

How Digital Technology Can Revive Ghana's Economy Through Fiscal Decentralisation

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Introduction

As Ghana works to recover from the ongoing economic challenges, one solution lies not in Accra but in the power of local governance. Fiscal decentralisation, the allocation of financial authority from the central government to local Metropolitan, Municipal, and District Assembly (MMDA) assemblies, is gaining attention as a key strategy for economic revitalisation. And with digital technology on the rise, there has never been a better time to make it work.

The Promise of Local Power

Ghana's decentralisation strategy emphasizes financial support to local authorities through the District Assembly Common Fund (DACF). The constitution mandates that at least 5% of national revenue be allocated to local governments. However, historical data shows a shortfall in this commitment. From 1994 to 2013, although 3 billion GHS was distributed, local authorities remained reliant on central government for funding. In 2014, only 21% of their budgets were from internally generated funds. By 2020, the allocation to MMDAs was only 2.52% of national revenue, which does not meet the constitutional requirement.

How We Compare Globally

While Ghana struggles to empower its districts, peers in the developing world are making strides. Brazil and India report expenditure decentralisation rates of 42.93% and 43.30%, respectively, compared to Ghana's much lower level. In Africa, countries such as South Africa and Ethiopia have shown how meaningful fiscal decentralisation, supported by strong governance, can lead to better education, healthcare and economic performance. The evidence is clear: local leadership, when properly equipped, delivers.

Entering the Digital Era

Luckily, Ghana has a secret weapon — its booming digital economy. With an annual growth rate of 19% between 2014 and 2020, the digital sector is a national asset. Over 30 million mobile money accounts are active, and transactions hit \$36 billion in 2020 alone. Internet penetration has surged from 8% in 2010 to 69% by 2021. This growth can directly serve fiscal decentralisation. Imagine a local government with a smart tax platform, a transparent digital budgeting system, or mobile payment options for local services. It's not just possible — it's happening in countries like Kenya and Rwanda.

Smart Steps for the Mahama Government

If resident Mahama wants to lead a digital economy that everyone in Ghana can benefit from, he will need to focus on several key areas. Firstly, it's important to develop a strong digital infrastructure in Ghana that ensures every region has access to the Internet. This means even the most remote districts should not be left out, as having equal access to broadband can help everyone partake in the digital world. Secondly, the creation of digital tax platforms will be beneficial.

By allowing market vendors and small businesses to pay their taxes online, it will be easier for them to comply with tax regulations, and this can also increase the country's revenue. In addition, training local government officials and equipping them with modern tools will make their offices run more efficiently. The private sector, especially Ghana's thriving tech industry, should be included in this journey by forming partnerships, which can lead to faster development and innovation. Finally, to ensure that this digital transformation is progressing well, there should be a focus on using data to track and evaluate the impact of these efforts. This approach will be indispensable in making sure decentralisation efforts are effective and inclusive.

The Road Ahead

Ghana stands at a crossroads. Fiscal decentralization, supercharged by digital technology, can help lift the economy from stagnation to sustainable growth. It's not just a policy option — it's a national imperative.

Let's put power — and digital tools — in the hands of local governments. Because when communities thrive, Ghana thrives.