

# INTEGRATED ASSEMBLY FINANCING FRAMEWORK

Kumasi Municipal Assembly



REPUBLIC OF GHANA

**MINISTRY OF FINANCE**



*Empowered lives.  
Resilient nations.*

# Foreword

The comprehensive and interrelated Sustainable Development Goals (SDGs) demands the municipalities and cities to enhance infrastructure provision and service delivery. The SDGs have challenged most national and sub-national governments to develop strategies to facilitate the achievement of the stated goals. However, these strategies do not indicate in detail how they will be financed. It was against this background that the United Nations initiated the Integrated National Financing frameworks to support implementation of the sustainable development strategies/intervention.

Over the years the Kumasi Metropolitan Assembly has relied on the narrow traditional sources of funding, notably the Internally Generated Funds (IGFs) central government transfers; Development Partners' support and limited private sector investment. The central government transfers and the development partners support continue to decline and this has worsened the financing gap. This Integrated Financing Framework is to enable the Assembly identify various innovative sources of financing which have been less explored to raise additional resources, as well as identify and solve current governance bottlenecks that impede the proper alignment of public and private financing policies behind the Assembly's aspirations to accelerate development.

The KMA IFF Plan has thought provoking proposals initiatives that have potential to raise adequate resources to provide strategic infrastructure and services for the metropolis. Key initiatives include the following; consolidate existing revenue sources; attract and sustain Private Sector investments; mobilize and sustain Development Partner investments; enhance Philanthropic financing; and Improve Diaspora Cooperation for Development Financing.

I therefore appeal to all stakeholders including the Development Partners to support the implementation of these resource mobilization initiatives as outlined in the IFF. Finally, I would like to commend the National Development Planning Commission, the Ministry of Finance, the UNDP, the Metropolitan Planning Coordinating Unit Members and other stakeholders for their cooperation, commitment and unstinting support in developing this Integrated Financing Framework. It is my fervent hope that these planned intentions will be implemented to improve infrastructure provision in the Kumasi metropolis.

Hon. Osei Assibey Antwi  
Metropolitan Chief Executive

# Statement by Ministry of Finance

Ghana accepted to be a pioneer country in rolling out of the Integrated National Financing Framework (INFF) following the Addis Ababa Action Agenda on financing sustainable development. Ghana's fiscal decentralization drive and the changing development finance landscape informed the decision to adopt a bottom up approach to delivering on the INFF and thus the development of **Integrated Assembly Financing Frameworks (IAFFs)**. The Assembly led financing framework are expected to provide opportunities that not only bring current financing sources together for better alignment with planning and financing but will also seek to identify new and innovative financing solutions which reflect district level comprehensive financing and continue Government efforts for transformation at the Local Assembly level through initiatives such as the One-District-One-Factory, One-Village-One-Dam, and Planting for Food and Jobs.

We also see the Integrated Assembly Financing Frameworks as being instrumental in delivering the 'Ghana CARES Programme' at the assembly level. With our goal to deliver GHC100 Billion in 3 years, we see capacity strengthening of assemblies and the advancing of initiatives such as the Diaspora Fund, the SDG Investor Maps and SDG Investment Fairs as great opportunities to mobilize both public and private funds and investments for development at the local level.

Let me therefore take the opportunity to express my appreciation to Kumasi Metropolitan Assembly for accepting to pilot the integrated financing framework.

The lessons learnt during the implementation will inform the setting up of the National Oversight Committee and shape efforts to deliver the 'Ghana CARES Programme' and rollout across all the MMDA in our beloved Ghana.

I look forward to continue to strengthen our efforts to deliver to Ghanaians.

Ken Ofori-Atta  
Minister for Finance

# Statement by UNDP Resident Representative

On behalf of UNDP and on my own behalf, I want to congratulate Kumasi Metropolitan Assembly, Ketu South Municipal Assembly, Sefwi-Wiawso Municipal Assembly, Kassena Nankana West District Assembly, and the Sagnarigu Municipal Assembly for this pioneering effort in developing the Integrated Assembly Financing Frameworks. I am delighted to be part of this effort to consolidate SDG financing and ensure the linkages across planning and financing processes are strengthened. Ghana is indeed a pioneer country that is leading in the implementation of the Addis Ababa Action Agenda on Financing for Development. These Integrated National Financing Frameworks that are tailored to the Ghanaian context provide concrete measures for mobilising the financing required to achieve the ambitious Sustainable Development Goals (SDGs).

Ghana's bottom-up approach to delivering the Integrated National Financing Frameworks is laudable as it targets directly citizens at the local level of governance. It is also transformational because it puts SDGs at the heart of local government financing, building on successful efforts of integrating SDGs in planning and budgeting. The country's commitment to establishing SDG Investor Maps and SDG investment fairs, and to connect to the diaspora can only enrich these efforts. In addition, it is important to note that, rather than create parallel structures, the pioneering assemblies have chosen to strengthen and repurpose existing structures.

UNDP, working with the entire United Nations in Ghana, is committed to bring collective resources and expertise to support national efforts towards SDGs attainment at all levels.

I would therefore want to express my appreciation to the UNDP SDG Finance Sector Hub, the SDG Impact Team, and the SDG Integration Team for bringing their collective expertise to this effort.

I also want to thank the Ministry of Finance, the Ministry of Local Government and Rural Development, the National Development Planning Commission, and the five Assemblies for the continued partnership.

UNDP remains at the service of Ghana and its people.

Angela Lusigi

UNDP Resident Representative

# Acronyms

AAAA	Addis Ababa Action Agenda
APR	Annual Progress Report
ARCC	Ashanti Regional Coordinating Council
CAP	Composite Action Plan
CSOs	Civil Society Organisations
DACF	District Assembly Common Fund
DDF	District Development Facility
DFA	Development Finance Assessment
DFF	District Financing Framework
DPs	Development Partners
EC	Executive Committee
FBOs	Faith Based Organisations
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GHS	Ghana Cedi
GoG	Government of Ghana
GSS	Ghana Statistical Service
IAFFs	Integrated Assembly Financing Frameworks
ICT	Information Communication Technology
IGFs	Internally Generated Funds
INFFs	Integrated National Financing Frameworks
KMA	Kumasi Metropolitan Assembly
LI	Legislative Instrument
MA	Municipal Assembly
MLGRD	Ministry of Local government and Rural Development
MMDAs	Metropolitan, Municipal and District Assemblies
MMTDP	Municipal Medium Term Development Plan
MoF	Ministry of Finance
MPCU	Metropolitan Planning Coordinating Unit
MRIAP	Metropolitan Revenue Improvement Action Plan
MSME	Micro, Small and Medium Enterprises
MTDP	Medium-Term Development Plan
NDPC	National Development Planning Commission
NOC	National Oversight Committee
OPD	Out-Patient Department
PM	Presiding Member
PPP	Public-Private Partnership
PWDs	People with Disabilities
RIAP	Revenue Improvement Action Plan
SDGs	Sustainable Development Goals
SPVs	Special Purpose Vehicles
UN	United Nations
UNDP	United Nations Development Programme

# Executive Summary

The Kumasi Metropolitan Assembly (KMA) has over the years been reliant on the traditional sources of funding, notably the Internally Generated Funds (IGF) which are collected from business operating permits, property rates, stool lands, fees and fines as well as rent. With irregular Central Government disbursement, the funding gap for the Assembly's developmental interventions remains huge, with its attendant negative implications in the provision of socio-economic infrastructure as well as service delivery, towards the attainment of the Sustainable Development Goals (SDGs).

The Integrated Financing Framework at the Assembly level christened the Integrated Assembly Financing Framework (IAFF) will therefore enable the assembly identify the various innovative sources of funding which have been less explored in the past to raise additional resources required for development purposes. The financing framework will also promote policy coherence, strengthen institutional arrangements that aligns efforts, identifies gaps and enhance resources available to Assembly and assist assemblies as they seek to implement key activities around the Ghana Cares Programme.

Kumasi Metropolitan Assembly's IAFF will bring together all financing and related policies, as well as the broad range of public and private stakeholders, to address the assembly's financing challenges. It considers the full range of financing sources and non-financial means of implementation which is available to the Assembly and develops a comprehensive financing strategy to effectively manage existing resources, raise additional resources, establish innovative scalable partnerships and manage risks for the achievement of development priorities.

KMA's IAFF presents important advantages. First, by connecting financing and related policies with longer-term objectives, the framework will assist in surmounting challenges relating to short-term oriented decision-making. Secondly, the IAFF allows policymakers to exploit synergies and manage possible trade-offs across different policies during implementation and thirdly, help to manage the increasingly complex and changing financing landscape by assisting to mobilize different types of funding, integrated under an overarching strategy appropriate for specific characteristics and risks.

The framework was prepared through an inclusive and participatory process with the active involvement of key stakeholders at both the national and sub-national levels. The stakeholders at the district level included heads of the various departments and representatives from businesses, civil society organizations, artisans, traders, religious groups and traditional authorities. The national-level stakeholders included the Ministry of Finance, Ministry of Planning, Ministry of Local Government and Rural Development and the National Development Planning Commission.

The strategy for KMA provides the needed answers to essential questions on what kind of transformation KMA envisages and sets out how the funds and investment required to achieve KMA's development objectives will be mobilized and aligned. The strategies provided here will seek to:

- ☒ consolidate existing revenue sources;
- ☒ attract and sustain private sector investments;
- ☒ mobilize and sustain Development Partner investments;
- ☒ enhance Philanthropic financing; and
- ☒ Improve diaspora cooperation for development financing.

Risks to the strategies including that of environmental, economic, socio-cultural, demographic, and capacity have been identified with recommended mitigation policies.

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# *Chapter*

## *Introduction*

## 1.1 Background

The interconnected nature of the 2030 agenda for sustainable development revived interest in national development strategies. The mobilization of requisite funds to implement these national strategies remains paramount as a number of these strategies do not spell out in detail the needed financing to implement the policies. The main means of implementation for the SDGs - the Addis Ababa Action Agenda (AAAA) - recognizes the financing challenges and therefore called on Member States of the United Nations (UN) to put in place Integrated National Financing Frameworks (INFFs) to support their sustainable development strategies.

INFFs are expected to bring together all financing policies, as well as the broad range of public and private stakeholders, to address a country's financing challenges. INFFs will also look at the full range of financing sources and non-financial means of implementation available to a country. Further, the framework provides a comprehensive financing strategy to effectively manage existing resources, mobilize additional resources, establish innovative scalable partnerships and manage risks for the achievement of sustainable development priorities.

INFFs present important advantages to a country. First, by connecting financing and related policies with long-term objectives, integrated financing frameworks will assist in surmounting challenges relating to short-term oriented decision-making. In addition, INFFs allow policymakers to exploit synergies and manage possible trade-offs across different policies during implementation and thirdly, help countries manage the increasingly complex and changing financing landscape by helping to mobilize funding from different sources under an overarching strategy appropriate for country-specific characteristics and risks. Further, it provides a unique opportunity for the mobilisation of fundings towards the Government's Ghana Cares Programme which envisages to raise about GHC100 billion to stabilize, revitalize and transform Ghana's economy to create jobs and prosperity for Ghanaians over a three-year period.

The changing development finance landscape coupled with Ghana's fiscal decentralization, which mandates Local Authorities - Metropolitan, Municipal and District Assemblies (MMDAs) - to implement government's policies at the local level is providing opportunities for financing. Ghana is taking advantage of the decentralized system to adopt a bottom-up approach to the development of the INFF. The country is thus commencing the processes at the MMDA level by developing **Integrated Assembly Financing Frameworks (IAFFs)**, which are expected to provide opportunities that will not only bring current financing sources together for better alignment with planning and financing but also identify new and innovative financing solutions, which reflects district level comprehensive financing, with their needed governance structures to

implement them. The Kumasi Metropolitan Assembly is one of five Assemblies in Ghana being piloted for the process.

## 1.2 Brief District Profile

The Kumasi Metropolitan Assembly (KMA), the second largest most populous metropolitan area in Ghana, is one of the forty – three (43) administrative districts in the Ashanti Region. Its location has also enabled its rise as a principal inland transport terminal, thus giving it a pivotal role in the profitable business of the distribution of goods in Ghana and to other West African countries. This coupled with the social and cultural environment determines the conditions under which the people develop and grow and ultimately derive their quality of life.

The Metropolis of Kumasi’s projected population for the year 2020 is 1,076,192 with a typical daily commuting population to the city for various socio-economic activities estimated at 2 million.

*Table 1.1: Population size of the Metropolis, the Region and National (2000-2020)*

	2000	2010	2017	2018	2019	2020
GHANA	18,912,079	24,658,823	28,833,629	29,463,643	30,010,950	30,733,755
ASHANTI REGION	3,612,950	4,780,380	5,533,011	5,661,728	5,792,187	5,924,298
KUMASI	1,170,270	728,634	957,425	995,314	1,034,660	1,076,192

The principal objective of the Assembly is to implement programmes and projects that aim to address the needs of the people in the Metropolis and are expected to be in line with the National Development Policy Framework of Ghana and the SDGs.

### 1.2.1 Economic activity status

It is estimated that about 66.5 percent of the population that are aged 15 years and older are economically active while 33.5 per cent remains economically inactive. Out of the economically active population, some 91.4 percent are gainfully employed while 8.6 percent is unemployed. A large proportion of the inactive population is made up of students (56.4%) while 19.5 percent perform home duties and 2.9 percent are disabled or too sick to work. Of the employed population, 38.9 percent are in the service and sales sector, while 22.8 percent are in craft and related trades and 10.3 percent are in elementary occupation.

### 1.2.2 Household size, composition and structure

With an average household size of about 4 persons, the Metropolis has a total number of 440,283 households. Children constitute the largest proportion of the household members as they account for about 39.7 percent and spouses constitute 9.9 percent.

### 1.2.3 Literacy and Education.

Within the Metropolis, the percentage of the population that is aged 11 years and older who are literate stands at 89.5 percent while the remaining 10.5 percent constitute the none-literate population. It is estimated that among the literate population, 72 percent can read and write in both English and a Ghanaian language.

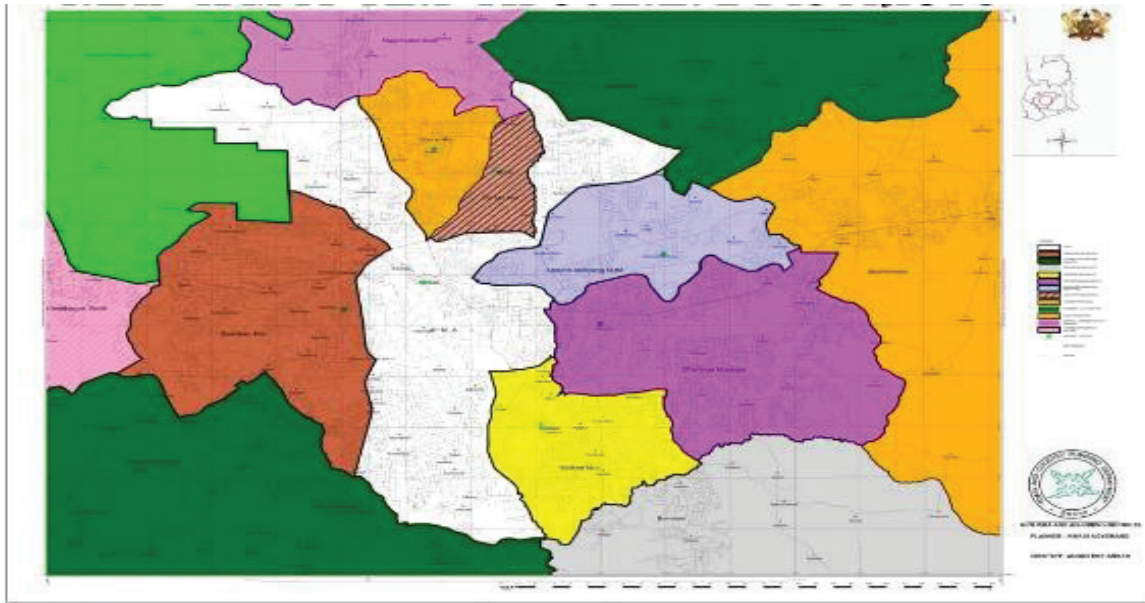
### 1.2.4 Information Communication Technology

Out of the population 12 years and older, an estimated 72.4 percent own mobile phones. Within this group of mobile phone owners, 76.3 percent are males. Only 16.1 percent of the population 12 years and older is said to use internet facilities in the Metropolis.

### 1.2.5 Disability

The disability population is about 2.4 percent of the total population of the Metropolis. The proportion of the male population with disability is lower at 2.3% in comparison to that of the female population with disability which stands at 2.5%. The types of disability in the Metropolis include sight, hearing, speech, physical, intellect, and emotion. Persons with sight disability recorded the highest (42.8%) followed by physical disability (22.5%).

Figure 1.1: Kumasi Metropolis in Greater Kumasi Context



### 1.3 The IAFF and Local Level Financing

The Integrated Assembly Financing Framework (IAFF) for Kumasi Metropolitan Assembly is an instrument aimed at mobilizing funds and investments to finance the Metropolitan Recovery Plan and the Medium-Term Development Plan. The IAFF would support the Assembly by providing guidance on the kinds of policy reforms and governance arrangements that will be needed to mobilize and tap into the various financing and investments opportunities. It will also bring together actors from across Government<sup>1</sup>, the Private Sector<sup>2</sup> and Development Partners<sup>3</sup> and guide the strategic approach that can be taken to mobilize and effectively invest both public and private funds including that of non-profit financing organizations. This approach is expected to bridge the financial gaps between the proposed programmes and projects outlined in the Metropolis development frameworks and available funds for actual implementation.

Over the years the Assembly has relied on the traditional sources of funding, notably the internally generated funds (IGFs) from business operating permits, property rates, stool lands, fees and fines as well as rent; central government transfers; and Development Partners' support. The funding and investment gap, however, remains huge leading to adverse implications for the provision of socio-economic infrastructure as well as service delivery. Ultimately, it impacts negatively on the achievement of the Assembly's SDGs-aligned development aspirations. The IAFF is expected to enable the Assembly to identify various innovative sources of financing which have been less explored to raise additional resources, as well as identify and solve current

<sup>1</sup> MDAs and MMDAs

<sup>2</sup> CSOs, NGOs, Private Sector Investors and Philanthropic

<sup>3</sup> Bilateral and Multilateral Partners

bottlenecks that impede the proper alignment of public and private financing policies behind the Assembly's aspirations to accelerate development. The financing framework will foster policy coherence and strengthen institutional arrangements to align efforts, identify gaps, and enhance resources available to the Assembly.

# ***Chapter Two***

## ***Methodology***



## 2.1 Introduction

This section outlines the approach and methods adopted in the preparation of the IAFF for KMA.

## 2.2 Process and Approach

The framework was prepared through an inclusive and participatory process with the active involvement of key stakeholders at both the national and sub-national levels. The stakeholders at the district level included heads of the various departments and representatives from businesses, Civil Society Organizations (CSOs), artisans, traders, religious groups, traditional authorities, students and DPs. The national level stakeholders included the Ministry of Finance, Ministry of Planning, Ministry of Local Government and Rural Development and the National Development Planning Commission.

The process was also guided by the four building blocks of INFF as outlined in the 2019 financing for Sustainable Development Report. The components of each of the building blocks are shown in table 2.1 below.

Table 2.1: Building Blocks and Components of the Integrated Financing Framework

Building Block	Components
<b>Assessment and Diagnostics</b>	<ul style="list-style-type: none"><li>☒ Financing needs</li><li>☒ Financing landscape</li><li>☒ Risk Assessment</li><li>☒ Policy and Institutional binding constraints</li></ul>
<b>Financing Strategy</b>	<ul style="list-style-type: none"><li>☒ Policies for public financing</li><li>☒ Policies for private finance</li><li>☒ Policies for non-financial Means of Implementation</li></ul>
<b>Monitoring and Review</b>	<ul style="list-style-type: none"><li>☒ Monitoring for results</li><li>☒ Review and accountability</li></ul>
<b>Governance and Coordination</b>	<ul style="list-style-type: none"><li>☒ Institutional mechanisms</li><li>☒ Coordination tools</li></ul>

## 2.3 Data Collection

Primary and secondary data were collected and analysed for this report using both quantitative and qualitative methodologies. Information was obtained through interviews, focus-group discussions and administration of the questionnaire. The main sources of secondary data were the District Annual Progress Report (APR), District Medium Term Development Plans (DMTDPs)

and the Metropolitan Revenue Improvement Action Plan (MRIAP). Other secondary data sources included the Ghana Living Standard Survey Round 7, the Multiple Indicator Cluster Survey Report 2019, MMDAs composite budgets for 2020 and various COVID-19 tracker reports prepared by the Ghana Statistical Service (GSS).

## 2.4 Desk Review

A review of literature on development financing concepts was undertaken to obtain secondary data and information, as well as provide the theoretical underpinning for the Integrated Financing Framework. The documents reviewed included the AAAA, Development Finance Assessment (DFA) guidebook, 2019 Financing for Sustainable Development Report, National Budget and Economic Policy Statements, KMA's Medium-Term Development Plan and Annual Progress Report (APR). The reports on the COVID-19 Tracker surveys conducted by GSS was also used.

- i. The Addis Ababa Action Agenda (AAAA): provides a new global framework for financing Sustainable Development by aligning all financing flows and policies with economic, social and environmental priorities.
- ii. DFA Guidebook: is a tool developed by UNDP to support Governments and their Partners to adopt integrated methods for SDGs financing.
- iii. 2019 Financing for Sustainable Development Report: policy options to harness the potential of digital technologies to accelerate long-term investments in resilient infrastructure for sustainable development, through public investment and incentives for the private sector.
- iv. National Budget and Economic Policy Statements: outlines of Government's plan to set the country's economy on a path that accelerates growth in a particular year.
- v. KMA's Medium-Term Development Plan and Annual Progress Report (APR): offers an effective and efficient system for tracking the progress of programmes and projects in the Assembly through systematic monitoring, reporting and evaluation of the Assembly's Medium-Term Development Plan.

## 2.5 Questionnaire

Questionnaires were administered to senior officers at KMA to collect primary data on the financial performance and the development plan of the Assembly. The questionnaires also elicited information on the challenges and opportunities for mobilizing resources from non-traditional sources for development activities. In view of the busy schedule of most senior officers, respondents were given up to one week to provide written responses to the questions. Follow-up telephone calls and meetings were scheduled, where necessary for additional information and clarifications.

## 2.6 Focus Group Discussions

Primary information was collected using a participatory approach from key stakeholders that were composed into focus groups of 12 to 20 people each. The groups were made up of members from the Metropolitan Planning Coordinating Unit (MPCU), CSOs, private sector firms, Traders, Youth Organizations, Religious Groups and Traditional Authorities. The group discussions explored the impact of COVID-19 on households and businesses, revenue and expenditure patterns, potential sources of funding to boost the local economy and promote sustainable development, governance and monitoring and review arrangements. The focus group discussions were also used to verify some of the information obtained from the desk review and questionnaires.

## 2.7 Report Preparation

A team comprising officers from KMA, NDPC and MoF, with the support of a consultant collated and analysed the information from the desk reviews, questionnaires and focus-group discussions. The analysis was informed by the four building blocks of the INFF; namely Assessment and Diagnostics; Financing Strategy; Monitoring and Review; and Governance and Coordination. The IAFF draft report was reviewed by officers from MoF and UNDP.

## 2.8 Validation

Following the review and update of the draft report, meetings were organized for heads of the various departments at KMA and key state and non-state stakeholders to review and validate the report. The meetings were also used to mobilize the support of all key stakeholders for the implementation of the actions outlined in the report.

# Chapter Three



## *Building Blocks*

# Building Blocks

There are four main building blocks for the design and operationalization of financing frameworks: assessment and diagnostics; financing strategy; monitoring and review; and governance and coordination. The building blocks are developed in a systematic process, with each step informing the others. Additionally, the building blocks are intrinsically linked to the National Development Plan and the Medium-Term Development of the Assembly.

## 3.1 Diagnostics/Assessment

The assessment and diagnostics building block aims to expand upon traditional needs assessment models to provide a complete picture of the Assembly’s financing needs and available financing sources, as well as the challenges and risks the Metropolis faces when financing development priorities of the Assembly. This building block is the first step in matching appropriate financing flows to the development objectives outlined in the MTDP of the Assembly. The areas of diagnostic/assessment include: financial needs assessment, financing trend analysis, binding constraints and risks assessments

### 3.1.1 Financing Needs Assessment

The financing needs of KMA is reflected in the Medium-Term Development Plans and articulated with vision ***“to become a safe, smart city and investment destination for both local and international investors”***. However, the budget estimates in the MTDP does not fully reflect what KMA requires to attain the vision of the Metropolis.

Figure 3.1: KMA Budget Estimates (Actual + Gap) in GHC

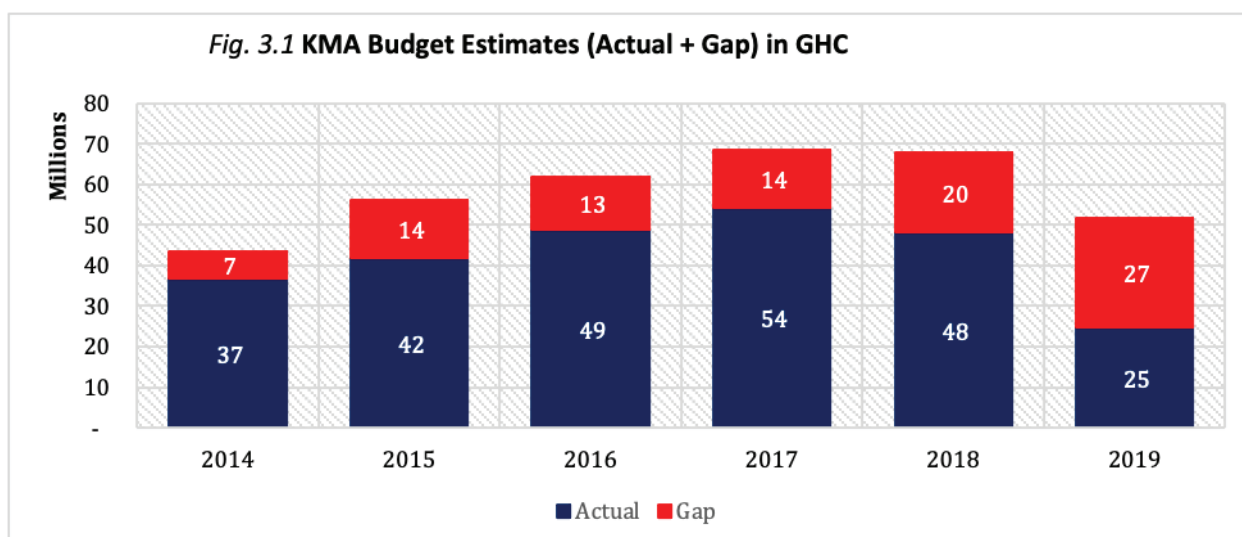


Figure 3.1 above indicates for 2017 and 2018, the metropolis required an average of GHC70million to fully implement its programs and projects. The total funding available however was less GHC54million and GHC48million for 2017 and 2018 respectively leading to a financing gap of about GHC14 million for 2017 and GHC 20million for 2018. This is a recurring yearly financial challenge as financing gap averages about 27% for the period ranging from 2014 to 2019.

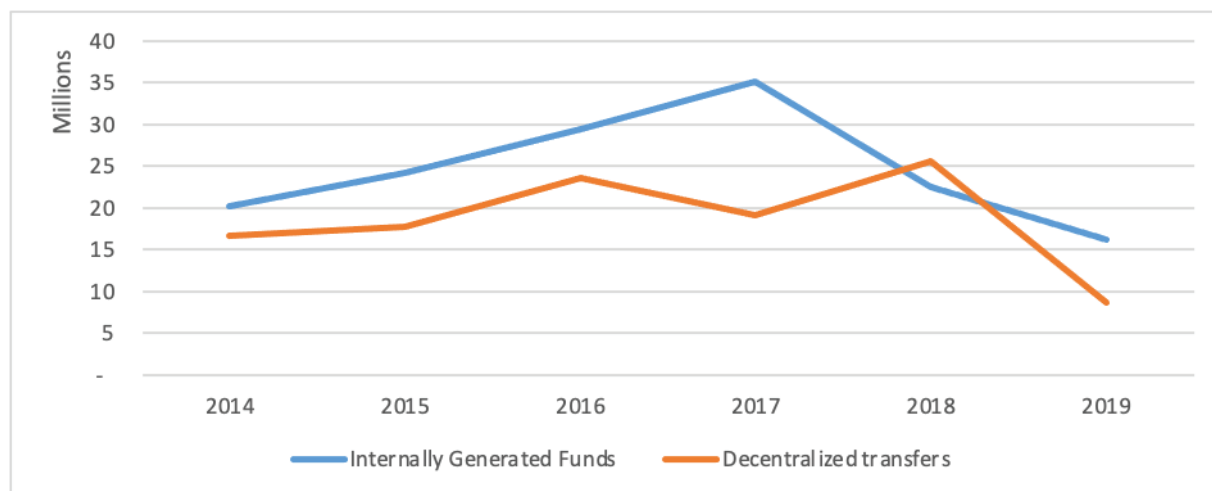
### 3.1.2 Financing Trends Analysis

The Local Governance Act of 2016 (Act 936) mandates MMDAs to be responsible for the overall development including political and administrative authority as well as promoting local economic development of the areas under their jurisdiction. Assemblies are also expected to take steps needed to execute approved development plans. Section 124 of the Local Governance Act provides for sources of funds available to the Assemblies to finance their development agenda.

*Box 1: Sources of Funds available to District Assemblies*

- (1) The revenues of a District Assembly comprise
  - (a) decentralized transfers;
  - (b) internally generated funds; and
  - (c) donations and grants.
- (2) Decentralized transfers comprise funds from the following revenue sources:
  - (a) the District Assemblies Common Fund;
  - (b) grants-in-aid from the Central Government; and
  - (c) any other revenue transferred from the Central Government to Assembly.
- (3) Internally generated funds comprise funds from the following sources:
  - (a) licenses;
  - (b) fees and miscellaneous charges;
  - (c) taxes; (d) investment income; and (e) rates
- (4) A District Assembly shall open and maintain a bank account for revenues and other moneys raised or received by it.
- (5) A District Assembly may borrow to finance projects in accordance with relevant laws.
- (6) For the purposes of this section, “grants” means donations being funds paid directly to a District Assembly by a Development Partner.

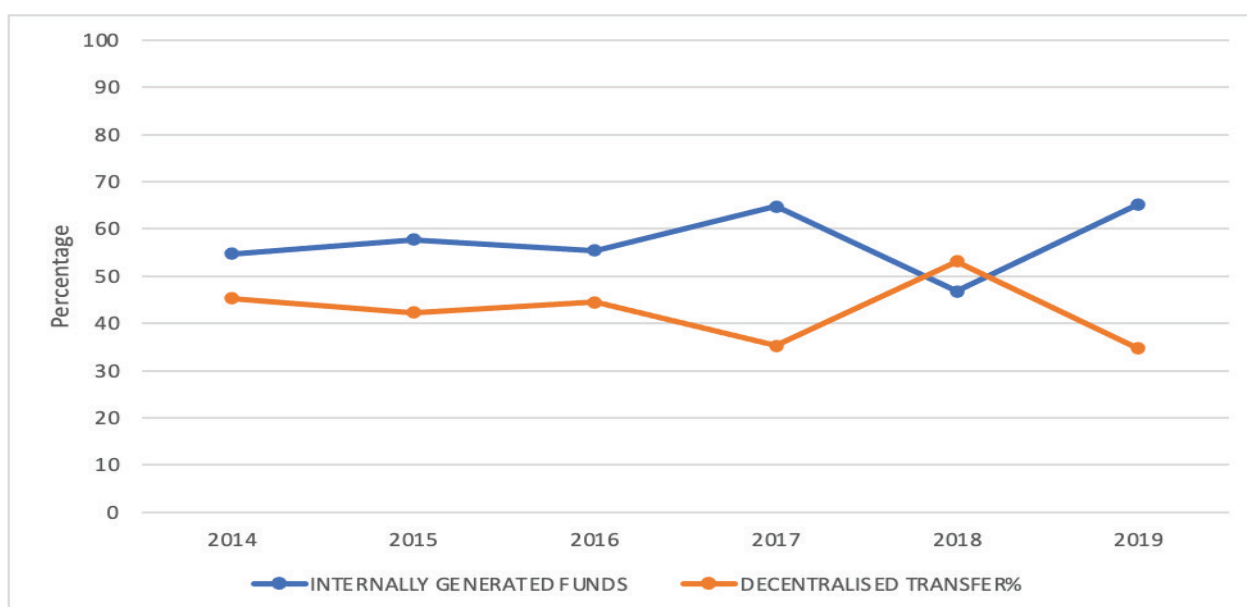
Figure 3.2: Revenue to KMA by Sources (GHC)



Source: KMA Composite Budget

Figure 3.2 above shows a consistent increase in IGF from 2014 to 2017. This however declined sharply in 2018 and 2019 due, primarily, to the creation of four municipalities out of the eight sub-metropolitan Councils. Decentralized transfers, however, show a fluctuating trend between 2014 and 2019.

Figure 3.3: Revenue to KMA according to source 2014 – 2019 (% share)



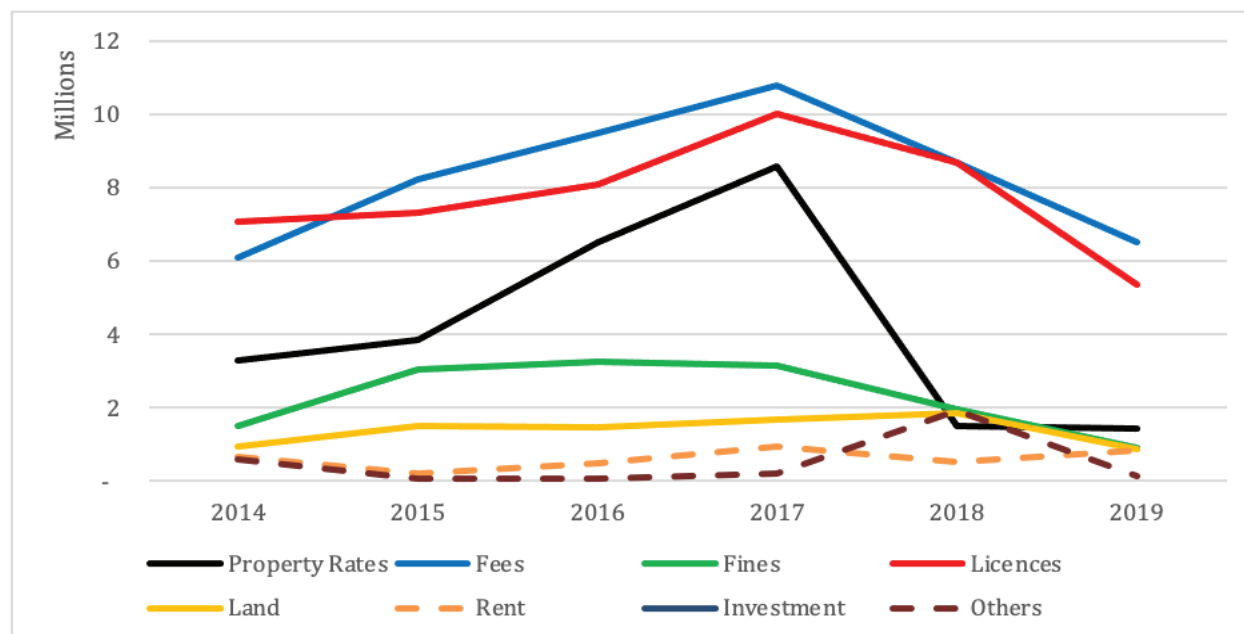
Source: KMA composite budget

IGF remained the largest share of revenues to KMA – well above 50% for most of the review period 2014 to 2017. This declined marginally in 2018 but rose again in 2019. IGF is expected to remain the dominant source of revenue to the Metropolis as the assembly intends to capture additional revenues through the implementation of the Revenue Improvement Action Plan.

## Internally generated funds

For IGF, fees and licenses are the biggest contributors. This has been consistent throughout the entire period under observation. This is followed by property rates, which experienced a significant drop in 2018 relative to fees and licenses.

Figure 2.4: % composition of IGF 2014 - 2019



Source, KMA composite budget 2014 – 2019

### Box 1: Explanation to sources of IGF

**Property Rates:** It is a rate levied on immovable property at a special rate per cedi on a rate-able value of the premises. Determination of the rate-able value of the premises is done by the Land Valuations Board.

**Fees & Fines:** Section 34 of Act 462 allows District Assemblies to charge fees for any service or facility they provide. These are fees mainly levied on markets, lorry parks, conservancy and burial services, slaughterhouses, etc. These also include fines from tribunal or courts paid to the Assemblies.

**Licenses:** Act 462 of the Local Government Act, empowers Assemblies to issue licenses for various activities. The licenses are for control purpose rather than a revenue instrument. These include licenses issued to Drinking Bars, Restaurants or Chop Bars and Hotels among others.

**Lands (Royalties):** This comprises of levies imposed on Building Plans and Permits as well as Stool Lands payable to the Assemblies.

**Annual Basic Rate:** This is generally rates payable by all people of eighteen (18) years and above. It is a poll tax and broad based under Section 8, Act 462 2000 exemptions are given to those who are above the age of seventy (70) years as well as students in Educational Training Institutions without incomes. The tax is regressive.

**Investment Income:** Section 89 of the Act permits an Assembly to invest all or any portion of its surplus funds in any interest yielding investment as may be approved by the Assembly. Such investments go into transport equity shares, etc. to yield income to the Assemblies.

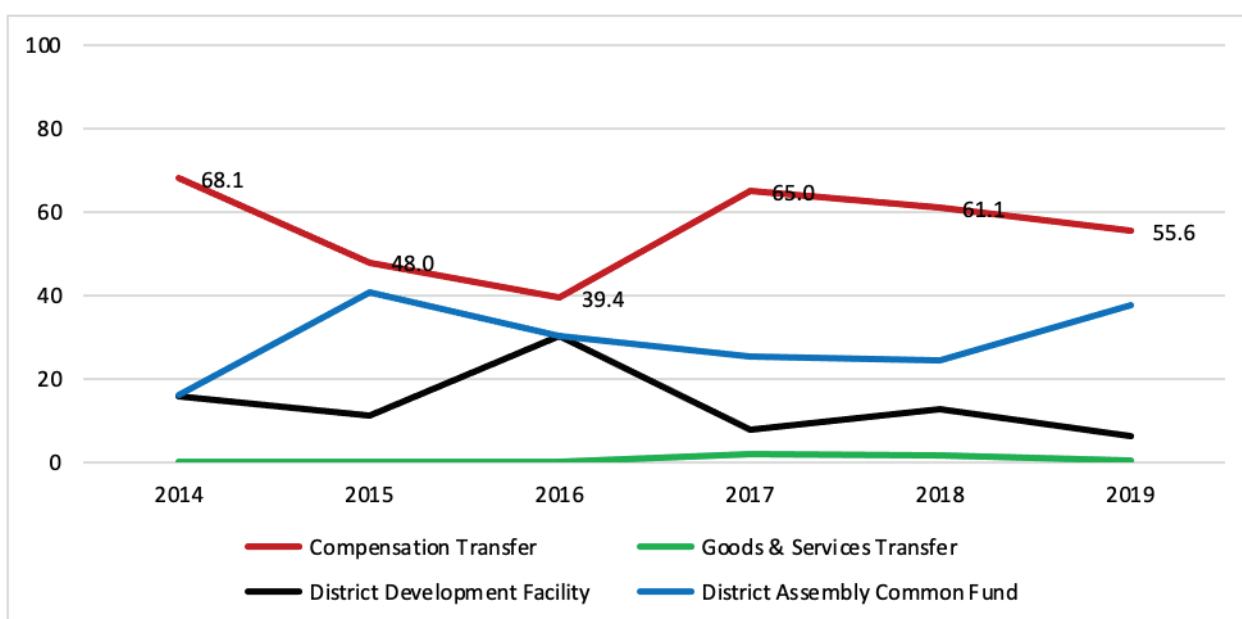
**Possession Tax:** This is a tax levied on movable properties for example cattle ranch, motor bicycle, tractors, commercial vehicles, etc.



### Decentralized Transfers

Out of the four components, compensation transfer, which is the highest share and well above 50%, saw an increase from 39.4% in 2016 to 65% in 2017. Goods and services transfer on the other hand forms the lowest proportion of decentralised transfers received by KMA. The second is the District Assembly Common Fund (DACF), the District Development Facility (DDF), while the least being goods and services transfer.

Figure 3.5: % composition of Decentralized Transfers

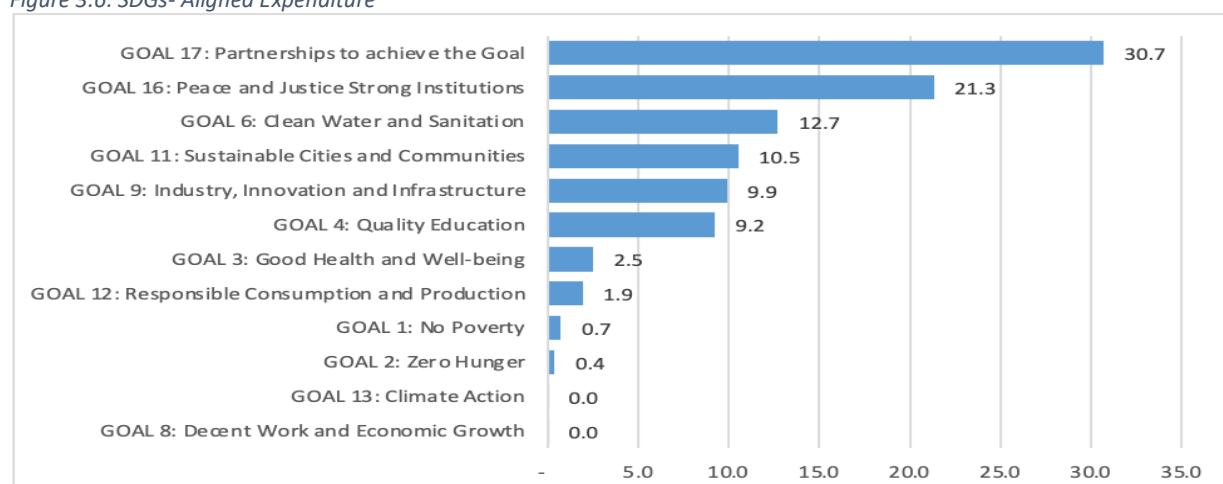


Source, KMA composite budget 2014 2019

### SDGs-Aligned Expenditure

Expenditures at the local level are aligned to the SDGs. The largest share of the expenditure goes to SDG 17 followed by SDG 16.

Figure 3.6: SDGs- Aligned Expenditure



Source, KMA composite budget 2019

### 3.1.3 Binding Constraints

National and Sub-National Government face a range of constraints in terms of capacity, institutional weaknesses, market failures and policy gaps that impede financing for sustainable development. Identifying these constraints is a critical step towards developing policy actions or reforms that address existing bottlenecks. Some of these constraints are often complex and far-reaching, making it difficult to tackle all constraining factors at once. In light of this challenge, KMA is approaching the preparation of the IAFF by focusing on those constraints if lifted would have an impact on improving the availability and management of financial resources.

The Assembly has the potential to attract more private sector investment for the provision of various socio-economic infrastructure to close the infrastructure gap and enhance service delivery. The assembly has in place an investment plan. The challenge has been the political will to implement the activities contained in the Investment Plan. Further, as a result of staff turnover, the capacity to develop bankable projects remains low.

The Assembly is also constrained by the higher level of revenue leakages. The Assembly has the potential to increase IGF by over 50% if steps are taken to update its revenue data using geographical information systems and other information technology tools. This will reduce the leakage and properly account for monies collected. Most of the revenue collectors need to be trained to acquaint themselves with modern trends and tools for revenue collection. Low values of immovable properties in the Metropolis is also one of the constraints to improve revenue generation. The Assembly is currently in the process of completing an evaluation of properties. This will enable the assembly charge appropriate fees for properties within the Metropolis.

General apathy to rates paid by the public which may be due to lack of information/education on appropriate fees to pay continues to hamper the revenue mobilization. Public-Private-Partnerships (PPP) present huge resources available for development. The Assembly has constituted a PPP committee which oversees all PPP initiatives. Resourcing the committee to be able to function as envisaged remains a challenge.

## 3.2 Financing Strategy

The Financing Strategy is a critical aspect of the Integrated Assembly Financing Framework (IAFF), as it sets out how funds and investments required to achieve the MMDAs development objectives will be mobilized and aligned. The Financing Strategy for KMA provides the needed solutions to essential questions on what kind of transformation KMA envisages. It, therefore, sets out how the funds and investment required to achieve KMA's development objectives are mobilized and aligned. This financing strategy seeks to:

- ☒ consolidate existing revenue sources;
- ☒ attract and sustain Private Sector investments;
- ☒ mobilize and sustain Development Partner investments;
- ☒ enhance Philanthropic financing; and

- ☒ Improve Diaspora Cooperation for Development Financing.

KMA currently has a Revenue Improvement Action Plan (RIAP) which seeks to increase revenue from all sources to support the implementation of programmes and projects. The RIAP operates within the following legal environment:

- i. Public Financial Management Act, 2016 (Act 921);
- ii. Public Financial Management Regulations, 2019 (L.I. 2378);
- iii. The Financial Administration Act, 2003 (Act 654);
- iv. The Budget Statement and Economic Policy;
- v. Digital Financial Policy;
- vi. Local Governance Act, 2016 (Act 936) section 122 - 174;
- vii. Assembly Bye-laws and Fee Fixing Resolutions.

The objectives of the current RIAP focuses on IGF financing and does not address the trade-offs between policies and regulations, private sector investment, the protection of businesses and Development Partner financing amongst others. Additionally, the RIAP does not:

- i. Contain an implementation plan or mechanism;
- ii. Show the diagnostics of financing sources;
- iii. Demonstrate evidence of inventory that properly identifies taxpayers within the Assemblies;
- iv. Consider the trade-off analysis in revenue sources.
- v. Contain strategies for mobilizing resources and investments from the Private Sector, Development Partners and other innovative financing sources.

In the medium term, KMA intends to explore specific strategies that simultaneously expand revenue, while at the same time spurring private sector investment in the Metropolis. The key to any financing strategy at the local assembly level is to ensure close cooperation between all levels of government - local and central - as well as cooperation between Local Government, the Private Sector, Civil Society, Development Partners and the Diaspora amongst others. It is evident that financial resources at the local level are always likely to be constrained making imperative that these scarce resources are utilized most effectively to promote inclusive SDGs aligned strategies that address the real needs of the local community.

The key components of the financing strategy are discussed below.

### 3.3 Consolidate the Existing Revenue Sources

In consolidating existing revenue strategies, KMA will seek to improve efficiency and expand its revenue collection bracket within the existing legal provision. This will be done through registration of properties and businesses, undertake a review of the tax rates in relation to the transformative direction with the view to ensure maximizing the trade-offs, and strengthening revenue capacities. Specifically, KMA will seek to:

- a. Improve tax collection mechanisms through:
  - ☒ building capacity of tax collectors to maximize tax revenue;
  - ☒ establishing an electronic and geo-reference inventory that properly identifies potential taxpayers (businesses, individuals, property owners, among others) within the Metropolis;
  - ☒ promoting an electronic system of revenue collection;
  - ☒ provision of incentives to encourage the prompt payment of fees, royalties, and levies to the Assembly;
  - ☒ enforcement of sanctions for tax non-compliance.
- b. Enhance communication, advocacy and dissemination strategies through
  - ☒ training of tax/fee collectors in communication and presentation skills to address pertinent questions from taxpayers;
  - ☒ continuous public education on tax responsibilities to encourage the general populace to honour their tax obligations in partnership with CSOs and other stakeholders.

There are also opportunities for KMA to own, operate, acquire or dispose of discretionary assets such as landed property and real estates. The Assembly can thus make use of available space to augment current revenues. An example is the Airport City Housing Development Project.

### 3.3.1 Attract and Maintain Private Sector Investments

- a. The Metropolis will initiate bankable projects and take advantage of economic advantages available (e.g. Large market/Effective demand). This process will involve:
  - ☒ developing a portfolio of bankable projects;
  - ☒ partnering with other Assemblies with similar needs to improve the viability of their projects;
  - ☒ building capacities to design, deliver and evaluate bankable projects.
  - ☒ improve business environment in the Metropolis by strengthening Security and Legal Institutions.

In seeking to attract the Private Sector, the Metropolis' efforts will also focus on establishing SDGs Investor Maps as an input to the SDGs investment Fair, which will provide investment opportunities that will be linked to Private Sector investors. An SDGs Investor Map is a piece of local market intelligence to help private investors (funds, financiers and corporations) to identify investment opportunities and business models that advance the SDGs. The Maps provide the insight and tools needed by the Private Sector to increase their investments towards the SDGs. They make a significant contribution to filling the financing gap by mobilizing private capital for the SDGs.

- b. Private-Public-Partnerships (PPPs) is also an appropriate financing mechanism in collaborating with the private sector. In utilizing the opportunities presented by PPPs, KMA, through its established PPP committee, can make use of Special Purpose Vehicles (SPVs) to finance its development aspirations through the:
- ☒ initiation of programs which are suited for PPPs execution. For instance, the development of market squares, farming partnerships among others.
  - ☒ creation of community businesses emergency funds.

### 3.3.2 Mobilize and Sustain Development Partner Investments

Globally, there are several International Development Agencies, both bilateral and multilateral, that are actively supporting reform and development programmes within various sectors with a view to developing the needed human resource base that will effectively and efficiently deliver public services. While a number of these Agencies are geared towards addressing public policy and regulatory constraints, there are others with focuses geared towards attracting private sector financing for critical areas of development.

The Assembly must understand the peculiar interest of Development Partners in order to prepare tailor-made proposals. Thus, building the knowledge base of staff of KMA will enable them to develop tailored made programmes to secure funding from these sources.

### 3.3.3 Enhance Philanthropic Financing

A number of Philanthropic Organizations are emerging in many parts of the world which were traditionally considered as purely “aid recipient” countries. Within the Philanthropic landscape, many organizations are now focusing on working directly with specific Local Authorities and avoiding the traditional modes of working through CSOs. There is also ‘Community Philanthropy’ which seeks to gain the support of community members to leverage community resources for purposes of improving the quality of life. Philanthropies provide funding through the traditional call for proposals.

KMA can build capacity in the requisite approaches to attract catalytic Philanthropic funding. These capacities can be in proposal writing aimed at dealing with specific challenges within the Metropolis.

### 3.3.4 Improve Diaspora Coordination Financing

Traditionally, diaspora resources have been viewed as on-going financing capital at the micro level to be utilized mainly for purposes of consumption. In recent years, while recognition of the role of the Diaspora in development has grown coupled with the fact that members of the Diaspora are seen as important development stakeholders.

This situation presents a unique opportunity for Local Authorities to harness and scale-up diaspora investments for socio-economic growth especially given the scale and magnitude of current financing gaps.

The KMA should consider setting up a diaspora fund which will provide an opportunity for members who hail from communities living in the diaspora to contribute to the fund. Lastly, Plans are underway to ensure the city leverages its rich culture of the Asante Kingdom to attract diaspora investment by celebrating a Kumasi Week annually to sell Kumasi to the rest of the world.

### 3.4 Governance and Coordination

This section presents the outline for governance and coordination for the IAFF at the local level. Recognizing Government of Ghana's policy of Decentralization as a strategy for promoting and enhancing the overall development of MMDAs, and the provisions of the Local Governance Act 936 (2016) with Amendment Act 940 (2017), the governance and coordination structure of the IAFF will be **aligned to existing governance structures at the local level**. Cognizance and appreciation are noted for the ability of MMDAs to co-opt relevant entities and or individuals within their operational structures to enhance effectiveness and efficiency.

#### 3.4.1 Current Governance and Coordination Mechanisms at MMDAs

The General Assembly (GA) is the highest decision-making body and the District Chief Executive, elected Assembly Members, Government Appointees to the Assembly, Representative of Traditional Authorities, Members of Parliament and other interest groups. The GA is headed by a Presiding Member, who is elected from among elected Assembly Members. All Plans and Budgets of the Assembly are approved by the GA for implementation.

The GA has five (5) statutory Sub-Committees, namely, the Development Planning; Social Services; Works; Justice and Security; and Finance and Administration sub-committees. An Assembly may create another sub-committee based on its specific and peculiar requirements. The Chairs of these sub-committees, together with the Chief Executive, a chairperson of any other ad-hoc sub-committee and two (2) elected members constitute an Executive Committee, responsible for the performance of the executive functions of the Assembly. The District Coordinating Director as Secretary to the GA is also the Secretary to the Executive Committee.

The Assembly's Central Administration and Heads of Departments of decentralized entities constitute the Management of the Assembly and provides leadership for operations of the Assembly.

These structures provide a comprehensive governance and oversight system for planning, budgeting, advocacy, accountability and implementation of the decisions and aspirations of the Assembly.

Assemblies have Planning Coordinating Units (PCUs) is made up of all existing Departments<sup>4</sup>. It is Chaired by Development Planning Sub-Committee Chairperson and includes representatives of traditional authorities and Civil Society Organizations and five (5) members who are from Agencies or Organizations that have not been decentralized. The office of the Development Planning Officer is the PCU's Secretariat. They are responsible for the day-to-day performance of the functions of the PCU and coordinate planning, budgeting, presentation of final plans to the General Assembly, implementation, monitoring & evaluation, and reporting.

In summary, and within the context of the IAFF, which essentially seeks to provide avenues for MMDAs to diversify their funding sources to implement their development plans, the above structures exist and have the capacity to integrate the IAFF processes in its operations.

### 3.4.2 IAFF Governance and Coordination Structure

The Governance and Coordination structure will be aligned to the following structures within the Assembly, except for the creation of the IAFF National Oversight Committee, to be hosted by the Ministry of Finance:

1. **National Oversight Committee:** provides guidance, advisory and advocacy roles to facilitate resource mobilization for the successful implementation of the IAFF;
2. **The General Assembly:** provides overall leadership, guidance and is the approving authority;
3. **Executive Committee:** oversees the performance of the executive functions of the Assembly;
4. **Metropolitan Planning and Coordination Unit (MPCU):** provides technical support; planning, budgeting, monitoring and evaluation, reporting of the Assembly.

### 3.4.3 Guiding Principles - IAFF Governance and Coordination Structure

The following will serve as the guiding principles for the functioning and performance of the governance and coordination structures:

- i. **Decentralization:** recognizes the decentralization for development of the Government of Ghana;
- ii. **Autonomy of MMDAs:** recognizes the autonomy of MMDAs;
- iii. **Sustainability and Continuity:** recognizes the perpetual continuity of operations of governance into the foreseeable future and further the need for sustainability in the delivery of interventions;
- iv. **Partnership and Cooperation:** recognizes the relevance of partnerships and cooperation amongst entities and individuals in the spirit of SDG17

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<sup>4</sup> Refer to 2<sup>nd</sup> Schedule of Local Governance Act 936 (2016)



### 3.4.4 Roles - IAFF Governance and Coordination Structure

The governance and coordination roles have three key elements; its structure and composition, its functioning, and its relation with other institutional mechanisms. These are reflected in the proposed roles of the structures below:

#### **A. National Oversight Committee (NOC)**

- i. The NOC will provide overall guidance and technical support to the KMA and further support resource mobilization, advocacy and coordination through local government actors;
- ii. Membership will be made-up of national level partner MDAs (MoF, MLGRD, NDPC, OHLGS); Development Partners, Representatives of Civil Society and Private Sector;
- iii. The NOC will be chaired by MoF and co-chaired by either UNDP or EU.

#### **B. The General Assembly**

- i. KMA's General Assembly will provide overall leadership, guidance and act as the approving authority to ensure that funds and investments mobilized are used for their intended and agreed purposes.
- ii. The membership will be the existing/substantive members of KMA's GA
- iii. Co-opted Members (Observers): relevant Interest Groups or Development Partners will be invited to participate in deliberations concerning the IAFF, but will not have voting rights.
- iv. Decisions of the GA on IAFF activities: decisions of the GA on IAFF activities will be binding on subsequent Administrations within the principle of continuity of functions of the Assemblies and mandate to deliver development interventions

#### **C. Executive Committee – Oversees performance of the executive functions of the District Assembly**

- i. The Executive Committee of the KMA will ensure coordination and the functioning and performance of all Departments and relevant entities in respect of the delivery of the Plans of the Assembly and particularly IAFF interventions.
- ii. Lead identification and implementation of resource mobilization plans. Through the relevant statutory sub-committees, IAFF proposed interventions will be assessed and presented to the Executive Committee for review before submission to the General Assembly.
- iii. The membership will be the existing/substantive members of the KMA's Executive Committee

#### **D. Metropolitan Planning and Coordination Unit (MPCU) - As the Technical Working Group:**



- i. The MPCU of KMA as the technical arm of the Assembly will continue to provide technical support; planning, budgeting, monitoring and evaluation, reporting among others to the Assembly and particularly in respect of IAFF interventions.
- ii. The membership will be the existing/substantive members of the KMA's MPCU.
- iii. Co-opted Members/Observers: relevant Interest Groups, entities and Development Partners will be invited to participate in deliberations concerning IAFF interventions.

### 3.4.5 Functioning & Meetings

The governance and coordination structures will function according to existing Local Governance mechanisms, Meeting will also align with existing meeting requirements per relevant legal frameworks<sup>5</sup> guiding the functioning and performance of MMDAs.

The relevant statutory sub-committees will be required to perform necessary functions and report to the EC.

The National Oversight Committee will be consulted on plans of the KMA before finalization and approval by the General Assembly.

### 3.4.6 Terms of Reference

The AAAA on Financing for Development recognizes that in order to achieve the SDGs, Countries have to consolidate existing funding and effectively move towards SDGs Financing, which combines financial resources and investments. In Ghana, Assemblies are at the forefront of delivering transformation of their jurisdiction and people and financing play a critical role in ensuring this happens. Assemblies will therefore have to go beyond the traditional means of mobilizing revenue and embrace a wider concept of financing that includes both revenues and investments.

The governance and coordination structures of the Assembly's Integrated Financing Framework is at the heart of these efforts. It provides the overall leadership and guidance, undertakes advocacy efforts, and ensures accountability both for sustained funds and investments into the Metropolis.

The governance coordination structures of the KMA will be expected to:

- Provide overall direction in establishing functional and integrated financing frameworks in the Metropolis.
- Advocate for integrated financing at all levels of government and with all partners, including the Private Sector, CSOs, Development Partners and citizens.
- Organize Assembly SDGs Investment Fair, informed by the SDGs Investor Maps.
- Work closely with the National Oversight Committee.

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<sup>5</sup> Local Governance Act 936 (2016) and L.I. 2232

- ☒ Convene actors from across Government, the Private Sector, and Development Partners with interest in advancing and accountability for integrated financing for SDGs.
- ☒ Interact and engage with existing SDGs Stakeholders at the National and Metropolitan levels.

### 3.4.7 Communication and Advocacy strategy

Planning how information will be disseminated to relevant stakeholders including decision-makers is a critical action. Sharing the content of these reports with the Metropolitan Assembly and other stakeholders at the sub-level and community would increase the Assembly's accountability and transparency, and demonstrate its commitment to growth.

In addition, the willingness of stakeholders to support development interventions resulting from the implementation, monitoring and evaluation exercise will be increased. This financing strategy involves a communication and distribution strategy that, as shown in the matrix, indicates the operation, target audience and time period.

Table 3.1: Communication and Advocacy Strategy

Activity	Purpose	Audience	Method/Tool	Timeframe	Responsibility
Public sensitization and awareness creation	To increase public awareness of revenues and Resource Mobilisation Strategy	The General Public	Workshops, seminars, radio & TV discussions, articles, flyers, etc.	2021-2025	Oversight Committee, MPCU, Media, CSOs
Awareness creation on Financial Policies, Financial Recovery plans & Regulations	To enhance understanding of existing Financial Policies & Regulations	MPCUs Members,	Workshops, Seminars, Radio & TV Discussions, Articles, Flyers	2021-2025	MPCU, Media, CSOs
Community Sensitization	To increase awareness and communication to discharging financial obligations	Chiefs, Community Members, Opinion Leaders, Students, Teachers, General Populace	Durbar, Drama, Information Service, Radio, TV Discussions, etc.	2021-2025	MPCU, Media, CSOs

Public Sensitization and Awareness Creation	To educate the general public on the negative effects of not honouring financial obligations	The general public	Seminar, Durbar, Drama, Information Service, Radio, TV Discussions	2021-2025	MPCU, Media, CSOs
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### 3.5 Monitoring and Review

The existing arrangements at the Local Administration level for undertaking monitoring and review will continue to serve as the basis for reporting on the progress of the implementation of the integrated financing framework. The Metropolitan Planning Coordinating Units (MPCUs) would essentially be required to take control of the process. The monitoring will consist of a periodic or ongoing performance assessment based on the metrics chosen, while the assessment will be based on a wider variety of methods for assessing the execution of the program.

The financial output, which informs the preparation of the annual Composite Action Plan (CAP), budget reviews and refines the strategy for the continuation of the execution of the plan, is assessed annually by Assemblies through their General Assembly and Town Hall meetings. As part of the legislative provisions of the NDPC, the Assemblies reports on a quarterly and annual basis on the utilization of funds towards the attainment of their goals and objectives, as outlined in the MTDPs.

The MPCU will ensure that the financing performance of the main indicators, as shown in Table 3.2, is periodically checked to monitor the performance of the IAFF. In addition, KMA will carry out such types of assessment studies, such as a rapid assessment within the first 6 months, a mid-term assessment within two years and a long-term impact assessment on the usage of mobilized funds and expenditure in implementation projects.

The EC will review the reports submitted to provide direction, advocacy and guarantee transparency; increase investment in the supply and use of M&E outcomes; establish efficient communications arrangements to ensure timely reporting of deliverables; provide input, technical assistance and improve Metropolitan capacity for effective M&E outcomes.

Table 3.2 Monitoring of KMA’s Integrated Financing Framework

MONITORING DISTRICT INTEGRATING FINANCING FRAMEWORK			
DISTRICT LEVEL INDICATOR			
<i>Indicator</i>	<i>Number of investments</i>		
<i>Indicator Definition</i>	Count of investments made in the District		
<i>Indicator Type</i>	Outcome		
<i>Disaggregation Level</i>	Source	status	

	Government		
	Private Sector		
	DPs/CSOs		
	PPP		
	Diaspora		
	Sectors		
	Others		
<b>Focal Point/ Responsibility</b>	<i>Department</i>	<i>Unit/Section</i>	<i>contact</i>
	DPCUs	Finance Unit	
<b>Unit of Measurement</b>	Numbers		
<b>Frequency of Update</b>	Quarterly/Annually		
<b>Aggregation Rule</b>	Sum of investment at all level		
<b>Indicator</b>	<b>Value of investments from all sources</b>		
<b>Indicator Definition</b>	Amount of investments made in a given period		
<b>Indicator Type</b>	Outcome		
<b>Disaggregation Level</b>	<b>Sources</b>	<b>status</b>	
	Government		
	Private Sector		
	DPs/CSOs		
	PPP		
	Diaspora		
	Others		
<b>Focal Point/ Responsibility</b>	<b>Department</b>	<b>Unit</b>	
	DPCUs	finance	
<b>Unit of Measurement</b>	Money( GHc)		
<b>Frequency of Update</b>	Monthly/ Quarterly/ Annual		
<b>Aggregation Rule</b>	Sum of investment(monetary) at all level		
<b>Indicator</b>	<b>value of funds from all sources</b>		
<b>Indicator definition</b>	Total amount of revenue mobilized		
<b>Indicator Type</b>	Output		
<b>Disaggregation Level</b>	IGF		
	DACF		
	Donors Funds		
	Diaspora		
	Philanthropy		
	Others		
<b>Focal Point/ Responsibility</b>	<b>Department</b>	<b>Unit</b>	
	DPCUs	Finance	
<b>Unit of Measurement</b>	Money (GHc)		
<b>Frequency of Update</b>	Monthly/ Quarterly/ Annual		
<b>Aggregation Rule</b>	Sum of all sources at sub district level		
<b>Indicator</b>	<b>Number of staff trained on revenue collection software</b>		
<b>Indicator definition</b>	Count of staff trained in software for revenue collection		
<b>Indicator Type</b>	Output		
<b>Disaggregation Level</b>	Sex		
	Geographical location		
	Age		

	PWDs		
	Others		
<b>Focal Point/ Responsibility</b>	<b>Department</b>	<b>Unit</b>	
	DPCU	HR/ Administration	
<b>Unit of Measurement</b>	People		
<b>Frequency of Update</b>	Quarter/Annual		
<b>Aggregation Rule</b>	Sum of beneficial		
<b>Indicator</b>	<b>Number of monthly Financial Reports submitted</b>		
<b>Indicator Definition</b>	Count of number of Monthly financial report produced and submitted		
<b>Indicator Type</b>	Output		
<b>Disaggregation Level</b>			
<b>Focal Point/ Responsibility</b>	<b>Department</b>	<b>Unit</b>	
	DPCU		
<b>Unit of Measurement</b>	People		
<b>Frequency of Update</b>	Monthly/Quarterly		
<b>Aggregation Rule</b>	Integrated monthly		

# ***Chapter Four***

***Managing Risks***

# Managing Risks

## 4.1 Introduction

The realization of the Assemblies' growth agenda depends primarily on its ability to manage uncertainties that could impact future funding needs and the availability of funding. A risk evaluation facing the Assembly is therefore essential to the advancement of its financing strategy. Like other Metropolitans across the country, KMA has a range of risk factors that have the potential to derail and affect the funding of its development agenda. These include among others:

- Environmental risk
- Economic risk
- Socio-cultural risk
- Demographic risk
- Capacity risk

## 4.2 Economic Risk

Kumasi Metropolis has the largest single open-air market in Ghana which serves as a commercial nerve for the entire nation and beyond. This makes it the centre and main transit point for the exchange and transportation of goods and services between the Southern and Northern parts of Ghana. Individuals in the Metropolis derive bulk of their livelihood from economic opportunities that the market offers as well as revenue generation opportunities for the Metropolitan Assembly through the charges of market tolls. Factors that constrain the activities of the market, thus, tend to create a major risk to the economic prosperity of KMA. The imposition of partial lockdown during the outbreak of COVID-19, for instance, saw a decline in market operations in the Metropolis, resulting partly in the decline of its IGF.

The Kumasi Metropolis is characterized by tourist centres such as Manhyia Palace Museum, Rattray Park (a recreational park), Military Museum, Kumasi Zoo, Okomfo Anokye Sod, Cultural Centre and the Central Market. It is estimated that 50% of the tourist who visits Ghana do visit Kumasi. Hence factors such as border closure and other restrictions on the hospitality sector pose a great risk to KMA's revenue generation.

A major source of income for KMA is transferred from the Central Government. Changes in central government priorities could lead, as was apparent during the COVID-19 pandemic, to a reduction in government payments to the Assemblies, resulting in the reduction of inflows for sustainable development.

### 4.3 Lack of Capacity

The capacity of MMDAs in Ghana to tackle developmental issues, especially poverty-related issues, is critically linked to the Assembly's capacity for revenue mobilization. However, in their efforts to mobilize adequate resources to execute the required growth, many Assemblies across the nation lack the power. In terms of human resource ability and technical capabilities, Assemblies are restricted to utilizing existing technologies in driving resource mobilization.

This situation raises problems in terms of revenue generation, adequate data management and information dissemination. Furthermore, owing to the absence of a comprehensive database of property owners, Local Authorities lack the capacity to classify potential taxpayers, resulting in revenue losses for the Assembly. In addition, leakages in Assemblies revenue collection systems presents the total inflows of resources earmarked.

Information Communication Technology (ICT) has a well-documented ability to enhance the quality and efficacy of public sector policies and can propel growth when used efficiently, block revenue leaks and unethical practices. It has been instrumental in mobilizing public revenue in both Developing and Developed Countries, which is at the center of state administration. It is important to emphasize that most Assemblies have not embraced the full complement of ICT.

### 4.4 Environmental Risk

KMA is vulnerable to a range of environmental threats which could hurt the ability to mobilize and use financial capital and development investments. Such threats, either climate-related or ecosystem-related, pose a threat to livelihoods, human health and growth, investment opportunities, consumer trust and, among other things, the general business environment.

Climate threats are a significant challenge to Assemblies' quest to increase support for SDGs implementation. Projections for climate change predict a rise in global temperatures, changes in rainfall and a rise in severe events such as floods and droughts. These may have detrimental effects on human life, social and economic infrastructure, food security and agricultural value-chain businesses.

Due to their low access to capital and capacity to cope with the expected effects of climate change, Micro, Small and Medium Enterprises (MSME) are particularly vulnerable. If these threats are not well handled, they are likely to impact economic activities negatively, restrict business growth and thus limit the mobilization of revenue.

Agriculture in the Metropolis is mostly crop farming, aquaculture, horticulture, animal rearing and agro-processing. Though farming is limited to small scale staple crops production (maize, plantain, Cocoyam), desertification, a decline in soil fertility, wildfire and other major disruptions



to terrestrial and aquatic ecosystems could reduce the ease of doing business in the Metropolis, and result in the loss of livelihoods, with potential ramifications for security and social cohesion.

#### 4.4.1 Mitigation measures

KMA will work in partnership with other stakeholders to improve its emergency management programs and increase climate resilience as part of efforts to reduce environmental harm. Specific measures will include:

- ☒ strengthening early warning systems for disasters;
- ☒ promoting climate-smart agriculture;
- ☒ adopting climate-resilient infrastructure;
- ☒ embarking on afforestation; and
- ☒ exploring Green Bond Investment opportunities.

#### 4.5 Demographic risk

With over 60 % of the population being 34 years or younger, KMA has a youthful population. While the youthful population provides a large workforce, as young people are likely to move to other towns and cities in search of employment, the lack of sufficient job opportunities remains a major concern. Even if, businesses and industries do not engage a critical mass of qualified youth, the possibility of attracting investment and increasing industry to the KMA is likely to be low.

#### 4.6 Mitigation measures

The main measures that will be employed in reducing the demographic risks include:

- ☒ providing skills development and training to meet current and future demand including avenues such as apprenticeships.
- ☒ incentives for businesses to employ the youth

# ***Chapter Five***

***Recommendation***

### 5.1.3 Blended Financing Assessment on the Ecosystem

Blended financing is an important means of effectively mobilizing and systematically leveraging all sources of finance, expertise, and solutions to stimulate impactful investment, inclusive economic growth and sustainable development. MMDAs need to lead a systematic consultation process to identify potential sources of financing and investments, understand the capabilities, requirement, and expectations. The process should culminate in a strategy to mobilise resources to address development needs, priorities and capacities within Assemblies. Key stakeholders to be engaged in this process should include the Private Sector, CSOs, Traditional Authorities, Faith-Based Organisations, Philanthropy Organisations, Diaspora and Development Partners. A blended financing strategy should support local development priorities; ensure consistency with the local and national financial markets and should be used alongside efforts to promote a sound enabling environment for investments.

### 5.1.4 Investor Map

A tremendous amount of financing and investment is required to meet the development needs of KMA, as well as realising the SDGs. Public sources alone cannot fill the financing gap and it is imperative to look beyond the traditional sources of financing for development. Some investors are interested in aligning their investment to the SDGs. An investor map provides localized insight into market conditions and is a useful tool for linking development needs and investor interests. KMA will need to translate development priorities into actionable investment opportunities and make it easier for investors to direct capital towards priority development needs at the Metropolis. The investments could be structured to optimize the economic, social and environmental benefits and bridge the inequality gap.

### 5.1.5 Revenue Mobilization and Management

In the quest to enhancing funding and investments to support local development, KMA must improve its revenue mobilization and management systems. A strong financial base and fiduciary system is necessary for boosting investor confidence and attracting funds. KMA should enhance revenue mobilization by expanding its revenue base, establishing an electronic and geo-reference inventory that properly identifies potential taxpayers, set-up a robust electronic revenue collection system, together with incentives to encourage prompt payments, as well disincentives for late payments or non-payment. The Metropolis must demonstrate a strong commitment to preventing revenue leakage and transparency in the utilization of IGF.