

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KUMASI

INSTITUTE OF DISTANCE LEARNING (IDL)

IMPROVING REVENUE MOBILIZATION BY DISTRICT ASSEMBLIES

A CASE STUDY OF SEKYERE EAST DISTRICT ASSEMBLY



BY

GYIREH LOUISA

(PG 3103109)

JUNE 2011

IMPROVING REVENUE MOBILIZATION BY DISTRICT ASSEMBLIES; A CASE STUDY OF SEKYERE EAST DISTRICT ASSEMBLY

By

Gyireh Louisa

A Thesis Submitted To the Institute Of Distance Learning, Kwame Nkrumah University
of Science and Technology in Partial Fulfillment of the Requirements for the Degree

Of

COMMONWEALTH EXECUTIVE MASTER OF PUBLIC ADMINISTRATION

Institute of Distance Learning, KNUST

JUNE, 2011

DECLARATION

I hereby declare that this submission is my own work towards the Commonwealth Executive Masters of Public Administration (CEMPA) and that, to the best of my knowledge; it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

Ohene, Francis Kwabena (PG 3081409)

.....
Signature Date

Certified by:

Dr.Frank Bamfo

.....
Signature Date

Certified by:

Prof. I.K.Dontwi

.....

Dean, (IDL)

Signature

Date

ACKNOWLEDGEMENT

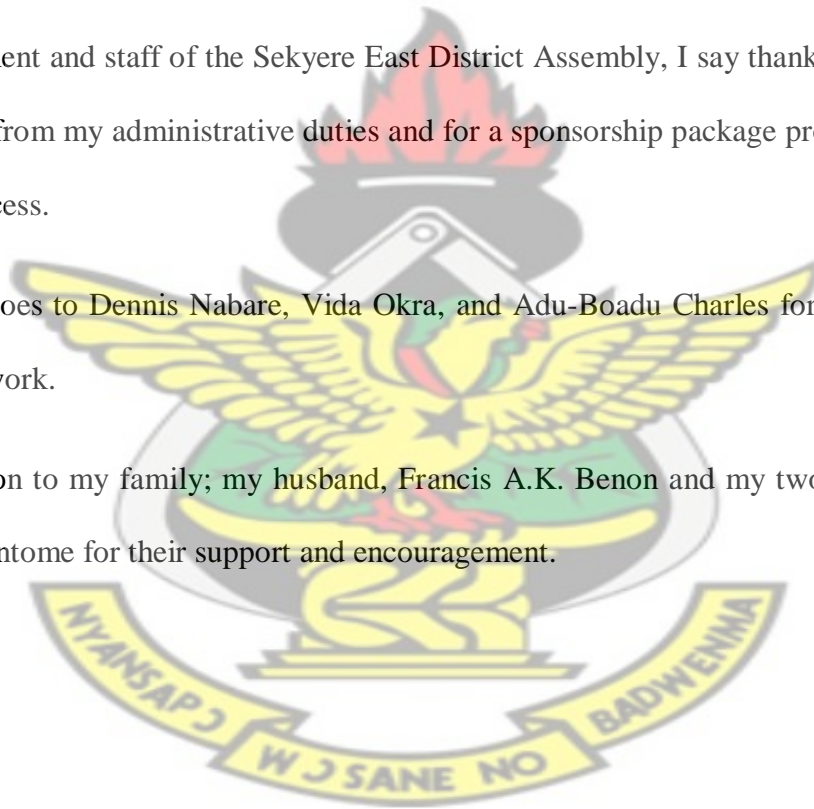
I owe deep gratitude to so many people for their support in coming out with this thesis that pages would be required simply to list them all.

To Dr. Hadrat M. Yusif, my supervisor who has contributed to this project in so many ways, his questions, comments, scrutiny and suggestions have contributed to both my knowledge of local revenue mobilization by district assemblies and the importance of maximizing revenue generation at the district level. Special thanks to my inspiring lecturers and mentors.

To the management and staff of the Sekyere East District Assembly, I say thank you for granting me a part leave from my administrative duties and for a sponsorship package provided in making this thesis a success.

Special thanks goes to Dennis Nabare, Vida Okra, and Adu-Boadu Charles for the scrutiny and tidying up this work.

Special dedication to my family; my husband, Francis A.K. Benon and my two little daughters; Zunuo and Mwintome for their support and encouragement.



ABSTRACT

District Assemblies, initially, had relied mainly on central government transfers to finance their projects but due to budgetary constraints the local government Act 462 of 1993 was enacted to empower the assemblies to mobilize revenue in the form of rates, fees & fines, licences, rent, etc to help finance projects in their areas of jurisdiction. However, the assemblies have not been very successful in mobilizing revenue. This thesis uses primary and secondary data to investigate revenue mobilization in the Sekyere East District Assembly (SEDA) in the Ashanti region of Ghana. For the primary data analysis a sample of 65 is used. The main sources of internal revenue identified are property rates, licenses, market tolls and lorry park fees. We found that property rate made the highest contribution to the Internally Generated Funds (IGF) of SEDA between 2000-2009. We also found that basic rate as a source of revenue has made an insignificant contribution to the IGF of SEDA. We also found that some of the problems inhibiting optimal revenue mobilization are -inadequate data on revenue sources, lack of enforcement of revenue mobilization bye laws, inadequate revenue collectors and their training, outmoded mode of tax collections. The thesis has very significant policy implication for tax revenue mobilization not only in the Sekyere East district but for all districts in Ghana.

TABLE OF CONTENT

CONTENT	PAGE
Declaration	ii
Acknowledgement	iii
Abstract	iv
Table of Contents	v
List of Tables	viii
List of Figures	ix
Acronyms	x

CHAPTER ONE

INTRODUCTION

1.1	Background	1
1.2	Statement of Problem	2
1.3	Objective of Study	4
1.4	Research Question	4
1.5	Scope of Study	5
1.6	Justification of Study	5
1.7	Organization of Study	5

CHAPTER TWO

LITERATURE REVIEW

2.1	Introduction	7
2.2	Study Area	7
2.3	Duties of the District Assembly	8
2.4	The Concept of Revenue Mobilization	9
2.5	Sources of Revenue to District Assemblies	9
2.6	Components of District Assemblies' Revenue	10
2.7	Central Government Transfers	12

2.7.1	District Assemblies' Common Fund	12
2.7.2	District Development Facility	14
2.7.3	Donor Support	15
2.8	Conclusion	17

CHAPTER THREE

METHODOLOGY

3.1	Introduction	18
3.2	Sources of Data	18
3.3	Sampling Technique	18
3.4	Sampling Population	19
3.5	Data Analysis	19
3.6	Conceptual Framework	19

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1	Introduction	21
4.2	Stakeholders Analysis	21
4.3	Analysis of Data from Revenue Collectors	27
4.4	Maximizing Revenue-Suggestions by Revenue Collectors	33
4.5	Analysis of Data from District Assembly Staff	35
4.6	Revenue Trends within the District Assembly	38
4.7	Conclusion	42

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1	Introduction	43
5.2	Summary of Findings	43
5.3	Recommendations	44
5.4	Conclusion	47
	References	49
	Appendices	50

KNUST



LIST OF TABLES

Table 1.1: Funds Transferred to MMDAs through the DACF	14
Table 1.2: Summary of Sources of MMDA Revenue, Disbursing and Reporting Arrangements	15
Table 4.1: Sex of respondents	21
Table 4.2: Category of stakeholder	22
Table 4.3: Respondents views about revenue mobilization	24
Table 4.4: Sources of Revenue Mobilization within the District Assembly	24
Table 4.5: Revenue station of respondents	30
Table 4.6: Sources of revenue	30
Table 4.7: Revenue Sources which contributes highest to revenue in the assembly	31
Table 4.8: List of problems encountered	33
Table 4.9: How revenue collection can be maximized	34
Table 4.10: Sources of revenue mobilization by the assembly	36
Table 4.11: Ways the District Assembly could mobilize more revenue	37

LIST OF FIGURES

Figure 3.1 Conceptual Framework	20
Figure 4.1: Distribution of responses concerning educational background of respondents	22
Figure 4.2: Distribution of responses concerning awareness of revenue mobilization by the assembly	23
Figure 4.3: Distribution of responses concerning participation of district assembly activities	26
Figure 4.4: Distribution of responses concerning district assembly activities	27
Figure 4.5: Proportion of educational background of revenue collectors	28
Figure 4.6: Proportion of working experience of revenue collectors	29
Figure 4.7: Proportion of responses concerning problems encountered during revenue collection-	32
Figure 4.8: Proportion of responses concerning measures to improve on revenue mobilization	35
Figure 4.9: Proportion of ranks of district assembly staff respondents	36
Figure 4.10: Trends of total revenue in the Sekyere East District from 2000-2009	41
Figure 4.11: Contribution of IGF to total revenue for the last 10 years in the District Assembly	41
Figure 4.12: Total IGF mobilised against amount budgeted	42

ACRONYMS

DA	-	District Assembly
SEDA	-	Sekyere East District Assembly
DPCU	-	District Planning and Co-ordinating Unit
DCE	-	District Chief Executive
DCD	-	District Co-ordinating Director
DBO	-	District Budget Officer
DPO	-	District Planning Officer
DFO	-	District Finance Officer
DACF	-	District Assembly Common Fund
IGF	-	Internally Generated Fund
DMTDP	-	District Medium Term Development Plan
CBRDP	-	Community Based Rural Development Project
MiDA	-	Millennium Development Authority
APR	-	Annual Progress Report
TB	-	Trial Balance
AA	-	Annual Account
CWSA	-	Community Water and Sanitation Agency
RC	-	Revenue Collector
IAU	-	Internal Audit Unit
CF	-	Common Fund
MMDAs	-	Metropolitan, Municipal and District Assemblies

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The concept of decentralization was first introduced in the country by the British Colonial government in 1878 through indirect rule that provided the legal basis for chiefs to carry out limited local government functions. However, comprehensive policy to decentralize the system of government in Ghana started with the implementation of the Local Government Law (PNDC) Law 207) of 1988. The main thrust has been to promote popular participation and ownership of machinery of government from command to consultative process and by devolving power, competence and resources to the district level.

This law was revised into the local government Act (Act 462 of 1993) to broaden the legal basis for its implementation. The advent of the 1992 Constitution advanced the Local Government Law. Article 35 Section 6 (d) strengthens the democratic imperative by requiring the State to take appropriate measures to make democracy a reality by decentralizing the administrative and financial machinery of government to the regions and district. It further requires that people be afforded opportunities to participate in decision-making at every level in national life and in government

The District Assemblies were financed solely by the Central Government. Due to budgetary constraints, government attempted to find other sources of revenue to the assembly so that they can perform their roles effectively and efficiently. This necessitated the creation of article 240 (2) of the 1992 Republic of Ghana Constitution, which made the district assemblies rating authorities.

Article 252 also created the District Assemblies Common Fund (DACF). This fund represents seven percent (7%) of all central government internally generated revenue which is distributed to all the 170 Metropolitan, Municipal and District Assemblies to undertake development projects. The question then is; are these assemblies able to meet the developmental needs of the people?

However revenue generation by communities dates back to 1986 when central government requested the local authorities to pay wages and salaries of their employees. This was to compel them to improve upon their revenue mobilization efforts and at the same time reduced central government spending in that direction. This was further harnessed in 1988 when the District Assemblies were established and empowered by;

The local government Act, (Act 462 of 1993) parts VII and VIII authorized district assemblies to mobilize revenue in the form of fees, fines, and licenses. The question then is, to what extent are Assemblies able to mobilize revenue?

1.2 Statement of Problem

By law, district assemblies are expected to generate the bulk of the revenue needed for their recurrent and capital expenditure. However, at the Sekyere East District Assembly (SEDA), the major sources of revenue have been central government funds, internally generated funds, and funds from donor agencies. The Internally Generated Fund (IGF) was expected to make the biggest contribution to the district assembly's income since the decentralization concept was for assemblies to generate their own revenue to fund their own projects. Unfortunately, the SEDA's trial balance indicates that since 2005, IGF has been woefully inadequate to meet its rising expenditure.

Grants from central Government have always been the major source of revenue to the assembly. For example in the 2008 fiscal year, total revenue for the assembly was GH¢2,584,137.19 out of which the assembly generated GH¢211,751.50 constituting about 8.2% of total revenue of the assembly. This implies that about 91.8% of the assembly's revenue was from central government and donor agencies. In the 2009 fiscal year, total revenue of the assembly declined from GH¢2,584,137.19 in 2008 to GH¢1,668,897.81. Of this figure, Government grant and donor contributions constituted GH¢1,544,166.61 while IGF contributed GH¢124,731.20 (i.e. 7.5% of total revenue of the Assembly).

The analysis above shows that about 92.5% of the SEDA's revenue was from central Government and donors. Unfortunately, in these years, the assembly's total expenditure exceeded its revenue giving rise to deficits in the magnitudes of GH¢55,617 and GH¢45,741.34 2005 and 2008 respectively.

Given the tightness in central Government budget and the inadequate funds from donor agencies, it has become necessary for the assembly to find ways and means of improving its revenue generation in order to meet the higher levels of their developmental needs (SEDA trial balance 2008 and 2009). However, in the review of relevant literature, it was observed that very little study has been done regarding how the Sekyere East District Assembly can maximize revenue mobilization. Thus there is a knowledge gap and this thesis seeks to fill this knowledge gap.

1.3 Objective of Study

1.3.1 General Objective

The general objective is to find out how the Sekyere East District Assembly can maximize the mobilization of its internally generated fund.

1.3.2 Specific Objectives

- To examine the sources of revenue to the Sekyere East District Assembly
- To analyze trends in revenue mobilization.
- To find out factors inhibiting maximum revenue mobilization.
- To find out whether the Sekyere East District Assembly is able to mobilize sufficient fund to meet its expenditure.

1.4 Research Question

1.4.1 Major Question

How can the Sekyere East District Assembly maximize its internally generated revenue?

1.4.2 Specific Questions

- Is the Sekyere East District assembly able to generate enough revenue for its expenditure?
- What are the sources of revenue for the Sekyere East District Assembly?
- What is the trend of Revenue Mobilization from 2000 – 2009?
- What are the factors inhibiting maximum revenue mobilization in the District?
- How can the SEDA maximize its internal revenue generation?

1.5 Scope of Study

This study proposes to investigate how revenue mobilization by the Sekyere East District Assembly can be maximized. The study covers a ten year period from 2000 to 2009. The study collected data on the sources of revenue to the Sekyere East District Assembly and analyzed the trends of revenue mobilization by the assembly. Factors inhibiting maximum revenue mobilization were also discussed.

1.6 Justification of Study

- The study will contribute to the existing literature on revenue mobilization by District Assemblies and could be a basic tool for future policy makers.
- This study is expected to improve upon the level of involvement of tax payers in revenue generation and thereby increase their willingness to pay.
- The study will also serve as a basis for further research into revenue mobilization by researchers and graduate student.

1.7 Organization of Study

This study is presented in five chapters structured as follows: Chapter One is the introduction and contains the back ground to the study, statement of the problem to be investigated, the objective and justification for the study. It includes the scope and organization of the study.

Chapter two presents review of relevant literature. It looks at the study area, duties of the DA, concept of revenue mobilization, sources of revenue to the DA etc. Chapter three presents research methodology which involves information on data sources, sample size, descriptive

analysis, model specification and conceptual framework. It examines the Revenue mobilization patterns of the Assembly and data on revenue sources.

Chapter four analyzes data and presents the discussion. Chapter five is the conclusion and gives the summary of findings, limitations of the study and recommendations.

KNUST



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents information on the study area. We discuss district assemblies, sources of revenue to the district assemblies and the components of their revenue. This is important to gain an understanding of the issues we have raised in the subsequent chapters.

2.2 Study Area

The study was conducted in the Sekyere East District Assembly (SEDA) in the Ashanti Region of Ghana. The District was created in 1988 and is one of the 27 districts in the Ashanti Region of Ghana. It used to be the largest district in the Ashanti Region until 2008 when the Sekyere Afram Plains District was carved out of it. It has Effiduase as its administrative capital. Located in the North-Eastern part of the region, it lies approximately between Latitude 6° 45' 32" North and Longitude 0° 22' West and covers a total land area of about 4,231.4 sqkm (2006-2009 Sekyere East District Medium Term development Plan). In the year 2000 the SEDA has a population of about 157,396 (Population and Housing census 2000). The District shares boundaries with Sekyere Afram Plains to the East, Asante Akim North to the South, Sekyere South to the North and Ejisu-Juaben to the West.

The district assembly is the highest political authority in the Sekyere East District. The district has one constituency, Effiduase. There are two Councils i.e. Effiduase and Asokore and three Area councils – i.e. Akwamu, Mponua, and Senchi-Nyamfa.

It is the duty of the Assembly to ensure the total economic development of the district through planned and co-ordinated projects and programmes executed in line with the central

Government's economic policies. In this direction, the Assembly oversees the full implementation of Government economic policies. The Assembly is also permitted by law to go into direct investment to generate revenue for its development projects.

However, in response to the present Governments, economic policy of encouraging the private sector to create wealth and serve as the engine of growth, the Assembly as a matter of priority is laying emphasis on providing basic infrastructure to create the enabling environment for the private sector to take off.

The major economic activities in the District are farming, small-scale processing of agricultural produce and trades like hairdressing, tailoring, carpentry, services and others (www.ghana-districts.com accessed on 23/03/2011).

The major sources of revenue to the Assembly are internally generated fund (IGF) Government grants and donors. The internally generated fund is made up of rates, *Lands*, fees and fines, licenses, rents and investments.

2.3. Duties of the District Assembly

The Local Government Act 1993 (Act 462) provides the institutional and legal framework for local authorities, under Ministry of Local Government and Rural Development (MLGRD). The metropolitan, municipal and district assemblies are responsible for overall development and activities in the district such as public infrastructure;- schools, markets, transport etc. Their responsibilities include preparation and approval of layouts, planning, development permits and management. The local assemblies are also responsible for providing a clean and healthy environment for the citizens.

However, due to shortage of financial and technical means the assemblies often fail to fulfil their responsibilities (Yeboah and Johansson, 2010). Consequently, they are mandated by law to mobilize revenue or generate some funds to augment funds from central government.

2.4 The Concept of Revenue Mobilization

With regards to the district assemblies; revenue mobilization involves the [increase](#) in [assets](#) of governmental [funds](#) that [do not increase liability](#) or [recovery](#) of [expenditure](#). This revenue is obtained from taxes, licences, fees, permits etc.

2.5 Sources of Revenue to District Assemblies

The Local Government Act 1993 (Act 462) provides the operational framework for local Assemblies to exercise their political, financial and administrative powers. This Act provides Assemblies with authorization to mobilize and manage revenues to fund their operations among other things. There are three main revenue sources to the assembly. These are;

1) Locally or internally generated revenue (IGF), 2) Central government transfers 3) Donor support.

2.5.1 Internally Generated Funds (IGFs)

Internally generated funds are the revenues collected by the MMDAs and consist of basic, special and property rates, fees and fines, licenses, Lands, rent, trading services, specialized funds, such as stool land royalties, timber royalties and mineral development funds, grants and investment income (SEDA, Annual Estimates, 2008). From an intergovernmental fiscal decentralisation perspective, the more revenue MMDAs can generate, the more autonomy they will have (MLGRDE, 2008).

Although there have been improvements in IGF (from 44,743.63 in 2002 to 48,294.62 in 2003 in SEDA) collections over the years, there is a general consensus that MMDAs have not fully utilized the potential of their revenue base and hence their high dependency upon central government transfers. Internationally, tax and fee revenue is considered relatively stable from year to year. However, data on MMDAs revenue generation for a 5 year period shows there is a wide variation in collections. Collections for specific MMDAs tend to fluctuate significantly, both up and down, from year to year. For example, in the year 2008 IGF collected by SEDA was 144,333.86 which dropped to 116,689.66 in 2009 and increased to 164,409.33 in 2010. Revenue collections between MMDAs also vary significantly (MLGRDE, 2008).

Currently, IGFs are the only funds over which the MMDAs have total control. Because the DACF and most development partner funds and projects are targeted toward development and cannot be used for recurrent expenditures, the ability for the MMDAs to maintain new and existing infrastructure as well as on-going programs will become more and more difficult since the IGF is not enough to cater for these programs. (MLGRDE, 2008)

2.6 Components of District Assemblies' Revenue

In this section we analyze the main components of district assemblies' revenue. These include rates, lands, fees and fines, licences, rent, investments and grants.

Rates

Property rates constitute a substantial part of the total revenue for local assemblies, but the collection of property rates is often not efficient. This is a common problem not only for Ghana, but for many developing countries (Yeboah and Johanson, 2010). The basis for the rate is the resident adult population and immovable properties. The property rate, is levied on immovable

properties and includes residential, commercial and industrial properties. Temporary structures also attract the rate ([www.ghanalocalassemblies.com /districts/](http://www.ghanalocalassemblies.com/districts/) accessed on 22/3/2011). Property rates contribute to more than 65 percent of internally generated sources of revenue to the Accra Metropolitan Assembly (AMA). However, in 2008 about 35 percent of the property rate budget was actually collected (Accra Metropolitan Assembly, 2009). This reduces AMA's capacity to develop and to provide services to its citizens and puts constraints on central government funds. It therefore reduces Government's ability to channel funds to meet urgent needs in the rural areas and neglected sectors.

Licences

Licences are based on economic activities in the district. The licence serves as the permit for undertaking any such activity in the district. Business operating permits, development permits etc. are form of licences given to people to allow them carry out some activities in the district. It provides revenue to support local authorities in the performance of their functions (Yeboah and Johansson, 2010). Whilst some of such licences are paid on annual or quarterly basis a greater number of them are paid on monthly basis and thus increasing the cost of collection (www.ghanalocalassemblies.com, accessed on the 22/03/2011). Report of a study in Malawi concerning revenue mobilization showed that local business license registers contain only information on those few smaller businesses being issued licenses by the assemblies. Information on any larger businesses is contained in the business register at the Ministry of Industry and Commerce. This is denying the local district assemblies huge sums of money (Kelly et al. 2001).

Fees, fines and grants, Rents

Fees are charges or tolls paid by the users of the services provided by the Assembly. These services include the provision of markets, lorry parks etc. by the District Assembly mostly from the DACF. Therefore, users of these facilities pay for the usage of these facilities. Rents are also collected from hiring of market stalls/stores, Assembly quarters etc. Fines include court fines on people who violate the Assembly's bye laws.

2.7 Central Government Transfers

Central government transfers are made up of the grants (ceded revenue) such as the District Assemblies' Common Fund and the District Development Facility.

2.7.1 District Assemblies' Common Fund

In addition to the traditional sources of revenue is the District Assemblies Common Fund (DACF), embodied in the 1992 constitution of Ghana and implemented for the first time in 1994. It is the single largest source of income for the Assembly and contributes about 75% of the annual revenue of the Assembly (www.ghanalocalassemblies.com/districts/ accessed on 22/3/2011). Other funds released to MMDAs from Central Government are wages and salaries of the local government staff at the Assembly.

The fact emerging from the analysis above is that much of the funding received via central government transfers, including DACF, is earmarked in some way and, as a result, MMDAs have little flexibility over how the funding is spent. The monies received for salary payments, which is the majority of the funds received by MDAs, is for staff in decentralized departments who report directly to sector ministries (MLGRDE, 2008).

Operation of DACF

The need for Central Government to financially support local government has been highlighted in the 1992 constitution. The constitution recognized the need to strengthen the financial base of the District Assemblies. The constitution therefore provided for the establishment of the District Assemblies Common Fund (popularly called the Common Fund) under section 252. Section 252 of the constitution made it mandatory for Parliament to set aside not less than 5% of the national revenue by an Act of 455 to be shared among MMDAs solely for development and ensuring effective discharge of statutory functions. Currently, the fund is 7.5% of the national revenue (ILGS, 2010).

About 50% of the total Common Fund is earmarked by the central government for specific MMDA purposes. As this implies, the MMDA's have flexibility over 50% of the amounts allocated to support their local investment needs. Under the devolved form of fiscal decentralisation, MMDAs should have the ability to plan and budget for their own local needs (MLGRDE, 2008).

Since its inception, the government through the DACF has transferred a total of GH 1,024,755,220.00 to the MMDAs. The Table 1.1 below shows the details.

Table 1.1: Funds Transferred to MMDAs through the DACF

Year	Amount GH¢
1994	2,619,300.00
1995	5,407,700.00
1996	7,803,600.00
1997	7,903,700.00
1998	15,528,800.00
1999	11,242,100.00
2000	14,952,600.00
2001	18,872,900.00
2002	26,535,000.00
2003	64,856,200.00
2004	85,717,200.00
2005	70,191,700.00
2006	139,161,500.00
2007	148,389,400.00
2008	217,008,095.00
2009	188,565,425.00
Total	1,024,755,220.00

Source (ILGS, 2010)

2.7.3 District Development Facility

A new funding source for MMDAs is the District Development Facility (DDF). Pooled funding from both development partners and GoG is used to fund the new DDF. The DDF includes performance based criteria to serve as an incentive to enhance financial management practices at the Districts; yet, designed in such a way that no MMDAs is punished for actions beyond their control. The District Assemblies who meet the criteria receives additional resources. Assessment is conducted based on the Functional and Organisational Assessment Tool. The DDF also provides a more systematic approach to capacity building as capacity building is targeted at those Districts that are not performing adequately based on the Functional and Organizational Assessment Tool (FOAT) assessment. But the DDF is targeted toward development and capacity building and does not impact recurrent expenditures (MLGRDE, 2008).

2.7.3 Donor Support

Most district assemblies benefit from donor grants from development partners such as DANIDA, GTZ etc to carry out certain projects in the assembly. For instance, Danida provided water and sanitation facilities to some communities in the Greater Accra districts. The Sekyere East District has received support from MiDA, World Vision International and other donor organisation which are present in the district.

Table 1.2: Summary of Sources of MMDA Revenue, Disbursing and Reporting Arrangements

Sources of Revenue	Areas of Focus	Disbursement Arrangement	Reporting Arrangements
INTERNALLY GENERATED FUNDS	Functional	<ul style="list-style-type: none"> MMDAs mobilise IGF and disburses funds upon approval by DA 	<ul style="list-style-type: none"> MMDAs prepares local government accounts and submits to CAGD and MLGRDE through the RCC
	Expenditure Types <ul style="list-style-type: none"> Personal Emoluments Travel and Transportation General Maintenance, Repairs and Renewals Miscellaneous Capital 		
DACF TRANSFERS	Functional <ul style="list-style-type: none"> Water & Sanitation Education Health NYEP 	Transfer from MOFEP to DACF <ul style="list-style-type: none"> Transfer from DACF to MMDAs based on formula 	MMDAs prepare accounts and submit To DACF monthly <ul style="list-style-type: none"> MMDAs prepare and submit

	approved by Parliament	supplementa ry budget through RCC to DACF and MOFEP
Expenditure Types		
<ul style="list-style-type: none"> Investment (Primarily) 		

HIPC

TRANSFERS

Functional

- Water & Sanitation
- Health
- Education

Expenditure Types

- Investment

- MOFEP release to MMDAs through MLHRDE and CAGD

- Funds released to MPs

- MMDAs prepare accounts and submit returns to CAGD and NDPC through the RCCs

Source: MLGRDE, 2008

2.8 Conclusion

In this chapter we have discussed the study area, district assemblies, sources of revenue to the district assemblies, and components of revenue to the assemblies.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the research methodology. A case study approach was adopted since it has the advantage of allowing for an intensive collection of information needed to achieve the objectives of the study. It also provides in-depth understanding of the issues under investigation.

3.2 Sources of Data

Combinations of primary and secondary data were used in the study. Survey was conducted by the administration of questionnaires to collect information regarding revenue mobilization in the assembly. In addition, in-depth interviews were also conducted for some stakeholders involved in revenue collection for the assembly. These are the sources of primary data for the study. However, secondary data were also collected from Journals, Reports and the internet

3.3 Sampling Technique

Purposive sampling technique was adopted to select those who were interviewed. However, random sampling technique was used in selecting the respondents or interviewees in the assembly and also among stakeholders. The questionnaires were administered to revenue collectors, some assembly members, unit committee members, chiefs, opinion leaders in community suburbs, drivers, hawkers and traders in the market and community members.

3.4 Sampling Population

The sample size is sixty five (65) and includes revenue collectors, some assembly members, unit committee members, chiefs, opinion leaders in community suburbs, drivers, hawkers, traders in the market and community members. In addition, five in-depth interviews were conducted for District Planning Officer, Deputy District Coordinating Director, District Finance Officer, leader of market women (market queen mother) and leader of driver's union.

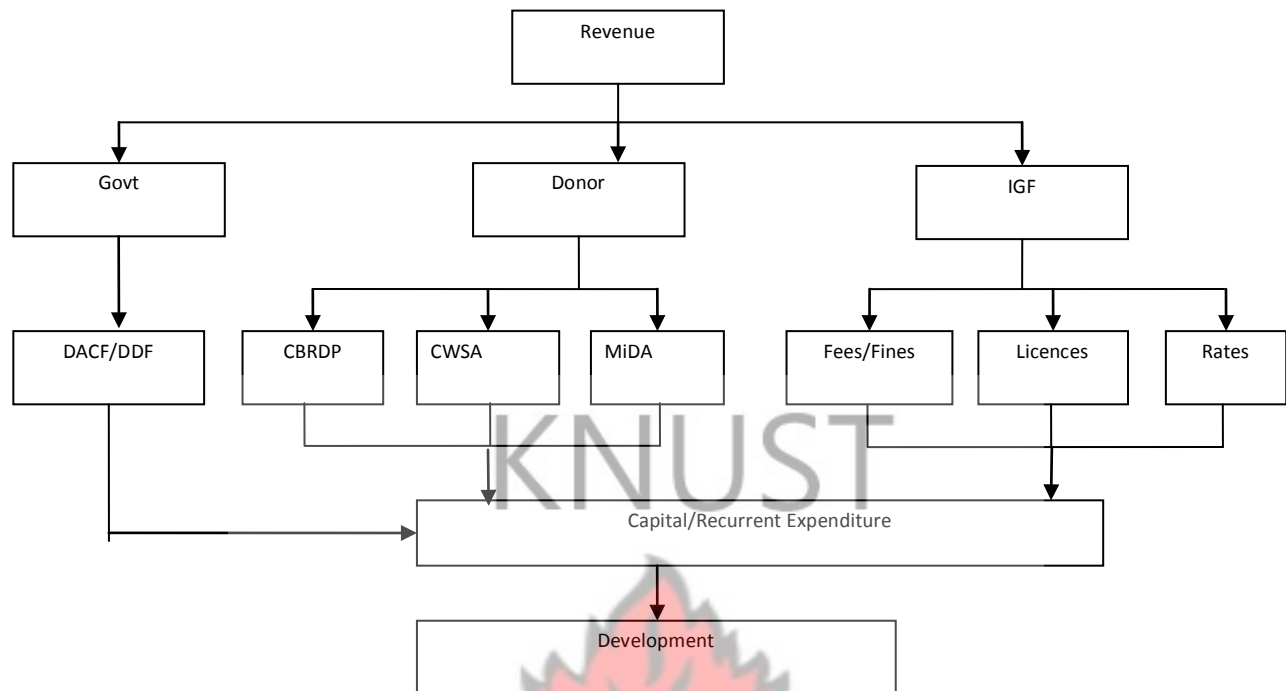
3.5 Data Analysis

Primary data were coded and entered into Statistical Package for Social Scientist (SPSS). Tables and relevant charts were generated in order to make deductions establish relationships among the study variables. Data from questionnaires and interviews were presented using descriptive statistics mainly percentages and measures of central tendencies where appropriate.

3.6 Conceptual Framework

This study analyzes the various sources of revenue to the Sekyere East District Assembly (SEDA). Indeed, like other districts, the SEDA has various sources of Revenue which include Revenue from Ghana government, donors and its own Internally Generated Funds, (IGF). Government Funds flow in the form of District Assemblies Common Fund (DACF), District Development facility (DDF), GET Fund and HIPC Fund. Donor agencies such as the Community Based Rural Development, (CBDRD), Community Water and Sanitation agency, (CWSA), Millennium Development Authority (MIDA), German Technical Corporation (GTZ), Japanesse International corporation (JICA), Danish Fund for International Development(DFID).

Figure 3.1 Conceptual Framework



Source: Author's Construction

The main revenue sources outlined above are put into one basket as the total revenue for the Sekyere East District Assembly. Indeed, 80% of IGF is used to run the Assembly which is referred to as the recurrent expenditure. Revenue from central government and donor interventions are used to undertake development projects or capital expenditure.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This thesis is about revenue maximization by the SEDA and in this chapter we present the data collected and discussions. The analysis is based on data collected from stakeholders, revenue collectors and assembly staff.

4.2 Stakeholders Analysis

Of the 40 stakeholders interviewed, 60% of them were males while 40% were females (Table 4.1). This shows that more males were concerned with issues of District Assembly than females. The respondents had different educational background. Majority of them (22%) had up to secondary school education (Figure 4.1). It is believed with their educational status, respondents would provide in-depth information regarding revenue mobilization within the District Assembly.

Table 4.1: Sex of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	24	60.0	60.0	60.0
	Female	16	40.0	40.0	100.0
	Total	40	100.0	100.0	

Source: Author's fieldwork, 2011

Various categories of stakeholders were interviewed. According to the results, most of the stakeholders interviewed were traders (27.5%) (Table 4.2). This might be due to the fact that traders often pay tolls to revenue collectors from the assembly hence have contact and information concerning revenue mobilization by the assembly.

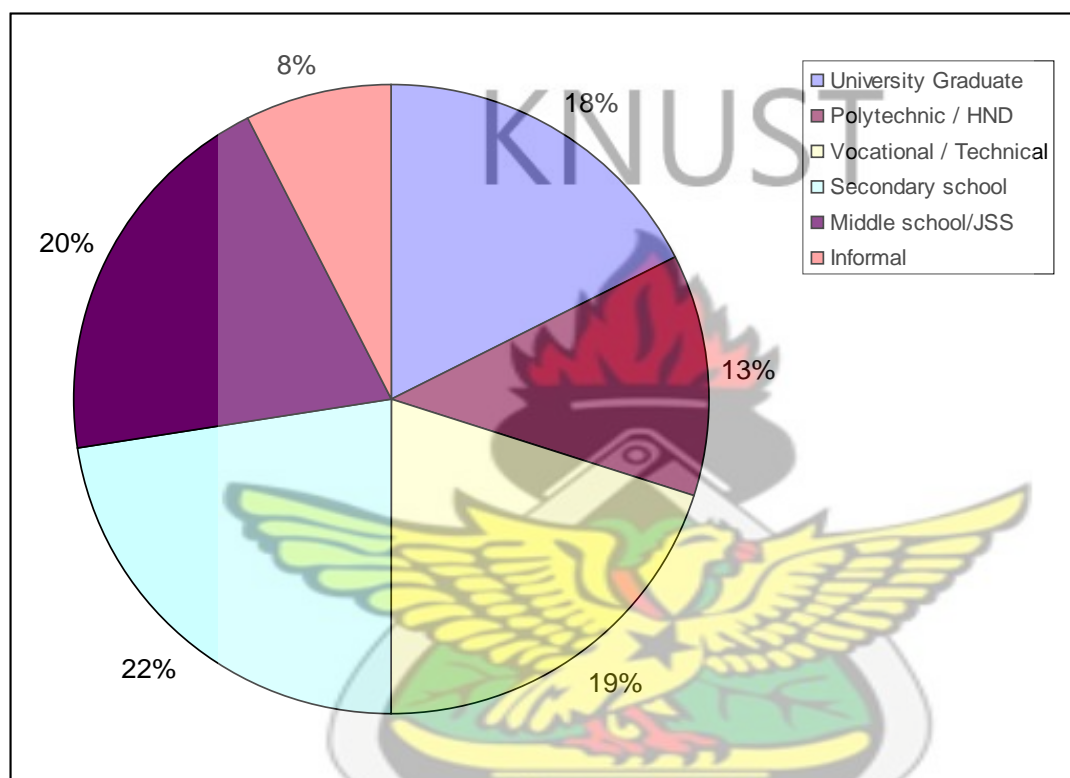


Figure 4.1: Distribution of responses concerning educational background of respondents

Table 4.2: Category of stakeholder

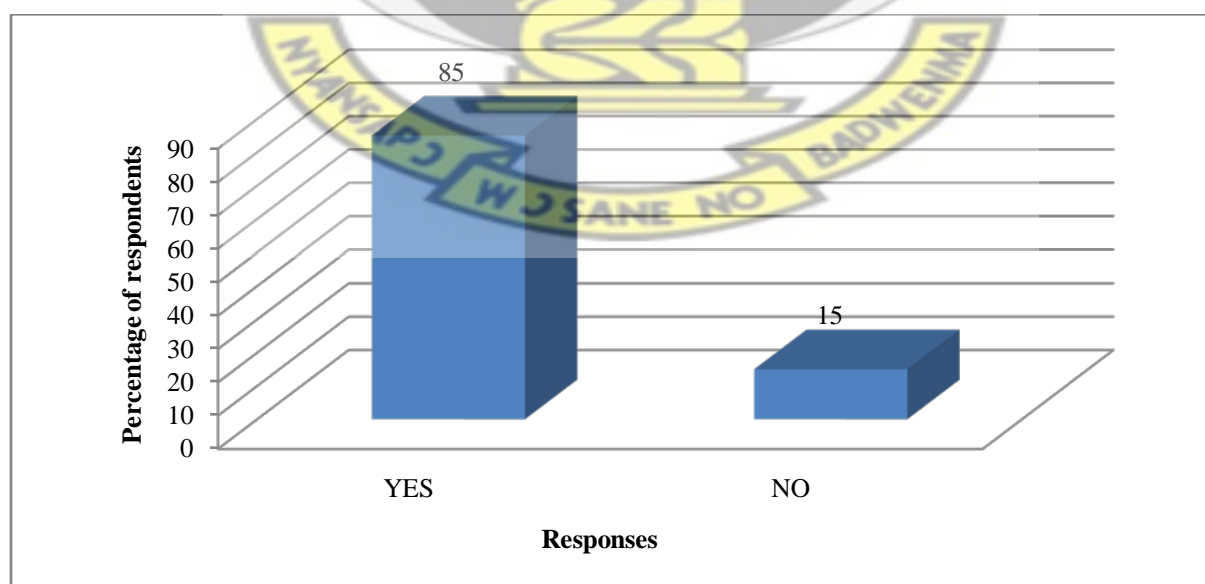
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Driver	5	12.5	12.5	12.5
	Hawker	9	22.5	22.5	35.0
	Trader	11	27.5	27.5	62.5

Student	1	2.5	2.5	65.0
Assembly member	4	10.0	10.0	75.0
Herbalist	1	2.5	2.5	77.5
Teacher	3	7.5	7.5	85.0
Nurse	1	2.5	2.5	87.5
Artisans	4	10.0	10.0	97.5
Doctor	1	2.5	2.5	100.0
Total	40	100.0	100.0	

Source: Author's fieldwork, 2011

Most of the respondents (95%) interviewed were aware of revenue mobilization by the district assembly (Figure 4.2). This implies that information gathered from respondents was adequate and in detail since almost all respondents have high awareness concerning revenue mobilization by the assembly.

Figure 4.2: Distribution of responses concerning awareness of revenue mobilization by the assembly



Those who were aware of revenue mobilization by the assembly had varying views concerning it. All their views centered on fund generation by the assembly and to be used for development projects (Table 4.3). Most respondents (85%) mentioned that they know the sources of revenue mobilization in the district assembly, while 15% stated that they do not know revenue mobilization sources. Those who know the various source mentioned property rates, licenses, tolls, common funds, central government funds and investment. However, most respondents (54.5%) stated taxes were the main source of revenue for the assembly (Table 4.4).

Table 4.3: Respondents views about revenue mobilization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fund generation within the assembly	15	37.5	39.5	39.5
	Collection of tax within the assembly	16	40.0	42.1	81.6
	Generation of funds for development projects in the assembly	7	17.5	18.4	100.0
	Total	38	95.0	100.0	
Missing	System	2	5.0		
Total		40	100.0		

Source: Author's fieldwork, 2011

Table 4.4: Sources of Revenue Mobilization within the District Assembly

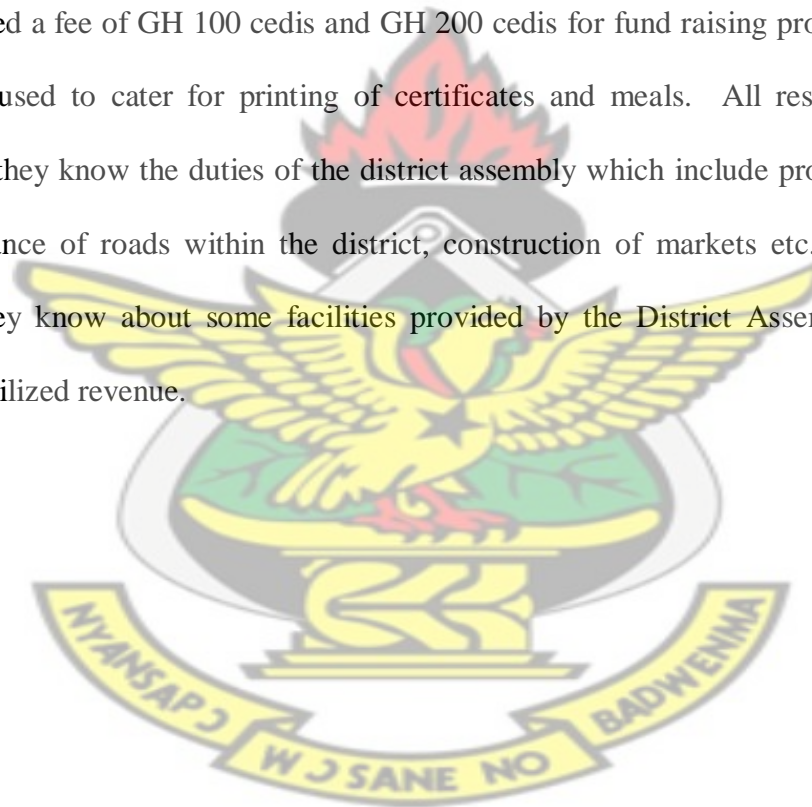
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Property rate	1	2.5	3.0	3.0
	Property rate + common fund	4	10.0	12.1	15.2
	Common fund + property rates + licences + tolls	2	5.0	6.1	21.2
	Market fees	2	5.0	6.1	27.3
	Common fund + Lorry park fares	1	2.5	3.0	30.3
	Market fees + property tax	4	10.0	12.1	42.4
	Common fund + Central Govt + IGF	1	2.5	3.0	45.5
	Tax	18	45.0	54.5	100.0
	Total	33	82.5	100.0	
Missing	System	7	17.5		
Total		40	100.0		

Source: Author's fieldwork, 2011

According to the Local Government Act 1993 (Act 462), the District Assemblies are authorized to mobilize and manage revenues to fund their operations. Assemblies are given three main revenues sources: locally generated revenues (traditional), central government transfers, and Donor Funds. The locally generated revenues (traditional) are to include property rates, ground rent, fees and licenses, commercial undertakings, and service charges (Kelly et al., 2001). All

these sources were identified by stakeholder respondents as sources of revenue in the studied district assembly.

Majority of respondents (70%) have not participated in any activity organized by the district assembly (Figure 4.3). However, 30% who were participant of district assembly collaborated activities mentioned programs organized by NCCE and NYEP (Figure 4.4). These activities were joint programs organized by the district assembly with other organization. Because these programs are jointly organized, there were for free (73.9%). However, the National Youth Program attracted a fee of GH 100 cedis and GH 200 cedis for fund raising program. These fees were normally used to cater for printing of certificates and meals. All respondents (100%) mentioned that they know the duties of the district assembly which include provision of potable water, maintenance of roads within the district, construction of markets etc. Respondents all (100%) said they know about some facilities provided by the District Assembly through the assembly's mobilized revenue.



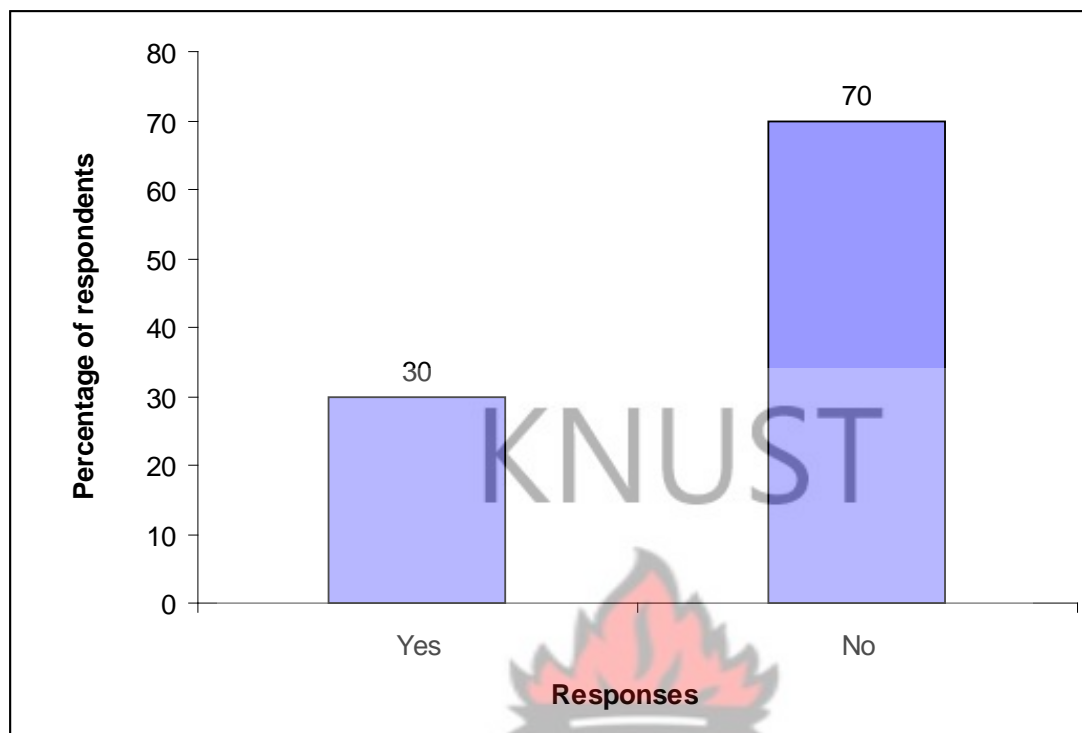


Figure 4.3: Distribution of responses concerning participation of district assembly activities



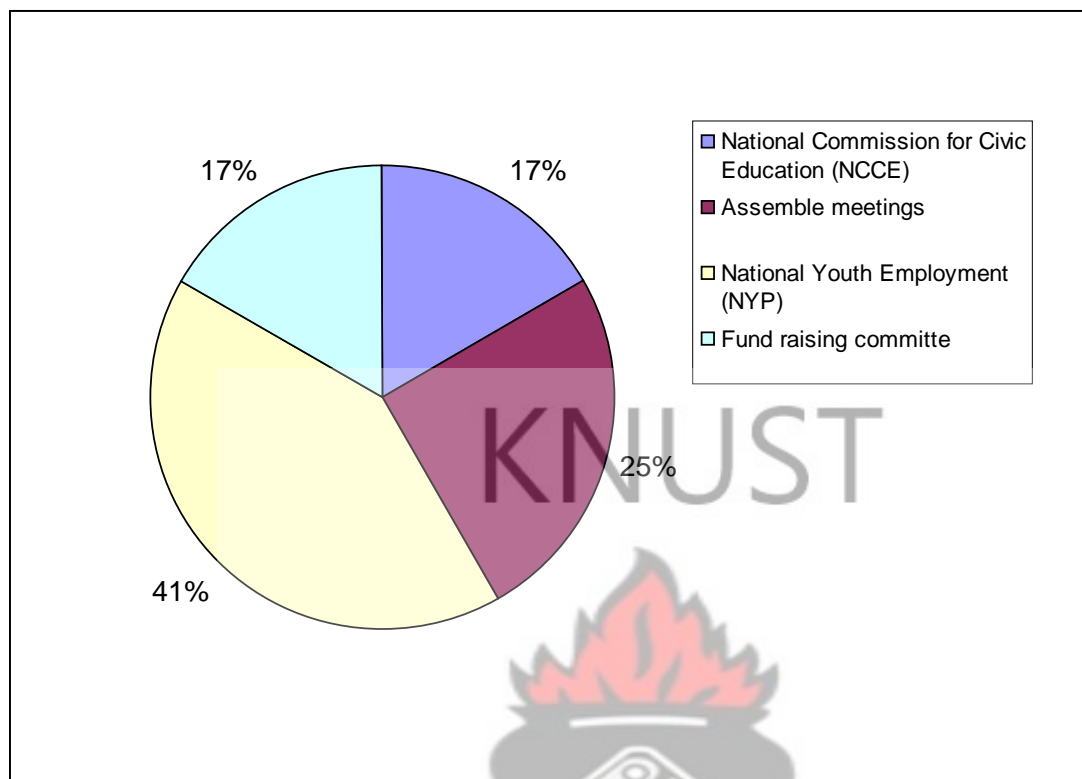


Figure 4.4: Distribution of responses concerning district assembly activities

4.3 Analysis of Data from Revenue Collectors

The 20 revenue collector interviewed were 65% male and 35% female. This means there are more male revenue collectors than females, with varying educational background. About 65% of the revenue collectors have basic education (Middle/JSS) certificates (Figure 4.5). This clearly shows respondents had some level of education which would help them carry out their duties diligently.

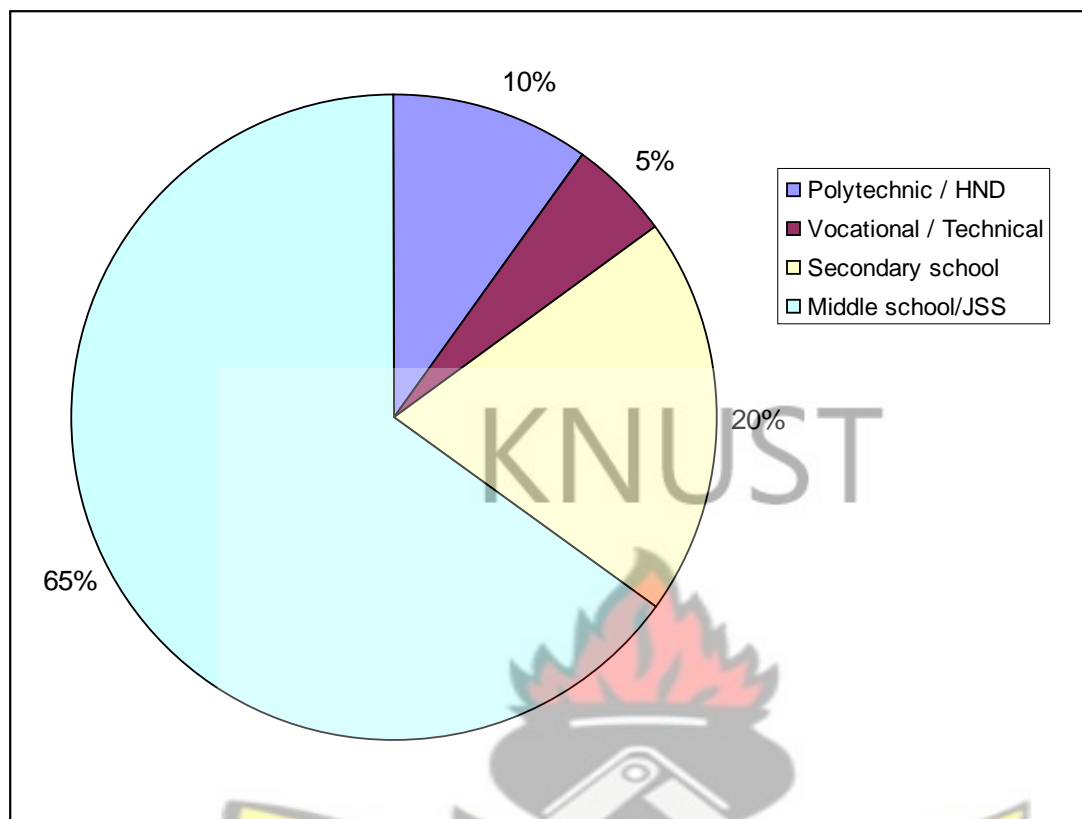


Figure 4.5: Proportion of educational background of revenue collectors

The two main categories of revenue collectors were part of the survey. Of the respondents 20% were revenue supervisors while 80% were revenue collectors. Because they are the people who are in charge of revenue collection within the assembly, information gathered from them would be a true reflection of what is happening on the field. In addition, revenue collectors had varying working experiences in the assembly. The result indicated that 45% of revenue collectors have been working with the assembly between 1-3 years (Figure 4.6). This implies that they have adequate working experience to provide information needed for the study.

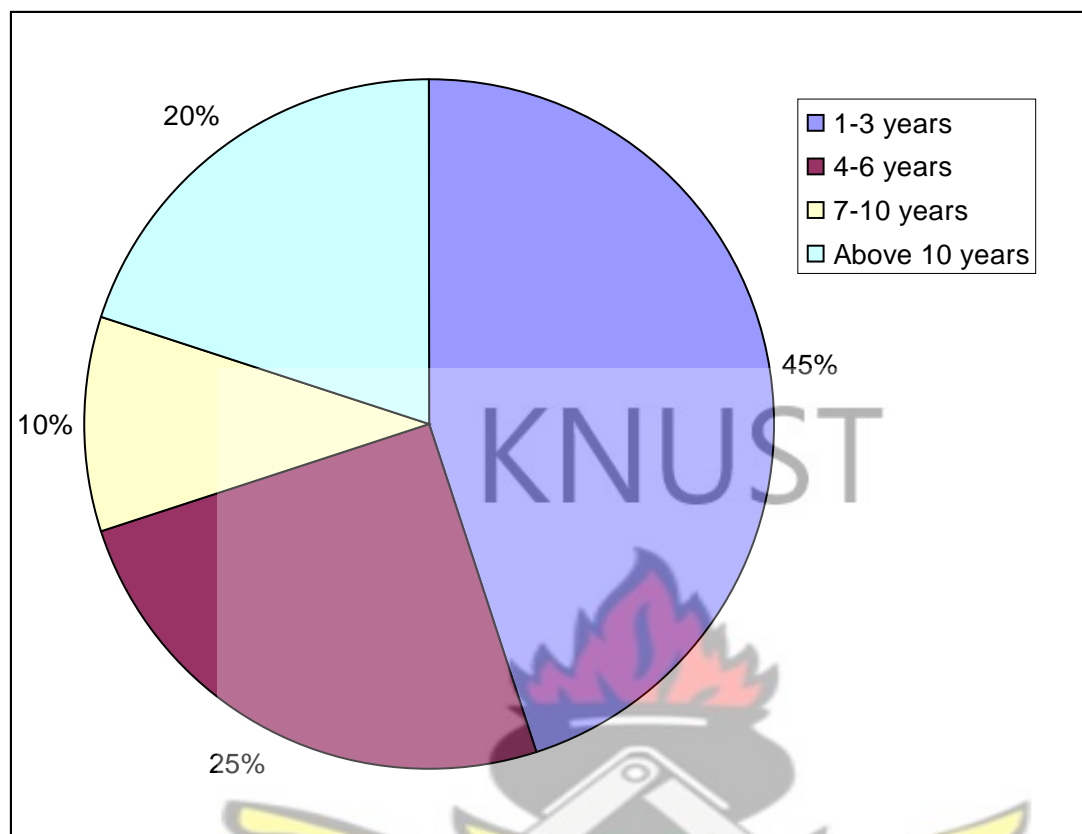


Figure 4.6: Proportion of working experience of revenue collectors

To carry out a holistic study, revenue collectors from various revenue stations within the district assembly were interviewed. However, 45% of revenue collectors interviewed are from Effiduase, the District capital of Sekyere East District Assembly (Table 4.5). There are a lot of businesses and other economic activities going on in the district capital which the assembly could derive its IGF from. Therefore, information from these revenue stations contributes to the study.

Revenue collectors enumerated different sources of revenue in their revenue stations (Table 4.6). According to the study, 45% of respondents were of the view that property rates, fees paid by artisans and licences issuance to shop owners were the main revenue sources in the assembly.

Table 4.5: Revenue station of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Effiduase	9	45.0	45.0	45.0
	Asokore	4	20.0	20.0	65.0
	Senchi-Nyamfa	2	10.0	10.0	75.0
	Akuamu	2	10.0	10.0	85.0
	Seniagya-Mpounua	3	15.0	15.0	100.0
	Total	20	100.0	100.0	

Source: Author's fieldwork, 2011

Table 4.6: Sources of revenue

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Property Rate	1	5.0	5.0	5.0
	Artisans + Property rate + shops	9	45.0	45.0	50.0
	Rates + lorry park	1	5.0	5.0	55.0
	Lorry park	1	5.0	5.0	60.0
	Property fee + sanitation rates	4	20.0	20.0	80.0
	Market toils + property rates	1	5.0	5.0	85.0
	Basic rates + market rates + property rates	3	15.0	15.0	100.0

Total	20	100.0	100.0
-------	----	-------	-------

Source: Author's fieldwork, 2011

According to the result, property rates contribute the highest revenue mobilized in the assembly (Table 4.7). About 60% of revenue collectors mentioned that revenue from property rates constitute as the highest revenue to the total IGF of the assembly. This is because a lot of people are building and always requesting for building permits to allow them construct houses on the plots. According to the trial balance of the assembly 2000-2010, property rate on an average contribute about 1.8% to the total revenue mobilized by the assembly (Trial balance sheet). A report by Yeboah and Johansson (2010) indicated that property rates constitute a substantial part of the total revenue for local assemblies, but the collection of property rates is often not efficient. This is because assemblies do not regularly revalue their properties. This is a common problem not only for Ghana, but for many developing countries. Property rates are based on the value of the building and are paid by the owner of the building.

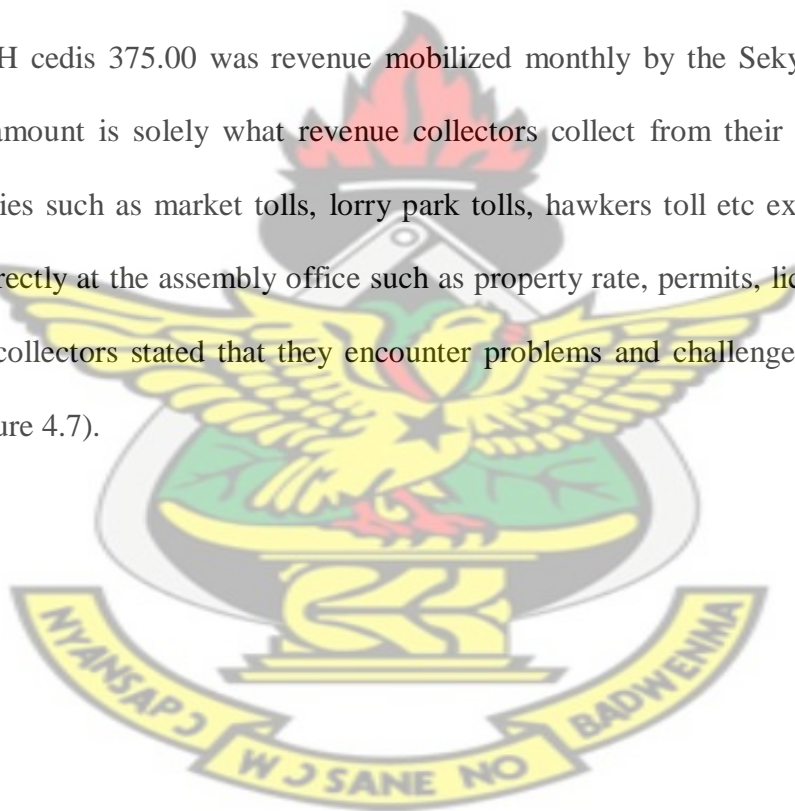
Table 4.7: Revenue Sources which contributes highest to revenue in the assembly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Property rate	12	60.0	60.0	60.0
Property rate + Lorry parks	1	5.0	5.0	65.0

Property rate + stores + Artisans+ sanitation	1	5.0	5.0	70.0
Artisans + Stores	1	5.0	5.0	75.0
Lorry park	3	15.0	15.0	90.0
Market tolls	2	10.0	10.0	100.0
Total	20	100.0	100.0	

Source: Author's fieldwork, 2011

An average of GH cedis 375.00 was revenue mobilized monthly by the Sekyere East District Assembly. This amount is solely what revenue collectors collect from their different stations from daily activities such as market tolls, lorry park tolls, hawkers toll etc excluding revenues which are paid directly at the assembly office such as property rate, permits, licences etc. About 70% of revenue collectors stated that they encounter problems and challenges during revenue mobilization (Figure 4.7).



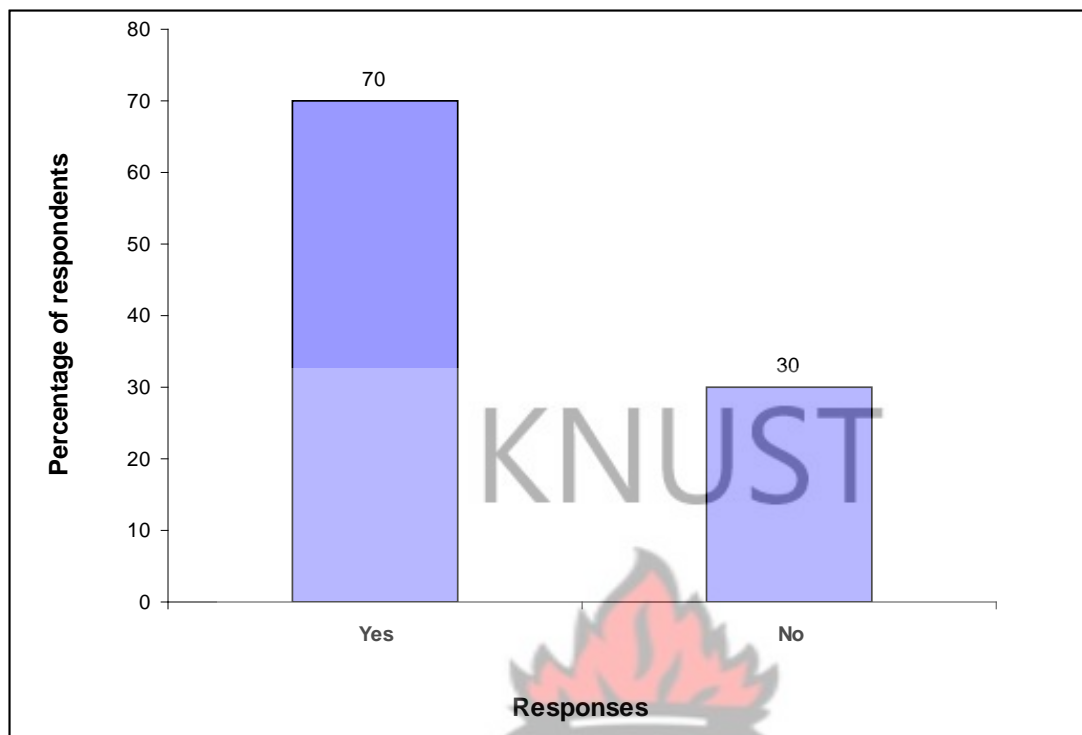


Figure 4.7: Proportion of responses concerning problems encountered during revenue collection

Revenue collectors who mentioned that they encounter problems during revenue mobilization enumerated these challenges which we have shown in Table 4.8. According to them, the dominant problem they encounter during revenue collection is lack of information (28.6%). This is because people were not willing to pay any money to the district assembly due to lack of information regarding the use of the money within the assembly. In addition, some pay and do not see any activity or project being embarked on by the assembly using these funds hence their refusal to pay any longer.

Research has shown that there is poor collaboration and understanding between the different players and actors within the Assemblies which has negative effect on internal control of funds being generated (Yeboah and Johansson, 2010).

Table 4.8: List of problems encountered

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of Education	3	15.0	21.4	21.4
	Lack of information	4	20.0	28.6	50.0
	Lack of education, information + identification card problem	3	15.0	21.4	71.4
	People do not see the usefulness of paying to DA	3	15.0	21.4	92.9
	Lack of education, logistics and education	1	5.0	7.1	100.0
	Total	14	70.0	100.0	
Missing	System	6	30.0		
Total		20	100.0		

Source: Author's fieldwork, 2011

4.4 Maximizing Revenue-Suggestions by Revenue Collectors

Revenue collectors suggested different ways by which the assembly could address the problems facing them during collection of revenue. About 35.5% of revenue collectors believed that tax education should be the way forward (Table 4.9). They suggested that tax education should be carried out on the radio stations, print media, information van and other electronic forms to the

general public regarding the importance of revenue mobilization by the assembly. They added that the general public-i.e. tax payers must be informed about projects the Assembly intends to carry out with the revenue.

Table 4.9: How revenue collection can be maximized

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Provide logistic + in-service training for collectors	2	10.0	14.3	14.3
	Tax education + prompt payment of collectors + logistics	4	20.0	28.6	42.9
	Provision of ID cards + tax education	2	10.0	14.3	57.1
	Tax education	5	25.0	35.7	92.9
	Prosecute offenders	1	5.0	7.1	100.0
	Total	14	70.0	100.0	
Missing	System	6	30.0		
Total		20	100.0		

Source: Author's fieldwork, 2011

From Figure 4.7, 59% of revenue collectors said tax education is crucial for revenue maximization. That tax education should clarify projects and time line up for the district and how

they are to be achieved given the revenue expected. This way people will be encouraged to pay their revenue to the assembly.

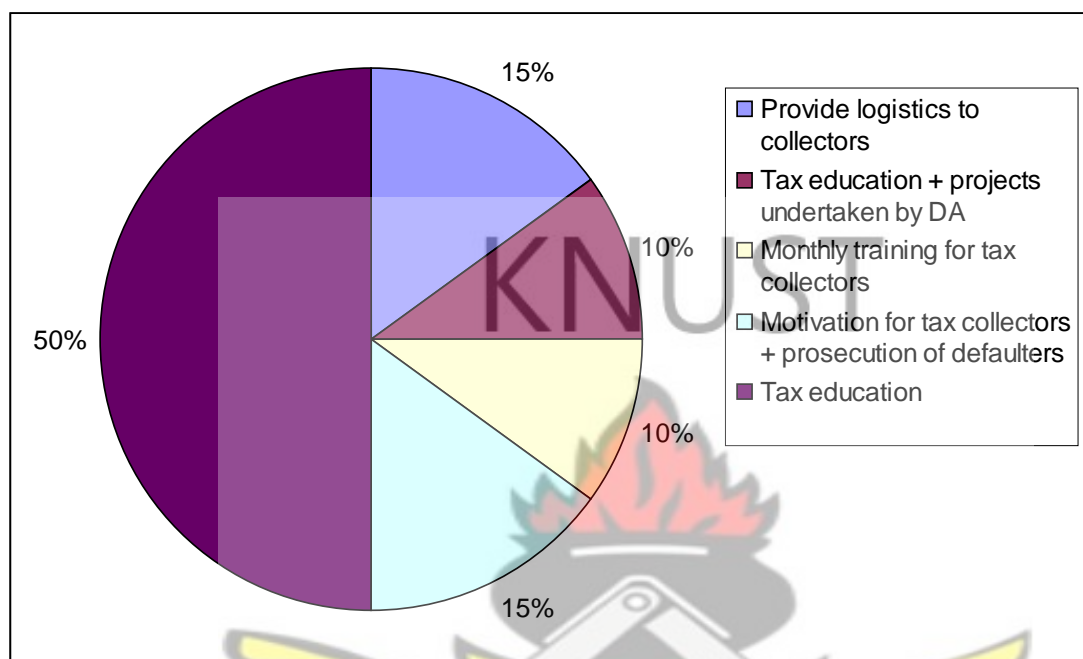


Figure 4.8: Proportion of responses concerning measures to improve on revenue mobilization.

4.5 Analysis of Data from District Assembly Staff

District assembly staff play a key role in revenue mobilization in the district. Because they identify revenue sources and manage the revenue. Out of the five staff interviewed, four were males while one was female. Four of the staff respondents have university education while one has secondary school qualification. The respondents have different ranks with one of them being a revenue superintendent (Figure 4.8). They identified the various sources the district can mobilize its revenue from. The main sources are property rate, fines, licences, Investment and sanitation fees (Table 4.10). These sources of revenue have also been stipulated in the Local Government Act 1993 (Act 462) for revenue mobilization by the assemblies.

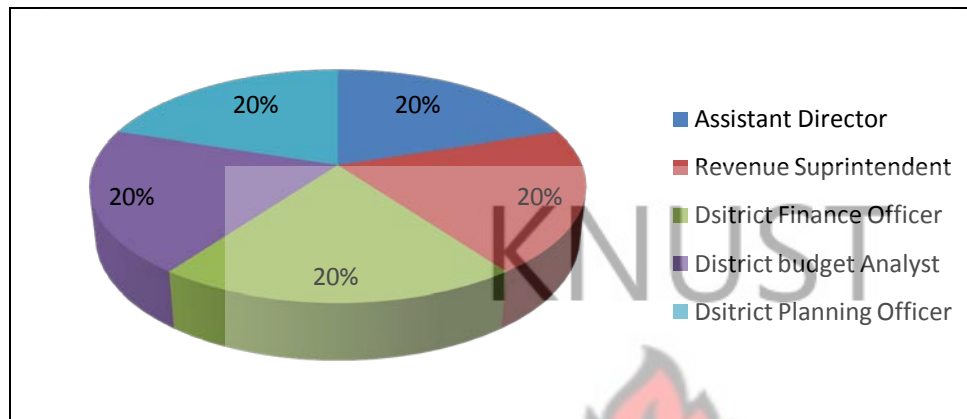


Figure 4.9: Proportion of ranks of district assembly staff respondents

Table 4.10: Sources of revenue mobilization by the assembly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Property rates + Fines + Licences + Investment+ sanitation fees	4	80.0	80.0	80.0
	Government + IGF	1	20.0	20.0	100.0
	Total	5	100.0	100.0	

Source: Author's fieldwork, 2011

All the respondents were of the view that the assembly was not mobilizing enough revenue from these sources. They stated that the assembly could mobilize enough revenue by using the

strategies enumerated in Table 4.10. Dominant among the strategies was tax education of the public and prosecution of any defaulter who refuses to pay revenue due to the assembly. They said this will serve as deterrent to other people.

Table 4.11: Ways the District Assembly could mobilize more revenue

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Well resourced revenue task force	1	20.0	20.0	20.0
	Tax education	1	20.0	20.0	40.0
	Tax education + Prosecution of defaulters	3	60.0	60.0	100.0
	Total	5	100.0	100.0	

Source: Author's fieldwork, 2011

All the respondents said that the assembly has mechanism of checking revenue collected for accountability. They mentioned internal auditors and combination of internal auditors, external auditors and revenue supervisors from the revenue monitoring board which check revenues mobilized by the district. The revenue supervisors and internal auditors check revenues collected as they come whiles external auditors audit the accounts of the district on annual basis to check for accountability and irregularities in the system. The district assembly have by laws which

govern revenue mobilization. However, according to three of the staff members interviewed, the bylaws were not enforced on violators of the law while two said there was some enforcement of the law. All five interviewed stated that, any violator of the district bylaws should be sent to court and prosecuted. If this is done, people would pay their revenues promptly for the assembly to mobilize more revenue.

We had in-depth interview with the Assistant Director and it came out that the assembly has carried out 10 developmental projects. Some of the projects were completed while some are on-going. However, the district budget analyst and the district planning officers indicated that, the assembly has not implemented all projects on its annual action plan due to lack of enough funds. The DFO estimated that the assembly is averagely mobilizing revenue relative to its annual projections. They all agreed that education of the people concerning tax mobilization within the district should be the important measure that could be used to improve on revenue mobilization within the district.

4.6 Revenue Trends within the District Assembly

From the trial balance sheet, it was observed that, the same revenue items were used by the assembly for different years. These were rates, lands, fees and fines, licences, rent, investment, and grants.

In the year 2000, the Assembly approved GH¢26,795.32 as its internally generated Fund (IGF) Budget out of which it generated only GH¢14,306.15 indicating 12.4% of Total Revenue. For that year total revenue i.e. grants from Central Government and donors amounted to 115,106.72 as against a budgeted figure of GH¢190,235.32. In that year fees and fines contributed highest to the total IGF.

In 2001, total IGF mobilised was GH¢28,217.97 as against an approved IGF budget of GH¢103,660.78. Total Revenue Mobilised for that year was GH¢153,768.58 as against an approved budget of GH¢287,160.78. This indicated 18.4% contribution by IGF to total Revenue for the year. In that year lands, contributed overwhelmingly towards total IGF generated. According to records of the Assembly, this was due to the huge remittance from stool land secretariat as part of royalties paid to the Assembly, Grants from central government still remained the biggest source of revenue to the Assembly.

The year 2002 witnessed a tremendous increment in amount mobilised. Amount generated increased from GH¢153,768.58 to GH¢271,144.00 with grants inclusive. Most of the revenue items performed well with lands, fees and fines rates exceeding their target. However grants still remained the biggest contributor to revenue generated. Total contributions by way of IGF to total revenue was GH¢44,743.63 as against a budget of 30,387.10.

For the year 2003, total IGF mobilised was GH¢ 48,294.62 as against a budgeted figure of GH¢53,306.76. total revenue mobilized was GH¢ 1,360,228.13 meaning IGF contributed only 3.6% to total revenue. The year 2004, saw a tremendous increment in the IGF revenue where most of the revenue items exceeded their targets. Total IGF mobilised was 82,081.92 as against GH¢64,096.17. However contributions by way of IGF still remained low. It contributed only 4.6% to total revenue.

In 2005 however, total IGF mobilized was GH¢74,253.21 as against GH¢95,503.00 budgeted. Total IGF mobilised in 2006 was GH¢185,777.03 as against an approved IGF budget of GH¢114,961.80 Total revenue for the Assembly for that year was GH¢2,054,299.27 as against approved budget of GH¢1,631,427.17. Even though, the Assembly exceeded its target for the

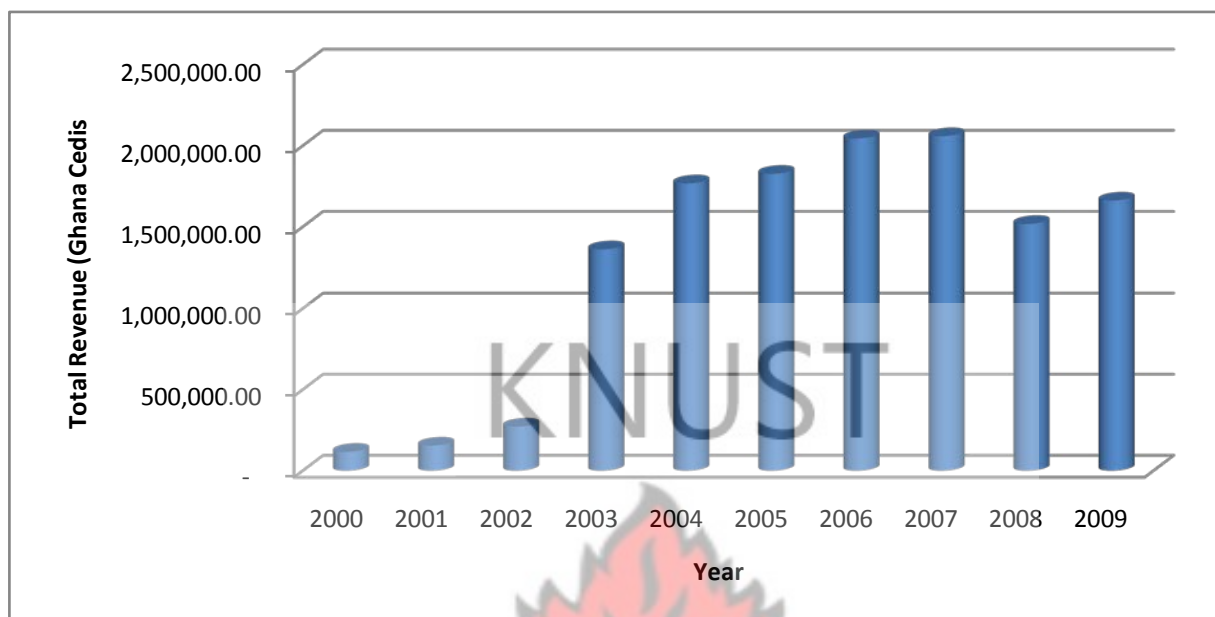
year, the excess revenue flowed from Grants indicating that the Assembly has room to improve as far as IGF revenue is concerned.

In 2007 IGF revenue mobilised shot up from GH¢185,777.03 in the previous year to GH¢333,144.69 as against an approved estimate of GH¢343,743.00. The reason for the increase was that revenue from stool land royalties increased from 91,668.40 in 2006 to 227,008.00 in 2007. Overall revenue mobilised in that year was 2,058,299.31 against GH¢1,473,112.49. Eventhough the Assembly exceeded its target, major contributions came from Grants.

In 2008, IGF mobilised was GH¢144,333.86 which showed a decline in IGF revenue mobilised over the years. Also in 2009, most revenue targets could not be met. There was a decline in the amount of revenue mobilised, out of an approval IGF Budget of GH¢221,255.40 an amount of GH¢116,689.66 was mobilized which also indicated a decline in the mobilisation trend.

As indicated earlier, another District, the Sekyere Afram Plains District Assembly was carved out of the Sekyere East District in 2008. This means that the SEDA lost some revenue items to the newly created District which has Kumawu as its capital. Kumawu had some of the highly valued properties which contributed highly to the revenue base of Sekyere East District Assembly. Most timber also came from that portion of the District. The Sekyere East District Assembly benefited a lot from that part of the district in terms of royalties from stool lands secretariat. It also has a bigger Market which contributed meaningfully to the revenue performance of the Assembly. This contributed to the poor performance of SEDA in 2008 and 2009. See Appendix 1 for details.

Figure 4.10: Trends of total revenue in the Sekyere East District from 2000-2009



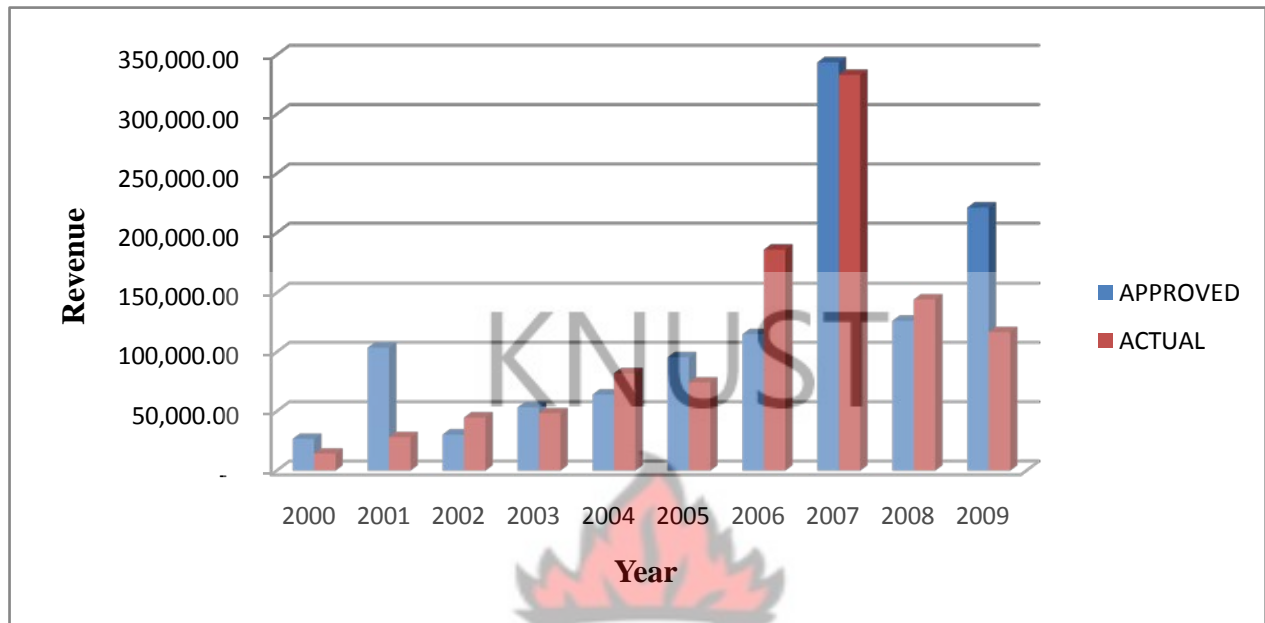
Source: Author's Construct

Figure 4.11: Contribution of IGF to total revenue for the last 10 years in the District Assembly.



Source: Author's Construct

Figure 4.12: Total IGF mobilised as against amount budgeted



Source: Author's Construct

4.7 Conclusion

In this chapter, we have analyzed and discussed data collected from both primary and secondary sources. We compared revenue collected as against the budgeted revenue figures for the period 2000-2009. We also identified some factors inhibiting maximum revenue mobilisation by SEDA.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this thesis we have analyzed the SEDA and also investigated how revenue mobilization can be maximized. In this chapter we summarize the findings and make some recommendations

5.2 Summary of Findings

On the basis of the interviews and data collected we summarize the causes of low revenue mobilisation by the district assemblies as follows:

The Land Valuation Board does not have adequate resources to carry out its responsibility to consistently value and re-value properties. This activity is crucial for a revenue programme throughout the country. Assemblies throughout the country face serious shortage of funds because some properties that attract property rate have not been re-valued.

The bye-laws on revenue mobilization are not gazetted. Although policies on the fees to be charged are done yearly, the primary obstacle to successful local revenue mobilization is found to be weak administration. Weak administration, combined with a lack of political will for enforcement, generates a low level of local revenue mobilization performance. Bye-laws and fee fixing resolution of the SEDA have never been gazette. This makes it difficult for SEDA to prosecute defaulters.

SEDA does not have adequate databases on revenue sources. Effective revenue programs are dependent on up-to-date information regarding the properties and businesses upon which taxes are levied. Without this information it is impossible for SEDA to forecast, bill, collect and maximize the revenues due to them.

Weak internal control systems have led to revenue leakages. The internal audit unit of the Assembly is not resourceful enough to control revenue leakages.

Inadequate revenue collectors. The district had only 30 revenue collectors until recently when the number increased to 36 which is still woefully inadequate.

Outmoded forms of taxes, for example basic rate which was fixed at 10 Ghana pesewas since the inception of the District Assembly concept has not been reviewed and collectors find it very expensive to collect that tax since revenue realized does not match the costs of collection. This violates one of the basic principles of good tax system.

Use of commission collectors is not properly monitored. Due to inadequate revenue collectors, the Assembly sometimes engages the services of commission collectors who are not properly monitored.

Over reliance on old sources of revenue. The Assembly still relies on the old sources of revenue ceded to it since the inception of the Assembly.

Inadequate training of revenue collectors. Revenue collectors are not regularly trained to improve upon their revenue mobilization skills.

Inadequate education and non involvement of the tax payer in the setting of fees and fines. Tax payers are not involved in the setting of fees and fines by the Assembly. They are not also adequately educated on the importance of paying taxes to the Assembly.

5.3 Recommendations

In view of the number and significance of the challenges related to IGF, there is the need to allow SEDA to adopt strategies and practices which will work best for them while still providing the impetus to ensure that SEDA is serious about increasing its IGF collections. To achieve these, the following recommendations have been proposed.

The land valuation board should be empowered to undertake regular valuation of properties at least every five years with a supplementary valuation list every year.

SEDA should make conscious effort to gazette its fee fixing resolution so that SEDA can prosecute defaulters where necessary.

Data bases of valued immovable properties of people as well as other revenue sources in the Assembly's jurisdiction should be computerized and data distributed to departments so they can easily be traced and taxes paid for. Another approach to adopt is development of strategies to re-value properties every five (5) years.

Preventing tax leakages. Stringent measures should be put in place to prevent tax leakages. The internal audit unit should be resourced with logistics such as computers, vehicles etc. to enable it perform its role as expected. "Familiarity they say breeds contempt" some revenue collectors remain at one revenue station for several years such that they become too familiar with the tax payers. Such familiarity could lead to revenue collectors not collecting any amount from certain tax payers or even if collections are made at all the collections could be lower than the approved rates. Revenue collectors should be rotated at the beginning of each year.

There is the need to recruit more revenue collectors to improve upon revenue mobilization by the Assembly.

Reviewing of outmoded revenue items such as basic rate. The basic rate which was fixed at 10 GP since the inception of the District assembly concept has never been reviewed thus making its collection more expensive and revenue collectors feel reluctant to collect such revenues. It is therefore recommended that the rate should be reviewed or re-adjusted to much current trend.

SEDA needs to be empowered and strengthened with the capacity to more effectively monitor the activities of commission collectors.

SEDA should widen its tax net by identifying new revenue sources to match with new trends in the district. E.g. SEDA should device means of adding mineral prospects and telecommunication operators in the district to its tax net.

SEDA should train its revenue collectors on the mechanics of effective and efficient revenue mobilization at the beginning of each year. The training will equip them with the requisite skills, tools and techniques to perform better while in the field.

Educating the tax payer. For effective tax collection, attention should also be given to education of the taxpayer on the rationale, procedures, obligations and responsibilities related to the tax being paid. Having the ability to link revenue collections to improved service delivery, and a better-educated taxpayer population will enhance compliance. Mobilizing the community through enhanced participatory budgeting and civic participation will engage the citizens and also facilitate enhanced revenue collection. Collection and enforcement must rely on a combination of positive incentives, sanctions and penalties. Positive incentives should be the first

approach i.e. convincing taxpayers and businesses to pay their required taxes and fees by providing improved local services, by administering the revenue system in an efficient and equitable manner and by providing taxpayer education and taxpayer services. Ultimately substantial voluntary compliance is essential in order to have a sustainable local revenue mobilization system.

5.4 Conclusion

In this thesis we analyzed factors that have led to poor revenue mobilization by the SEDA. We have also discussed the comments by our respondents. We found that IGF from the District contributes only about 2.7% to total revenue of the Assembly with most funds coming from central government. There is therefore an over reliance on Grants from central government and donor support. The study also found that contribution from IGF towards development projects in the Assembly is insignificant. An average of GH¢375.00 was mobilized monthly in the Assembly through daily market tolls, lorry park fees etc. This further shows that contributions of IGF towards development projects is not significant and therefore the Assembly is unable to complete most of its development projects on schedule due to lack of funds.

The study found that collection of revenue is inhibited by factors such as inadequate data, absence of tax education, irregular valuation of properties, inability to gazette and enforce bye-laws inadequate logistics for revenue collectors and low morale of revenue collectors due to inadequate incentives.

The study recommended that for the SEDA to maximize its revenue mobilization, tax education, training and motivation of revenue staff, establishment of databank on revenue sources, enforcement of bye-laws and prosecution of defaulters should be done on regular basis.

Although central Government transfers financial resources i.e. common fund, it is essential for the SEDA to enhance its own source of revenues in order to ensure local autonomy, promote accountability, enhance economic governance and local ownership and realize the decentralization efficiency gains by linking their revenue and expenditure decisions.

KNUST



REFERENCES

- Abdul Nasir-Saeed, (2006). *Maximizing Financial Opportunities Inherent in United Nations Peacekeeping Operations: The Case of Ghana Armed Forces in United Nations Mission in Sierra Leone 1999- 2002*. MBA thesis submitted to the Department of Economics, KNUST.
- Accra Metropolitan Assembly, (2009). *Financial Statement by AMA*. Trial Balance as to 31st of December, 2008.
- Adedokun, A. (2005). *Local Government Tax Mobilization and Utilization in Nigeria: Problems and Prospects*.
- Institute of Local Government Studies, (2010). *Participant Handout for Programme on Local Economic Development*.
- Kelly, R., Montes M., Maseya, E., Nkankha K., and Tombere, K. (2001). *Improving Revenue Mobilization in Malawi: Study on Business Licensing and Property Rates*. Final Report
- Local Government Act 1993 (Act 462) [retrieved from www.epa.gov.gh](http://www.epa.gov.gh) on 22/03/2011
- Ministry of Local Government, Rural Development and Environment, (2008). *Government of Ghana Intergovernmental Fiscal Decentralization Framework*
- Ofei-Aboagye E, (2000). *Promoting the Participation of Women in Local Governance and Development: The Case of Ghana*. Institute of Local Government Studies, Legon, Ghana
- Yeboah, K. and Johansson, L. (2010). *Urban Management Land Information System UMLIS: Facing Urban Challenges through Efficient Revenue Collection*
- Arkoh F.H.(1994) *Enhancing Revenue Generation by District Assemblies in the central region Ghana*; an overview in proceeding of a seminar held on 5th and 7th September 1994
- K. D. Kessey, (1992). *Local Revenue Administration in Ghana: Practice and prospects*.
- Adu Boadu C, (2009). *Revenue Mobilization through effective utilization of Resources*.
- District Assemblies retrieved from www.ghanalocalassemblies.com/districts/ accessed on 22/3/2011
- Revenue retrieved from www.investorwords.com on 23/3/2011
- Sekyere East District Assembly retrieved from www.ghanadistrcts.com on 23/03/2011
- www.ghanadistrcts.com; accessed 23/03/2011

Green Hill Journal for administration, (2004). Ghana's New Machinery for Local Government

Asibuo S.K, (1996). *Local Government Capacity Building*; Analysis of the capacities of the twelve District Assemblies in the Volta Region.

Ayee, (1994). *An anatomy of public policy implementation*; a case study of decentralization policy in Ghana.

KNUST



KNUST

APPENDICES

Appendix I: Revenue trends of the Sekyere East District Assembly

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2000	Rates	5,286.52	3,560.01	3.1
	Lands	8,869.00	1,864.85	1.6
	Fees and Fines	6,837.80	4,807.76	4.2
	Licenses	5,426.00	3,510.42	3.0
	Rent	116.00	50.40	0.0
	Investment	200.00	512.71	0.4
	Total IGF	26,735.32	14,306.15	12.4
	Grants	163,500.00	100,800.57	87.6
	Grand Total	190,235.32	115,106.72	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2001	Rates	5,735.12	3,625.82	2.4
	Lands	82,690.00	10,370.50	6.7
	Fees and Fines	9,887.00	8,151.93	5.3
	Licenses	4,872.66	5,512.09	3.6
	Rent	176.00	67.60	0.0
	Investment	300.00	490.03	0.3
	Total IGF	103,660.78	28,217.97	18.4
	Grants	183,500.00	125,550.61	81.6
	Grand Total	287,160.78	153,768.58	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2002	Rates	6,298.60	7,195.95	2.7
	Lands	1,196.50	15,815.10	5.8
	Fees and Fines	13,805.60	13,867.73	5.1
	Licenses	8,636.40	7,450.97	2.7
	Rent	250.00	114.50	0.04
	Investment	200.00	299.38	0.1
	Total IGF	30,387.10	44,743.63	16.5
	Grants	222,496.39	226,400.81	83.5
	Grand Total	252,883.49	271,144.44	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2003	Rates	14,432.80	7,997.05	0.6
	Lands	11,188.00	16,456.80	1.2
	Fees and Fines	21,532.26	20,166.12	1.5
	Licenses	5,438.50	3,560.75	0.3
	Rent	715.20	113.90	0.01
	Investment			0.0
	Total IGF	53,306.76	48,294.62	3.6
	Grants	1,908,420.96	1,311,933.51	96.4
	Grand Total	1,961,727.72	1,360,228.13	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2004	Rates	20,204.60	17,908.12	1.0
	Lands	11,395.00	37,202.60	2.1
	Fees and Fines	21,997.90	20,090.00	1.1
	Licenses	7,957.00	5,359.00	0.3
	Rent	1,490.40	120.00	0.01
	Investment	1051.27	1,402.20	0.1
	Total IGF	64,096.17	82,081.92	4.6
	Grants	963,154.27	1,684,590.43	95.4
	Grand Total	1,027,250.44	1,766,672.35	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
------	--------------	----------	-------------------------	----------------

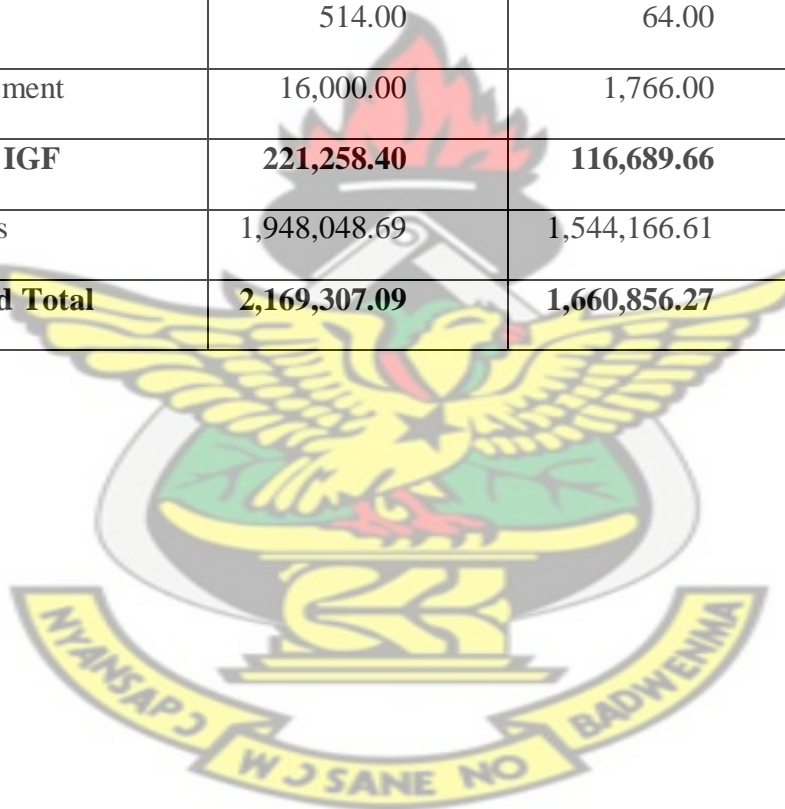
2005	Rates	24,000.00	14,808.31	0.8
	Lands	32,900.00	9,082.60	0.5
	Fees and Fines	25,760.00	42,973.36	2.4
	Licenses	7,983.00	3,356.90	0.2
	Rent	360.00	131.00	0.01
	Investment	4,500.00	3,901.04	0.2
	Total IGF	95,503.00	74,253.21	4.1
	Grants	1,587,343.40	1,751,684.83	95.9
	Grand Total	1,682,846.40	1,825,938.04	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2006	Rates	24,935.60	20,498.42	1.0
	Lands	33,139.00	91,668.40	4.5
	Fees and Fines	43,359.20	63,438.50	3.1
	Licenses	7,520.00	6,579.30	0.3
	Rent	508.00	187.00	0.01
	Investment	5,500.00	3,405.41	0.2
	Total IGF	114,961.80	185,777.03	9.1
	Grants	1,516,465.37	1,858,517.24	90.9
	Grand Total	1,631,427.17	2,044,294.27	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2007	Rates	40,000.00	32,319.76	1.6
	Lands	227,008.00	227,307.60	11.0
	Fees and Fines	55,931.20	51,983.90	2.5
	Licenses	17,790.00	18,900.02	0.9
	Rent	414.00	104.00	0.01
	Investment	2,600.00	2,529.41	0.1
	Total IGF	343,743.20	333,144.69	16.2
	Grants	1,129,369.29	1,725,154.62	83.8
	Grand Total	1,473,112.49	2,058,299.31	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2008	Rates	31,685.00	34,002.90	2.2
	Lands	27,635.00	34,811.80	2.3
	Fees and Fines	47,588.70	47,400.51	3.1
	Licenses	14,999.00	14,879.35	1.0
	Rent	419.00	412.00	0.03
	Investment	4,000.00	12,827.30	0.8
	Total IGF	126,326.70	144,333.86	9.5
	Grants	1,061,623.91	1,372,385.69	90.5
	Grand Total	1,187,950.61	1,516,719.55	100.0

Year	Revenue Item	Approved	Actual Amount Collected	Percentage (%)
2009	Rates	80,685.00	37,808.83	2.3
	Lands	44,040.00	33,631.30	2.0
	Fees and Fines	57,568.40	24,914.93	1.5
	Licenses	22,451.00	18,504.60	1.1
	Rent	514.00	64.00	0.00
	Investment	16,000.00	1,766.00	0.1
	Total IGF	221,258.40	116,689.66	7.0
	Grants	1,948,048.69	1,544,166.61	93.0
	Grand Total	2,169,307.09	1,660,856.27	100.0



Appendix 2: Project Payment Status of the Sekyere East District Assembly

Project	Location	Funding Source	Contract Sum	Award	Expected completion date	Payment made to date Gh□	Balance to be paid Gh□	Status in %
Compl. Of 1 no. 40-unit lockable stores	Asokore	DACF	95,669.07	7/10/2005	14/12/06	72,133.81	23,535.26	45%
Rehabilitation of old dist assembly block	Effiduase	DACF	80,934.62	15/8/09	5/3/2010	26,198.25	54,736.37	45%
Const. Of 1no.6-unit class room block, office, store and staff common room	Effiduase Zongo	DACF	99,930.05	9/12/2008	3/9/2008	44,000.00	55,930.05	40%
Renovation of magistrate court building	Effiduase	DACF	66,273.18	29/7/2008	22/06/09	47,500.00	18,773.18	60%
Reh. Of dist. Admi block	Effiduase	DACF	24,600.00	7/12/2008	14/3/09	17,000.00	7,600.00	75%
Realigning of electricity poles	Asokore							
	Effiduase	DACF	40,859.54	7/7/2008	7/10/2008	24,717.00	16,142.54	85%
Provision of accsee roads at Effiduase	Asokore	DACF	51,165.13	29/5/08	29/9/08	25,500.00	25,665.13	100%
Provision of accsee roads at Asokore	Effiduase	DACF	30,723.90	29/5/08	29/9/08	9,500.00	21,223.90	100%
Reroofing of 1 no. 3-unit classroom & const. Of 1no. 2-unit k.g blk	Asukorkor 1	DACF	31,182.00	9/12/2008	3/4/2009	29,128.00	2,054.00	100%
Const. 1no. 3-unit class room, office & store	Effiduase	GETFUND	74,560.00	NIL	NIL		74,560.00	55%
Const. Of 1no. 4-unit k.g. block etc	Effiduase	DACF	46,000.00	22/5/8	15/12/08	10,200.00	35,800.00	50%
Const. 1no. 3-unit class room, office & store	Ntumkumso	HIPC/ DACF	38,025.42	29/3/06	29/07/06	18,350.00	19,675.42	85%
Const. 1no. 6-unit class room, office & store etc	Effiduase	DACF	99,930.00	3/4/2008	17/10/08	44,000.00	55,930.00	35%
Evacuation of refuse	Asokore & Effiduase	DACF	56,286.00	7/7/2008	7/10/2008	35,500	20,786.00	100%
Const. Of ino. 2-unit semi-detached quarters	Effiduase	DACF	48,836.94	6/9/2006	12/2/2007	44,790.00	4,046.94	100%
Rehab. Of 1no. 14 & 20 seater aqua-privy toilet facility	Asokore& Senchi	DACF	17,200.00	2007		0	17,200.00	100%

Rehab. Works on national fire service building etc.	Effiduase		46,493.54	2007		4,500.00	41,993.54	100%
TOTAL							342,677.47	

KNUST

Appendix 3 Questionnaires

Questionnaire on Maximizing Revenue Mobilization by District Assemblies; Case Study of Sekyere East District Assembly

Important Note: Any information supplied will be treated as strictly confidential.

Identity of position will not be revealed. Information will be used only for academic work

Questionnaire No.....

Demographic Characteristics. Tick the appropriate box

1. Gender of respondent:

Male ☐ Female ☐

2. Educational level of respondents

University Graduate level [] Polytechnic / HND [] Vocational / Technical []

Secondary school / SSS [] Middle school / JSS [] Informal []

3 Category of stakeholder

Driver []

Hawker []

Trader []

Others (please specify).....

4. Are you aware of revenue mobilization by the district assembly?

a) Yes []

b No []

5. If yes, what do you know about revenue mobilization in the assembly?.....

.....

.....

.....

6. Do you know the sources of revenue of the district assembly in carrying out their projects?

a) Yes []

b No []

7. If yes, list the sources?.....

.....
.....
.....

8. Have you participated in any activity of the district assembly before?

a) Yes []

b No []

9. If yes, which type of activity?.....

.....
.....
.....

10. Did you pay for the service?

a) Yes []

b No []

11. If yes, how much did you pay?.....

12. Do you know the duties of the District Assembly?

a) Yes []

b No []

13. Do you know of any facilities provided by the district assembly?

a) Yes []

b No []

DISTRICT ASSEMBLY STAFFS

2. Gender of respondent:

Male ☐

Female ☐

2. Educational level of respondents

University Graduate level [] Polytechnic / HND [] Vocational / Technical []

Secondary school / SSS [] Middle school / JSS [] Informal []

3. Rank of Officer/Department?

4. Which sources is the district mobilizing revenue from?.....

.....

.....

.....

5. Do you think they are getting enough funds from these sources?

a) Yes []

b No []

c Don't Know []

6. If yes, how do you know.....

.....

.....

KNUST

7. In what ways do you think the district can mobilize more revenue

.....

.....

8. Does the district assembly have mechanisms of checking revenue collected?

a) Yes []

b No []

c Don't Know []

9. If yes, how.....

.....

.....

10. Those who violate the district assembly law without paying for activities in the assembly, what are their punishment?.....

.....

.....

11. Are the bye laws enforced?

a) Yes ☐ ☐

No ☐ ☐

KNUST



**Questionnaire on Maximizing Revenue Mobilization by District Assemblies; Case Study of
Sekyere East District Assembly**

Important Note: Any information supplied will be treated as strictly confidential.

Identity of position will not be revealed. Information will be used only for academic work

Questionnaire No.....

Demographic Characteristics

KNUST

1. Sex of respondent: Male ☐ Female ☐ (circle one)

2. Educational level of respondents

University Graduate level ☐ Polytechnic / HND ☐ Vocational / Technical ☐

Secondary school / SSS ☐ Middle school / JSS ☐ Informal ☐

3. Category of collector

Revenue head ☐

Revenue collector ☐

4. How long have you been working with the Assembly?.....

5. Which revenue station do you work for?

- a. Effiduase ☐
- b. Asokore ☐
- c. Senchi-Nyamfa ☐
- d. Akuamu ☐

e. Seniagya-Mpounua []

6. What are the sources of revenue in your revenue station?

.....

.....

.....

.....

7. Which of the sources listed above contributes highest to the total revenue generated in your revenue station?.....

8. Averagely how much do you collect as revenue in a month?.....

9. What is your monthly income?.....

10. Do you encounter problems in mobilising revenue for the Assembly?

a) Yes []

b No []

If yes what are they?.....

.....

.....

.....

11. How do you think these problems can be solved?

.....

.....

.....

.....

12. What measures do you think the Assembly can put in place to improve revenue mobilisation in the district?

.....

.....

.....

.....

KNUST

