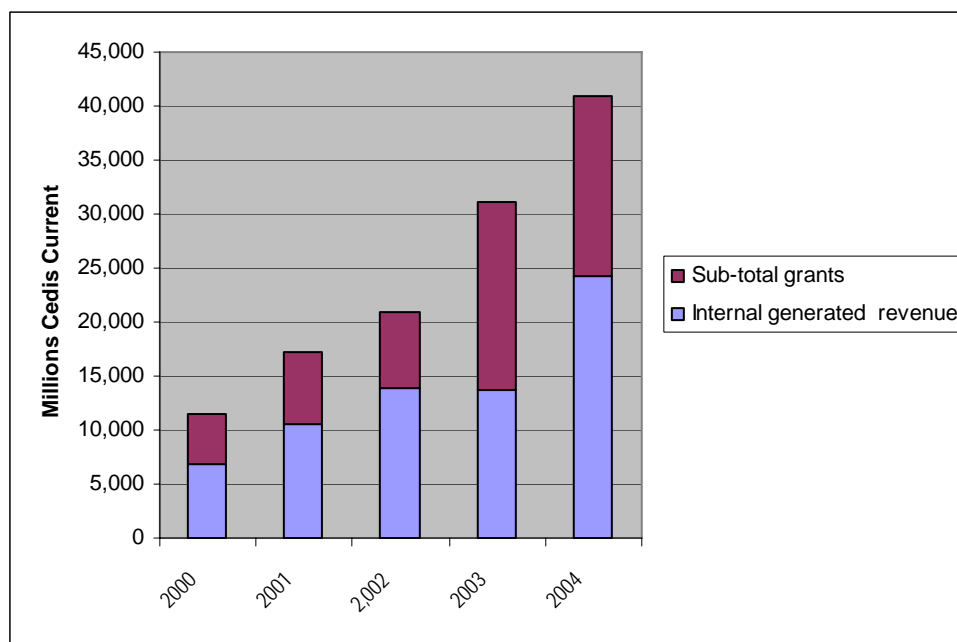
Source: Financial statements 2001-2005 Tema.

Revenues and expenditures increased by four-fold between 2000 and 2004, with a substantial increase in 2004. In 2000 and 2001, the Common Fund was included under “grants”. Even though

the DACF had doubled, *the main increase in revenues comes from rates and fees, which illustrate better management of revenues or a real economic growth.*

In comparison with other districts, Tema is less dependent on grants.

Figure 36: Tema - Grants and internal generated revenues 2001-2005



Source: Financial statements 2001-2005 Tema.

The expenditures follow same the pattern as revenues with a sharp increase in capital expenditures. The difference between current revenues and current expenditures reflects a cash only situation. All the available funds were utilized. Excluding capital revenues and capital expenditures, Tema did experience annual savings. The result is remarkable: operating income starts at 6.1 billion Cedis in 2000 and increases to 11.8 billion Cedis in 2004. This illustrates the fact that a district will borrow if its saving is sufficient. Tema is probably one of the richest District Assemblies.

Table 50: Tema - current results and capital results 2001-2005

TEMA	2000	2001	2002	2003	2004
Current result (with grants salary)	6,141.4	9,278.4	2,565.4	7,805.7	11,862.8
Capital result	(5,560.8)	(5,789.9)	(3,209.9)	(7,768.5)	(11,762.0)
Total result	580.6	3,488.5	-644.5	37.2	100.8

Source: Financial statements 2001-2005 Tema

In constant value, the revenues of Tema have been growing at 12 percent per year.

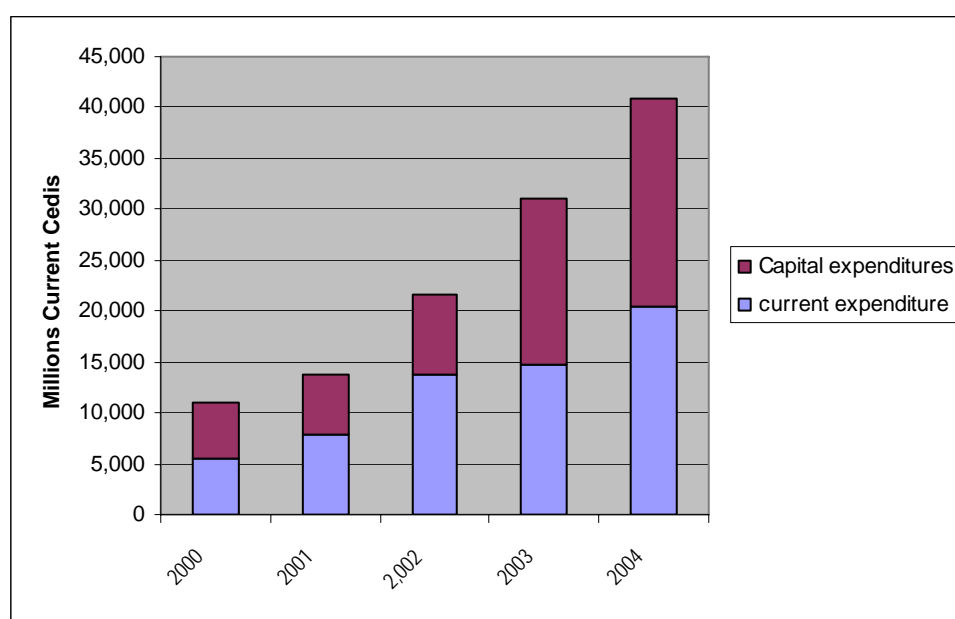
Table 51: Tema – Revenues 2001-2005, in constant 2005 Value

TEMA	2000	2001	2002	2003	2004
Year to year inflation %		36.83	13.68	29.6	12.0
Revenues current value	11,552	17,230	20,983	31,078	40,948
Revenues 2005 value	26,082	28,431	30,458	34,807	40,948

Source: Financial statements 2001-2005 Tema.

130. Between 2000 and 2004, the expenditures were split roughly 50 percent between current expenditures and capital expenditures in each fiscal year.

Figure 37: Tema – Expenditures 2001-2005



Source: Financial statements 2001-2005 Tema.

A review of the use of DACF from the financial statements of Tema reveals that the main items are environment and sanitation. It could possibly be explained by the allowance for sanitation from the “reserve fund” of DACF. Comparison between the different sources of revenues was not conclusive.

Table 52: Tema – Capital Expenditures 2002-2004

Million Cedis	2002		2003		2004	
	estimate	cum-	estimate	cum-	estimate	cum-
Economic						
Energy	-	31.0	300	63.3	120.0	-
Market	206.0	344.0	169.3	263.6	678.0	1,003.0
Agriculture	80.0	-				
Roads	-	89.0	0	0		
Private sector support			701.4	850.6	509.7	64.0
Sub-total	286.0	464.0	1,170.7	1,177.5	1,307.7	1,067.0
Social						
Education	750.6	856.3	286.6	137.4	1,010.8	391.4
Health	558.4	932.9	190	133.6	75.0	20.0
Water	-	0.5	130	97.3	772.6	313.1
Sports and recreation	-	111.9	400	443.9	548.0	684.9
Community projects			50	434.5	200.0	193.1
Sub-total	1,309.0	1,901.6	1,056.6	1,246.7	2,606.4	1,602.5
Administration						
Human resources	143.4	251.0	201.2	85.3	201.8	179.0
Accommodation	390.1	484.9	1348.5	738.1	910.8	768.6
Office equipment	200.0	-	270	78.7	251.5	-
Project management	100.0	306.7	234	378.3	649.3	149.2
Sub-total	833.5	1,042.6	2,053.7	1,280.4	2,013.4	1,096.8
Environment						
Sanitation	507.3	1,848.9	3650.8	3193.2	4,169.2	3,670.8
Envir: protection			0	25	150.5	190.4
Sub-total	507.3	1,848.9	3,650.8	3,218.2	4,319.7	3,861.2
Total	2,935.8	5,257.1	7,931.8	6,922.8	10,247.2	7,627.5

Source: Financial statements 2001-2005 Tema.

The situation of assets and liabilities provides a picture of overall finances including the accumulated surplus.

Table 53: Tema - balance sheet 2000-2004

Millions Cedis	2000	2001	2002	2003	2004
Balance sheet					
Fixed assets (deposits*)	3,437.7	3,000.0	2,046.5	811.2	551.1
Current assets					
Stock**	188.0	490.4	558.9	99.4	159.1
Debtor	3,037.4	5,496.2	5,202.5	373.2	442.6
Poverty Alleviation			1,956.1	2,079.1	2,510.8
Advances (staff)	14.5	37.3	98.0	178.0	238.8
Cash at bank***	819.1	1,697.6	329.4	1,221.7	1,642.9
Cash imprest			25.8	131.4	59.3
sub-Total	4,059.0	7,721.5	8,170.7	4,082.8	5,053.5
Total			10,217.2	4,894.0	5,604.6
<i>* deposits several banks</i>					
<i>** cement, spares...</i>					
<i>*** several banks-some are negatives- and some investment account like HIPC (1,7 billions)</i>					
Current Liabilities					
Creditors		(2.9)	4.9	20.4	130.4
Income tax*	16.8	58.3	458.7	582.0	1,158.8
Retention**	236.5	296.7	459.5	355.4	261.7
Deposit and others	4,471.4	887.9	553.1	2.3	18.4
Contractors refuse	109.5	96.0			
Staff welfare	0.4		-	1.2	2.5
	4,834.6	1,336.0	1,476.2	961.3	1,571.8
<i>*numerous firms are debtors</i>					
<i>** as guarantees (?)</i>					
Accumulated surplus at 1/1/2004	2,080.6	5,896.8	9,385.5	3,895.8	3,933.4
Surplus of revenues over expenditure assembly funds			1,091.9	-320.9	308.2
Surplus of revenues over revenues for common fund			-1,736.1	358.5	-208.7
			-644.2	37.6	99.5
Sub-Total	2,080.6	5,896.8	8,741.3	3,933.4	4,032.9
Total			10,217.5	4,894.7	5,604.7

Source: Financial statements 2000-2005 Tema.

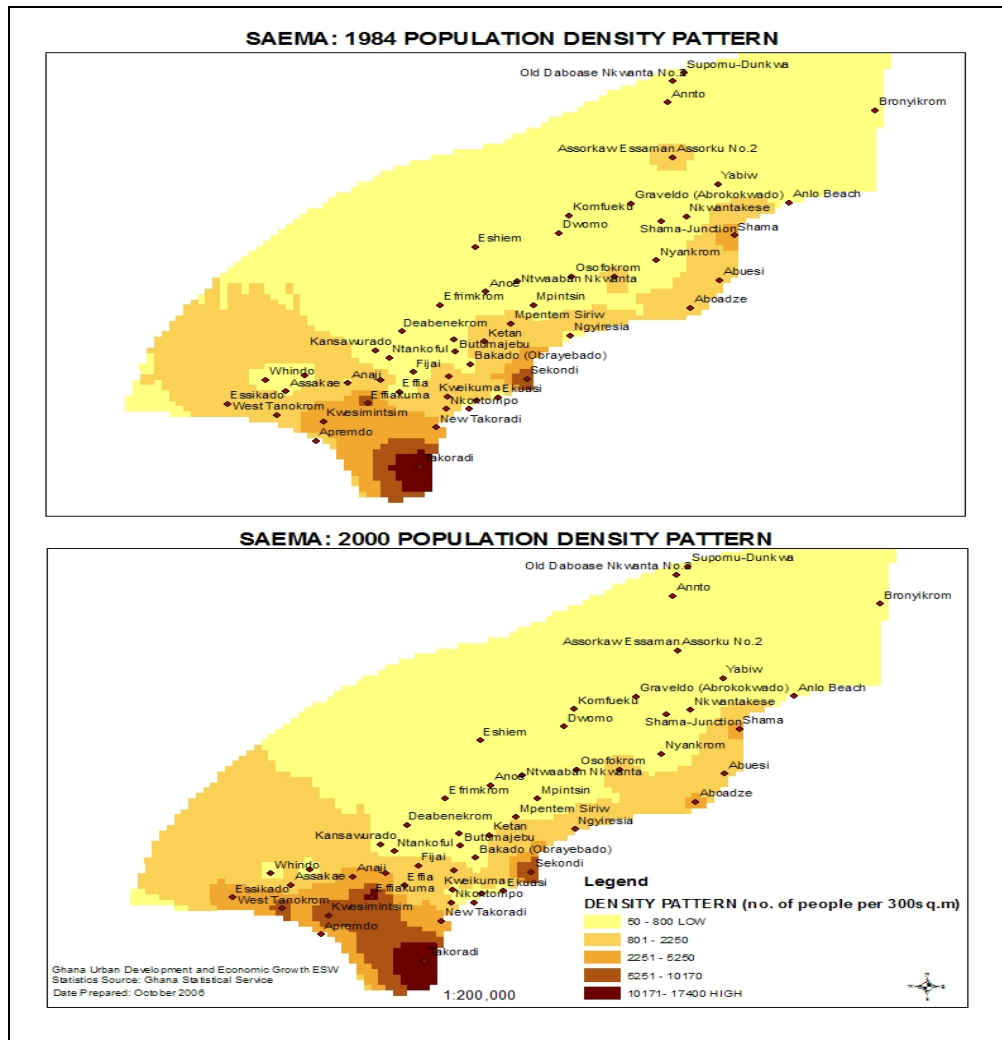
SAEMA

Facts at a Glance	
Population (thousands):	369
Annual population growth (Takoradi/Sekondi):	2.8 / 3.0 percent
Area (square km):	385
Revenues, 2005, ¢ bio. (US\$ mio.):	31.0 (3.4)
Revenues per capita, ¢ (US\$):	84.0 (9.2)
Grants, ¢ bio. (US\$ mio.):	23.5 (2.6)
Grants per capita, ¢ (US\$):	63.6 (7.0)
Expenditure, ¢ bio. (US\$ mio.):	28.7 (3.2)
Expenditure per capita, ¢ (US\$):	77.8 (8.6)
Capital investments, ¢ bio. (US\$ mio.):	16.5 (1.8)
Capital investments/capita, ¢ (US\$):	44.6 (4.9)

1. URBANIZATION PATTERNS AND LAND MARKETS

According to population trends, the annual population growth of SAEMA is 3 percent. Figure 38 illustrates the growth in the city has been concentrated in the south western parts. This can be attributed to migration and the classification of rural settlements into urban space. For example, areas like Shama, which in 1984 were rural, had attained urban status by 2000 and areas like Diabekrom, Inchaban, Kansaworodo and Bronikrom, which were considered to be remote, have now become part of the Metropolitan area. Similarly, areas like Kojokrom, Ketan, Fijai and Anoe which only about ten years ago were outlying villages have now effectively become integral part of the city.

Figure 38: Trends in Population Densities for SAEMA, 1984 and 2000



Source: Ghana Statistical Service, Government of Ghana.

Land Markets: Key Actors and Characteristics

Traditional

The absolute interest in land in Sekondi-Takoradi is technically vested in three paramount stools, the paramount stool of the Sekondi Traditional Area which is located in Sekondi, the paramount stool of the Ahanta Traditional Area located at Busua, about forty kilometres from Takoradi, and the paramount stool of Essikadu Traditional Area located at Essikadu near Sekondi. Sekondi Traditional area comprises of 16 divisional stools, Ahanta has 16 divisional stools and Essikadu has 5 divisional stools.

Since 1980, there has been a considerable increase in the number of families that claim absolute interest in the lands they occupy. During the 1982-1991 period, there were 44 main grantors of land in the city, comprising of 25 sub-stools and 19 families.⁶⁵ Additionally, from 1997 to 2000, five new sub-stools were included while 45 new families joined the ranks of grantors. In 2000,

⁶⁵ According to the records of the Land Commission.

the numbers stood at 47 sub-stools and 113 families with land granting rights. The increase in the number of stools may be accounted for by the fact that as the city grew and land in the peri-urban areas entered the land market the stools owning such lands granted them to prospective developers.

Land Delivery Mechanism

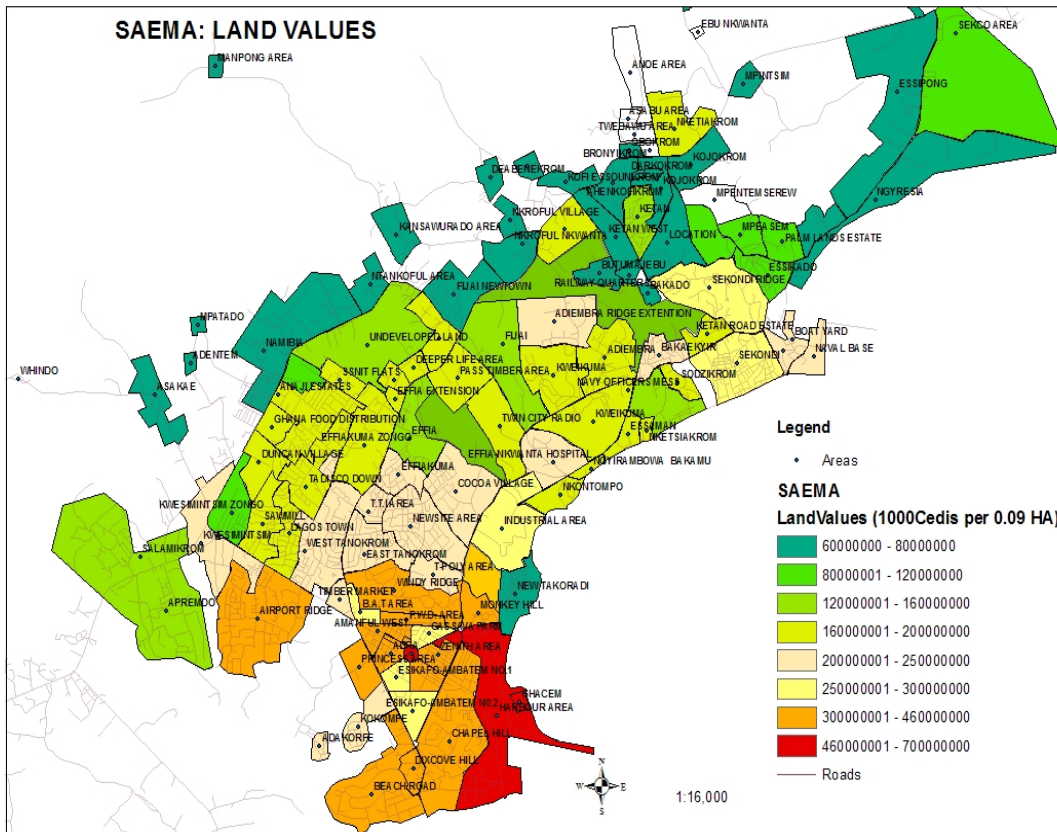
To acquire land in Sekondi, a person has to see the sub-chief in whose area the land is situated. He pays the purchase price and is given a receipt. He is then required to prepare a leasehold agreement in accordance with a prototype which the chief provides. The term is usually 99 years for residential and 50 years for other users. It is customary that the sub-chief pays a third of the purchase price to the Divisional chief but it is at the discretion of the divisional chief to pay any part of this to the paramount chief. In Takoradi, there are some sub-stools which operate directly under the paramount stool. In such situations, land is acquired from the sub-stools and they pay one-third of the purchase price to the paramount stool. In cases where the land falls directly under a Divisional chief, the land is acquired from the Divisional chief who pays one-third of the purchase price to the paramount chief. Where the land is acquired from a sub-stool (locally called *Odikro*), one third of the purchase price is paid by the sub-stool to the Divisional chief who also pays one third of this to the paramount chief. In all cases, the paramount chief confirms the allocation by signing the leasehold document.

One major issue in the land delivery system is the emergence and proliferation of land owning families in the city. This makes identification of land owners difficult as one may not know whether a particular piece of land belongs to the stool or to a family. This is more serious because boundary demarcation and identification is unclear between the various land owning groups. The Lands Commission checks whether the land falls within the appropriate zoning regulations of the area and if there are any court proceedings (particularly injunctions) affecting the land and whether all the appropriate signatures have been obtained. In the case of stool lands, they also check the rent reserved and may revise it appropriately. In Takoradi, the paramount chief also charges a flat rate of ₵1,000,000 as signature fee on executing the leasehold agreement. At the Lands Commission, he is required to pay a Presentation fee of ₵100,000, a Processing fee of ₵100,000 and a Deeds Registration fee of ₵150,000.

Effects on Land Values

Figure 39 provides the land values in Sekondi-Takoradi Metropolitan Assembly. The land use pattern shows that due to low level of transactions in land, the land values tend to be very high especially in the central business districts. The land values in core areas are comparable to developed countries. Similar to Accra and Kumasi, the lack of title and the scarcity of land without claims are the key contributing factors for such high values of land.

Figure 39: SAEMA Land Values



The Property Rate

The Shama Ahanta East Metropolitan Assembly (SAEMA) has made great strides with its management of the property rate by fully privatizing its property rate functions. Though the Land Valuation Board (LVB) carries out the valuation of properties, the Board is assisted extensively by a private contractor (CTK Network Aviation Ltd.). CTK has captured the properties in the Assembly’s area by aerial photography. This has been supplemented by ground mapping. The maps are currently being digitized to provide a permanent record of properties in the Assembly’s area of authority. It is expected that LVB will team up with CTK to do ground verification to confirm the data obtained from the aerial survey. LVB carries out the valuation and prepares the valuation list and identifies new and altered properties. The Assembly determines the rate impost and passes on the Rates and Fee Fixing Resolution to CTK who prepare the Valuation Roll, generates the bills by computer and carry out door-to-door distribution of the bills. CTK is also responsible for the collection of the rates due from house owners. For its services CTK keeps 24 percent of all rates collected. As part of its contract, CTK is to build a Management Information System for revenue mobilization for SAEMA and build the Assembly’s capacity for maintaining the system.⁶⁶

⁶⁶ The firm has been in operation in the Assembly for two years under its initial contract of five years and in the next 18 – 24 months CTK will begin to train the staff of the Assembly on the use of the MIS.

The greatest problem the Assembly faces is rate delinquency (Table 54). Between 2002 and 2004, the Assembly's ability to retrieve its rate arrears was poor. Since 2004, however, the rate of collection has improved considerably and in 2005, the Assembly actually collected more than the estimated arrears of rates for corporate bodies and significantly improved the collection of arrears from individual house owners. This shows that its rate arrears were underestimated. Similarly the collection of the delinquency in the property rate collection is extremely high (Table 55).

Table 54: SAEMA - Performance in the Collection of Property Rate Arrears

YEAR	SOURCE					
	Individual House owners			Firms and Companies		
	Target	Actual	%	Target	Actual	%
2002	250,000,000	73,009,173	29	200,000,000	132,074,227	66
2003	400,000,000	164,613,614	41	800,000,000	70,705,510	9
2004	400,000,000	330,296,432	83	800,000,000	480,133,74	60
2005	700,000,000	604,615,241	86	500,000,000	610,708,479	122
2006	700,000,000	343,189,519	49	500,000,000	376,954,146	75

Source: SAEMA. Note: 2006 figures are for the period up to June 30.

Table 55: SAEMA - Performance in Property Rate Collection

YEAR	SOURCE					
	Individual House owners			Firms and Companies		
	Target	Actual	%	Target	Actual	%
2002	800,000,000	721,856,350	90	2,200,000,000	790,240,690	36
2003	800,000,000	763,481,858	95	2,200,000,000	1,838,385,572	84
2004	1,100,000,000	502,196,919	46	2,700,000,000	1,657,937,986	61
2005	1,000,000,000	499,935,737	50	2,500,000,000	1,739,892,786	70
2006	1,500,000,000	372,740,780	25	3,000,000,000	1,224,890,154	41

Source: SAEMA. Note: 2006 figures are for the period up to June 30.

2. MUNICIPAL FINANCE

Table 56: Comparison of Business licenses in Accra and SAEMA (US\$)

	ACCRA	SAEMA		ACCRA	SAEMA
Bakeries	17	11	Pharmacy	160	111
	9	9		24	56
Bookshops	200	33	Chemical sellers	12	13
	19	11		0	6
Boutiques	176	33	Photographic studios/shops/operators	253	33
	29	17		9	13
Car washing	92	44	Printing houses	2,000	111
	22	17		32	0
Chp bar/eating houses	51	0	Private clinic	84	56
	8	10		33	33
Cold store	460	222	Private maternity homes	31	0
	17	44		16	17
Forex Bureau:	64	56	Record sellers	153	22
Insurance companies	10,580	1,111	Restaurants	506	111
	147	222		64	27
Carpentry workshop	84	33	Shipping agencies	843	1,667
	20	13			333
Barber's shops	17	0	Spare parts sales outlets	267	22
	8	7		9	11
Hardware store	77	3	Tailoring/dressmaking shops	64	22
	11	7		7	7
Hotel	4,033	333	Herbal medicine shops	101	56
	31	67		11	22
Guest houses/resorts	106	0	Refrigeration/air conditioner mechanics	128	17
	43	44		32	11
Medical laboratories	153	0	A.M.A. commercial driver's license	4	4
	68	44	Taxi cab sticker	3	2
Petroleum retail outlet	528	111			
	22	44			

Source: AMA fee-fixing resolution 2005 and estimates 2005 for SAEMA.

Financial statements

Shama Ahanta East's financial statements changed their format on 2004 reflecting the detailed use of DACF. Table 57 provides an illustration of detailed capital expenses in SAEMA. The capital budget is shared between four categories of funding: DACF, own revenues, sanitation fund, and counterpart of donor projects.

Table 57: SAEMA Capital Expenditures Financed by DACF 2004

	Dist. Assem. Common Fund Projects			Budgeted Estimate
ITEM	PROJECT DESCRIPTION	LOCATION	STATUS	2006
1	Maintenance of Urban Roads	Metro-wide	New	500,000,000
2	Employment generation (Poverty Alleviation Fund (15%))	Metro-wide	New	900,000,000
3	District Education Fund (2%)	Metro-wide	New	120,000,000
4	Malaria (1%)	Metro-wide	New	60,000,000
5	Self Help (10%)	Metro-wide	New	600,000,000
6	District Response Initiative (DRI) on HIV/AIDS (1%)	Metro-wide	New	60,000,000
7	Disabled Fund (5%)	Metro-wide	New	300,000,000
8	Construction of Accident Ward	Takoradi Hosp.	On-going	420,000,000
9	Purchase of 3 No. Toyota Pick-up	Administration	New	500,000,000
10	Contingency 10%	Metro-wide	New	600,000,000
11	Estab. & Strengthening of Sub Metro Structures (5%)	Metro-wide	New	300,000,000
12	Training and Capacity Building (2%)	Metro-wide	New	120,000,000
13	2 No. Digital Camera	Administration	New	10,000,000
14	Establishment of a Business Desk	Central Administration	New	100,000,000
15	Hiring of Equipments -Bulldozer and Lowbed	WMD	New	120,000,000
16	Counterpart Fund for UESP/CBRDP/SIF/GETFUND, etc	Metro-wide	New	2,300,000,000
17	Construction of JSS	Fijai	New	290,000,000
18	Completion of 20 Safer Flush Toilet_	Sekondi Zongo	Completed	40,000,000
19	Purchase 1 No. Commercial Photo Copier	Central Administration	New	60,000,000
	Total			7,400,000,000

Source: Sheet attached to financial statement 2004 SAEMA.

Table 58: SAEMA capital expenditures financed by its own revenues 2004

Assembly Projects				
	Project Description	Location	Status	2006
1	Installation of Street Light	Metropolis	New	500,000,000
2	Consultancy Fee on Street Light (3.5%)	-	New	40,600,000
3	Assembly Hall Extension	SEAMA Office	New	400,000,000
4	Renovation of Regional Police Commanders Residence	Sekondi	New	75,000,000
5	Rehabilitation of Sub Metro Office	Takoradi	New	150,000,000
6	Rehabilitation of Takoradi Market Gates	Takoradi	New	300,000,000
7	Preparation of Medium Term Development Plan		New	50,000,000
8	Preparations for Metro University	-	New	150,000,000
9	Compensation for Apremdo Market	Apremdo	New	200,000,000
10	Compensation for Acquisition of Plot for Sekondi Lorry Pa	Cassava Farm-Takoradi	New	110,000,000
11	Acquisition of Land Banks	Metro-wide	Ongoing/ New	300,000,000
12	Purchase of 3 No. Motor Bikes	Central Administration	New	60,000,000
13	Purchase of 10 No. Computer, Printers & Accessories	Central Administration	New	150,000,000
14	Purchase of 12 No. Cabinet	Central Administration	New	36,000,000
15	Purchase of 4 No. Table Top Refrigerator	Central Administration	New	7,200,000
16	Purchase of 2 No. Electric Typewriter (IBM)	Central Administration	New	7,000,000
17	Rodent Control and Spraying	Metro-wide	New	50,000,000
18	New Castle Disease Vaccination	Metro-wide	New	10,000,000
19	Farmers Day Celebration	Metro-wide	New	20,000,000
20	Provision of Vaccines for Rabies	Metro-wide	New	100,000,000
21	Organization of Women/Youth programs	Metro-wide	New	50,000,000
22	Organization of Best Teacher Awards	Metro-wide	New	30,000,000
23	Organization of STME Clinics	Metro-wide	New	54,000,000
24	Sister City Program		New	50,000,000
25	Accounting Software Upgrade	Central Administration	Completed	100,000,000
	Total			2,909,800,000

Source: Sheet attached to financial statement 2004 SAEMA.

Table 59: SAEMA capital expenditures financed by Sanitation fund 2004

1	Rehabilitation of Slaughter House and Meat shop	New Takoradi	495,000,000
2	Servicing of Long Boom Excavator		125,000,000
3	Construction of Komfueku Kraal Project	Komfueku	450,000,000
4	Rehabilitation of 10 Refuse Depots	Metro-wide	120,000,000
5	Decommissioning of 1 No. Old Refuse Dumps	Mpintsin	500,000,000
6	Rehabilitation of 22 No. 14m ³ Refuse Containers		440,000,000
7	Purchase of Benz Truck		1,200,000,000
	Total		3,330,000,000

Source: Sheet attached to financial statement 2004 SAEMA.

Table 60: SAEMA Capital Expenditures Financed by Donors 2004

3,330,000,000 Counterpart Funding For Projects			
1.	Completion of Abandoned Day-Care Centre	Ekuse	210,000,000
2	Construction of J.S.S. Block	Komfueku	310,000,000
3	Construction of Football Field	Kojokrom	212,000,000
4	Completion of Nana Katabra JSS Block	Kojokrom	135,000,000
5	Construction of 6 classroom & lock	Whindo	550,000,000
6	Construction of 16 Seater W/C Toilet	Adiembra Sec.	200,000,000
7	Construction of Fabrication Laboratory - TTI	Takoradi	1,500,000,000
8	Completion of M.A. Primary / JSS Block	Anaji	220,000,000
9	Construction of J.S.S. Block	Mampong	310,000,000
10	Rehabilitation of Nana Brempong Yaw Primary School	Effiakuma	385,000,000
11	Construction of Guest House	-	1,200,000,000
12	Remedial Works at Sekondi Market	Sekondi	420,000,000
13	Construction of Drainage at Anto Market	Anto	50,000,000
14	Construction of 6 Classroom Block	Supomu Dunkwa	550,000,000
15	Construction of 6 Classroom Block	Abuesi	550,000,000
16	Construction of 6 Classroom Block	Shama	550,000,000
17	Renovation of Model Primary School	Shama	100,000,000
18	Construction of 6 Classroom Block	Upper Inchaban	550,000,000
19	Presby JSS - Takoradi Library Project	Takoradi	150,000,000
20	Rehabilitation of Prophet Nkansah SAEMA School	Nketsiakrom	225,000,000
21	Construction of Nurses Quarters	Supomu Dunkwa	445,000,000
22	Construction of Nurses Quarters	Abaasa	445,000,000
23	Clearing & Construction of Football Field	Shama	185,000,000
24	Completion of Primary School Block	Supomu Dunkwa	43,000,000
25	Construction of Market	Aboadze	250,000,000
	Total		9,745,000,000

Source: Sheet attached to financial statement 2004 SAEMA.

For Metro Shama Ahanta East, the financial statement for 2005 is provisional.

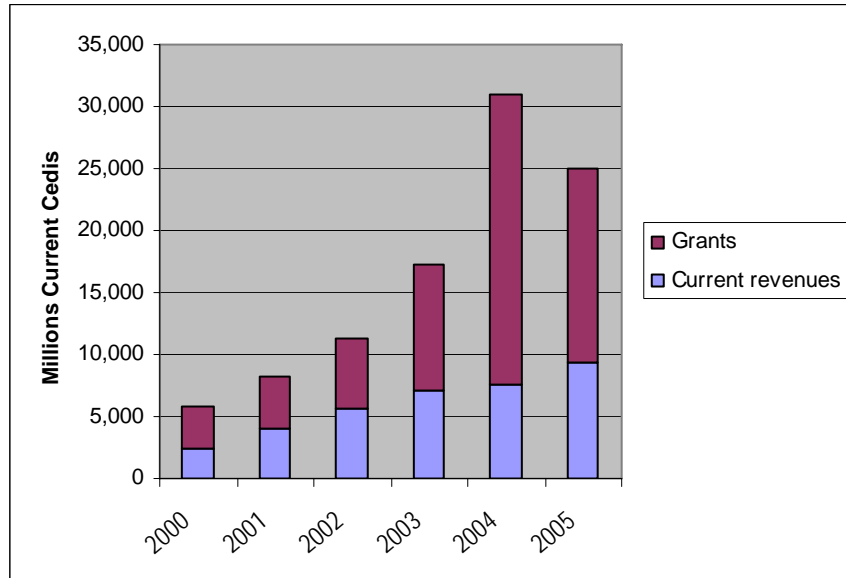
Table 61: SAEMA - Revenues and Expenditures 2000-2005

Millions Cedis	2000	2001	2002	2003	2004	2005	Evol.
Revenues							
Rates	789	1,624	1,742	2,874	2,990	3,510	17%
Lands	178	229	297	531	712	784	28%
Fees & fines	303	432	624	1,013	1,173	1,940	35%
Licenses	509	995	1,515	1,991	1,713	2,036	15%
Rents	520	674	658	682	740	632	-1%
Investments	7	1	4	26	3	2	15%
Miscellaneous	92	76	742	42	176	436	42%
Current revenues	2,398	4,030	5,583	7,158	7,506	9,339	18%
Assembly grants (salary)	1,556	2,002	2,706	5,159	4,028	3,942	15%
Common fund	1,799	2,170	3,045	5,006	8,063	11,685	40%
HIPC					11,394		
Grants	3,355	4,172	5,751	10,165	23,484	15,627	30%
Total revenues	5,753	8,202	11,333	17,323	30,991	24,966	25%
Expenditure							
Personal emolument	1,999	2,798	3,994	4,945	6,230	7,029	20%
Travel	552	1,128	1,460	2,039	2,502	2,857	20%
General expenditure	337	559	1,056	1,421	1,216	1,063	14%
Repairs and	103	431	526	494	228	495	3%
Miscellaneous	237	632	1,028	1,410	2,057	1,892	25%
Current expenditures	3,227	5,548	8,064	10,308	12,234	13,335	19%
Health	14	3	86	1	271	133	113%
Waste management	226	157	178	142	154	55	-19%
Social service	229	275	44	61	60	539	14%
Local government	139	84	689	192	17	269	26%
Education	196	37	67	523	152	221	43%
Constituency project				394	695		
Cap expenditure common		1,209	2,557	4,475	7,090	8,246	47%
HIPC and others					8,030	244	
Capital expenditures	803	1,764	3,621	5,787	16,470	9,707	41%
Total	4,030	7,312	11,684	16,095	28,703	23,042	26%

Source: Financial statements 2001-2005 SAEMA.

The internally generated revenues represent only 24 percent of total revenues and the percentage allocated towards grants is very high.

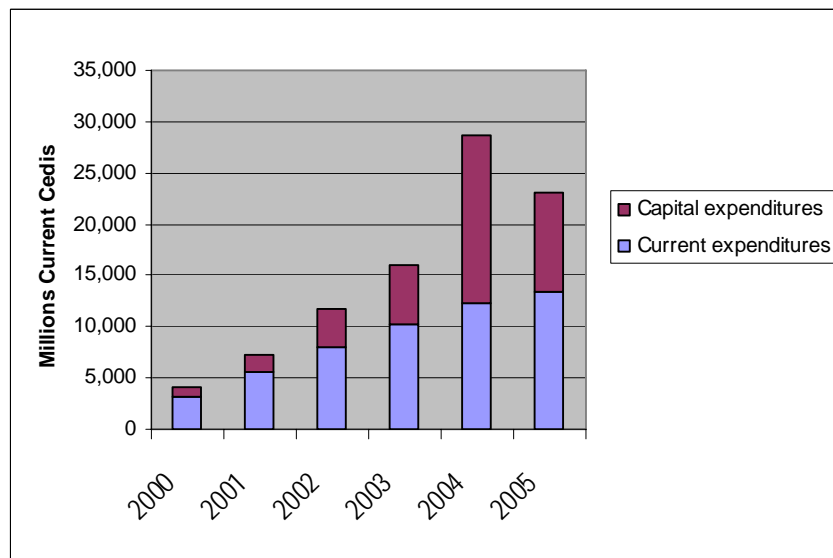
Figure 40: SAEMA - Grants and INTERNALLY generated revenues 2000-2005



Source: Financial statements 2001-2005 SAEMA.

As in other cities, the accounts reveal the dependence of the Metropolitan Assembly on grants. During 2004, SAEMA received 11.3 billions Cedis from HIPC, which led to a sudden increase in capital expenditures from 5.3 billions in 2003 to 15.7 billions in 2004.

Figure 41: SAEMA Expenditures 2000-2005



Source: Financial statements 2001-2005 SAEMA.

Savings, which started at a low base, increased to 2 billion Cedis in 2003. However, in 2004, the savings turned negative. In this case, the capital revenues ended up funding the current expenses, allowing for relative cash equilibrium (see Table 63).

Table 62: SAEMA Current and Capital results 2000-2005

	2000	2001	2002	2003	2004	2005	
Current result	727	484	225	2,009	(700)	(54)	
Capital result	996	406	(576)	(781)	2,987	1,978	37%
Total result	1,723	890	(351)	1,228	2,287	1,924	17%

Source: *Financial statements 2001-2005 SAEMA.*

The information in the balance sheet reveals that the metro is in a delicate situation: accumulated funds results from capital revenues not being used for the intended purpose, like the Common Fund and HIPC.

Table 63: SAEMA balance sheet 2004

Millions Cedis	Traditional	Common fund
Current assets		
Income generating activity	1,111	
Advances (staff)	21	
Other advance	20	100
Cash in bank (positive)	4,404	667
Cash on hand	1	
Other	0	
Total	5,561	767
Current liabilities		
Overdraft	1,437	
Result	4,124	767
Rate fund		
Accumulated Fund	1,991	(197)
Surplus	2,133	964
Total	4,124	767

Source: *Financial statements 2004 SAEMA.*

Nevertheless, real income grew 10 percent per year in constant 2005 values.

Table 64: SAEMA revenues 2000-2005 (Current and Constant)

	2000	2001	2002	2003	2004	2005	
Year to year inflation %		36.83	13.68	29.55	11.95	15.70	
Revenues current value	5,753	8,202	11,333	17,323	30,991	24,966	25%
Revenues 2005 value	15,029	15,658	19,033	22,448	35,856	24,966	10%

Source: *Financial statements 2001-2005 SAEMA and Bank of Ghana.*

3. LOCAL ECONOMY

Despite the presence of some large manufacturing firms, such as the Takoradi Flour Mills, most of SAEMA's economy is dominated by commerce (in the more urbanized areas) and primary agriculture (in the Ahanta peripheries of rural and semi-rural communities).

Industry is composed largely of small-scale manufacturing activities and trades, such as carpentry, dressmaking, and hair-dressing salons. Most agriculture is subsistence, although increasingly though farmers from the rural areas are participating in the cash economy by selling surplus produce. With the recent slowdown in lumber-related activities, such as the ban on various tree species by the national government, activities at the Takoradi Port are reported to have slowed down considerably, although expansion works estimated at US\$250 million are said to be under way. This slowdown, it must be noted, has been somewhat offset by increased activity in transit trade to land-locked countries like Burkina Faso, Mali and Niger, especially following the civil war in the Ivory Coast, which lead to a diversion of shipping traffic to Ghana.

Table 65 provides a snapshot of economic and social characteristics within the Shama-Ahanta Metropolitan Assembly. It is evident that the urban Sekondi/Takoradi areas are one of the growing regions but is plagued by high unemployment rates and is also experiencing an emergence in slums. Similar problems exist in coastal Shama which has potential for tourism but has low socio-economic conditions.

**Table 65: Profile of Economic and Social Characteristics by Area
Shama-Ahanta Metropolitan Assembly, 2005**

Urban Sekondi/Takoradi	Northern Sekondi/Takoradi	Northern Shama	Coastal Shama
Dominated by industrial and commercial activities	Subsistence farming	Gari and oil palm processing	Predominantly engaged in small-scale fishing activities
High access to economic and social infrastructure	Animal husbandry	Subsistence farming	Petty trading
Port and harbor provide employment	Boom in construction industry due to new settlements	Small-scale oil palm farms	Subsistence farming
Hub of railway activity and allied haulage activities	Sand winning activities	Network of feeder roads in state of disrepair	Low levels of access to economic and social facilities
Large-scale commercial fishing activities	Pervasive land litigation	Low levels of access to economic and social facilities	High incidence of single parents
High unemployment rates		Produces sugar cane for distillation of alcohol	High dropout rates
Emergence of slums; high number of streets children		Has potential for rice farming because of wetlands	Prevalence of child labor
			Potential for beach resort/tourism

Source: SAEMA, *Municipal Poverty Profile, Maps, and Pro-poor Programs (2005-2007)*, June 2005.

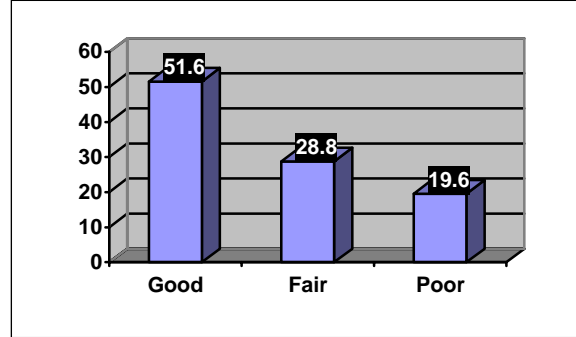
The distribution of economic infrastructure in SAEMA tends to reflect the degree of urbanization, with most of the first and second class roads, water, electricity, and telecommunication and other services concentrated in the more-urbanized Sekondi and Takoradi sub-metros to the virtual exclusion of semi-rural and rural Shama areas.

Within the Sekondi-Takoradi sub-metros, most of the “surface dressed roads” are to be found in high- and middle-income areas like Chapel Hill, Beach Road, West and East Tanokrom, as well as Fijai.⁶⁷

Beyond the residential areas, a network of arterial and local roads caters for commuter and commercial traffic in the assembly. Due to the presence of the Takoradi Port, it is estimated that heavy-duty vehicles account for as much as 12.0 percent of traffic in the metropolis.⁶⁸ This type of traffic, along with a growing population that has led to many unplanned settlements with un-engineered roads, has reportedly put a great deal of pressure on the overall road network.

⁶⁷ The assembly groups its road construction and maintenance works into seven categories, namely: Arterial network development; rehabilitation and maintenance of local roads; roads in depressed areas; roads in newly developing areas; rehabilitation of feeder roads; as well as traffic management.

⁶⁸ SAEMA, *Third Medium-term Development Plan (2002-2004)*, National Development Planning Commission, Accra, p.23.

Figure 42: Road Conditions in SAEMA (%)

To address some of these problems, a terminal for heavy-duty vehicles has been constructed near the Fijai bypass and passenger terminals have been constructed at the Central Business Districts to ease problems of on-street parking and help reduce commuting time and generally reduce the transport-related cost of doing business in the metropolis.

With respect to electricity, despite the fact that “almost 90.0 percent of the Metropolis has been connected [...] a number of communities in the metropolis are without electricity... [and] the metro as a whole experiences frequent power outages.”⁶⁹ Lack of appropriate transformers has been cited as one of the major reasons for this high level of connectedness without corresponding improvements in electricity supply to the metropolis’s homes and businesses.

With coverage of 60-65 percent, water supply in the metropolis is restricted to the urban and more developed areas. As with electricity, increased population and unplanned development has put additional pressures on the metropolis’s water supply, leading to what the Assembly describes as “irregular [supply of water] at most places, although the quality of the water has admittedly improved in the past few years (free of dirt and salty taste).”⁷⁰

Other factors affecting the effective delivery of water services in the metropolis are:

- Encroachment on land areas designated for the Ghana Water Company
- Frequent power outages
- Illegal connections
- Unplanned housing development
- Frequent damage to pipes by road contractors

⁶⁹ Ibid.

⁷⁰ Ibid, p.26.

TAMALE

Facts at a Glance	
Population (thousands):	294
Annual population growth:	5.6 percent
Area (square km):	731
Revenues, 2005, ₵ bio. (US\$ mio.):	19.5 (2.1)
Revenues per capita, ₵ (US\$):	66.4 (7.3)
Grants, ₵ bio. (US\$ mio.):	18.2 (2.0)
Grants per capita, ₵ (US\$):	62.0 (6.8)
Expenditure, ₵ bio. (US\$ mio.):	21.6 (2.4)
Expenditure per capita, ₵ (US\$):	73.3 (8.1)
Capital investments, ₵ bio. (US\$ mio.):	18.1 (2.0)
Capital investments/capita, ₵ (US\$):	61.4 (6.8)

1. URBANIZATION PATTERNS AND LAND MARKETS

According to population trends, the annual population growth of Tamale is 5.6 percent. Due to lack of sufficient data on urbanization patterns, it can be observed that Tamale's lateral expansion has meant that areas to the south of the Savelugu Nanton District, areas to the east of the Tolon Kumbungu District and areas to the north and north-west of the Salaga District are now effectively part of the Tamale Metropolis.

Land Markets: Key Actors and Characteristics

Traditional

The absolute interest in land in Tamale is vested in the King of Dagbon, the Ya Na, who is located in Yendi, about 97 km from Tamale. Land management in Tamale is, however, vested in about six Divisional chiefs. These are: Gulkpegu Na, Sagnari Na, Nanton Na, Bavim Na, Katariga Na, and Dakpema. Below the divisional chiefs are sub-chiefs who are in charge of the numerous villages which constitute the Dagbon State. It is estimated that the Gulkpegu Na alone controls about 51 villages.

Land Delivery Mechanism

In Tamale, to acquire stool lands, the prospective developer has to contact the sub-stool in whose area the land is located. The allocation notes are submitted to the divisional chief who confirms the grant of land. In the case of the Gulkpegu Na, the Land Administration Project has established a Customary Land Secretariat for his stool and the allocation notes are presented to the Secretary at the Secretariat. The Divisional chief keeps one allocation note and records the allocation in a

notebook kept at the palace for the purpose. The grantee takes the other two allocation notes to the Lands Commission where a leasehold agreement is prepared for him. He submits the leasehold document to the Ya Na at Yendi. The lease is not valid until the Ya Na has signed it. At the Lands Commission, the officers check if the land is uncommitted and whether a planning layout has been prepared for the area. Where a scheme has not been prepared for the area the Commission seeks advice from the Department of Town and Country Planning as to the suitability of the site for the user envisaged. When everything is in order, the Commission notes the transaction in records and proceeds to prepare the leasehold document which is later forwarded to Yendi for execution by the Ya Na. The grantee pays the purchase price to the sub-chief and at the Divisional chief's palace, pays ₵100,000 per plot; this represents payment for the Divisional chief's confirmation and a signature fee. It is significant that the sub-chief later pays a third of the purchase price to the Divisional Chief. At the Lands Commission, the grantee pays ₵100,000 as Inspection and Record Information fee. He also pays ₵500,000 as processing fee.

Pattern of Land Values

In the absence of a GIS map, the following table illustrates the land values in the Tamale Metropolitan Assembly. The land values follow the trends in other key cities of Ghana whereby the prices in the central business are normally high followed by residential areas.

Table 66: Tamale Metropolitan Assembly – Land Values

Location	Land Value (Cedis Per 0.09 Ha)
Central Business District	150,000,000 - 200,000,000
Residency/Watherston Residential Area	30,000,000 - 35,000,000
Gariba Lodge/Rice City Residential Area	40,000,000 - 45,000,000
Jisonayili Residential Area	25,000,000 - 30,000,000
Old Airport Residential Area	45,000,000 - 50,000,000
Fuo Kalpohin Block A Residential Area	35,000,000 - 40,000,000
Fuo Extension Residential Area	10,000,000 - 15,000,000
North Kanville Block A Residential Area	45,000,000 - 50,000,000
Vitin Block A & C Residential Area	25,000,000 - 30,000,000
Vitin Block B Residential Area	5,000,000 - 8,000,000
South-East Vitin Residential Area	3,000,000 - 5,000,000
North Vitin	10,000,000 - 15,000,000

The Property Rate

In Tamale the last Valuation List was prepared in 1992.⁷¹ One major problem the Assembly faces is the collection of property rates leading to a high rate of delinquency. One reason for this is that the Assembly has not built a strong capacity for rate collection. Another reason is the social instability that has characterized the city in the last three years. The Assembly therefore plans to privatize the collection of the rates. A pilot project is under way under which a private firm has been contracted to collect the rates from institutions in the city. The Assembly pays the firm 18 percent of revenues collected – down from 30 percent in 2005. However, the crucial issue remains that the share of revenue accruing from property rates is close to 5 percent of the overall budget of the metropolitan assembly (Table 67). Therefore any attempts to improve performance may only leverage marginal additional resources.

Table 67: Tamale Metropolitan Assembly – Revenue Performance

Description	Revenues - Estimate		Actual Revenues	
	2004	2005	2004	2005
Property rate	575,855,912	870,070,000	549,921,792	335,867,290
Land	61,195,406	75,000,000	42,549,416	65,894,114
Fees and fines	259,629,180	440,320,000	221,989,223	270,286,000
License	333,969,967	363,772,500	194,440,850	238,326,000
Rents	207,377,775	208,200,000	99,126,000	296,102,000
Grants-in-aid	15,494,011,693	16,732,416,916	8,788,599,092	12,129,257,702
Donor support	3,600,000,000	2,945,000,000	602,494,697	2,634,720,228
Investment	69,543,752	15,170,000	5,000,000	1,385,452
Misc. income	9,210,800	10,220,000	5,157,000	236,191,200
Total	20,610,794,485	21,660,169,416	10,509,278,070	16,208,029,987

Source: Tamale Metropolitan Assembly.

2. MUNICIPAL FINANCE

Tamale is the smallest of the 5 DAs under review with 293,881 inhabitants. About 60 percent of the population is urban and the rest is made up of several rural communities under the authority of the Municipality.

⁷¹ In 2004 the Land Valuation Board re-valued the major properties in the Central Business District and this raised the rateable values of those properties to ₵111,130,230,000 – a significant increase in the Assembly's revenue base. A revaluation of all the properties would be undertaken in 2007 under the Urban Environmental Sanitation Project (UESP). It is expected to take two years to complete and is estimated to cost about ₵500,000,000. A major problem hampering the smooth take-off of the exercise is the inability of the Assembly to name the streets in the city to ease the identification of properties. It is argued that the ethnic diversity in the city coupled with the very frequent internecine conflicts make street naming a politically risky exercise. The Board hopes to proceed with the revaluation exercise nevertheless. The Board has already undertaken the re-numbering of properties in the Municipality as part of the exercise.

Table 68: Tamale Main Account Figures 2001-2005

TAMALE millions Cedis	2001	2002	2003	2004	2005	Evol.
Revenues						
Rates	62.8	1,599.3	500.7	511.3	344.7	53%
Lands	50.8	36.2	44.5	85.4	68.2	8%
Fees & fines	137.7	166.3	225.2	311.5	392.0	30%
Licenses	78.8	203.5	290.3	253.2	294.2	39%
Rents	53.7	85.8	180.3	114.9	319.9	56%
Investments	2.1	31.1	60.4	5.0	1.9	-2%
Miscellaneous	86.8	21.6	8.0	5.1	236.4	28%
Total internally generated revenues	472.7	2,143.8	1,309.4	1,286.4	1,657.3	37%
Grants salary	3,139.3	3,828.5	13,309.2	18,229.8	22,783.9	64%
Common fund						
Donors		198.3	2,331.7			
HIPC etc						
Sub-total Grants	3,139.3	4,026.8	15,640.9	18,229.8	22,783.9	64%
Total revenues	3,612.0	6,170.6	16,950.3	19,516.2	24,441.2	61%
Expenditure						
Personal emolument	1,080.7	1,603.5	1,942.3	2,261.0	3,209.8	31%
Travel and Transport	171.6	275.0	424.2	559.0	656.9	40%
General expenditure	111.2	189.0	267.2	346.6	332.3	31%
Repairs and maintenance	27.3	65.6	80.3	36.7	26.8	
Miscellaneous	52.3	540.6	249.0	286.4	290.2	53%
Sub-total Current	1,443.1	2,673.7	2,963.0	3,489.7	4,516.0	33%
Cap expenditure assembly	56.5	389.6	947.0	18,062.8	17,048.7	
DACF Funded	1,622.4	2,295.6	4,090.0			
Donor Funded	278.8	127.7	2,336.9			
HIPC funded			2,577.7			
Sub-total capital	1,957.7	2,812.9	9,951.6	18,062.8	17,048.7	72%
Total	3,400.8	5,486.6	12,914.6	21,552.5	21,564.7	59%

Source: Financial statements 2001-2005 Tamale.

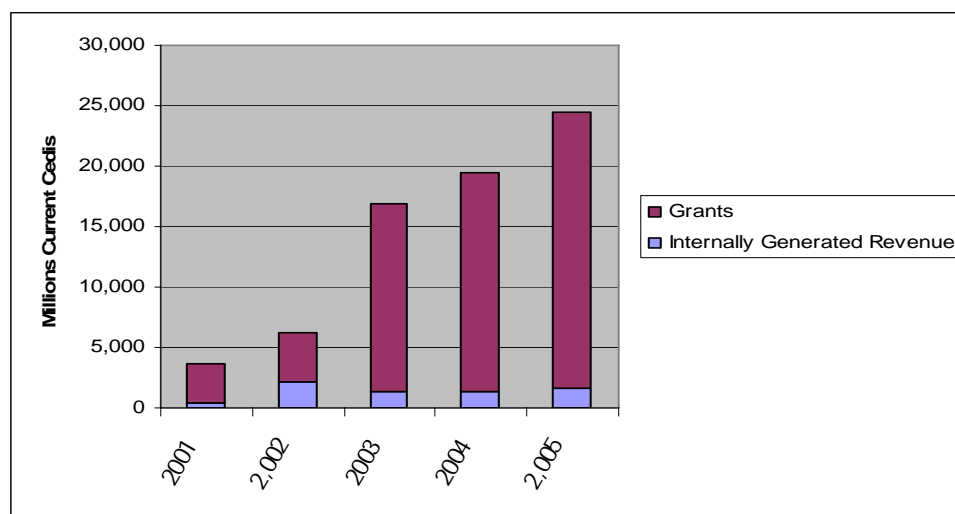
The financial data does not allow for segregated analysis of salary and DACF grants. This is a pity because 90 percent of revenues come from grants (the highest proportion of the 5 cities). Due to the increased level of grants, Tamale's revenues increased six folds 2001 to 2005, adjusted for inflation.

Table 69: Tamale revenues in constant value 2005

TAMALE	2001	2002	2003	2004	2005
Year to year inflation %		13.68	29.6	12.0	15.7
Revenues current value	3,612	6,171	16,950	19,516	24,441
Revenues 2005 value	6,896	10,363	21,965	22,580	24,441

Source: Financial statements 2001-2005 Tamale.

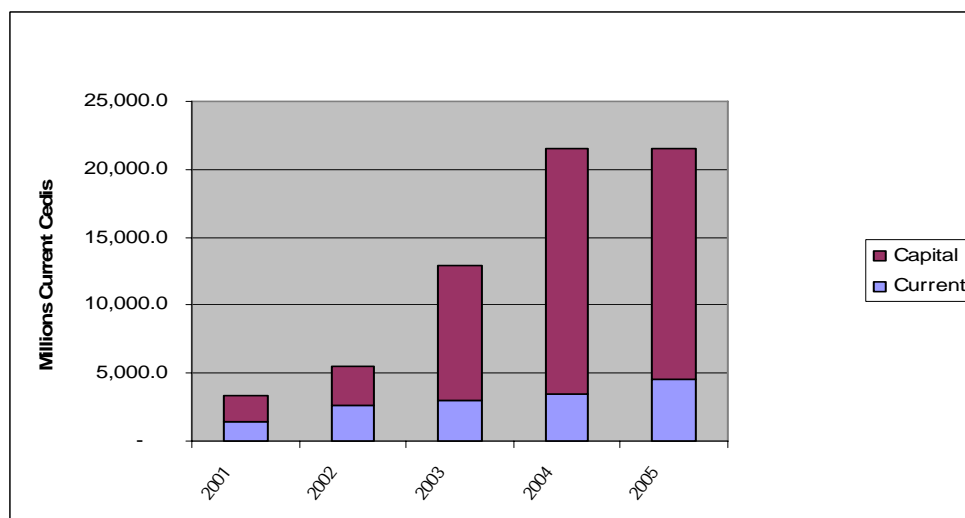
Figure 43: Tamale - Grants and Internally Generated Revenues 2001-2005



Source: Financial statements 2001-2005 Tamale.

As the grants are used for investment as a first priority, capital expenditure accounts for 80 percent of total expenses

Figure 44: Tamale – Expenditures 2001-2005



Source: Financial statements 2001-2005 Tamale.

The level of the annual savings is unclear. The current result is probably weak: no more than one or two hundred million Cedis.

Table 70: Tamale - Current and Capital Results 2001-2005

Millions Cedis	2001	2002	2003	2004	2005
Current result (with grants salary)	2,168.9	3,298.6	11,655.6	16,026.5	19,925.2
Capital result	(1,957.7)	(2,812.9)	(9,951.6)	(18,062.8)	(17,048.7)
Total result	211.2	485.7	1,704.0	-2,036.3	2,876.5

Source: Financial statements 2001-2005 Tamale.

ANNEX II. MUNICIPAL AUDIT PROCESS AND MUNICIPAL CONTRACT METHODOLOGY

1. This annex provides details about the services requested for:
 - (a) “urban, organizational, and financial audits” (diagnostic, identification of Priority Investment Programs and Municipal Adjustment Programs, project briefs, and preliminary design studies (PDS)),
 - (b) the Bidding Documents (Detailed Design Studies and Contractor Information Documents)

Urban, Financial, and Organizational Audits

2. The Priority Investment Program and the Municipal Adjustment Program are prepared on the basis of reviews called “urban, financial, and organizational audits”, which lead to mutual commitments between the central government and the municipality. These commitments are enshrined in a “Municipal Contract”. The audits include a diagnostic and recommendations that present the size and content of the Priority Investment Program and the Municipal Adjustment Program (accompanying measures). During the design phase, the recommendations, including those in the Priority Investment Program, gradually take shape: first in the form of project briefs, then in the form of preliminary design studies, and then in the bidding documents.

3. The detailed audit program will be presented to contracting authorities at a training seminar before the start of work in the field and consultants shall be required to comply with the program, and, more especially, to ensure that data are easy to compare between cities. The outline of the audits is as follows.

Diagnostic

Urban Diagnostic

- (a) *Urban* Location and Site: the city in its region, assets and constraints of the site,
- (b) Business Environment: main economic activities and the relationship of the city with its hinterland,
- (c) Population Growth and Outlook: projections five, ten, and fifteen years out, and estimated population by neighborhood and the main types of housing (estimated refugee population, if appropriate).
- (d) Municipal Organization and Level of Community Facilities: city limits, division into neighborhoods, zoning, ranking of neighborhoods by infrastructures and community facilities.
- (e) Master Plan, Municipal Assets, Recent or Ongoing Projects: review and progress on Master Plan; inventory (and summary assessment) of municipal assets; descriptive inventory and financing of recent, ongoing, or planned projects in the city or the surrounding area.
- (f) Shortages and Needs Expressed by the authorities, the population, the private sector, and civil society.

Financial Diagnostic

- (a) *City's Overall* Financial Situation: financial equilibrium and changes in the financial statements over the last three fiscal years, and projections for the current year, the review will take into account any arrears or debts of the municipality towards third parties,
- (b) Financial Resources and Potential of the City: review of the main sources of funding for the budget (taxes, transfers, endowments, local taxes, etc.), potential revenue (assessment of the operation of the fiscal and non-fiscal revenue system), assessment of the fee collection performance for markets and passenger and freight depots,
- (c) Expenditure and Level of Service Provided to the Population: review of the main expenditure items and more specific assessment of certain items such as infrastructure and facilities maintenance, costs and revenues associated with commercial facilities, costs and revenues associated with the collection of household waste,
- (d) Investment by the City or by Third Parties: identification and quantification of the city's investment out of its own resources or with support from third parties over the last three fiscal years; the assessment will be based on the inventory of operations compiled as part of the urban diagnostic,
- (e) Cash Position: review of monthly income and outlay reported in the tax collector's books, end-of-year position, assessment of deferred expenditure and revenue.

Organizational Diagnostic

- (a) *City's Operating Organization*: summary review of decision-making circuits (Mayor, Municipal Council, Executive Secretary, etc.), relationship with administrative, technical, and financial oversight bodies (Prefect, Governor, Decentralized Staff, Tax Collector),
- (b) *Municipal Services Organization*: organization chart and manning levels by section; assessment of supervisory staffing levels,
- (c) *Assessment of the Technical Staff's Capacity for Action*: technical and material capacity for planning, preparing, and executing actions; infrastructure and facilities management; support as appropriate from decentralized urban development staff or staff from other departments, investment procedures (force account implementation or contractor approach, contract awards, etc.)
- (d) *Assessment of Financial Staff Performance*: identification of resources available, assessment of procedures (accounting system, force accounts, where appropriate),
- (e) *Assessment of Commercial Facilities Management Procedures*: involvement of the municipality, relationships with merchants, carriers, and other users.
- (f) *Identification of Potential Institutional Support*: identification and summary description of support for organization and management provided by projects and NGOs.

Identification of the Priority Investment Program and the Accompanying Measures (Municipal Adjustment Program)

Validation of the Priority Investment Program Budget

4. Based on the financial diagnostic and interviews of municipal leaders, the consultant shall make recommendations as to the size of the Priority Investment Program and any related counterpart (percentage of the Priority Investment Program paid for by the municipality). The consultant shall validate the pre-assessed budget or make the necessary adjustments to suit the municipality's financial capacities. On this basis, the consultant shall assess the size of the counterpart financing in relation to the municipality's room for maneuver over the next two fiscal years (current income, capitalized savings, etc.) The consultant shall then present a timetable for paying the counterpart, in compliance with the Project procedures (availability of counterpart funds before signing the works contracts).

Definition and Content of the Priority Investment Program

5. Based on the urban diagnostic and various meetings, the consultant shall draft a preliminary list of projects that are likely to relieve the problems observed and meet the needs expressed. The Consultant shall complete the list with the list of projects compiled by the authorities or the representatives of civil society. Each project shall be fully documented: origin of the request, cost estimate, need concerned, arguments, etc.

6. In consultation with the authorities, the consultant shall propose the projects to be selected for the Priority Investment Program:

- (a) The amount of the Program shall correspond to the validated budget (see 5 above).
- (b) Expenditure on renovation work should be comparable to that for new work.
- (c) The selection shall be made in accordance with the various criteria put forward by the consultant, such as:
 - Acceptable social and environmental impacts, viability.
 - Eligibility of the project according to the "project scoreboard",
 - Technical feasibility, particularly with regard to resources and project deadlines,
 - Institutional feasibility: implementation, operation, maintenance, etc.
 - No duplication of ongoing projects,
 - Etc.

7. The Priority Investment Program will be outlined in the provisional report, with more details in the project briefs in the final report, and decided after the preliminary design studies.

Definition of Accompanying Measures (Municipal Adjustment Program)

8. Based on the urban, financial, and organizational diagnostic, the consultant shall set out:
- (a) some recommendations (10 maximum) for the municipality to improve its management; the recommendations should be practical and realistic so that the municipality can implement them rapidly; the recommendations should focus on financial and organizational issues and be expressed in the form of performance

criteria; the performance review at the end of the Project will help prepare the second phase of the Program.

- (b) a maintenance program that can be carried out by municipal staff under force account implementation or by jobbers under contract during the Priority Investment Program.
- (c) priorities worked out with the municipal authorities in terms of minor equipment and facilities to be acquired, training, and occasional technical assistance; these priorities could be financed out of the project funds up to the limits of the commitments made under this component.

Project Briefs

9. The project briefs are part of the final report and they describe the reasons for the choices made, the project location, the project implementation and management, the work program, as well as costs. The project briefs contain the following sections: Priority • Justification • Economic Review⁷² • Environmental Impact • Social Impact • Special Eligibility Requirements (consent of staff in charge) • Description of Work Program (organization chart) • Deadlines • Estimated Cost • Recurring Expenses • Land Tenure Situation • Location Map • Diagram of the Project and Connection to Utilities • Management Procedures • Risks and Factors to be Considered (physical data, beneficiaries' views, etc.) Special attention shall be paid to the program description and the cost assessment.

Preliminary Design Studies

10. The consultant shall prepare the technical reports for the Preliminary Design Studies relating to the projects chosen by the municipality as part of the Priority Investment Program. The consultant shall prepare the following charts and texts for each facility:

- Presentation: current situation, project description, work schedule
- Location map on a 1/10,000 scale
- Area map on a 1/1,000 scale
- Road map on a 1/1,000 scale
- Diagram of traffic and roads on a 1/500 scale
- Map showing superstructures on a 1/100 scale
- A supporting report on the development projects
- A bill of quantities and an estimate for projects with different levels of facilities
- Report on the economic and/or financial viability of the project, along with the facilities management procedures, where appropriate

⁷² Simplified scoreboard for economic and environmental impact review.

BIDDING DOCUMENTS

11. The documents shall include the descriptions, maps, diagrams, calculations, and texts necessary for understanding and carrying out the project. The bidding documents shall be in accordance with the documents used for IDA-financed projects in Mali.

Detailed Preliminary Design Study

12. The Detailed Preliminary Design Study will include:
- (a) Buildings
 - Descriptions of work for all building trades
 - Quantity surveys for all building trades
 - Graphics (plans, sections, vertical sections, elevations, profiles) on a 1/50 scale
 - Detailed drawings (as required)
 - (b) Roadways and parking
 - Supporting report
 - Outline sketches (1/200 scale)
 - Vertical cross sections (1/200 and 1/20)
 - Horizontal cross sections (1/500 and 1/50)
 - (c) Drainage
 - Supporting report
 - Network plan (1/500)
 - Horizontal cross sections (1/500 and 1/50)
 - Standard drawings
 - Special drawings
 - Bill of quantities
 - (d) Other Infrastructures
 - Supporting report
 - Drawing on a 1/500 scale
 - Bill of quantities

The quantity survey and the framework for the cost estimate should also be included for all Preliminary Design Studies.

Bidding Documents

13. The consultant shall compile the bidding documents in accordance with the Donor’s “guidelines”.
14. The bidding documents shall include:
- (a) the notice of the call for tenders
 - (b) the bid form (tenders)
 - (c) general and special administrative clauses,
 - (d) general and special technical clauses,
 - (e) terms of reference for the bill of quantities (including the quantities of work for each item)
 - (f) all the annexed forms (bid bond, performance bond, etc.)

The consultant shall also provide a confidential estimate.

ANNEX III. OVERVIEW OF PREVIOUS SECTOR INTERVENTIONS AND RESULTS

Project/Program	Summary of Objectives	Components	Achievements
<p>Accra District Rehabilitation Project (Urban I) 1986 to 1992</p> <p>Impacted towns were Accra and Tema.</p> <p>IDA financing was US\$22 million.</p> <p>The total project amount was US\$25 million.</p>	<ul style="list-style-type: none"> • Rehabilitate and improve essential infrastructure in Accra District. To remove transport bottlenecks in Accra. • To mobilize revenues at the municipal level in Accra. • To demonstrate cost effective improvements to basic infrastructure in East Maamobi. • To strengthen the capacity of AMA/AMRU and Urban Project management. 	<ul style="list-style-type: none"> • Infrastructure Rehabilitation. • Community Upgrading. • Resource Mobilization (Property revaluation and Municipal Revenue mobilization). 	<ul style="list-style-type: none"> • Establishment of the Department of Urban Roads to develop and manage roads in Accra, and later other regional capitals. • Motorway Extension from Tetteh Quarshie to Mallam, and Nsawam Road (Achimota to Abeka Junction). • Urban Slum upgrading in East Maamobi. • Revaluation of properties in Accra. • Municipal Revenue Mobilization.
<p>Priority Works Project 1987-1992</p> <p>Impacted towns – Accra, Sekondi-Takoradi and Kumasi.</p> <p>IDA Financing US\$7 mill ion.</p> <p>Total project amount US\$16.8 million.</p>	<ul style="list-style-type: none"> • Carry out civil works using labor intensive approach to generate about 10,000 jobs over a two year period. • Help alleviate urban poverty and cushion the effect of the impending lay-offs in the public sector. • Demonstrate more appropriate cost effective approach to provision of shelter for the urban poor. • Help rehabilitate and maintain essential urban infrastructure. 	<ul style="list-style-type: none"> • Infrastructure rehabilitation and maintenance in Accra, Tema, Kumasi and Sekondi-Takoradi. • Urban Upgrading in Accra and Ashaiman. • Pilot Sites and Services for 800 housing units in Tema. • Pilot Housing Consolidation to complete 200 uncompleted housing units in Accra. 	<ul style="list-style-type: none"> • Urban Upgrading. • Nima West and Ashaiman. • Serviced plots in Tema Community 3. • Completion of housing units at Teshie-Nungua and Madina. • Domestic Toilets in East Maamobi in Accra, and Moshie Zongo in Kumasi. • Drainage Works: <ul style="list-style-type: none"> ○ Nima Drain from Maamobi to Nima ○ Tertiary drains in East Maamobi ○ Storm drain at Ashaiman ○ Subin valley drain in Kumasi

Project/Program	Summary of Objectives	Components	Achievements
<p>Ghana Urban II Project 1990 to 1998</p> <p>Impacted towns – Accra, Tema, Sekondi-Takoradi, Kumasi, and Tamale.</p> <p>IDA Financing was US\$70 million.</p> <p>Total project amount US\$109 million.</p>	<ul style="list-style-type: none"> To help to rehabilitate and improve essential infrastructure, services and environmental systems; and to strengthen the technical, financial and managerial capacity of local government. To initiate the development of a sustainable housing finance system; reform the housing parastatals. To help improve environmental management and monitoring through support to EPA. Rehabilitate and improve essential infrastructure, services and environmental systems, and strengthen technical, financial and managerial capacity of local government. 	<ul style="list-style-type: none"> Local Government Sector Rehabilitation. Housing Sector Reform. 	<ul style="list-style-type: none"> Construction of Institute of Local Government Studies buildings in Accra and Tamale. Land Records Storage and Management Study. Pilot Land Title Registration. Tema Sewerage System Rehabilitation. Kejetia Redevelopment. Construction of Kanda Highway, Darkuman and Kwashieman Roads in Accra. Kumasi Suame Magazine Industrial Upgrading. Tamale Infrastructure Upgrading. Kumasi Central Market Redevelopment. Ashaiman Phase II Upgrading. Restructuring of Housing Parastatals. <ul style="list-style-type: none"> Tema Development Corporation (TDC) State Housing Company (SHC) Architectural and Engineering Services Corporation (AESC) Establishment of Home Finance Company. Training Women in Construction Skills in Gomoa Essakyr and Ashaiman. Mapping of Accra and Kumasi. Procurement of waste management equipment for SAEMA, TMA and KMA.
<p>Urban Transport Project 1993 to 1999</p> <p>Impacted towns – Accra, Tema, Sekondi-Takoradi, Kumasi, and Tamale</p> <p>IDA financing US\$76 million.</p> <p>Total project amount US\$82 million.</p>	<ul style="list-style-type: none"> Improve urban transport sector policy development. Increase safety for pedestrians and users. Reduce fuel consumption and air pollution in cities. 	<ul style="list-style-type: none"> Road rehabilitation in Accra and Kumasi Traffic Management Bus terminal rehabilitation. Access roads and non-motorized paths. Institutional strengthening. 	<ul style="list-style-type: none"> Rehabilitation of 44 km roads in Accra and Sekondi Takoradi. Rehabilitation of 8 Bus terminals. Construction of 19 km of access roads to low-income areas. Training of staff of Ministries of Roads Transport, Local Governments, Metropolitan and Municipal assemblies, Town and Country Planning dept.

Project/Program	Summary of Objectives	Components	Achievements
<p>Local Government Development 1994-2003</p> <p>Impacted towns – Keta/Anloga, Bolgatanga, Bawku and Wa, Agona Swedru, Koforidua, Sunyani, Techiman, Elmina, Cape Coast and Ho.</p> <p>IDA Financing was in the amount of US\$38 million.</p> <p>Total US\$55.1million.</p>	<ul style="list-style-type: none"> Improve basic infrastructure and urban services in secondary cities. Promote the sustainability and expansion of urban services by strengthening the District Assemblies. Support the government's decentralization programme. 	<ul style="list-style-type: none"> Infrastructure Rehabilitation and Environmental Systems Improvement. Institutional Strengthening and capacity Building. Improving Management Capacity of District Assemblies. District Assembly Finances. Operation and Maintenance. Property Revaluation. Land Use Planning and Development Guidance. Mapping. Training to strengthen District Management Capacity. 	<ul style="list-style-type: none"> Waste Management-Constructed 11 Solid and Liquid waste sites. Construction and rehabilitation of 199 public toilets. Construction of 5,970 Domestic Toilets in 12 towns. Roads and Drains: Constructed a total of 57.3 km of roads. Markets and Lorry Parks: Rehabilitation of 13 markets and 12 Lorry parks. Construction of 144 markets sheds in 7 DAs. Improved Management Capacity of District Assemblies. Increase in revenue generation in District Assemblies. Establishment of Operation and Maintenance fund. Revaluation of about 125,100 properties. Preparation of pilot Land Use Plans for Sunyani and Techiman. Mapping of 700 square kilometres. Training for over 300 DA staff.
<p>Ghana Urban V project 2001 – 2004</p> <p>Impacted towns – Prestea, Tarkwa, Dunkwa, Aflao, Hohoe, Kpandu, Yendi, Savelugu, Akwatia, Suhum, Akim Oda, Asamankese, Konongo-Odumase, Agogo, Obuasi, Mampong, Ejura, Nkoranza, Wenchi, Berekum, Madina, Winneba, Nsawam.</p> <p>IDA financing US\$10.3 million.</p> <p>Total US\$22 million.</p>	<ul style="list-style-type: none"> Strengthen the technical, managerial and financial capacities of DAs. Finance the development and rehabilitation of basic infrastructure. 	<ul style="list-style-type: none"> Training for District Assembly staff. Strengthening Financial Management. Mapping. Infrastructure and Municipal Services. 	<ul style="list-style-type: none"> Establishment and strengthening of the Institute of Local Government studies. Training of all technical and financial staff (Engineers, Planners and Finance Officers) in DAs. Improvement of contract management and financing through construction of 38 sub-projects. District Development plans prepared and updated by DAs.

Project/Program	Summary of Objectives	Component	Achievements
<p>Urban Environmental Sanitation Project 1994 - 2003</p> <p>Impacted towns – Accra, Kumasi, Sekondi-Takoradi, Tema and Tamale.</p> <p>IDA Financing was US\$70 million.</p> <p>Total US\$96 million.</p>	<ul style="list-style-type: none"> Improve rural access to water supply and sanitation through rehabilitation and/or construction of appropriate facilities and establishing community responsibility for operations and maintenance. To promote productivity and raise living standards in Ghana's major cities, especially for lower-income people, by improving drainage, sanitation, and solid waste services. To help establish better institutional and financing mechanisms and more effective policy frameworks so that improvements are sustained overtime. To build up the capacity of the Metropolitan and Municipal Assemblies to manage environmental sanitation services. 	<ul style="list-style-type: none"> Storm drainage. Sanitation. Waste. Management, Upgrading of low-income urban areas. Capacity-building. 	<ul style="list-style-type: none"> Storm Drainage Component: <ul style="list-style-type: none"> Accra: Odaw, Mukose drains Kumasi: Nsubin drain Sekondi-Takoradi: Market Circle drains Sanitation Component <ul style="list-style-type: none"> Household sanitation facilities Public sanitation facilities School sanitation facilities Septage treatment and disposal; sewerage rehabilitation, Tamale Abattoir Solid Waste Collection Sanitary Landfills: Kumasi, Tamale and Sekondi-Takoradi. Community Infrastructure Upgrading Component: <ul style="list-style-type: none"> Accra: West Maamobi, Sukura, Teshie Old Town Kumasi: Aboabo and Oforikrom Sekondi-Takoradi: Kwesimentsim and Efia Zongo Institutional Strengthening. Capacity-Building: <ul style="list-style-type: none"> Project-wide capacity-building and training in environmental sanitation and municipal finances Vehicles and Equipment
<p>Second Urban Environmental Sanitation project 2004 – 2010 (Ongoing)</p> <p>Impacted towns – Accra, Kumasi, Sekondi-Takoradi, Tema and Tamale.</p> <p>IDA Financing is in the amount of US\$62 million</p> <p>Total US\$81 million.</p>	<ul style="list-style-type: none"> Improve urban living conditions in regard to environmental health, sanitation, vehicular access, and solid waste management in a sustainable fashion. 	<ul style="list-style-type: none"> Storm Drainage. Sanitation. Solid Waste Management. Community Infrastructure Upgrading. Institutional strengthening 	<ul style="list-style-type: none"> Expected achievements include: <ul style="list-style-type: none"> Development of sanitary landfill in Accra and Tema Community upgrading works in Accra, Tema, Kumasi and Sekondi Takoradi Storm drainage works in all towns Training of MAs staff

ANNEX IV. INSTITUTIONAL ARRANGEMENTS FOR SERVICE DELIVERY IN METROPOLITAN ASSEMBLIES

Municipal Service	Oversight Agency (for policy, regulation)	Responsible Agency for provision	Responsible Agency for Maintenance	Remarks
Roads	Ministry of Transportation.	Department of Urban Roads, under the ministry, but a dept in itself, and deconcentrated to DA level.	Department of Urban Roads and its decentralized Metropolitan Road Units (MRU).	DUR liaise with the MAs in the delivery of roads but financing is normally obtained through the MOT. MRUs (do, planning with approval of the dept in Accra, procurement and supervise construction) report to both DUR and MAs under a matrix management system.
Roadside Drains	Ministry of Transportation.	Department of Urban Roads.	Metropolitan and Municipal Assemblies (contracted/paid by the DUR).	
Storm Drains	Ministry of Local Government, Rural Development & Environment.	Metropolitan and Municipal Assemblies; Hydro Department of MWRWH.	Metropolitan and Municipal Assemblies; Hydro Department of MWRWH	MAs are largely responsible. The Hydro Department of the MWRWH also has responsibility based on previous statutes and obtains budget from the Central budget for Accra and Kumasi.
Traffic Management	Ministry of Transportation.	Department of Urban Roads.	Department of Urban Roads; Metropolitan and Municipal Assemblies.	DUR implements and maintains traffic management. (GH police force under Ministry of Interior responsible for ad hoc management especially in special circumstances – chaos, malfunction).
Solid Waste Management	Ministry of Local Government, Rural Development & Environment.	Metropolitan and Municipal Assemblies.	Metropolitan and Municipal Assemblies; and Private Sector operators through franchise and contract arrangements with MAs.	Solid Waste management is the only municipal service entirely handled by MAs.
Liquid Waste/Sewerage	Ministry of Local Government, Rural Development & Environment.	Metropolitan and Municipal Assemblies.	Metropolitan and Municipal Assemblies. MAs and sub-metro structures maintain public toilets.	The Sewerage Department (SD) of the erstwhile GWCL currently manages the Accra Central Sewerage system. SD is now part of AMA. 2% levy.
Water Supply	Ministry of Water Resources, Works and Housing; Public Utility Regulatory Commission,	Ghana Water Company Ltd.	Ghana Water Company Ltd. (AVCL).	Urban Water delivery is entirely the responsibility of GWCL which has recently ceded out management of its functions to an international private operator (Aqua vittens company limited).
Electricity	Ministry of Energy, Public Utility Regulatory Commission.	VRA responsible for generation capacity and transmission. Electricity Company of Ghana distribution.	Electricity Company of Ghana.	Entirely the responsibility of ECG. Tamale: national electrification dept of VRA carries out distribution in Northern Ghana.
Tele-communication	Ministry of Communications; National	Four Mobile operators, two of which are	Four Mobile operators, two of which are network operators.	

Municipal Service	Oversight Agency (for policy, regulation)	Responsible Agency for provision	Responsible Agency for Maintenance	Remarks
	Communications Authority.	network operators.		
Housing	Ministry of Water Resources, Work and Housing.	Ministry of Water Resources, Work and Housing; MMDAs, Private Persons, Individuals and GREDA.	Private Persons, Individuals and GREDA.	Acute housing deficit of about 500,000 units nationwide.
Lorry parks (Transport terminals)	Ministry of Local Government, Rural Dev. & Environment.	Metropolitan and Municipal Assemblies; and Department of Urban Roads.	Transport Unions.	A considerable part of the DAs revenue is obtained from the management of these terminals. Management is normally carried out by the Transport Unions.
Abattoir (Slaughter houses)	Ministry of Local Government, Rural Dev. & Environment.		Metropolitan and Municipal Assemblies; and Individuals.	Abattoir and slaughter houses are operated by the DAs, and substantial revenue is generated from operation.
Markets	Ministry of Local Government, Rural Dev. & Environment.	Ministry of Local Government, Rural Dev. & Environment.	Metropolitan and Municipal Assemblies.	Metropolitan and Municipal Assemblies.

Responsible agency means agency that normally finances the construction of the service, and the budget is normally obtained from the corresponding oversight agency.

Key

- National Communications Authority (NCA)
- NED
- VRA
- PURC
- AVCL
- Waste Management Department (WMD)
- Hydro Department of MWRWH
- Ministry of Transportation (MOT)
- Ministry of Local Government, Rural Development & Environment (MLGRDE)
- Department of Urban Roads (DUR)
- Town & Country Planning Department (TCPD)
- Ghana Real Estate Development Association (GREDA)
- Ministry of Water Resources, Work and Housing (MWRWH)
- Metropolitan and Municipal Assemblies (MMAs)
- Ghana Water Company Limited (GWCL)
- Metropolitan Road Units (MRU)
- Accra Metropolitan Assembly (AMA)

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