



Decentralised Budget Support: District Assemblies Common Fund- Responsiveness Factor Grant

Supporting decentralisation to improve local service delivery and contribute to inclusive economic development

Disparities between rural and urban areas are an obstacle to inclusive and sustainable growth. The Decentralised Budget Support (DBS II) aims to improve local service delivery and unlock economic opportunities for all. The program – in partnership with the Government of Ghana (GoG) represented by the Ministry of Local Government, Decentralisation and Rural Development (MLGDRD) - is structured along three components: a performance-based grant system, a capacity building mechanism and an overarching policy dialogue.

Rationale

Despite falling poverty rates and economic progress, Ghana's economic development has not resulted in equal opportunities for everyone and growth was not inclusive enough. Spatial disparities and income inequalities have been rising, in particular between the rural North and the more urbanized South, but also between rich and poor areas within urban centres.

Fiscal imbalances across districts and missing financial resources exacerbate spatial disparities. Decentralization plays an important role in improving the allocative and productive efficiency of public service delivery and can have a positive redistributive effect on income equality.

DBS II supports the GoG's decentralization reforms. It helps to enable districts to manage public finances and deliver services more efficiently and effectively. It also aims at increasing the sustainability and reliability of financial resources available for local service delivery. The second phase builds on the predecessor support to the District Development Facility (DDF) from 2013 to 2015. In 2018, the GoG agreed with the Development Partners to integrate the DDF into the District Assemblies Common Fund (DACF) as the Responsiveness Factor Grant (RFG) of the DACF formula.

Country/region

Ghana

Executing agency

Government of Ghana

Duration

2019 - 2023

Total budget

USD 109'600'000

SECO contribution

CHF 23'000'000



Objectives and activities

DBS II follows a programmatic approach. It contributes to inclusive economic development by enabling districts to manage public finances and deliver services more efficiently and effectively and by facilitating the sustainable and reliable increase of funding for local service delivery.

The program is structured along three components:

- **A performance-based grant system:** incentivize and improve performance and compliance of districts with the legal and regulatory framework, and strengthen accountability.
- **A capacity building mechanism:** enhance managerial and technical capacities of districts across the entire budget cycle.
- **An overarching policy dialogue:** engage GoG, districts and all other relevant stakeholders in a constructive policy dialogue to foster a conducive framework for fiscal decentralization and mobilize additional financial resources for service delivery.

The Embassy of Switzerland in Ghana is active in the Technical Working Group (TWG) and has recently taken over the thematic leadership in the TWG and the Steering Committee (SC). The working group serves as the overarching steering mechanism and policy dialogue platform for the program, involving all program partners (MLGDRD, IMCC, Office of Head of Local Government Service, Office of the District Assemblies Common Fund and representatives of Germany) to exchange and discuss the results of project performance and future directions of the program.

Achievements

In the original 3 year phase of DBS II, a total amount of CHF 19m was committed to the DACF-RFG – CHF 18m paid over three (3) years and CHF 1m complementary allocation to finance a capacity building pilot project. In November 2022, Switzerland and Ghana agreed to a CHF 4 m cost extension of the DBS, which was subsequently disbursed in December, resulting in a total of CHF 22 m paid to the GoG in four (4) annual tranches. Prior to the cost-extension, Switzerland supported the decision of the Steering Committee to reallocate funds to enable local government authorities' to implement COVID-19 mitigation measures in 2020. DDF, the predecessor program, significantly contributed to the availability of local infrastructure and services through the provision of more than 4'000 socio-economic infrastructure projects, mostly in the education and health sector. Beneficiaries at the district level confirm that the DACF -RFG is one of the few funding streams that actually reaches the districts reliably to support local socio-economic development initiatives in all regions and across all 216 districts in Ghana. This is particularly relevant for smaller, rural and new districts. At the level of the central government, DACF-RFG is helping to change mind-sets towards performance, sanctions and results-based management in local governance.

Further information and contact details

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