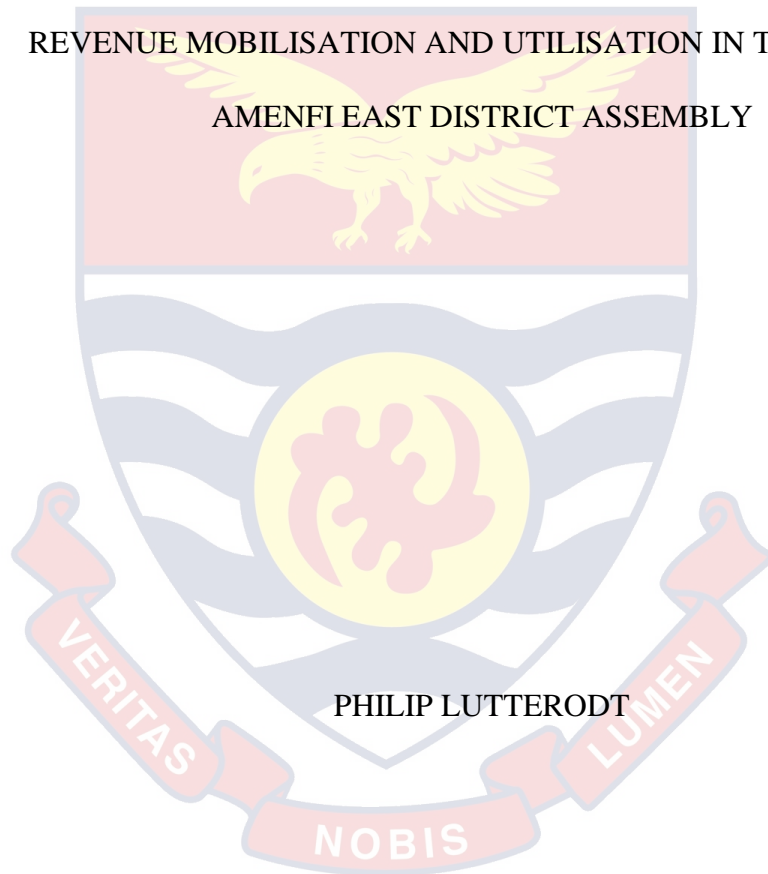


UNIVERSITY OF CAPE COAST

REVENUE MOBILISATION AND UTILISATION IN THE WASSA  
AMENFI EAST DISTRICT ASSEMBLY



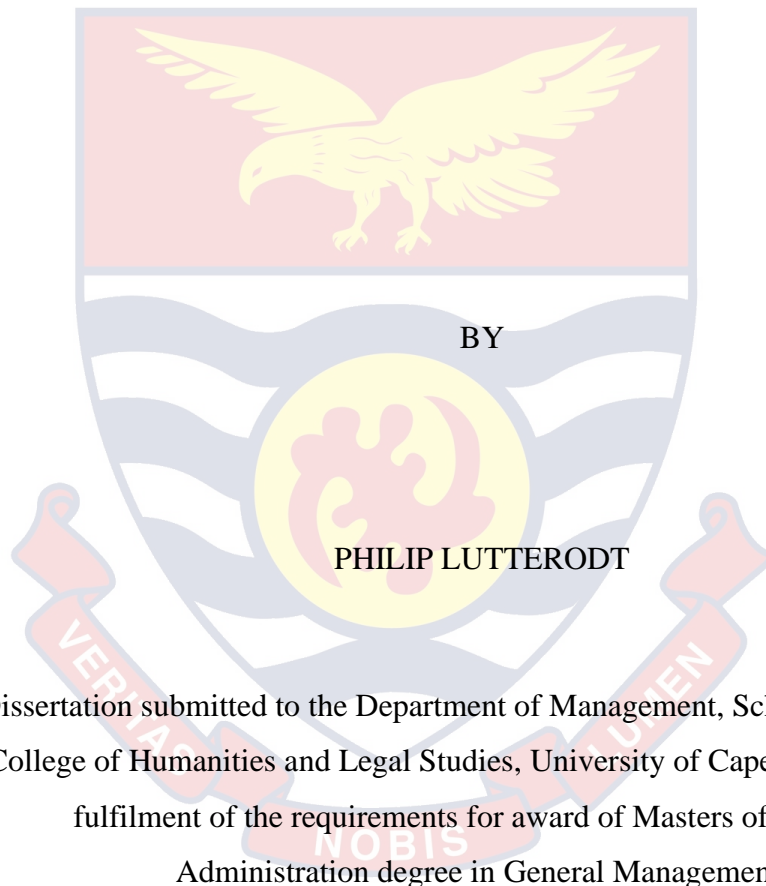
PHILIP LUTTERODT

2021

UNIVERSITY OF CAPE COAST

REVENUE MOBILISATION AND UTILISATION IN THE WASSA

AMENFI EAST DISTRICT ASSEMBLY



Dissertation submitted to the Department of Management, School of Business,  
College of Humanities and Legal Studies, University of Cape Coast in partial  
fulfilment of the requirements for award of Masters of Business  
Administration degree in General Management.

MARCH 2021

## DECLARATION

### Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature..... Date .....

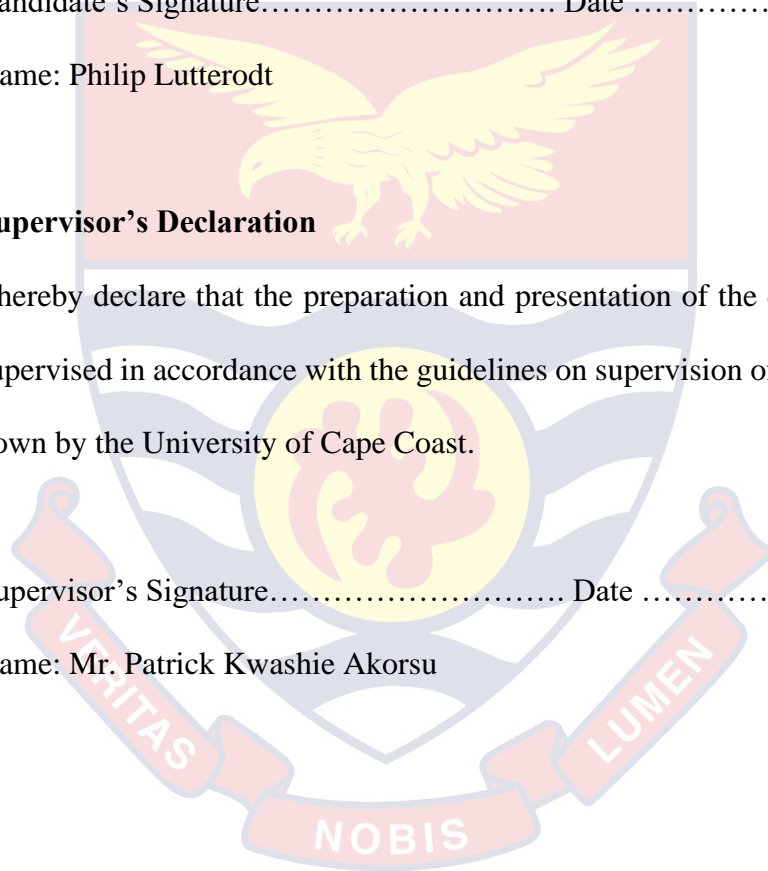
Name: Philip Lutterodt

### Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature..... Date .....

Name: Mr. Patrick Kwashie Akorsu



## ABSTRACT

The study was on revenue mobilisation and utilisation of District assemblies in Ghana using Wassa Amenfi East District Assembly as the case study. The purpose of this study was to assess how revenue is mobilized and utilised to implement projects in the districts. Data was gathered through both primary and secondary sources. The primary source was obtained from questionnaires and interviews. Through the annual budget of the assembly, local government digests and other relevant materials from reports and seminars, the secondary source of data was obtained. This study used a quantitative approach. This is a quantitative research study and it uses descriptive research study design to investigate the variables in the study. The study purposely targeted core Management staff of the District Planning Committee Unit, permanent revenue collectors, and commission revenue collectors, staff of Urban Town and Area Councils (UTAs), and assembly members since they are directly involved in revenue collection, management and evaluation of development. At the end of the research, it was revealed that, there was lack of accurate and current data and inadequate supply of logistics, low motivation for revenue staffs, poor supervision and inadequate public education for tax payers. After the study, the researcher recommended that there should be capacity building for revenues staffs, effective monitoring, regular assessment of revenue mobilization activities and supervision of revenue staffs.

## ACKNOWLEDGEMENTS

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## DEDICATION

To my dear wife, Ernestina Lutterodt and children, Nicholas, Kelvin,  
Geraldine and Philipa Lutterodt.



## TABLE OF CONTENTS

	Page
DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
DEDICATION	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ACRONYMS	xi
CHAPTER ONE: INTRODUCTION	
Introduction	1
Background to the Study	1
Statement of the Problem	4
Purpose of Study	6
Research Objectives	6
Research Questions	6
Significance of the study	7
Scope of the Study	8
Limitation of the study	10
Organisation of the Study	11
CHAPTER TWO: LITERATURE REVIEW	
Introduction	12
Theoretical Review	12
Conceptual Review	14
Empirical Review	31

Chapter Summary	34
CHAPTER THREE: RESEARCH METHODS	
Introduction	36
Research Approach	36
Study Design	37
Study Area	37
Study Population	38
Data Collection Instruments	39
Pre-testing	40
Validity and Reliability	40
Data Collection Procedure	41
Data Analysis and Processing	42
Ethical Considerations	42
Chapter Summary	42
CHAPTER FOUR: RESULTS AND DISCUSSION	
Introduction	44
Demographic Background Information on the Study Respondents	44
Findings of the Objectives	47
Chapter Summary	63
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
Introduction	65
Summary	65
Key Findings	66
Conclusions	68

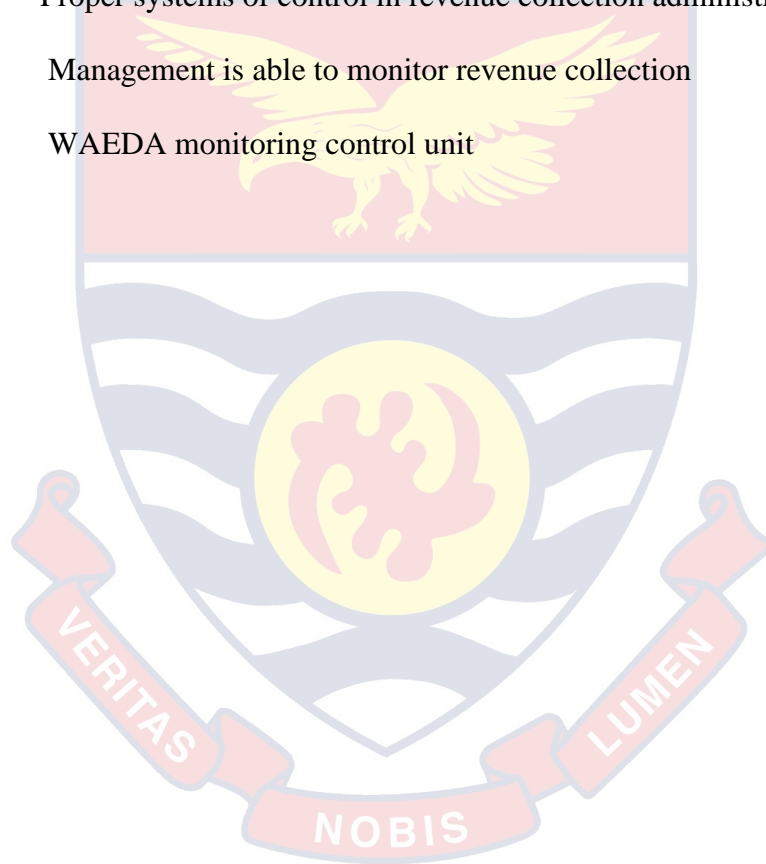


Recommendations	69
Suggestions for Further Research	70
REFERENCES	71
APPENDICES	78



## LIST OF TABLES

Table	Page
1 Cronbach Alpha values for the variables	41
2 The Results of the Demographic Features of the Respondents	44
3 Sources of finance for projects and activities of the WAEDA	47
4 Traditional sources of MMDAs revenue items	48
5 Internally Generated Funds of WAEDA from 2014 – 2016	49
6 Proper systems of control in revenue collection administration	55
7 Management is able to monitor revenue collection	56
8 WAEDA monitoring control unit	57



## LIST OF FIGURES

Figure		Page
1	Shortage of well trained and qualified personnel	59
2	Public education on payment of rates, fees, licenses, etc	60
2	WAEDA has the legal power to impose rates and levies	61



## LIST OF ACRONYMS

DA	-	District Assembly
DDF	-	District Development Fund
IGF	-	Internally Generated Funds
MMDAs	-	Metropolitan, Municipal and District Assemblies
WAEDA	-	Wassa Amenfi East District Assembly



## CHAPTER ONE

### INTRODUCTION

#### Introduction

The purpose of this study is to conduct a study on revenue mobilisation and its utilisation in district assemblies in Ghana using Wassa Amenfi East District (WAEDA) as a case study. This chapter presents the overview of the study which includes the background to the study, statement of the problem, the purpose of the study, objectives of the study, hypotheses of the study, significance of the study, delimitation of the study, and organisation of the study.

#### Background to the Study

The developmental needs of the world, nations and local governments are quite numerous and diverse. It is therefore incumbent on nations and subnational governments all over the globe to mobilise available resources and if possible, source external support to provide their territorial needs. As pointed out by Adesoji and Chike (2013), development is associated with funds and much revenue is needed to plan, execute and maintain infrastructures at both the state and local government levels. As such, while some nations and for that matter local governments in developed countries depended mostly on internally generated funds for development, others (especially developing nations) rely greatly on external sources in the form of loans and aid or grants for growth.

Agreeably Osei and Quartey (2005) have established that central governments often financed developmental gaps with foreign aid; a situation they say perpetuates the country's aid dependency. Meanwhile Lawson (2013) pointed out that, there is a global financial crisis and dwindling levels of aid. In

an attempt to mobilize resources for development, government, multilateral and bilateral institutions serve as the framework within which scarce resources are harnessed. Some legislation instruments grant that, sub-national governments in decentralised societies should mobilize available local resources to design and implement locally fashioned development programmes. Beginning in the 1980s, decentralization and local government reforms have become amongst the most widespread trends in development (World Bank, 2000) which Shah (2005:3) calls a "silent revolution sweeping the globe."

Decentralization has gained support from the world's leading development agencies including the World Bank, United States Agency for International Development (USAID) and the Asian Development Bank (ADB) among others. These agencies (especially the World Bank) have invested significant resources towards decentralisation programmes over the years, embracing it as one of the major governance reforms on its agenda (World Bank, 2000). Based on these, fiscal, political and administrative responsibilities are decentralised from the central to lower-level governments and to the private sector (Dillinger, 1994) to empower citizens to exercise control over local affairs (Nendomachuli, 2011).

One can hardly specifically posit when decentralisation started in Ghana. Across history various guises appeared. Although not formally recognised, historical records speculate 1859, with the promulgation of the Municipal Council Ordinance (Hoffman & Meczroth, 2010). This originally commenced when the British Government introduced indirect rule that lasted up to 1951 when Dr. Kwame Nkrumah was made leader of government business. During this period, the colonial administration ruled the people of

Ghana indirectly using the chiefs. This they did by giving the chiefs and elders in given districts the powers to perform local government functions (Crawford, 2004). Among such functions includes the collection of poll tax and the promulgation and implementation of customary laws. After independence, successive governments in Ghana considered decentralisation as the tool for socio-economic development and for the achievement of political objectives such as legitimacy (Ayee, 2004). It was also to strengthen and expand local democracy; promote local, social and economic development; increase the choices of the people (MLGRD, 2008), and thereby promoting poverty reduction from the bottom up (Johannes et al, 2004).

To ensure effectiveness at the local level, financial responsibility was made a core component of decentralization in Ghana based on the recognition that fiscal autonomy of local government is associated with higher output per unit of labour and higher steady state growth (Brueckner, 2006). Smoke (2003) noted that fiscal decentralization is a government system which involves the assignment of responsibilities comprising the functions and activities at the various sectors of government as well as the assignment of locally generated revenues to local/sub-national governments. Legal instruments have established that each local government unit shall have a sound financial base with adequate and reliable sources of revenue. Section 240 (2c) of the Local Government Act, 1993 (Act 462) and the constitution of the Republic of Ghana (1992), Section 245(b) have widely purveyed a set of legitimate powers to sub-national governments to mobilise funds and carry out spending activities within local government laws. The Metropolitan, Municipal and District Assemblies (MMDAs) are enjoined to collect such revenues as levies, basic rates, property

rates, market tolls, licenses, capital investments among others as sources of revenue.

Like other MMDAs, the Wassa Amenfi East District (WAEDA) is making every effort to efficiently create and broaden its revenue stream and collect all available resources to support the statutory District Assemblies Common Fund (DACF) and other donor supports in the provision of infrastructure and other social services to the people of Wassa Amenfi East. Apart from the Internally Generated Revenue (IGR), other revenue sources of the Wassa Amenfi East District (WAEDA) are the District Assembly Common Fund (DACF), grants, transfers, ceded revenues and external credits (Dick Sagoe, 2012). The District Assemblies' Common Fund (DACF) is a statutory arrangement backed by the 1992 constitution of the republic of Ghana article 252 (1 and 2) and the District Assemblies Common Fund Act, 2003 (Act 455).

By this, not less than 7.5 percent of the pool of the national income is set aside and shared among the MMDAs. All these are intended to give financial and expenditure autonomy to MMDAs to design a strategy of growth more adapted to the reality of their territory (Johannes et al 2004). Yet there are so many untapped resources within the Wassa Amenfi East District (WAEDA) that could contribute to the financial basket of the Assembly.

### **Statement of the Problem**

The main objective of Ghana's decentralization system is to involve the citizens. This is to help government to be in a better position to identify their needs, problems and challenges which will the former to meet such needs accordingly. Therefore, the MMDAs rely on statutory fund from central government to perform their responsibilities of improving livelihood and



wellbeing of the local people. Unfortunately, the Central Government seems not to release the statutory fund and if it does, it appears to be inadequate to implement projects and activities of the assemblies.

Moreover, the MMDAs by the Local Government Act (Act 462 of 1993) represents the executive arm of government at the decentralized level and for that reason they are enjoined by law to identify, generate, and collect revenue in form of rates, tolls, property tax, fees and fines among other things and to make expenditures in accordance with the Laws and Acts of Ghana to boost their financial base for development of the locality. In addition to the Internally Generated Funds (IGFs), the MMDAs are expected to fashion out projects and programmes that allure to gaining revenue to meet the implementation of projects and organising activities that in long run help poverty reduction in their local areas.

Generally, most Assemblies face challenges such as poor infrastructure, lack of logistics, personnel and resources to enable them identify revenue sources, collect and utilize revenue to implement development projects (Owusu, 2012). This makes it extremely difficult for most MMDA's to generate the required revenue to finance its budget. Likewise, the Local Government Act 462 of 1993 could not envisage the challenges MMDAs would face in attempt to generate additional revenue in their respective assemblies. For instance, there are lack of information on the resources and activities within the boundaries of each assembly which could impede revenue mobilisation in their respective districts. In addition, there are land litigations and court issues that make it difficult for some assemblies to identify, assess and mobilise revenue from companies and business activities closed to the boundaries of each assembly.

These and other factors may affect revenue mobilisation and utilisation of assemblies raise concerns to be studied.

Therefore, this study seeks to find answers to how a local Assembly identifies and mobilises revenue for the implementation of projects in MMDAs in Ghana, particularly, Wassa Amenfi East District Assembly.

### **Purpose of Study**

The purpose of this study is to conduct a study on revenue mobilisation and its utilisation in district assemblies in Ghana using Wassa Amenfi East District (WAEDA) as a case study.

### **Research Objectives**

The specific objectives of the study are to:

1. Identify the revenue streams in the Wassa Amenfi East District.
2. Investigate the challenges associated with revenue mobilisation in Wassa Amenfi East District.
3. Assess the effects of revenue mobilisation on the implementation of projects, programmes and activities of the WAEDA.
4. Find out how the Wassa Amenfi East District can improve revenue mobilisation for the implementation of projects, programmes and activities.

### **Research Questions**

This study sought to find answers to the following questions:

1. What are the revenue streams at the Wassa Amenfi East District?
2. Are there challenges facing the Wassa Amenfi East District in revenue mobilisation?
3. What effects does revenue mobilization have on the implementation of projects, programmes and activities of Wassa Amenfi East District?

4. How can the Wassa Amenfi East District improve on revenue mobilization for the implementation of projects, programmes and activities?

### **Significance of the study**

The findings of this study if applied would help to enhance the democratization governance and decentralization machinery by the Government of Ghana as well as the responsibilities of the Ministry of Local Government & Rural Development, since they have the mandate to promote a vibrant and well-resourced establishment and development of decentralized system of local government for the people of Ghana.

This study could inform the Wassa Amenfi East District Assembly in particular and other Assemblies in Ghana to reconsider appropriate policies, set targets and adopt strategies to implement, monitor, evaluate and coordinate programmes, projects and generate adequate revenue for the development of their communities in Ghana. This is because the formulation and implementation of development policies are often driven by data such as specific demographic and socioeconomic information (GSS, 2014).

Moreover, a study of this nature will uncover the attitude and knowledge of taxation and local governance systems in Ghana which will in turn inform policy makers on the appropriate areas to address and measures to be adopted to educate their people and expand their sources of revenue mobilisation. Therefore, the study will eventually provide useful information that could lead to an improved Local Governance system not only in the study district but in other areas. Particularly, it will serve as a reference guide for Local Government practitioners in Ghana and the management of Wassa Amenfi East District Assembly since it will provide useful information on ways to improve revenue

mobilisation and how revenue could be utilized in order to realize vision of decentralization in governance system of Ghanaian republic.

More also, the findings will unearth the various sources of revenue, concerns of the people in the district and the challenges, if any, faced by the revenue mobilization team and how the funds could be improved to utilize projects and programmes implementations in the communities. The study will also assist other interested institutions or investors both internal and international in the development of infrastructure and welfare of Ghanaians on how they could effectively collaborate with government to make more responsive impact to the needs of the country.

Finally, the study will add to the existing stock of knowledge on Local Government Financing and Project Implementation and also serve as a basis for further research and useful document for other researchers.

### **Scope of the Study**

The study is limited to the Wassa Amenfi East District Assembly. This is because the functions of district assemblies as outlined in the Local Government Act, Act 462 though may vary are virtually the same for all District Assemblies. Very little difference exists in the structure and composition of District Assemblies in Ghana. Coupled with the fact that the research has to be completed within a defined academic time frame, it will be practically difficult if not impossible to include all the 22 MMDAs in the Western Region as part of the study or all the MMDAs in Ghana. Therefore, a case study research style is employed to provide as an optional choice of Wassa Amenfi East District Assembly (WAEDA) to be the study area.

WAEDA contributes significantly to the development of Ghana in terms of foreign exchange and income from its production activities. There are a significant number of organizations and agricultural activities. People of Wassa Amenfi East are predominantly farmers of Cocoa, Oil Palm, Rice, Plantain, Cassava and subsistent vegetable plantations. Tourism potentials also exist in the district such as a natural lake called Lake Broso, sacred tree species at Moseaso and Manseso, a sacred stone at Asrewadi forest, an undeveloped waterfall at Akwadaakro, and a cave at Tawiahkrom. (GSS, 2014).

The 2010 census report indicated that the Wassa Akropong is the major market with other satellite markets such as Opon Valley, Nananko, Bawdie/Dompim and Japa that boost economic activities in the district. It further revealed that there are more small-scale mining activities at various parts of the district and believed it is a potential for the establishment of more banks (GSS, 2014). There is Amenfiman rural bank with an agency at Bawdie and four micro credit organizations also operate in the district. These are Ghamfo Savings and Loans Company, Multi credit Company Ltd, Boin Microfinance Company and Jodga Financial Consult (GSS, 2014).

The District occupies an area of 1600 square kilometres which represents about 8 per cent of the size of the Western Region. According to the District Analytical Report for WAEDA of the 2010 Population and Housing Census revealed that the population size of the district is 83,478 representing 3.5 per cent of the region's total population. Males constitute 51.4 per cent and females represent 48.6 per cent. Ninety-three per cent of the population resides in rural areas. The report revealed that 42.0% of the populace is youth and the

elderly persons are 5.5%. The total age dependency ratio for the District is 84.3. (GSS, 2014).

The district has a household population of 81,441 with a total number of 18,620 households. The average household size in the district is 4.4 persons per household. Children constitute the largest proportion of the household structure accounting for 46.3 per cent. Spouses form about 12.3 per cent. Nuclear households (head, spouse(s) and children) constitute 37.7 per cent of the total number of households in the district. (GSS, 2014). The District was established in 2004 by a Legislative instrument (LI) 1788 in the South Eastern part of the Western Region. It is located in the middle part of Western Region and lies between latitude 5.30 N and 6.15N and longitudes 1.45 W and 2.11W. District was carved out from Wassa Fiase Mphohor District in 1988. The District forms part of twenty-two (22) Metropolitan, Municipal and District in the Western Region of Ghana.

The Administrative District capital is Wassa - Akropong, which is 6.7 km from the Cape Coast Takoradi main road. The District shares boundaries with Mphohor District to the west, to the east with Twifo/ Heman/ Lower Denkyira and Twifo-Ati Mokwa, to the south with Shama District and Komenda/ Edina/ Eguafo/ Abirem Municipal.

### **Limitation of the study**

The research study was constrained by time as it carried out alongside academic work which is tailored within a specific period. Though, the study would have comprehensively given detailed information concerning revenue mobilization, projects utilization and financial challenges facing all the district assemblies in Ghana. More also, it could not cover all households in the

WAEDA community in the sense that the district is quite large with dispersed revenue centres and therefore will require huge financial expenditure for transport and longevity of time to all the rural areas.

Moreover, inappropriate records keeping culture and busy schedules of MMDAs staff such as those in the revenue unit posed a limitation to adequate secondary information and questionnaires administration to those selected to participate in the research study. Therefore, the researcher resorted to sample representation of the population for the study to meet the deadline stipulated for completion of the work. Also, a research assistant had to be employed to administer their questionnaires at odd hours since the researcher has to travel back to school for lectures.

### **Organisation of the Study**

The study is organised into five (5) main chapters. Chapter one dealt with the background to the study, the statement of the problem, objectives of the study, research questions, significance of the study, scope of the study, limitation and organization of the study. The succeeding chapter is chapter two which is the literature review. It reviews relevance information on mobilization and utilisation of revenue, development and implementation of projects in communities and other related information of the district assembly governance in Ghana. The third chapter presents the methods and procedures employed to collect data for this research. The data analysis and presentation of findings is found in Chapter four. Chapter five concludes the study with the summary of the discussions, conclusions and recommendations for further studies.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This chapter reviews the decentralization process, the Metropolitan, Municipal and District Assemblies (MMDAs) concept and revenue generation in Ghana. Also, it discusses the sources of revenue and revenue mobilization processes for the MMDAs and examine the present legal status, authority and functions of District and Municipal Assemblies in Ghana with particular attention to WAEDA. Nonetheless, this chapter did not exclusively concentrate on Ghana, but brought up the activities of local governments of other countries that have similarities to that of Ghana. It also discusses some theories propounded by scholars with regards to the ability of Metropolitan, Municipal and District Assemblies to mobilize revenue and how the revenue mobilised are subsequently utilized.

#### Theoretical Review

Theoretical models are a body of knowledge that seeks to observe, understand and explain concepts. According to Colombo (2017), the theory is a proposition which can account or explain certain phenomena or event in concept. It is very useful in research as it serves as an open eye to numerous possibilities and ways of modelling contemporary challenges in the world. There are several theoretical approaches towards on revenue mobilisation and its utilisation, but this study will consider the Organisational Learning Theory (OLT) to explain the revenue mobilisation and its utilisation in district assemblies in Ghana using Wassa Amenfi East District (WAEDA) as a case study. This is discussed in detail below:



## Organisational Learning Theory

The study considered adopted the organisational learning theory to explain the revenue mobilisation and its utilisation at WAEDA to be proactive in identifying historical trend of its weaknesses and strengthening its capacity to fulfil its mandate. The theory maintained a process improvement that can increase efficiency, accuracy, and profit through learning. According to Braun and Benninghoff (2003), the theory states that, in order to be competitive in a changing environment, organisations must change their goals. This aims at improving the functions of policies and organisations by changing skills, performance and improving the problem-solving capacity of an organisation to make it better prepared for the future (Osen & Peter 1996, cited in Common, 2012). That, organisations change actions in response to a change in circumstances and consciously link action to outcome.

According to proponents of the theory, the first part of the learning process involves data acquisition. Proponents pointed out that, an institution acquire knowledge of valid action-outcome links, the environmental conditions under which they are valid, the probability of the outcomes, and the uncertainty around that probability. Tax administrators have to continually update their tax collection activities, either through additions of tax information or rejections based on new evidence. Ways of doing this included experimentation, benchmarking, observation and so forth. A critical point is that firm's action will-and must-change in response to changes in the environment.

According to the theory, successful firms will have to scan their environment for signs of change, real or anticipated, to determine when change is necessary. The second part of the process is interpretation. Organisations

continually compare actual to expected results to update or add to their knowledge so as to develop new performance culture. Here all tax actors including tax administrators, tax payers and beneficiaries, chiefs and opinion leaders are all involved in formulating revenue collection and utilisation policies. Possibly, participatory policy making increases commitment, ownership and willingness to implement the plan (Pedler et al, 1997). In this regard, revenue actors are put together to appraise tax performance so that unanticipated results are assessed for causation. This takes us to the third stage which talks about adaptation/action. This is when the firm takes the interpreted knowledge/result and uses it to select new action appropriate to the new environmental conditions (including internal, external and technological). Possibly, this could be affected to a large extent by the complexity and dynamism the institution (in this regard, MMDAs) experiences.

The import of this is that, MMDAs (especially the WAEDA) ought to adopt best internal revenue mobilisation performance practices. These MMDAs can do by evaluating their revenue mobilisation performance as against their IGF mandate. Through appropriate data collection, anomalies that hinder effectiveness and efficiency can be identified and new performance culture developed.

### **Conceptual Review**

#### **Decentralisation in Ghana**

According to Ayee (2000), the account of decentralization in Ghana dates back to the introduction of indirect rule by the British colonial authorities in 1878, lasting until 1951. This means that the colonial administration ruled indirectly through the native political institution precisely the constituted chiefs

and elders of communities as a local authority, with powers “to establish treasuries, appoint staff and perform local government functions” (Nkrumah, 2000).

Nkrumah (2000) also makes the interesting observation that, under indirect rule, downward accountability of chiefs to the people were replaced by upward accountability to the colonial authorities: “the democratic ideals underlying chieftaincy in Ghana, which made chiefs accountable to their people, began to suffer as the recognition by the central government were more crucial to the chief than the support of his people”. Historically, decentralization was reformed and reintroduced in Provisional National Defence Council (PNDC) era (1981-92) where Rawlings regime declared a policy of administrative decentralisation of central government ministries, alongside the creation of People’s Defence Committees (PDCs) in each town and village. The local PNDC activists effectively took over local government responsibilities, though often limited to mobilising the implementation of local self-help projects (Nkrumah 2000).

According to the Local Government Act, Act 462 (1993), the primary objectives of decentralization and therefore the establishment of MMDAs are to: Transfer real power to local people to enable them handle local priorities; Create a democratic environment and institutions in Ghana for governance and development at the local level, which facilitate the participation of the grassroots in decision making; Improve accountability and effectiveness by bringing political and administrative controls over services to the communities where they are delivered; Empower local communities and local officials and to free them from constraints imposed by central government; Provide a clear

link between payment of taxes and service provision; Empower District Assemblies to plan, budget, finance and provide services to their residents; and Mobilize the mass of the people in the area for socio-economic development at the local level.

### **Sources of local government revenue**

The ability of the Assembly to perform its activities and responsibilities mainly depends on the availability of revenue. The revenue generated helps the assembly in the execution of developmental projects, payment of allowances for employees of the assembly, payment of assembly members' sitting allowance, ex-gratia awards and others and facilitates the funding of operational and maintenance cost of MMDAs in the country (MMDA Manual, 2010). According to the Manual, there are three main sources of District Assemblies revenue which are; Appropriation from Government, Retained Internally Generated Fund and Grants and Donors Funding.

These main sources of 'own revenues' are usually in the form of property rates in urban councils, market fees, business licenses and various user charges, often in the form of surcharges for services provided by or on behalf of the local government authority. Despite that, many experiences from other African countries show that these revenue instruments have serious limitations or shortcomings. For instance, Aryee (2003) also reported that the source of revenue for the Assembly is categorized into three Grants from central government, Internally Generated Fund and ceded funds. Also, property taxes can be very costly to administer as explained by (Brosio, 2000). According to Darison (2011), among the sources, the major contributor to the District Assembly is the grant from central Government which constitutes 67.2 percent

of the total inflow 2003 to 2005. The donor funds constituted 28.4 percent while the Internally Generated Fund was only 4.4 percent. The Internally Generated Funds could be tax or non-tax revenue. The internally generated revenue otherwise known as the locally generated income tax includes sources of revenue such as license/store fees, public kiosk rent, property rate, market toll, hawkers license, toilet fees, bar operations' license, lorry park tolls, street/light/water levy, special levy and birth and death registration. Some of the sources of revenue are explained below.

### **Rates**

Section 94 of the Local Government Act 1993, (Act 462) provides that, “District Assembly shall be the sole authority for the district and subject to any special provision in the Act or any other enactment; no other authority other than the Assembly shall, notwithstanding any customary law to the country have power to make or levy rates in the districts. Addition to the above, section 95 also states that, “District Assembly shall levy sufficient rates to meet their estimated expenditure”. According to section 96 of the Local Government Act, 1993, rates may be classified as general and specific rates. While specific rates involve rates levied over specified areas because of specific project(s) approved by the district assembly, the general rates on the other hand are rates made and levied over the entire district with the aim of developing the district. Property rate and basic rates are the two major categories under general rates. According to Mikesell (2002), property rate is a major source of revenue in many urban types of council. For example, a research conducted by Fjeldstad and Semboja (2000) revealed that in the 1990s, property taxes accounted for 40

percent of all sub-national taxes in developing countries but less in several countries due to outmoded collection methods.

### **Fees**

It simply refers to payment made to a professional person or to a professional or public body in exchange for advice or services. Section 34 of Act 462 allows District Assemblies to charge fees for any service or facility they provide. These are user charges levied on services provided by the Assembly. Per Act 462, the range of items where fees are levied by the District Assembly include slaughter house, cattle ponds, trading kiosks, market dues, and market tolls.

### **Licenses**

These are official documents, which give one, permission to own, do, or use something usually after money has been paid. Licenses form part of the tax component of the current revenue of government. These are used to finance general expenditure. Licenses are issued for a host of items and activities. The licenses are for control purposes rather than a revenue instrument. These include licenses issued to Drinking Bars, Restaurants or chop Bars and Hotels, petroleum installation etc.

### **Trading services**

Another source of revenue to district assemblies is trading activities. Here, they undertake trading activities which generate revenue for them. However, this is a minor source of revenue to most District Assemblies.

### **Property rates**

It is a rate levied on immovable property at a special rate per cedi on a ratable value of the premises. Determination of the ratable value of the premises is done by the Land Valuations Board.

#### Land's royalties

This comprises of levies imposed on Building Plans and Permits as well as stool lands payable to the Assembly.

#### **Annual basic rate**

This is generally a regressive tax payable by all people of eighteen (18) years and above. It is a poll tax and broad based by 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 institution.

#### **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.

#### **Possession tax**

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

#### **Miscellaneous**

This is any other revenue generated outside the above-mentioned sources. The table below further throws light on the types of local revenue generated by Local Authorities in Africa.

#### **Meaning of project**

The definition of a project is elusive and has different meanings according to different writers. For example, Munns and Bjeirmi (1996) of the department of civil engineering, university of Dundee, Scotland, defined a project as “the achievement of specific activities and tasks which consumes resources. It has to be completed within a set specification having definite start and end dates”.

According to Johnson (1984) “A project is a planned complex of actions and investments, at a selected location, that are designed to meet output, capacity or transform goals in a given period of time using specified techniques”. The British Standard Institute defined a project as “An enterprise (activity or set of interrelated activities) that has a definable start and a definable completion. (Gould, 1999). It is explicit from the above expressed views that a project is a set of planned activities in a specific location on which resources are spent to produce desired results within a specific time limit.

### **Legal framework of district assemblies in Ghana**

The decentralization programme currently in operation in Ghana was initiated prior to the national democratic transition in the early 1990s. In 1988, the PNDC government introduced a major piece of legislative reform, the *Local Government Law* (PNDC Law 207). Owusu (2012) established the fact that a failure to establish local government service has adverse implications for local government autonomy and its ability to provide those services for which it is responsible.

Originally, this law gave birth to 110 designated districts within the ten regions of Ghana with non-partisan District Assembly (DA) elections held initially in 1988/89 and subsequently every four years. Non-partisan practices are used to elect Two-thirds of DA individual members and one-third of members are appointed by central government including a chief executive for each district (Pinkney, 1997).

The stated aim of the 1988 *Local Government Law* was to promote popular participation and ownership of the machinery of government by devolving power, competence and resource or means to the district level.



Oquaye (2001) suggested that this decentralisation exercise were “largely introduced to satisfy donor demands”, but Ayee embraced contrasting self-serving motives. According to Aryee, (2000), the real reason for the PNDC’s decentralisation policy was an attempt to increase their legitimacy and simultaneously to rid themselves of political problems. The Article 24i (3) in the 1992 constitution stated clearly that the status of the District Assembly (DA) is “the highest political authority in the district, with deliberative, legislative and executive powers” [Article 24 i (3)] of 1992 Constitution.

All the Districts Assemblies are actually divided into three types of Metropolitan, Municipal and District Assemblies, depending on the size of the district. Those in the major cities and towns are called Metropolitan Assemblies and Municipal DAs range in size from 54 to 130 members with both elected (70%) and appointed (30%) members (USAID, 2003). Local elections are held every four years at approximately the mid-term point in the central government administration. The MPs are also entitled to participate in the Assembly, though in a non-voting capacity, while the District Chief Executive is an *ex-officio* member. District Assembly members elect a Presiding Member from amongst their number, responsible for the three to four general assembly held each year, during which the District Assembly acts as a district legislature.

### **Powers and functions of district assemblies (DAs)**

The powers and functions of DAs, are extensively laid out in the 1992 Constitution and the Local Government Act (Act 462) of 1993. In many instances, however, such powers and functions are shared with central government ministries and agencies, not dissimilar to the dual structure in which central and local government institutions operated in parallel, characteristic of

the pre-1988 period (Ayee, 2000). DAs are accorded wide-ranging powers by the 1992 Constitution and the Local Government Act of 1993 within their designated geographical area. They are the highest political and administrative authorities; Planning authorities; Development authorities; Budgeting authorities; and Rating authorities. (Ayee, 2000)

The 1992 Constitution and the Local Government Act of 1993 delineate six broad functions of the DA, as follows: To give political and administrative guidance, give direction and to supervise all other administrative authorities in the District; To exercise deliberative, legislative and executive functions; To be responsible for overall development of the District and ensure the preparation of (a) Development plans of the District and (b) The budget of the District related to the approved plans; Effective mobilisation of the resources necessary for overall development of the District; Promotion of productive activity and social development; To co-ordinate, integrate and harmonize the execution of programmes and projects under approved development plans for the district and other development programmes promoted or carried out by Ministries, Departments, Public Corporations and other Statutory Bodies and Non-Governmental Organisations in the District (Ayee 2000: 466-7).

These broad functions are then given detail and sub-divided into 86 particular functions, specified in the Legal Instruments that created the DAs, and including such significant areas as “roads, forestry, agricultural extension, secondary education, health service delivery, fire prevention, town and country planning” (Nkrumah, 2000). Ayee (2000) categorizes these specific functions into deconcentrated, delegated and devolved public services, thus indicating the involvement of other actors, mainly central government departments and

agencies, and their differential powers. Examples include: the provision of public health in consultation with the Ministry of Health; water supply in conjunction with the Ghana Water Company; public lighting in conjunction with the Electricity Corporation, and so forth. Some delegated tasks are carried out by sub-district structures, for example, the registration of births and deaths by Unit Committees (Ayee, 2000).

Devolved public services entail full power and responsibility residing in the hands of the DA, having legislative power to make bye-laws (subject to approval by the Minister for Local Government), revenue-raising powers, and decision-making powers. Examples of such devolved services are: district development planning; construction of public facilities such as roads, parks and cemeteries; provision of relief services at times of natural disaster (Ayee, 2000). This category of devolved public services permits DAs to exert “autonomous discretionary powers”. It was apparent that DAs have at least partial responsibility for a large number of important and wide-ranging functions and public services. Yet they only have full control over the minority of devolved public services, acting alongside deconcentrated state institutions or as executing agents of central government policies in the other two categories. Therefore, on the one hand, the exercise of “autonomous discretionary power” was limited to devolved public services, estimated as representing one quarter of District Assembly Common Fund (DACF) disbursements (USAID, 2003).

Consequently, the overburdening of DAs could have an adverse effect on their ability to deliver the limited range of services for which they do have sole responsibility and discretionary powers, weakening public confidence in district level government.

## Concept of Public Revenue

The Oxford Advanced Learner's Dictionary defines public revenue as the money that a government receives from taxes and other sources. In simple terms, revenue is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Some companies receive revenue from interest, dividends or royalties paid to them by other companies (Carcello, 2008).

However, according to Dalton (2003), the term "Public Income" has two senses — wide and narrow. In its wider sense it includes all the incomes or receipts which a public authority may secure during any period of time. In its narrow sense, however, it includes only those sources of income of the public authority which are ordinarily known as "revenue resources." To avoid ambiguity, thus, the former is termed "public receipts" and the latter "public revenue." Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time. Profits or net income generally imply total revenue minus total expenses in a given period.

### Reasons for low revenue mobilization

Using the information from the registers, they say that the tax administration must classify the tax object correctly for a unit tax assessment such as a license fee system or it should be valued correctly for an ad valorem tax assessment such as a typical property tax system. To them accurate business classification for tax assessment depends on:

- Having sufficient and unambiguous information on the business characteristics needed by the staff to correctly classify the businesses,
- Trained staff who can classify correctly and consistently,

- Proper supervision and oversight for quality control and
- An appeal process to deal with cases of misclassification.
- Accurate property valuations similarly depend on:
- Having good descriptive physical property information which can be linked to market data or indicative valuation measures to ascertain the relative property value
- Trained and knowledgeable staff who can use this information to determine the relative valuation of property,
- Proper supervision and oversight for quality control and an appeals process to deal with cases of mistakes in valuation.

They further argue that both the classification and valuation accuracies affect the revenue potential, equity, efficiency, administrative feasibility and political acceptability. Generally speaking, business classification is quite straight forward. It is based on objective descriptive information such as type of business and its size.

### **Local government revenue**

Local government revenue refers to funds collected and received by the MMDAs. (Owusu, 2012) The Accounting Manual for MMDAs (2011) defines revenue as the earnings of the Assembly within an accounting period. Revenue is recognised when cash or service associated with the transaction flow to the Assembly. For cash transactions, the revenue is recognised on receipt of payments. For other transactions, revenue is recognised when it is earned by law (i.e. non-tax revenues) or by contract (goods or services are supplied by the Assembly).

According to Lutaya (2009), the major sources of revenue in Uganda are categorised into four major levies types which are User Fees and Charges, Property Revenue, Revenue from specific Trades and Revenue from persons in gainful employment. The User Fees and Charges include Hotel tax, Trading Licenses, Parking fees (cars, taxis, buses, motor cycles etc), Market dues, Fish Monger permits, Tender application fees, Tourist license fees and Registration fees for certificates of birth, marriage, death and political party registration. The Property Revenue comprised Rent on commercial buildings and land, Ground Rent, Building plan approval and inspection fees, Sale of boarded assets and Land search and registration fees. The Revenue from specific Trades consist of Slaughter fees, Traditional healers practice fees, Brewing and sale of alcohol, Transportation of charcoal and wood, Lumbering and Permits for stage plays and public entertainment. And the fourth group which is revenue from persons in gainful employment is a local service tax is applicable to artisans, businesspersons and commercial farmers. (Lutaya, 2009).

In Ghana, though local revenue sources differ from one local assembly to the other, the three main sources of finance are Internally Generated Funds, Transfers from Central Government and Donor support. The Act 462 of the Local Government Act, 1993 listed Basic rates, Special rates, Property rates, Fees and charges, License fees, Trading services, Rent and Investment income as the traditional sources of MMDAs revenue items. Legally, every Assembly is required to maintain a detailed list of its internal revenue sources and in addition keep relevant information on total potential collectable revenues.

The Local Government Act, 462 of 1993 provides that the District Assembly shall be the planning authority, responsible for the overall

development of the district. All districts are therefore required to prepare District Medium Term Development Plans (DMTDP). These plans were link to the Medium Term Expenditure Framework (MTEF) as a public sector budgeting system. The district budgets show the policy intent of the local government authority and how to finance it. It serves as a tool for allocating financial resources for the implementation of the district plan and as such link to the achievement of the objective of the plan. Local Government finance provisions are defined in Article 245 and 252 of the 1992 Constitution and Section 34, Part VII and Part VIII of Act 462.

### **Types of local government revenue**

The operations and functions of the assembly depend on the availability of revenue. Plans, sectorial activities and development activities in the district are financed from the revenue collected from different sources. The revenue was used among others to facilitate the execution of development projects, pay allowances and other incidental expenses for employees of the assembly, pay assembly members' sitting allowance, ex-gratia awards and others and facilitates the funding of operational and maintenance cost of MMDAs in the country. The main sources of District Assemblies revenue are Appropriation from Government, Retained Internally Generated Fund and Grants and Donor Funding. (MMDA Manual, 2010).

### **Importance of local revenue to local governments**

Ziria, (2008) outlines the importance of local revenue to Local Governments as follows:

- Financing administration costs (e.g. in Uganda councilors' emoluments and employee costs);
- Financing maintenance costs and thus promoting ownership of projects;

- Permits collection of localized and low yielding revenues;
- Guarantees sustainability of service delivery and autonomy of local governments;
- Regulates businesses and provides important infrastructure and services such as markets and public conveniences at a charge;
- Reduces pressure on central governments and reliance on donors.

### **Factors that affect low revenue**

Aryee (2003) in a study listed factors that account for low revenue mobilization in MMDAs as: Poor administrative capacity to assess the revenue base and enforce the payment of taxes; Explicit and intentional tax evasion and resistance from taxpayers; Corruption, including embezzlement of revenues by revenue collectors; External pressure on the local finance department to provide optimistic projections in their budgets; Political pressure on the local tax administration to relax on revenue collection especially during election periods; and Poor budget formulation and implementation.

### **Revenue mobilization and procedures**

The decentralization programme devolves revenue and expenditure responsibilities to the local authority. The districts thus adopt a number of techniques to support them in mobilising as much revenue as possible. There are two main categories of revenue collected by the Assemblies. These are Grants or funds from the Central Government and revenue generated by the Assembly itself in the forms of fees and rates. The Head of the Assembly is charged with the responsibility of generating and collecting internal revenue for the Assembly's operations. All such revenues collected are deposited into the Assemblies designated Bank Accounts (Accounting Manual, 2011). Revenue collection in the Assemblies consists of appointment of commission rate



collectors who collect rates on behalf of the Assembly and the Assembly's own staff.

Before the revenue collectors start the collection for the assigned area, they are issued the following items: a ledger, a daily report book and identification card. In the discharge of their duties, the following procedures are observed for the collection of revenue: the appropriate serial numbers of rateable persons are checked, appropriate ledger sheet used, and after collection is done, the collector returns the ledger together with the daily report, collections and identification card to the senior collector. The senior collector then, check each of the amount collected to ledger to see whether the correct amount has been collected. S/he then reviews the daily reports sheet for details of not available ratepayers, defaulters, and other relevant matters that are indicated in the ledger. Finally, the revenue head carries out a final check of all ledger books and pass them to the appropriate progress sheet for subsequent forwarding to the finance officer and update of his register (MMDA Manual, 2010).

### **General considerations in revenue mobilization**

The following criteria are important considerations that the Assemblies factor in deciding on revenue sources in their area of operation. One, the adequacy of the revenue source should be considered. The identified revenue source should be capable of yielding substantial revenues. This was because small revenue sources are expensive in terms of expenditure on collection and effort (FOAT/DDF Training, 2010). Next was the elasticity of the revenue source. The identified revenue sources should be capable of yielding additional revenues to respond to the increasing demand for services from the community over time. Further, equity and administrative capacity of the source are

considered. Taxes charged by the Assemblies should be based on fairness and the ability of each taxpayer to pay. Also, the cost, effort and time involved in administering a particular revenue source should not be more than the revenues collected. Other factors to consider in deciding on a revenue source are the political acceptability of the revenue source, the economic impact on the propensity of taxpayers to work, save, consume or invest and the tax base coverage.

### **Strategies for effective Internal Generated Revenue**

Korkor (2003) believed the MMDAs could adopt strategies generate enough IGFs in order to implement their projects and programmes in their communities. Among such strategies are Public education on payment of rates, fees, licenses, etc by corporate bodies, traders, property owners etc.; Revaluation of immovable properties to reflect the true earnings values of such properties; Introduction of new business operating permits; Engagement of private revenue collectors; and Use of task force and the police to enforce payment of fees, licenses, etc.

### **Strategies for improving revenue performance**

To facilitate the planning and execution of revenue collection, each district was divided into geographical main control areas. The main control areas are in turn divided into sub-control areas. Each sub-control area was represented by a ledger book, or sometimes more than one book in the case of very large sub-control areas, the ledgers are split into more managerial sizes. In distinguishing between each ratable person and tenement in the sub-control area, area code, revenue code and account number are prescribed.

At the middle of each month, the revenue heads prepare a programme for the following month, showing for each unit committee within the main town

or area council in the district, the date on which the collection is to be made and by when (MMDA Manual, 2010).

### **Empirical Review**

Schroeder (2000) revealed in a study that Weak Administration, Collection and Enforcement processes are reasons for poor revenue mobilization in the Malawian local authorities. They found out that, generally incomplete revenue base information, low collections and virtually non-existent enforcement account for low revenue. Although policy can be fine-tuned, the primary obstacle to successful local revenue mobilization is weak administration. Weak administration, combined with a lack of political will for enforcement, generates a low level of local revenue mobilization performance. There is general agreement that the local assemblies have substantial potential for enhancing local revenues—especially from business licenses and property rates (Schroeder, 2000).

Local revenue collection rates in Malawi are low—estimated to range between 20-50 percent. This is only an estimate since statistics on actual collection rates are difficult to identify since information on actual revenue collections is difficult to assemble and is usually compared based on tax collection targets not on billed liabilities or potential revenues. To date, local assemblies rely mostly on individual persuasion to mobilize revenues—rather than utilizing the various enforcement mechanisms available through the Local Government Act.

According to Kelly et al (2001), lack of collection ability and enforcement can be attributed to several factors such as Lack of apparent political will, Poor local facilities, Lack of education on tax responsibility, Tax

Base Coverage, Property Valuation and Classification. Therefore, they suggested that education and incentives should be given to those involved in the revenue mobilization effort.

Also, the taxpayer must be convinced to pay the tax through receiving improved local services and perceiving that the taxes and fees are being administered fairly. The first priority must therefore be to improve service delivery—since people are always more willing to pay taxes and fees if in return they receive some tangible benefits or services. (Kelly et al, 2001).

As with all taxes, attention should also be given to educate the taxpayer on the rationale, procedures, obligations and responsibilities related to the business licenses and property tax. 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.

Kelly et al (2001) conclude that the coverage ratio of the local government revenue registries seem to be quite low resulting from non-existent, incomplete and or outdated information on the taxable objects, properties and businesses. Local business license registers contain only information on those few smaller businesses being licenses issued by Assemblies. Information on any larger businesses is contained in the business register at the Ministry of Industry and Commerce (Malawi). The property tax registers are also in various levels of completeness. Within the district assemblies, property tax registers do not exist and must be created for the first time. In the previously rateable areas, the property tax registers may be incomplete and out of date.

Adedokun (2007) has identified shortage of trained personnel, lack of capacity and retain personnel, the dependence syndrome, state control over local Government budget as problems that inhibited local government tax mobilization in Nigeria. Shortage of well trained and qualified personnel which are supposed to serve as tool for collection of taxes and rates at the local level, even the few available are not properly trained in efficient budgetary and financial management systems. Also most of the local governments are short staffed to carry out their duties. Local governments lack the capacity to attract and retain the right calibre of staff to articulate plans and execute programmes and projects in order to transform the lives of the grassroots people.

Despite the fact that there are constitutional provisions for statutory allocations and internally generated revenues, local governments are tightly controlled and subordinated by state governors through sundry mechanisms, including manipulation of the disbursement of financial transfers to them. Local governments in Nigeria mobilize their funds solely from external sources. The external sources include federal and state governments financial transfers like grants, statutory allocations, share of Value Added Tax (VAT), receipts and loans. These external sources introduce a dependency syndrome in local government revenue mobilization effort. Any setbacks from the external sources have adverse effect on the administrative machinery and execution of some local government viable projects. This also has weakened their internal revenue mobilization capacity.

Another constraint that is imposed on local government revenue mobilization capacity is state control over local government budget, which is made to pass through many levels of approval in the hands of the state or central

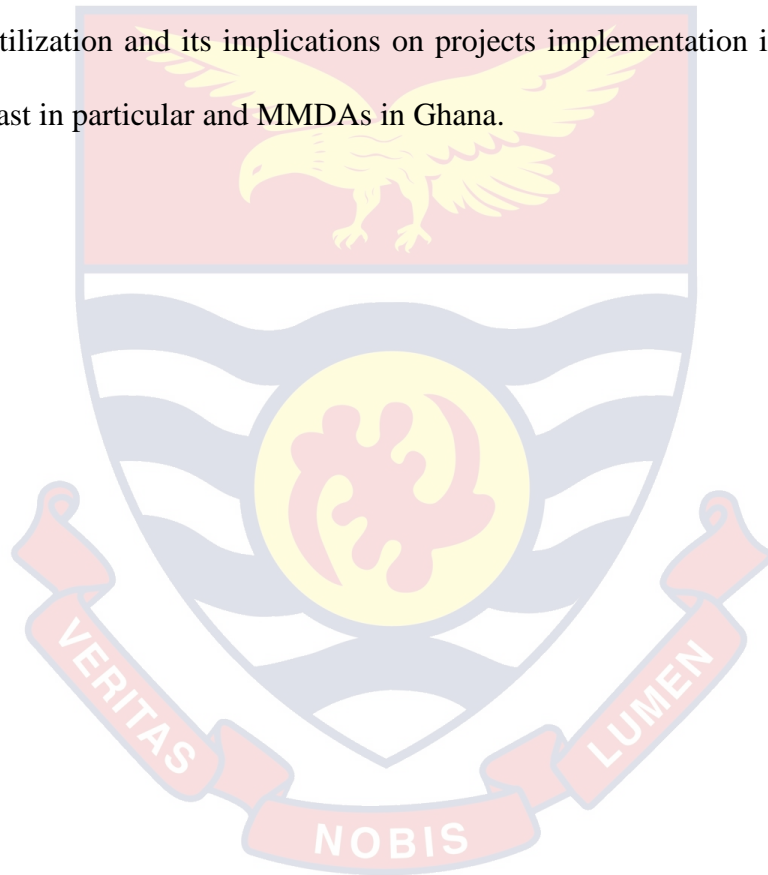
government. Even after approval, post-budget controls still impose further restrictions on what local governments can do. The delay in the passage of annual budget for local governments poses a great problem in the sense that budget sometimes take 3 months before approval. Invariably, this will cause delay in execution of local government functions including payment of the staff salaries and hinder infrastructural facilities to be put in place. In 1996, some newly elected Chairmen of Local Governments in Nigeria condemned in its entirety the horizontal sharing formula of the local government's allocation from the federation account which was equality (40 per cent) population (30 per cent), land mass/terrain (10 per cent) social development factor (10 per cent) and internally generated revenue (10 percent). This formula will continue to yield less revenue for many local governments especially when more local governments are created.

In addition, insincerity of council staff on field assignment poses greater problem because most of them usually divert collected council fund for their personal usage thereby denying the council of the needed funds for its operations. Some local governments Chairmen deposited local Government's subventions into savings and loans companies in which the local governments had no account. Some local governments see this as an avenue to divert council's funds for personal use.

### **Chapter Summary**

MMDAs are the decentralized local governance systems in Ghana mandated to mobilize revenue and implement infrastructure projects, programmes and social interventions in their communities. The literature reviewed the powers and functions of MMDAs in the local governance systems,

importance of local revenue mobilisation, problems associated with local Governments Tax Mobilization and factors that affect low revenue in the district localities. More also, the literature review revenue mobilization, procedures, considerations and factors that affect low revenue were considered. Strategies for effective IGFs mobilization and improving Revenue Performance were also looked at. Thus, the research design, instruments and data collection methods of this study were conducted on an assessment of Revenue Mobilisation and Utilization and its implications on projects implementation in Wassa Amenfi East in particular and MMDAs in Ghana.



## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

This chapter describes the process by which the study was conducted in terms of steps followed to collect data and how the data collected was analysed based on the research problem and objectives. It details the study design, study population, sample and sampling procedures, instruments, data collection and data analysis.

#### Research Approach

Yates (2004) asserted that there are two main approaches to conducting research namely, quantitative and qualitative approach. This study used a quantitative approach. Quantitative research has been defined by Burns and Grove (2005) as a formal, objective, systematic process to describe and test relationships and examines cause and effect interactions among variables. This approach is mostly employed in the natural sciences and based on information that can be measured numerically. According to Eldabi, Irani and Love (2002) quantitative approach is a logical and linear structure in which hypotheses take the form of expectations about likely causal links between the constituent variables stated in the hypotheses, therefore leading to the rejection or acceptance of the theoretical proposition. Quantitative research techniques are employed for this study given the nature and interactions between the variables examined as well as the need to test hypotheses.



## Study Design

This is a quantitative research study and it uses descriptive research study design to investigate the variables in the study. According to Ahituv et al (2002), a descriptive study provides information about the naturally occurring health, status, behaviour, attitudes or other characteristics of a particular group in a certain social setting or environment. Also, they wanted that descriptive studies usually begin with well-defined subjects which are accurately described and focused on 'how' and 'who' types of questions. A descriptive survey design was employed to investigate the variables in the study since the purpose is to find out the opinions of respondents with regards to revenue mobilization in the WAEDA with no attempt to determine cause effect relationship of revenue mobilization challenges in the study. This study adopted a quantitative approach in studying the variables.

## Study Area

The study purposely targeted core Management staff of the District Planning Committee Unit, permanent revenue collectors, and commission revenue collectors, staff of Urban Town and Area Councils (UTAs), and assembly members since they are directly involved in revenue collection, management and evaluation of development at the Assembly and are in good position to respond to the study items adequately. In order to gather data, respondents were purposively sampled from the various categorised groups to participate in this descriptive study. Since the study was specifically focused on Revenue Mobilisation and its Effects on the Implementation of Projects in Metropolitan, Municipal & District Assemblies in Ghana, the purposive sampling procedure of the non-probability sampling method was used to sample

staff in WAEDA office within the main administration, the finance department and the revenue units as well as assembly members and opinion leaders from the towns and villages in the WAEDA because they were considered knowledgeable enough to provide detailed and insightful data for the study.

### **Study Population**

In the opinion of Agyedu, Donkor and Obeng (1999), population refers to a complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested. They further added that the target of a study must be clearly defined and identified by the researcher. The population for the study comprised the Assembly members, Revenue collectors, taxpayers, opinion leaders, staff of the district Assembly and Urban/Town/Area workers in the Wassa Amenfi East District Assembly in the Western region of Ghana. According to Fraekel and Wallen (2000), purposive sampling is a non-random method of sampling and is used when those to be selected have the requisite information. A purposive sample consists of subjects included in the study because they happen to be in the right place at the right time.

### **Sample Size and Sampling techniques**

The general rule of thumb is to select a sample that is representative of the study population. In this study, 168 respondents were purposively selected. Ninety-one (91) of the respondents represent the district assembly officials (made up of assembly members, revenue collectors and opinion leaders), seventy-seven (77) of all the staff of the district assembly and urban/town/area workers in WAEDA. The reason for selecting this calibre of respondents is due to the fact that, they possess in-depth insight in the activities of internal revenue

mobilisation in the district. A convenient sample consists of subjects included in the study because they happen to be in the right place at the right time (Fraekel & Wallen, 2000). They include 3 management staff, 27 other office staff/permanent revenue collectors and 20 Urban/Town workers of the WAEDA, 46 commission revenue collectors, 62 elected assembly members/opinion leaders, 5 elders and 5 other stakeholders of the communities.

### **Data Collection Instruments**

The instruments of data collection used was an open ended questionnaire developed in line with the research objectives, questions and some gaps identified in the literature review. Likert scale was adopted for all the closed end questions in the instrument. The questionnaire was divided into four sections. Section A, requested data on the demographics of participants such as sex, age, and level of education. Section B, contain items on revenue mobilization. The scales for responding to the items were clearly stated to guide participants in answering the questions. Section C, contain items on the impact of revenue collection on development and Section D, and gather information on Donor support, Government, GetFund and other philanthropic individuals towards the development of the WAEDA. The last section, matching revenue collected with actual project executed in the Assembly to quantitatively measure the impact of revenue on development in the Municipality.

Questionnaires were prepared to collect data from the respondents. The questionnaires captured the demographic background data of the respondents, and recommendations for improvement. Quantitative data of the Municipal Assembly including financial data of revenue and expenditure were collected to analyse the efficiency in revenue collection and expenditure on projects.

### **Pre-testing**

Pilot testing of the instrument was aimed at ensuring that the questions were suitable to elicit the appropriate responses from respondents, to check the clarity of the items and to identify and restructure any ambiguities that existed hence improving the reliability and validity of the data collection tools. It was also meant to ensure that administration procedures were effective. The outcome of the pilot –test enabled a review of some of the questions and helped re-arranged some questions to ensure logical ordering. This made the planning of the field work less stressful and less difficult.

### **Validity and Reliability**

Polit & Hungler (1993) refer to reliability as the degree of consistency with which an instrument measures the attribute it is designed to measure. Reliability ensured by minimizing source of measurement error like data collector bias. Data collector bias was minimized by researcher and his two assistants being the only ones to issue and interpret questionnaire to respondents. Validity of an instrument is the degree to which an instrument measures what it is intended to measure (Polit & Hungler, 1993). To achieve this questionnaire included a variety of questions on sources of revenue to the assembly and challenges facing them in identifying them. The data collected was accessed well to ensure that it is free from errors and consistent with the questions being asked during the interviews and answering of the questions so as to make it true and valid for its intended purpose.

**Table 1: Cronbach Alpha values for the variables**

<b>Variable</b>	<b>Alpha value</b>
Responsibilities	.710
Local Revenue	.783
Finance	.701
Strategies	.704
Problems/Challenges	.824

### **Data Collection Procedure**

The data collection technique was the interview method. The interview schedule was used to collect data from the respondents because some of them were not able to read and write. This gave the researcher and 2 field workers the opportunity to interpret the questions to the respondents. The instrument that was used for the respondents were a questionnaire containing closed and open-ended questions. The interview guide was used to gather information from the three top management staff of WAEDA. The respondents were briefed on what they were expected to do in responding to the items. Before any questionnaire was given out, the respondent's approval and willingness were obtained first.

The main advantages of focus groups are they are useful to obtain detailed information about personal and group feelings, perceptions and opinions they can save time and money compared to individual interviews they can provide a broader range of information they offer the opportunity to seek clarification and they provide useful material for example quotes for public relations publication and presentations (Institute of Consumer Studies, 2012).

## **Data Analysis and Processing**

Completed questionnaires would be edited daily and immediately after the data had been collected to ensure accuracy and consistency of the responses. The responses for the open-ended questions were grouped based on common ideas that the respondents expressed. The data was coded, entered and analysed data using the Statistical Product and Service Solutions (SPSS-version 21) software. The SPSS has facilities for descriptive and inferential statistics such as frequencies, percentages, cross tabulations and correlations which can be used to compute answers to the research questions. Thus, the results were presented using descriptive statistics tools, graphs and frequency distribution tables to simplify the information that was collected.

## **Ethical Considerations**

Before proceeding with primary data collection, an introductory letter was obtained from the School of Business, University of Cape Coast to the management of the WAEDA, elected assembly members, opinion leaders, elders and other stakeholders of the communities which would be included in the study stating clearly the objective of the study, what would be involved and its significance. Also, verbal consent was sought from the respondents, assuring them of confidentiality of the information given to gain their cooperation and to give correct responses. Guarantees of anonymity and their rights were ensured by not asking names of respondent.

## **Chapter Summary**

This chapter was to describe the methods used in achieving the aim of this study. It has revealed the study design and the researcher's reason for choosing a design. The population, as well as the sample size for the study and

the sampling techniques used, had been discussed. For analysis's sake, the chapter centred on the methods for collecting the data and the instruments employed in collecting the data. The chapter has shown enough information about analysing the data and complying with an ethical stance. The next chapter which is Chapter four gives a presentation of the results of the collected and analysed data.



## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

In this chapter, the results of the data analysis are presented and interpreted in line with the research objectives and questions. The data was presented in tables and charts with frequency and percentages beginning with the sample characteristics and then research questions that were formulated to guide the research. The first part of the chapter considers the demographic background of the respondents, focusing on age, gender, marital status, level of education, position in the Assembly and number of years spent with the Assembly. The second part presents the findings from the study in relation to the research objectives.

#### Demographic Background Information on the Study Respondents

For the purposes of understanding the socio-demographic features of the respondents, the first section of the questionnaires was designed in such a way that the respondents could provide answers relating to their backgrounds. After analysing their answers, the information that was obtained had been summarized and shown in Table 2.

**Table 2: The Results of the Demographic Features of the Respondents**

Variable		Frequency	Percent (%)
<b>Sex</b>	Male	134	79.8
	Female	34	20.2
<b>Age</b>	20-29 years	25	14.9
	30-39 years	67	39.9
	40-49 years	42	25.0



Table 2 continued

	50-59 years	34	20.2
<b>Education level</b>	BECE/MSLC	57	33.9
	WASSCE/SSCE	46	30.4
	H.N.D.	24	17.3
	Bachelor's degree	23	13.7
	Masters	8	4.8
<b>Marital Status</b>	Married	84	50.0
	Single	56	33.3
	Divorced	20	11.9
	Widow(ers)	8	4.8
<b>Total</b>		<b>168</b>	<b>100</b>

Source: Field Survey, Lutterodt (2016)

Table 2 clearly illustrates that there were more male participants than their females' counterparts in this survey. Table 1 shows that 134 respondents representing 79.8% were males while 34 respondents representing 20.2% were females. This showed that majority of the respondents who participated in the study were males. It again shows that there are more males working in WAEDA (that is, being in active politics or as a staff involved in revenue mobilisation and projects implementation) as compared to their female counterparts.

The results as indicated in Table 2 revealed that majority (39.9%) of the respondents' age fall within 30 – 39 years inclusive, followed by participant aged between 40 – 49 years constituting 25.0%. Also, 34 respondents representing 20.2% were aged between 50 – 59 years while 25 respondents were within the ages of 20 – 29 years. From the results it could be concluded that

majority of the respondents are young adults involved in revenue mobilisation and projects implementation of the assembly. This means that the youth are active in politics and collections of revenue of the WAEDA. Notwithstanding, the 20.2% of aged involvement would help the younger ones gain more experience for both present and future leadership of the assembly. This implies that relatively a small percentage number of administrative staff are approaching the retirement age.

Further, information garnered on the marital status of the respondents made it clear that majority of the participants were married. That is, 84 respondents representing 50.0% were married, 56 (33.3%) were single, 20(11.9%) and 8(4.8%) were divorced and widowed respectively. The results indicated that majority of the respondents are married with families settling in the community therefore, the development of the assembly is key to them.

The respondents were also asked of their highest education qualification attained. Table 2 shows that majority of the respondents are BECE/MSLC certificate holders with 57 respondents which represent 33.9% of the selected participants for the study. This was followed by WASSCE/SSSCE certificate holders who summed up to 46 people constituting 30.4% of the sample and 24 (17.3%) respondents were Highest National Degree (HND) holders. Bachelor Degree holders were 23 (13.7%) with the least being Master's Degree holders who were 8 people representing 4.8%.

## Findings of the Objectives

### Research Objective One: Identify the sources of revenue in the Wassa Amenfi East District

The study sought to investigate the sources of revenue available to the District Assemblies in Ghana. Upon the investigation, respondents were aware that funds available for project and activities of the District Assemblies specifically WAEDA include District Assembly Common fund, Mineral Development fund, District development Fund, Internally Generated Fund, African Development Fund, International Development fund and funds from Public – Private Partnership collaboration. Table 3 indicates that, Internally Generated Funds (20.8%) serve as the major source of revenue for projects and activities in the WAEDA. This is followed by District Assembly Common Fund (20.2%) and District Development Fund (20.2%). Although the District is rich in minerals, revenue from the Mineral Development Fund (19.0%) is quite on the low. Further details are presented in Table 3.

**Table 3: Sources of finance for projects and activities of the WAEDA**

Sources of finance	Frequency	Percent
District Assembly Common Fund	34	20.2
Mineral Development Fund	32	19.0
District Development Fund	34	20.2
Internally Generated Fund	35	20.8
International Development Fund	12	7.2
African Development Fund	7	4.2
Public-Private Partnership collaboration	14	8.4
<b>Total</b>	<b>168</b>	<b>100</b>

Source: Field survey, Lutterodt (2016)

The Local Government Law establishing and regulating the activities of the Metropolitan, Municipals and District Assemblies (MMDAs), mandates the

various Assemblies to raise revenue from local sources to fund development projects in their areas of jurisdiction. There is general agreement that the local assemblies have substantial potential for enhancing local revenues especially from business licenses and property rates (Schroeder, 2000). Business licenses (16.1%) and property rates (19.6%) are core constituents of Internally Generated Funds hence this study is in sync with the assertion of Schroeder.

Moreover, revenue items that make up the traditional sources of funds for MMDAs were also examined by the study. As indicated in Table 6, Property rate was revealed to be the major contributor of funds to the WAEDA with a percentage of 19.6%.

**Table 4: Traditional sources of MMDAs revenue items**

Revenue Items	Frequency	Percent
Basic rates	24	14.3
Special rates	18	10.7
Property rates	33	19.6
Fees and charges	31	18.5
License fees	27	16.1
Trading services	19	11.3
Rent and investment income	16	9.5
<b>Total</b>	<b>168</b>	<b>100</b>

Source: Field survey, Lutterodt (2016)

The main sources of District Assemblies revenue are Appropriation from Government, Retained Internally Generated Fund and Grants and Donor Funding. Every Assembly is required to maintain a detailed list of its internal revenue sources and in addition keep relevant information on total potential collectable revenues.

**Table 5: Internally Generated Funds of WAEDA from 2014 – 2016**

<b>WASSA AMENFI EAST DISTRICT ASSEMBLY</b>							
<b>2015, 2016 &amp; 2017 FIRST QUARTER REVENUE PERFORMANCE</b>							
IGF							
S/N	REVENUE ITEM	2014		2015	ACTUAL AS AT DEC	2016	
		2014 BUDGET	ACTUAL AS AT DEC	2015 BUDGET		2016 BUDGET	ACTUAL AS AT DEC
1	Rates	63,500.00	1,434.00	601,000.00		251,000.00	32,151.11
2	Lands & Royalties	12,500.00	25,880.00	462,400.00	526,782.10	999,188.17	1,098,517.37
3	Fees	81,413.00	36,730.50	109,200.00	65,503.00	123,200.00	60,798.00
4	Licenses	112,667.00	53,088.50	129,650.00	46,850.30	215,295.00	237,205.00
5	Rents	9,000.00	532.00	3,000.00	320.00	7,000.00	100.00
6	Fines, Penalties & Forfeits	1,800.00	15,027.00	19,000.00	25,490.00	20,000.00	7,000.50
7	Miscellaneous / Unidentified Receipt	54,000.00	56,215.70	45,000.00	2,881,981.70	50,000.00	8,886.20
	<b>SUB-TOTAL</b>	<b>334,880.00</b>	<b>188,907.70</b>	<b>1,369,250.00</b>	<b>3,546,927.10</b>	<b>1,362,495.00</b>	<b>1,444,658.18</b>
GRANTS							
8	Gog PAID SALARIES	1,147,151.13		942,394.00		1,041,258.00	358,896.36
9	DACF	2,294,506.00	626,481.97	2,941,221.00	1,685,511.73	3,076,630.00	1,523,699.64
10	DDF	100,000.00	103,256.67	100,000.00	286,238.30	223,555.61	581,571.15
11	Goods & Services	165,152.86	0.00	165,152.86	0.00	60,800.00	16,695.94
12	Others/Donor Funds	1,098,097.98	35,000.00	1,310,097.98	50,100.00	1,670,773.21	457,249.62
	<b>SUB-TOTAL</b>	<b>4,804,907.97</b>	<b>764,738.64</b>	<b>5,458,865.84</b>	<b>2,021,850.03</b>	<b>7,226,200.83</b>	<b>2,938,112.71</b>
	<b>GRAND TOTAL</b>	<b>5,139,787.97</b>	<b>953,646.34</b>	<b>6,828,115.84</b>	<b>5,568,777.13</b>	<b>8,588,695.83</b>	<b>4,382,770.89</b>

Source: WAEDA Internally Generated Funds (2014 -2016)

From Table 5, it can be realised that the revenue generated by the assembly through government grants for the three (3) years amounted to GH¢ 4,806,759.46 which is about 44% of the grand total receipts for the three (3) years. The district was also able to internally generate fund amounting to GH¢5,180,492.98 which represents 48% of the grand total receipts for the three (3) years. However, the actual IGF generated was far less than they estimated or budgeted for. With the exception of Land & Royalties, the district was unable to meet their revenue generation expectation for the available sources of revenue within the district. This points out to a gap between the sources of revenue and its mobilisation.

Obviously, the inability of the district to barely meet half of its budgeted revenue indicates a negative resulting effect on their ability to meet all of its projects. The research revealed that, the gap was due to lack of accurate and current data and inadequate supply of logistics, low motivation for revenue staffs, poor supervision and inadequate public education for tax payers.

**Research Objective Two: Investigate the challenges associated with revenue mobilization in WAEDA.**

Among the challenges that confront nations in their quest for development is the issue of revenue generation to finance the many developmental projects which are crucial to improve the living conditions of citizens (Stren, 1998). Challenges are conceptually defined using Oduro-Mensah's (undated) definition that asserts that, challenges are impediments, weaknesses, disincentives or difficulties that do hinder the full maximisation of revenue collections internally at the sub-national and local government levels. Both taxpayers and tax collectors agreed that, there are tax leakages and poor

monitoring systems. Responses by the DAFC disclosed that, tax leakages can lead to the delivery of valuable income into individual hands. A condition they say can negatively influence the total revenue output of the district significantly.

This finding is in support of that which were identified in some African countries like Uganda and Rwanda. Districts in these regions contract private agents to collect market taxes for remuneration based on the percentage of the amount accrued annually (Iversenet al, 2006). They therefore disclosed that such practices results in revenue imbalances. In Uganda for instance, Iversen et al (2006) established that, there is a gap between local government estimates of revenue yield with actual revenue collected by private agents. Meaning that, the private agencies pay less of the total revenue collected to the subnational government who contracts them. In content, all eligible tax payers who do not pay tax as required (under pay or fail to pay) are referred to as tax defaulters. On the means of dealing with these tax defaulters, tax payers generally mentioned the enforcement of legal laws to force defaulters to comply. The study revealed that there is a lot of tax evasion in the EGD.

In citing the reasons for tax evasion, tax collectors indicated the lack of commitment from the tax payers, the lack of security from the district assembly and lack of will-power to prosecute those who invade tax. Tax collectors also indicated that the Fulani nomads in most cases do threaten or attack them in the bush in their attempt to collect taxes from them. This they report to their superiors, but they show no concern. The District Assembly is given much constitutional powers to prosecute anybody who goes contrary to national or local bye laws. The Financial Administration Act, 2003, Act 654 and the Financial Administration Regulations, 2004, L. I. 1802, an Internal Audit

Agency Act, 2003, Act 655 and the Public Procurement Act, 2003, Act 663, have also been passed to streamline the country's local government financial administration and management arrangement (Ahwoi, 2010).

Surprisingly, it was discovered that the WAEDA does not have a gazette byelaw; no demand note; and summon forms to prosecute tax defaulter. Even though the assembly is expected to have and identify resources that aid efficient mobilisation of tax, the lack of equipment and logistics to work with were identified as major constraints in the collection of tax. On some of the obstacles to tax payment, tax collectors indicated poor or lack of education and lack of collaboration with other stakeholders including chiefs and the security agencies to partner and deliberate on efficient tax collection mechanisms is a serious threat. These corroborative —tax forcels is expected to identify, enforce and mandate those who fail to keep to their tax obligations to do so within the dictates of the law.

WAEDA faces a lot of challenges in the process of revenue mobilization and utilization. The adverse effects on WAEDA range from low revenue collection rates and the inability to complete projects of projects. Shortage of well trained and qualified personnel negatively affects the mobilization potential of the Assembly. This is due to the fact that most revenue collectors are not performing well in the task of revenue collection. Shortage of well trained and qualified personnel affects the revenue mobilization of the assembly. Again, political pressure on the local tax administration to relax revenue collection especially during election periods poses another challenge. Therefore, from the survey, it can be concluded that, WAEDA have some challenges in the collection and mobilization



A question was posed about the challenges WAEDA face in mobilizing revenue for projects and programmes implementation in the Assembly, that is, “What causes low revenue generation in WAEDA to complete projects and programmes in the communities” and these were the responses gathered:

- Poor administrative capacity affects revenue generation.
- Lack of Education on tax responsibilities discourages the payment of taxes
- Lack of political hinders the enforcement of payment of taxes.
- Lack or inadequate social amenities discourage the payment of taxes.
- Poor budget formulation and Implementations lead to low revenue mobilization in the Assembly.
- Shortage of well trained and qualified personnel affect the revenue mobilization of the Assembly
- Public education on payment of rates, fees, licenses, etc by corporate bodies, traders, property owners etc.
- Revenue collectors are not performing well in the task of revenue collection
- Corruption including embezzlement of revenues by revenue collectors
- Resistance from taxpayers, explicit and intentional tax evasion
- Poor administrative capacity to assess the revenue base
- Political pressure on the local tax administration to relax on revenue collection especially during election periods

It was observed that the respondents are aware of challenges pertaining to revenue mobilization and its effects on projects implementation in the assembly. This is because they know that low revenue generation means the Assembly cannot have enough funds to achieve its target of organizing projects,

programmes and activities in WAEDA. They attributed low generation of revenue to political pressure on the local tax administration, poor administrative capacity, tax evasion, corruption, lack of public education on taxes and lack of infrastructures and social amenities in the communities which discourage people within WAEDA to pay taxes.

Other challenges identified include unclear boundaries identification and or landmarks litigations. Physical identification of an assembly's borders always pose challenge with respect to gathering data of persons within the assembly as well as mobilizing revenue from these persons and corporate bodies working in the Assembly. There are quite litigation issues ongoing pertaining to whether or not "Town A or B" is within the jurisdiction of the assembly. This gives people or firms to exempt themselves from tax payments and other revenue generating responsibilities within the assembly.

#### **How the assemblies collect and utilize revenue**

The main sources of District Assemblies revenue are appropriation from government, retained internally generated funds, grants and donor funding. When it comes to internally generate funds, the district assemblies have various ways and means they use in the process of generating funds internally. Most of the people we interviewed through the questioners indicated that, the assembly has proper systems that control the administration of revenue collection. The Wassa Amenfi East District Assembly has efficient and effective revenue mobilization mechanisms because management is always able to monitor revenue collection through its monitoring control unit.

Again, WAEDA has the legal power to impose rates and levies in its quest to mobilize revenue in order to implement its developmental projects and activities in the assembly.

**Table 6: Proper systems of control in revenue collection administration**

	Frequency	Percent
Neutral	29	17.3
Agree	84	50.0
Strongly agree	55	32.7
Total	168	100.0

**Median=4, Interquartile range (IQR) =1**

Source: Field survey, Lutterodt (2016)

Table 6 depicts that 55(32.7%) and 84(50.0%) participants strongly agreed and agreed while 29(17.3%) were of no opinion (neutral) to the statement “The Assembly has proper systems of control in the administration of Revenue collection.”

Smoke (2003) noted that fiscal decentralisation is a government system which involves the —assignment of responsibilities| comprising of the functions and activities at the various sectors of government as well as the assignment of locally generated revenues to local/sub-national governments. Current sources of revenue to WAEDA are minimal compared to the opportunities of the district. For WAEDA to be able to mobilise resource and revenue, substantive tax data must be available on the type of business, quality and quantity of business opportunities, number of registered businesses and a determination of other potential sources of revenue aside the conventional

means. Surprisingly, it was revealed that eighty-two (82 %) of the tax payers had their business operations registered by the Assembly. The remaining are businesses operating without license from the District Assembly or the Registrar Generals Department. The operations of this unregistered business are unguided and are therefore defaulting tax payment.

**Table 7: Management is able to monitor revenue collection**

	Frequency	Percent
Strongly disagree	39	23.2
Disagree	52	31.0
Neutral	33	19.6
Agree	33	19.6
Strongly agree	11	6.5
Total	168	100

**Median = 2.0, Interquartile range (IQR) = 2.0**

Source: Field survey, Lutterodt (2016)

The Table 7 reports that 39(23.2%) and 52(31.0%) respondents were strongly disagreed and disagreed respectively with the idea that management is able to monitor revenue collection and 33(19.6%) were neutral while another 33(19.6%) agreed to the statement. (Median=2, IQR=1.75). However, 11(6.5%) out of the 168 respondents strongly agreed to the statement that management is able to monitor revenue collection.

This means that almost everyone among the 168 respondents disagreed about the monitoring capacity of the agents responsible for revenue mobilisation

in WAEDA. The management unable to fully monitor the assembly’s revenue collection will definitely affect the level of revenue generated by the assembly.

**Table 8: WAEDA monitoring control unit**

	Frequency	Percent
Disagree	76	45.2
Neutral	25	14.9
Agree	67	39.9
Total	168	100.0

**Median=3, Interquartile range (IQR) =2**

Source: Field survey, Lutterodt (2016)

The Table 8 reports that 76(45.2%) respondents disagreed to the statement that “The WAEDA has monitoring control unit that is able to monitor revenue collection” and 25(14.9%) were of no opinion (neutral) while 67(39.9%) agreed to the statement. (Median=3, IQR=2). The median=3 with quartile deviation (IQR) of 2 shows statistically significant evidence that indicate the divided responses to the statement “The WAEDA has monitoring control unit that is able to monitor revenue collection” upon whether the respondent is aware of such control unit or its operations. This means that most of the respondents seem to disagree with the existence and or efficiency of monitoring control unit of revenue collection in WAEDA. This may affect the revenue collection negatively.

**Research Objective Three: The implications of revenue mobilization and utilization on projects and programmes implementation**

During the Focus discussion, a question was posed to know the participants’ knowledge about local governance in Ghana. This was to assess whether they are aware of the Assembly as the revenue mobilization and

projects implementation agent of Government in their locality. The following statements were made:

One of the participants responded that “the local government is the MMDA which seeks to facilitate the execution of development projects, pay allowances and other incidental expenses for employees of the assembly.”

Another participant said that “Revenue mobilization facilitates the execution of development projects, pay allowances and other incidental expenses for employees of the assembly, pay assembly members, members’ sitting allowance, ex-gratia awards and maintenance cost of MMDAs in the country.” MMDAs are the highest political and administrative authorities; planning authorities; Development authorities; Budgeting authorities; and Rating authorities in the various districts in Ghana.

MMDAs are the decentralized local governance systems in Ghana mandated to mobilize revenue and implement infrastructure projects, programs and social interventions in their communities.

Failure to establish local government service has adverse implications for local government autonomy and its ability to provide those services for which it is responsible.

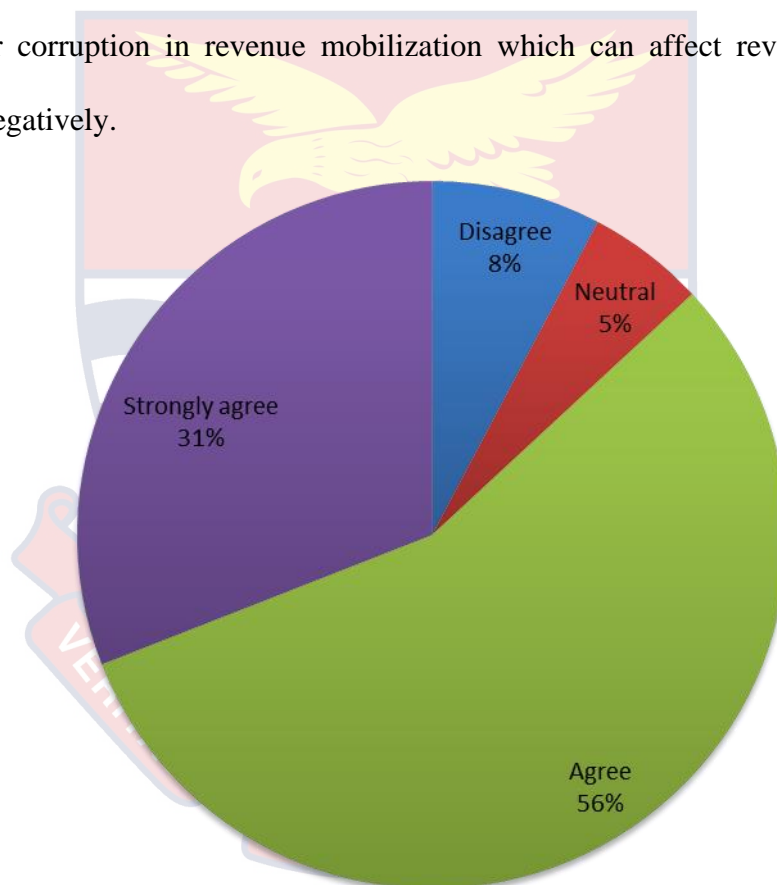
**Table 9: Leakages or corruption in revenue mobilization**

	Frequency	Percent
Strongly disagree	39	23.2
Disagree	63	37.5
Neutral	44	26.2
Agree	22	13.1
Total	168	100.00

**Median = 2.0, Interquartile range (IQR) = 2.0**

Source: Field survey, Lutterodt (2016)

From Table 9, most respondents indicated disagreement with the Opinion seems to be divided with regard to the statement “Management is aware of no leakages or corruption in revenue mobilization of the Assembly.” Out of the 168 persons who responded, 39(23.2%) and 63(37.5%) respondents strongly disagreed and disagreed respectively and 44(26.2%) were neutral while another 22(13.1%) agreed to the statement. (Median=2.0, IQR=2.0). This means that most of the respondents believed that management might be aware of leakages or corruption in revenue mobilization which can affect revenue generation negatively.

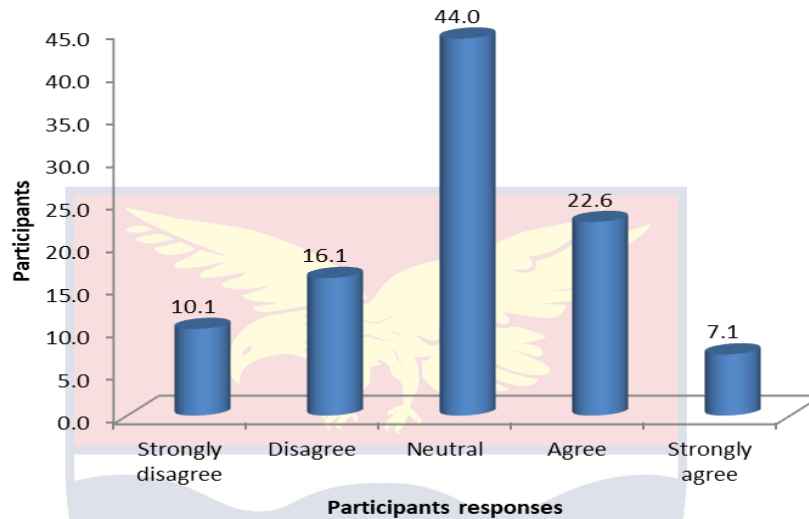


**Figure 1: Shortage of well trained and qualified personnel**

Source: Field survey, Lutterodt (2016)

Figure 1 reports 94(56.0%) and 52(31.0%) participants strongly agreed and agreed respectively while 13(8.0%) of them disagreed to the statement “Shortage of well trained and qualified personnel negatively affects the mobilization potential of the Assembly” (Median=4, IQR=1). This means that

with enough well trained and qualified personnel will affect mobilization of revenue positively. Therefore, enough personnel should be recruited and or more training should be organized for the personnel who collect revenue in the Assembly

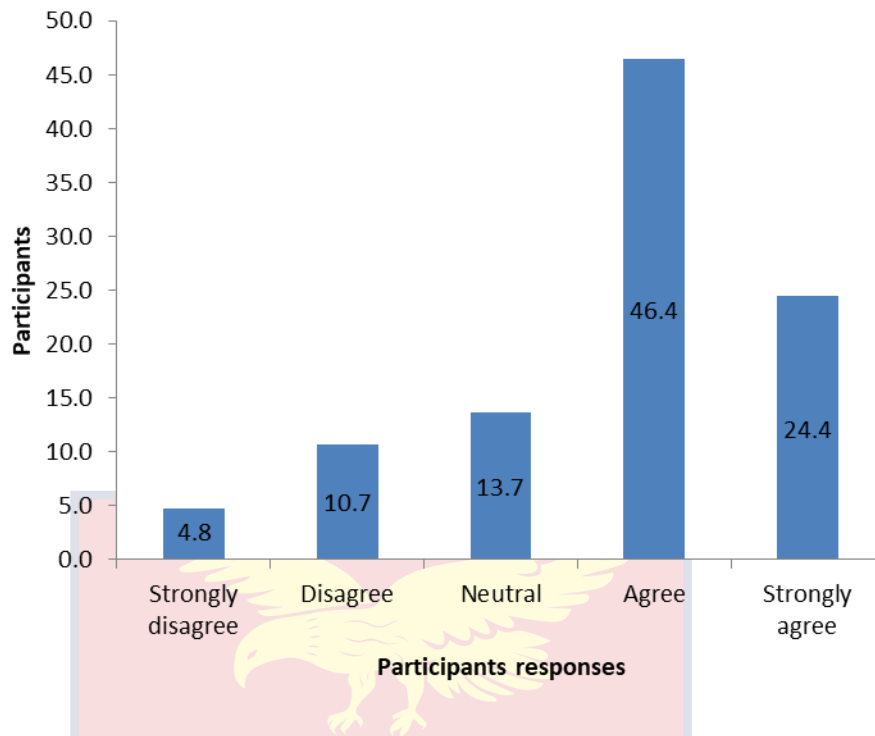


**Figure 2: Public education on payment of rates, fees, licenses, etc**

Source: Field survey, Lutterodt (2016)

From Figure 2, most respondents (74 constituting 44.0%) indicated no opinion (neutral) with the idea that “Public education on payment of rates, fees, licenses, etc by corporate bodies, traders, property owners etc.”(Median=3, IQR=1). Also, 17(10.1%) and 27(16.1%) participants strongly disagreed and disagreed respectively while 12(7.1%) and 38(22.6%) respondents strongly agreed and agreed respectively to the public education idea. (Median=3, IQR=1). This means public education of payment of taxes is low in WAEDA and will affect revenue mobilization negatively.





**Figure 3: WAEDA has the legal power to impose rates and levies**

**Source: Field survey, Lutterodt (2016)**

The Figure 3 reports that 41(24.4%) and 78(46.4%) respondents respectively strongly agreed and agreed to the statement that “WAEDA has the legal power to impose rates and levies in its quest to mobilise revenue in order to implement its development projects and activities in the Assembly” and 23(13.7%) were of no opinion (neutral) while 8(4.8%) and 18(10.7%) strongly disagreed and disagreed respectively to the statement. (Median=4, IQR=1).

This means that most respondents indicated agreement with the idea that “WAEDA has the legal power to impose rates and levies in its quest to mobilise revenue in order to implement its development projects and activities in the Assembly.” This understanding will positively affect the imposition of rates, levies and other taxes in the WAEDA.

**Research Objective Four: Find out how the WAEDA can improve revenue mobilisation for the implementation of projects, programmes and activities.**

District Assemblies are expected to use available legal means to generate funds for local governance and development of their respected catchment areas. It was obvious for the Assembly to distinguish the most reliable sources of income from the less reliable sources so as to be able to plan effectively on the means of harnessing their chances. Interestingly, very pertinent to these findings is the fact that assembly officials were divided on the most reliable source of funding for the District Assembly. Some of the DAOs mentioned donor agencies funds as the most reliable source of income. The reason they cited was that donor funds come as scheduled. Others also point to the Common Fund (CF) because it is a constitutional mandate.

According to the 1992 Constitution, the District Assemblies Common Fund Act, Act 455 (1993) and the Local Government Act, Act 462 (1993) it is mandatory for the Central Governments to allocate monies from the state fund as District Assemblies Common Fund (DACF) to MMDAs. The fund is then distributed to all MMDAs on the basis of a formula approved by parliament, payable in quarterly instalments and administered by the DACF Administrator (Maeregu 2011). About half of the fund is earmarked mainly for capital projects and recurrent expenses of central administration of the district assembly (Manual, 2003). However, some respondents are of the view that the CF is unreliable because the central government delay in releasing the funds. There are a lot ways that WAEDA can use to improve its revenue mobilization and its

collection. Among these are public education on payment of rates, fees, licenses etc. by cooperate bodies, traders and property owners.

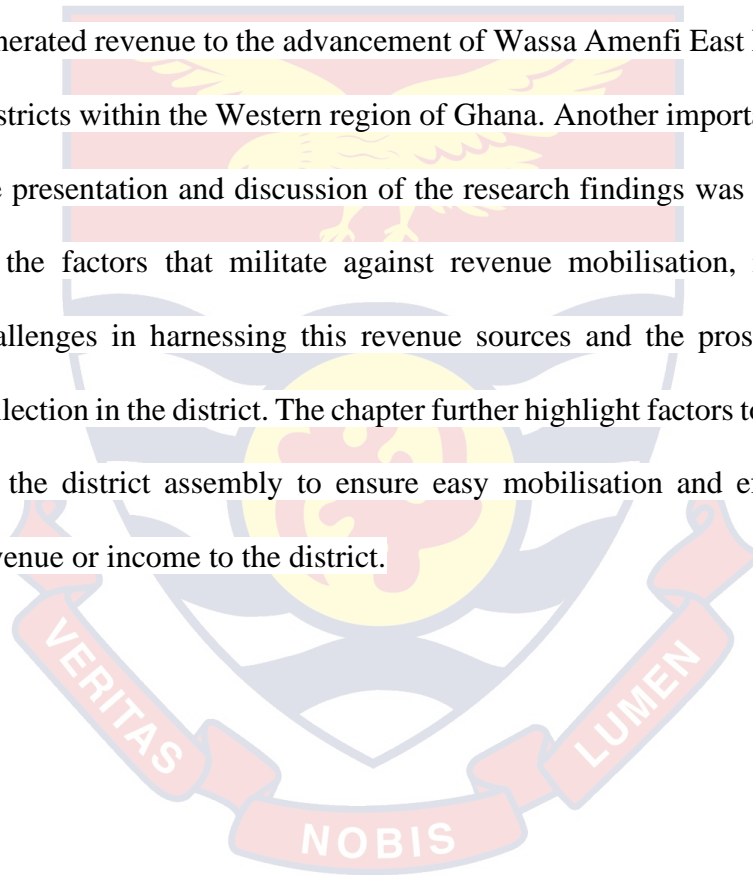
The municipal assembly has byelaws which govern revenue mobilization. However, according to some people interviewed, they mention that the byelaws were not usually enforced on victims who go contrary to the assemblies by laws. All five interviewed stated that, any violator of the municipal assembly's. Bye laws offenders should be sent to court and face the due process of the law. If this is done, people would pay their revenues promptly for the assembly to mobilize more revenue. A thorough interview with the 5 key personnel indicated that assembly has many developmental projects to complete and start new ones and said the assembly could not implement all projects on its annual action plan owing to inadequate funds. Again, it was gathered that the assembly is not mobilizing adequate revenue relative to its annual projections. They all agreed that educating people concerning the need and importance to paying taxes to the municipal assembly can help effectively to improve on revenue mobilization within the district.

### **Chapter Summary**

The discussion of this chapter has focused on revenue mobilisation and its utilisation in the districts in Ghana using Wassa Amenfi East District (WAEDA) as a case study. Accordingly, this chapter has provided the findings and discussions which reflect on the core study objectives. The first section discussed the demographic features of those respondents which centred on sex, education, age, staff ranking and experience. However, the second section addressed the specific research objectives relating to the topic namely: to identify the sources of revenue in the Wassa Amenfi East District, to investigate

the challenges associated with revenue mobilisation in Wassa Amenfi East District, to assess the effects of revenue mobilisation on the implementation of projects, programmes and activities, and to find out how the district could improve revenue mobilisation for the implementation of projects, programmes and activities.

The chapter highlighted the factors that influence revenue mobilisation in the Wassa Amenfi East District. It further revealed the essence of internal generated revenue to the advancement of Wassa Amenfi East District and other Districts within the Western region of Ghana. Another important component of the presentation and discussion of the research findings was the identification of the factors that militate against revenue mobilisation, revenue sources, challenges in harnessing this revenue sources and the prospects of revenue collection in the district. The chapter further highlight factors to be implemented by the district assembly to ensure easy mobilisation and effective usage of revenue or income to the district.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

The previous chapter looked at the findings of the study and discussed them accordingly. This section presents the summary, conclusions, and recommendations for the study. The study sought to identify the sources of revenue in the Wassa Amenfi East District, to investigate the challenges associated with revenue mobilisation in Wassa Amenfi East District, to assess the effects of revenue mobilisation on the implementation of projects, programmes and activities, and to find out how the district could improve revenue mobilisation for the implementation of projects, programmes and activities.

#### Summary

The purpose of this study was to examine revenue mobilization and utilization: the case of the Wassa Amenfi East District Assembly. The following research questions were outlined to guide the research in achieving this purpose:

1. Identify the revenue streams in the Wassa Amenfi East District.
2. Investigate the challenges associated with revenue mobilisation in Wassa Amenfi East District.
3. Assess the effects of revenue mobilisation on the implementation of projects, programmes and activities of the WAEDA.
4. Find out how the Wassa Amenfi East District can improve revenue mobilisation for the implementation of projects, programmes and activities.

The study was a descriptive survey design which adopted a quantitative methodology. The general rule of thumb is to select a sample that is representative of the study population. In this study, 168 respondents were purposively selected. Questionnaires were used in the collection of information from respondents on their respective knowledge on how the stress management practices and its influence on their performance. Out of the 168-sample size, questionnaires were administered, all one hundred and sixty-eight (168) were filled and returned representing a response rate of 100%. Based on the claims of Mugenda and Mugenda (2003), a response rate of 100% is very good for analysis. The data was analysed using descriptive statistics; mean standard deviation (SD), frequencies, percentages and figures using the SPSS (v 21).

### **Key Findings**

From the research, the sources of revenue for project and activities at the Wassa Amenfi East District were identified to be District Assembly Common fund, Mineral Development fund, District development Fund, Internally Generated Fund, African Development Fund, International Development fund and funds from Public – Private Partnership collaboration with internally Generated Funds serving as the major source of revenue for projects and activities.

The study revealed that the Wassa Amenfi East District face challenges in identifying and mobilization these sources of revenue. These challenges include unclear boundaries identification and landmarks litigations, political pressure on the local tax administration to relax revenue collection especially during election periods, poor public education on the payment of rates, fees, licenses, etc., shortage of well trained and qualified personnel, poor

administrative capacity, corruption and some others. Control of tax leakages can be done by monitoring tax collectors effectively. Citing the reasons for tax invasion indicated they lack support from the district assembly and the lack of will power to prosecute those who invade tax. The lack of equipment and logistics to work with were identified as one of the major constraints in the collection of tax-by-tax collectors. Obstacles to tax payment, tax collectors indicated poor or lack of education and lack of collaborative and or organised tax collection units that involve all stakeholders including the law enforcement agencies.

The inability of the district to barely meet half of its budgeted revenue indicated a negative resulting effect on their ability to meet all of its projects. The Assembly could not have enough funds to achieve its target of organizing and completing their projects, programmes and activities as well as paying allowances and other incidental expenses for employees of the assembly. The research revealed that the Assembly scarcely conducts in-service training for tax collectors and sensitization of the tax payers. A good proportion (30 percent) of tax payers do not agree with the tactics the assembly employs in mobilising if. They observed that the assembly rarely organised sensitisation workshops on the importance of adhering to tax obligations. Basic rates, cattle rates, bicycle and motor cycle, sand winning, lands, market tolls were identified as the most reliable sources of revenue for the assembly. All tax collectors are given revenue collection targets.

To mitigate the obstacles to the payment of tax, respondents mentioned the provision of logistics, provision of social amenities, having central or main tax collection points and adherence to strict rules, regulations and laws. The

research also revealed other views such as the use of private sector organisations or non-governmental organisations in the repackaging, collection and development of tourist sites in the district to attract tourists. Yet others are of the view that, collaboration with stakeholders and traditional authorities in the design of the taxes and registration of all business and properties within the district will ensure compliance to tax obligations. To stimulate tax payment in the district, a tax collector maintained that, the assembly need to embark on rigorous education of the public on the need to pay tax and also provide the tax collectors with the requisite tools to be able to execute their work. Sources of unpackaged revenue include rents, building permits, plot allocation and tourism. Mobile money vendors should be made to pay tax. In order for WAEDA to improve upon their revenue identification and mobilization, they should train employees in the area of revenue collection and mobilisation, increase public education on payment of rates, fees, licenses etc. by corporate bodies, traders and property owners and enforce bye laws by ensuring that offenders are sent to court to face the due process of the law.

### **Conclusions**

This study has open up the Wasa Amenfi East District Assembly for examination. This had led to interesting findings regarding the financial administration of the Assembly. To ensure that good practices that had been recorded in this study be maintained there should be continuous training for the mobilization team. The study found that revenue collection at the Assembly has been pretty effective and efficient and that though IGF has contributed significantly to the development of the Assembly, it was not enough to meet the development needs of the Municipality.



## Recommendations

Following the findings of this study, the under recommendations have been proposed for practice. It is recommended that, the district should work through other local government actors with the Registrar General Departments and the tax collection authorities to ensure the proper and efficient registration and compilation of all business entities and renewal of business certificate as required by law to ensure effective data collection and record keeping. This will serve as a benchmark for tax policy making and target setting. The Wassa Amenfi East District should collaborate with other stakeholders and relevant authorities to ensure that the assembly byelaws especially those with regard to tax and tax payment are gazetted to ensure compliance and protection for tax actors.

Moreover, the Assembly should recruit more trained and vibrant young men and women who have knowledge in human relation and other financial management skills. The reasons are that, without effective customer care formalities as well as knowledge on proper accounting and receipt systems, tax collectors will falter. The Assembly should provide equipment and logics for the tax collection system.

Since alienation can breed irresponsiveness, the study recommends that local government officials must ensure constant consultation with stakeholders including the traditional rulers, civil society organisations and policy makers to discuss matters affecting internal generated revenue and prescribe appropriate strategies of making it attractive and sustainable. It is also recommended that the Wassa Amenfi East District Assembly should use the Non-governmental Organisations in the collection of the tax since they are more results oriented

compared to the local government authorities. Tax proceeds should be used in providing social amenities in the respective communities to reflect the monies collected. this will serve as an incentive for community members to pay more.

### **Suggestions for Further Research**

Bearing in mind the limitations of this study, this study was based on quantitative analysis but in the near future, both qualitative and quantitative methods should be used and this will help the assembly and stakeholders to better describe the situation and also explain in detail the reason for the answers that have been uncovered using quantitative. It is also recommended that future researchers consider the role that demographic variables play on revenue mobilisation and utilisation in our local assemblies. Also, future research could be conducted to address one of the limitations outlined in this study. For example, this study only concentrated on the Wassa Amenfi East District Assembly. This means the views of the findings could not be generalized. As a result, the future research could extend the investigation to different districts so as to obtain a wider generalization of the study.

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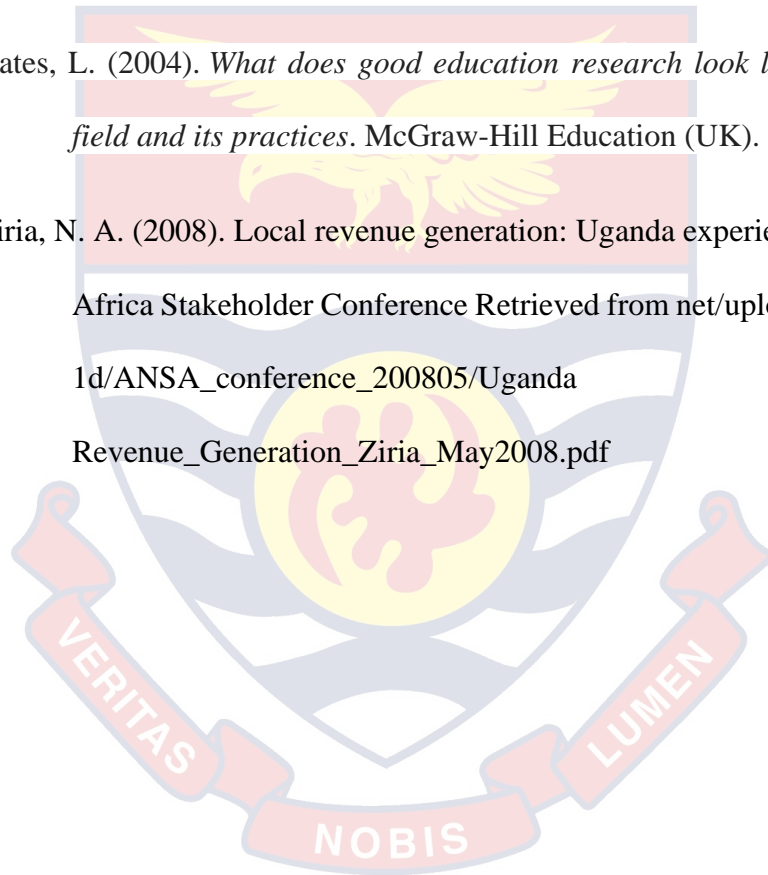
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## APPENDICES

### QUESTIONNAIRE FOR WAEDA

#### STAFF/ASSEMBLYMEMBERS/OPINION LEADERS

##### Introduction

The study is being conducted to assess the revenue mobilisation and its implications on projects implementation in Wassa Amenfi East in particular and MMDAs in general. The aim of this questionnaire is purely for academic purpose as a requirement for Master's Degree programme in Business Administration and information given will be strictly confidential. You have been sampled to participate in this study by providing responses to the questions in the questionnaire. This questionnaire is designed based on the topic: *“An assessment of Revenue Mobilisation and Utilisation in Metropolitan, Municipal & District Assemblies in Ghana. A Case Study of the Wassa Amenfi East District Assembly.(WAEDA).”* And it covers issues on sources of revenue, methods of revenue collection, the role of private partnership in revenue mobilisation, revenue utilization and the implications of revenue mobilization on the implementation of projects, programmes and activities of District Assemblies particularly WAEDA for District assemblies in Ghana. Your recommendations for enhancing revenue generation of District Assemblies in Ghana are welcomed. Thank you.

**SECTION A: DEMOGRAPHIC DATA OF RESPONDENTS**

**Gender:** Male  Female

**Age:** Below 20 years  20 -29 years   
 30 – 39 years  40 – 49 years   
 50 – 59 years  Above 60 years

**Marital status:** Single  Married  Divorced  Widowed

**Highest educational qualification:**

WASSCE/SSSCE/MSLC   
 Diploma   
 H. N. D.   
 Bachelor’s degree   
 Masters   
 Other (specify).....

**Status in the WAEDA:**

Senior Staff   
 Junior Staff   
 Permanent Revenue collector   
 Commission Revenue collector   
 Staff of Urban/Town/Area Council   
 Assembly member   
 Presiding Member   
 Opinion leader   
 Other (specify).....

**For how long have you been working with the Assembly?**

1 -3 years  4-6 years   
 7-10 years  Above 10 years

## SECTION B

### RESPONDENT'S KNOWLEDGE ABOUT PROJECTS, PROGRAMMES AND ACTIVITIES IN WAEDA

*(Tick all that apply)*

#### What are the main responsibilities of the WAEDA?

Provision of development infrastructure [ ]

Provide infrastructure [ ]

Construct projects [ ]

Organize programmes/activities/development [ ]

Improve the welfare of people [ ]

#### What is the importance of local revenue to MMDAs?

Financing administrative costs [ ]

Financing maintenance costs [ ]

Promoting developments and projects in the localities [ ]

Permits collection of localized and low yielding revenues [ ]

Guarantees sustainability of service delivery [ ]

Ensures autonomy of local governments [ ]

Regulates businesses, provides infrastructure and services [ ]

(E.g. Markets and public conveniences at a charge [ ]

Reduces pressure on central governments and reliance on donors [ ]

#### What are the sources of finance for these projects and activities of the

WAEDA? *(Tick all that apply)*

District Assembly Common Fund [ ]

Mineral Development Fund [ ]

District Development Fund [ ]

- Internally Generated Fund [ ]
- International Development Fund [ ]
- African Development Fund [ ]
- Public-Private Partnership collaboration [ ]
- Others (specify).....

**What Strategies do you think would be effective for IGFs mobilization?**

**(Tick all that apply)**

- Public education on payment of rates [ ]
- Corporate bodies licenses [ ]
- Traders and property owners' fees [ ]
- Revaluation of immoveable properties [ ]
- Introduction of new business operating permits [ ]
- Engagement of private revenue collectors [ ]
- The Use of task force to back the revenue collectors [ ]
- The legal & police enforcement of payment of fees and licenses [ ]

**What are the problems of local government's revenue mobilization?**

- Shortage of trained personnel [ ]
- The dependence syndrome [ ]
- Inhibition of local government mobilized revenue by the central Government [ ]
- Shortage of qualified personnel as a tool for collection of taxes and rates at the local level [ ]
- Inefficient budgetary and financial management systems [ ]
- Poor budget formulation and implementation [ ]

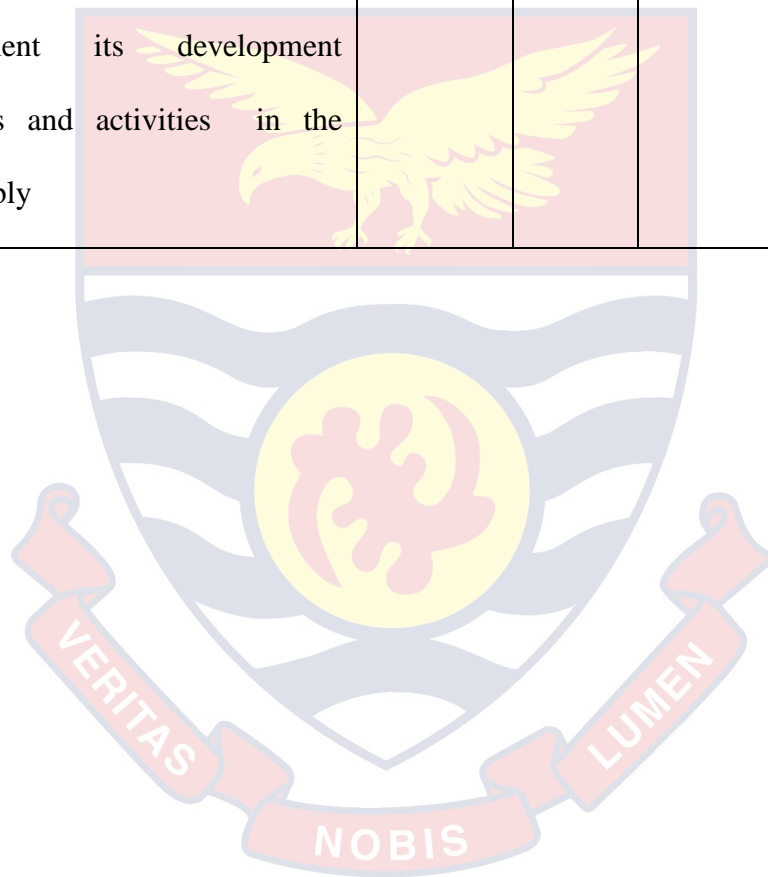
The implementation of projects in the community’s district assembly is unable to generate the required revenue to finance its budget. [ ]

The Assembly does not gets adequate from IGF to Repairs, maintenance, procurement of office machines, fixtures and fittings, procurement of vehicles and other logistics of WAEDA office Administration [ ]

**Section C: Do you assert to the following statements about WAEDA Administration and Management?**

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
The Assembly has proper systems of control in the administration of Revenue collection					
Management is able to monitor revenue collection					
The WAEDA has monitoring control unit that is able to monitor revenue collection					
Management is aware of no leakages or corruption in revenue mobilization of the Assembly					
Shortage of well trained and qualified personnel negatively affect the mobilization potential of the Assembly					

<p>Public education on payment of rates, fees, licenses, etc by corporate bodies, traders, property owners etc.</p>					
<p>WAEDA has the legal power to impose rates and levies in its quest to mobilise revenue in order to implement its development projects and activities in the Assembly</p>					



**FOCUS GROUP DISCUSSION FOR WAEDA STAFF/ASSEMBLY  
MEMBERS/REVENUE COLLECTORS/TAXPAYERS**

**Introduction**

The study is being conducted to assess the revenue mobilisation and its implications on projects implementation in Wassa Amenfi East in particular and MMDAs in general. The aim of this group discussion instrument is purely for academic purpose as a requirement for Master's Degree programme in Business Administration and information given will be strictly confidential. You have been sampled to participate in this study by providing responses to the questions in the questionnaire. The questions are designed based on the topic: *“An assessment of Revenue Mobilisation and Utilisation in Ghana. A Case Study of the Wassa Amenfi East District Assembly. (WAEDA).”* And it covers issues on sources of revenue, methods of revenue collection, the role of private partnership in revenue mobilisation, revenue utilization and the implications of revenue mobilization on the implementation of projects, programmes and activities of District Assemblies particularly WAEDA for District assemblies in Ghana. Your recommendations for enhancing revenue generation of District Assemblies in Ghana are welcomed. Thank you.











