

**FISCAL DECENTRALIZATION FOR LOCAL DEVELOPMENT:
A CASE OF THE KUMASI METROPOLITAN ASSEMBLY**

by
KNUST

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DECLARATION

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

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ABSTRACT

The creation of the 1988 governance structures for grass root participation has become a very vital developmental issue in many developing countries in Africa and other parts of the world. Local government reforms undertaken in Ghana since 1988 have sought to transfer resources and power from the central government to sub-structures and institutions with the aim of enhancing participatory local development. It was also intended to promote responsive governance and democracy and also improve the standard and quality of life of rural people through institutional reforms, management and good delivery of public goods and services. The institutional reforms require the strengthening of local institutions through the mobilization of local resources towards local level development. This has been the focus of the twenty three (23) years of Ghana's implementation of the decentralization program. Notwithstanding the achievements of District Assemblies in the areas of political and administrative decentralization, financial decentralization has been a very crucial issue to local government administrators. This is as a result of the over reliance of District Assemblies on central government transfers. This brings us back to the old issue of inadequate local level revenue generation to undertake their development agenda. This problem overstretch the central government annual budgets by extension throws the budget out of gear. The study thus attempts to assess the capacity of Metropolitan Assembly to generate or mobilize local revenue for development. The study examines the structure and sources of revenue generation and mobilization at that level, and also investigates the challenges and prospects of revenue mobilization in the Metropolis.

A case study approach was employed to undertake the study in Kumasi as a comparative case. The study recommends that the assembly should take steps to ensure that collectors are properly recruited and trained, tax education programmes" should be rolled out to

sensitize the general public on the need to pay rates, levies and taxes, good monitoring mechanisms of the activities of collectors should be put in place to check leakages, malfeasances and corruption and finally the assembly members should desist from playing politics with the assembly's search for solutions to its financial woes.

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ABBREVAIATIONS/ACRONYMS

GNA - Ghana News Agency

CBA - Central Business Area

CEPS - Customs, exercise and Preventive Services



DACF	-	District Assembly Common Fund
DAs	-	District Assemblies
DCEs	-	District Chief Executive
DDS	-	District Database System
DFID	-	Department for International Development
GTZ	-	German Development Cooperation
IGF	-	Internal Generated Fund
IMF	-	Interim Management Committee
IRS	-	Internal Revenue Services
KMA	-	Kumasi Metropolitan Assembly
KNUST	-	Kwame Nkrumah University of Science and Technology
LEAP	-	Livelihood Empowerment against Poverty
MFO	-	Metropolitan Finance Officer
MLG	-	Ministry of Local Government
MLGRD	-	Ministry of Local Government and Rural Development
MMDAs	-	Metropolitan, Municipal and district Assemblies
NADMO	-	National Disaster Management Organization
NALAG	-	National Association of Local authorities of Ghana
NDPC	-	National Development Planning Commission
OEOC	-	Office of the Economic and Organized Program Crime
MP	-	Member of Parliament
PSMTP	-	Public Sector Management and Training Program
PWD	-	Public Works Department
RCC	-	Regional Co-ordinating Council
SSNIT	-	Social Security and National
UNICEF	-	United Nations International Children's Educational Fund
VAT	-	Value Added Tax

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CHAPTER ONE

GENERAL INTRODUCTION AND BACKGROUND

1.1 Introduction

The basic goals of human development are to reduce poverty, increase average income levels and reduce the disparities in incomes and opportunities for all. Development, like any other concept has evolved over the years in different countries depending on the socio-cultural and economic experiences at any particular time (Ministry of Local Government Report, 1990). Since independence, several attempts have been made by the various regimes of government at development to alleviate traces of poverty in the country. But results achieved have fallen short of the peoples' expectations mainly because the various people for whom development programmes were designed for were or are not involved in the planning and implementation of such projects.

It was in the light of this that Government in its policy guidelines issued in May, 1982 set the tone for decentralization by declaring the need for participatory democracy to ensure that the bane of remote government that has afflicted Ghanaians since independence was done away with effectively, to render government truly responsive and accountable to the people (Kamfrah, 1994). Again, that a truly decentralized system of government is introduced that is, the central Government in all its manifestations, should empower local government councils to initiate, coordinate, manage and execute policies in all matters affecting them within their localities" (Source Ministry of Local Government report, 1992).

Ayee et al, (1999) are of the view that the 1988 decentralization measures initiated in Ghana were intended to stimulate the participation of local people in the development of their various localities through the establishment of sub-national governance structures and to identify and solve local problems using local resources generated at the local level.

By these assumptions, the development of local areas will depend largely on the preparedness of the people to champion the cause of their development agenda through mobilizing the needed resources. Consequently, Kamfrah (1994) again contends that,

within the context of decentralization, local government structures are set up to provide local infrastructure, services and other facilities that are not only necessary for promoting the social wellbeing of the people. These services and facilities may include: providing education facilities, street lighting, and basic health facilities the provision of potable water, providing sanitation services, market facilities, major transport and road networks to and from the hinterlands and land use development plans for business and residential purposes.

As a result, these Metropolitan, Municipal and District Assemblies (MMDAs) were established to be responsible for the collection of the needed financial resources in the form of taxes, property rates, levies, issuance of licenses penalties among others to be used for the socio-economic development of their respective areas. Some of these developments are done through sub-government structures such as sub-metropolitan councils, district councils, zonal councils, urban town and area councils and unit committees. Of which consequently the Kumasi Metropolitan Assembly (KMA) was established with the responsibility to oversee the overall development of the Kumasi Metropolis.

MMDAs receive grants and other forms of transfers from central government and are mandated to generate funds locally to fund development projects and programmes hence the decentralization system. The import of this study is to investigate the financial viability of MMDAs through revenue mobilization to sustain the dream of decentralizing central government functions.

1.2 Problem Statement

Although local governments in most developing countries have various sources of funding such as central government transfers, locally generated revenue, donor aid and loan and overdrafts, local government agencies are characterized by chronic financial problems (Hussein, 2004). According to Appiah et al, (2000), local government institutions“

overdependence on central government transfers has its own problems as the situation does not motivate those (MMDAs) to search for new revenue sources to improve the efficiency of the collection of the existing sources. The over-reliance of local governments on central government transfers, which are usually not predictable in terms of timing and magnitude, raises issues of concern. Central government, development partners, district assembly functionaries, and the local communities have become increasingly disturbed by the current state of fiscal decentralization in Ghana. The World Bank, as well as other development partners, have emphasized that an effective public sector in a modern developing country depends on the ability of the central government to harness the resources of the local levels of government (Cochrane, 1983).

Most MMDAs lack the requisite revenue mobilizing capacity mostly in terms of human resources to rake in the needed revenue to execute their development agenda. Poor prioritization by MMDAs in responding to local development needs is another factor that explains their low marginal performances. Ayee (1994) observes that recurrent expenditure of all MMDAs accounted for between 85 and 87 percent of their spending. Much of it was observed to have been spent on administrative costs including official travel and transport as well as entertainment and protocol allocations. This was particularly true in respect of their duties to provide and maintain the peace, provide water, roads, electricity, sanitation and schools.

The general low levels of income in many districts and municipalities also affect the levels of internal revenue generation of funds by the assemblies since this mainly constitutes levies and rates collected from the people. It has been observed that most MMDAs do not have accurate and reliable data base of their taxable heads and the income generating activities and taxable facilities within their jurisdictions and the database of the populace from whom they are demanding these monies from.

The KMA is mandated to formulate, execute plans, programmes and strategies for the effective mobilization of resources necessary for the aforementioned development mandate of the Metropolis. However, it is faced with the problem of generating the requisite quantum of local revenue to compliment central government transfers to help meet the demands of their constituents. According to Korkor, (1991) some of the factors that explain the problem of inadequate revenue has to do with; revenue generation strategies adopted, the degree of effectiveness of the instruments used, level of efficiency of revenue collectors\collection, accountability which ensures that all funds collected are actually deposited in the local authority's treasury and, the adoption of proper fund accounting methods.

These and many other difficulties confront local government structures in the discharge of these critical duties especially in revenue generation and calls for frantic efforts in finding solutions to these problems. This study therefore attempts to investigate into the possible avenues of mobilizing financial resources for developing the Kumasi Metropolitan Area.

1.3 Objectives of the Study

The broad objective of the study is to assess how local governance could be made financially self reliant with little dependence on central government transfers. Therefore the specific objectives that will guide the research are as follows:

1. To identify the main/major sources and structure of local revenue for the Kumasi Metropolitan Assembly

2. To identify and assess the capacities of the institutions involved in local revenue mobilization for the Assembly.
3. To examine the challenges and prospects of revenue generation and mobilization at the Metropolitan and sub-metro levels.
4. Assess the local revenue collection and monitoring mechanisms at the Metropolitan Assembly level.
5. Based on the above, provide recommendations that may help in shaping Ghana's fiscal decentralization process.

1.4 Research Questions

The main research questions are:

1. What are the sources and structure of local revenue for the Kumasi Metropolitan Assembly?
2. Which institutional arrangement(s) are available for the effective mobilization of financial resources for local development in KMA?
3. What are the challenges and prospects for revenue generation and mobilization at the sub-national level?
4. What are the collection and monitoring mechanisms for local revenue mobilization for KMA?
5. What should be the way forward for the effective generation\ mobilization of local revenue for development within the KMA?

1.5 Scope of the Research

The study concentrates on the Kumasi Metropolitan Assembly in the Ashanti Region. The choice of the KMA is informed by varied reasons. The Assembly is a cosmopolitan area

centrally located in Ghana which has several development problems that require the attention of policy makers, development practitioners and partners and researchers. Paramount among these problems is their inability to mobilize adequate local revenue to finance the development programs” of the ever increasing population of the Metropolis. It is worth pointing out that, as far as revenue mobilization and administration is concerned; the problems in KMA might not be radically different from those of other rural, urban and suburban districts in Ghana and other African countries.

The reason for the above explanation is that, their financial operations are based on common regulatory memoranda although their revenue bases differ as one picks on individual districts. For that matter the main research findings and proposals will to a large extent be applicable to most MMDAs in Ghana and some parts of Africa. Contextually the study will investigate into the main sources and proportions of local revenue and strategies adopted for their mobilization. However attention will be paid to expenditure items and their patterns as well as structures for monitoring and evaluating revenue mobilization at the local levels. Above all, development initiatives embarked on through local resources will be covered; the research is limited to the period from January 2010 to January 2011.

1.6 Relevance of the Study

This thesis seeks to improve knowledge by making the following contributions. First, given the absence of explicit theoretical frameworks in previous studies on resource mobilization of MMDAs, this thesis makes a theoretical contribution to the academic debate on local revenue mobilization.

The relevance of empowering local government institutions especially financially to carry out their development agenda is so critical to the overall development of the nation that, no government can afford to ignore this particular issue. The study will therefore be useful as

it will provide an insight into revenue sources of the KMA and the identification of revenue generation potentials and their possible impact on the development of the metropolis.

The study will also help to identify the challenges confronting local government units in their quest to improve their revenue mobilization drives and to eventually improve the standards of living of the people in a middle income world context. It will be an added value to the knowledge base on fiscal decentralization and serve as a impetus for future research into similar areas

The study would again help, academia, governments of developing economies, among others to formulate relevant strategies to enable MMDAs cope with the inherent challenges in revenues mobilization reforms. Other researchers could make use of the research outcome because it will help them to identify the challenges and the strategies for revenue mobilization at the local level for economic development of the country.

1.7 Limitations of the Research

A myriad of problems were encountered in the collection of the data for the research and it is quite important that these problems are brought to light.

Most frustrating was the public officials' unwillingness to release information as they considered such pieces of information as classified and would not readily release them.

The officials were unwilling to give out details of their performance in relation to figures in the revenue mobilization with the suspicion of such information getting into the public domain disclosing their weaknesses.

Ethical and legal regulations made it quite difficult to access some vital information concerning revenue mobilization and utilization due to uncertainty of the use of the information being gathered. In some cases there was outright refusal of respondents to

answer questions they thought were suspicious or could be used for covert purposes other than stated and explained to them.

Also respondent-fatigue due to lack of implementation of outcomes of such researches which have been conducted in the past was also expressed. Some officials did not view the importance of this study and as such were not prepared to grant audience.

Funding for this research work was also a major challenge which limited the studies to only KMA. The financial difficulties such as money for communication, travel and transportation, printing and the cost of data analyst is one other limitation.

In order to minimize the limitations of the study, an official letter was written to the management about the relevance of the study and the commitment to obey the ethical issue before information was released and also further referred to the secondary information.

1.8 Organization of the Study

The study began with an introduction on the perception that has guided the concept of decentralization and local revenue mobilization for the development of MMDAs in Ghana. Decentralization as a catalyst for metropolitan development has been justified in the chapter one in that; it encourages participatory democracy by way of involving the locals in financial resource mobilization necessary for development.

Extensive literature has been reviewed in Chapter Two. The purpose of this review was to develop and articulate more insightful questions about the sub-national governance as units for developmental action and the concept of local financial resources for development.

Chapter Three deals with the methods applied in executing the research. It highlights on the design of the research, data requirements, and data sampling and pre-testing of research instruments.

The presentation of results of the field study begins in Chapter Four. This chapter presents results based on the field data sources. The information here is largely existing forms of information based on both secondary and primary data. Detailed discussions and analysis of findings are carried out with references to flows and linkages of people, information and other forms of communication as well as capacity and initiatives for revenue mobilization at the local levels. The sources of information used for this chapter included, institutional and archival records (secondary data).

Chapter Five sought to look into the future of revenue mobilization as a basis for sustainable local level development. Recommendations were made in respect of approaches that hold prospects for the MMDA's and their local regions, identifying key areas for improved mobilization of financial resources at the sub national levels. Conclusions were drawn on how in the future mobilizing local financial resources can be done, providing further generalization for the future of such a policy across the country as a whole and some suggestions of other sources of revenue generations by the KMA

LITERATURE REVIEW

2.1 Introduction

A series of empirical and theoretical studies have been done on revenue mobilization in the local governance system for metropolitan development. This chapter focuses on the review of relevant literature on the concept and practice of revenue mobilization, issues raised by experts in the field of local governance, and its effects on metropolitan development. It also looked at the various schools of thoughts on decentralization and revenue mobilization which presents the conceptual and theoretical basis for the study.

2.2 The Meaning and Forms of Decentralization

Generally, there are different schools of thought about the concept of decentralization and as such different definitions. Mawhood (1983) defines decentralisation as the "sharing of

part of governmental power by a central ruling group with other groups, each having authority within a specific area of the state". Fundamental areas in the decentralization process according to Mawhood are power, authority and responsibility, which start from the centre and are then diffused to the periphery. However, according to Cheema, (1983) decentralization is the transfer of authority or responsibility for decision making, planning, management or resource allocation from the central government to its field units, districts administrative units, local government, regional or functional authorities, semi autonomous public authorities, parastatal organizations, private entities and nongovernmental organizations.

In the public sector context, Manor (1998) and Ribot (2001) view decentralization, as a process by which a central government formally transfers powers to actors and institutions at lower levels in a political-administrative hierarchy.

Smith, (1985), also argues that, decentralisation is a process of subdividing the state's territory into smaller units and institutions. Power and authority are then devolved to them to perform certain prescribed administrative and political functions within their areas of jurisdiction and specialisation. The same power-sharing pattern may be replicated by these intermediate organisations to those below them.

Therefore, in summation, and compounding all the definitions discussed above, in its traditional form, decentralisation entails the distribution of central government's political, fiscal and administrative power, authority and responsibility to geographically dispersed, legally autonomous and semi-autonomous bodies of government. This is done in order to improve efficiency and effectiveness in service delivery at central and sub national government levels. In Ghana's decentralization programme, local authorities are the administrators of decentralized functions (Ahwoi, 2010)

2.3 Evolution of Decentralization

Many scholars attribute the renewed quest for democratic decentralisation in the field of social science and politics to various origins: firstly, it stems from the failure of centralized models (Wunsch & Olowu, 1995; Schmidt 2003). Advancing this argument, they maintain that centralised systems of governments proved inefficient to grapple with the complexity of the development processes. The second factor is accorded to the collapse of the state sponsored services, which due to the effects of the Structural Adjustment Programme and the prevailing African economic crisis impelled the state 'to retreat' (Schmidt, 2003; Ndegwa, 2002). All the same, another front argues that it was as a result of donor pressures and conditionalities associated with the structural adjustment and other programmes imposed from the outside (World Bank 2000; Mutizwa-Mangiza 2000, Therkildsen, 2000). Schmidt attributes the third reason to the recent democratization processes.

2.4 Decentralization Policy in Ghana

There are five main implementation aspects in Ghana's decentralization policy. These are political, administrative, planning and programme implementation, management of public/private partnerships and fiscal decentralization. Most of these policy aspects have experienced tremendous strides. This includes the formation of local government institutions that have been empowered to exercise deliberative, legislative and executive functions at the sub-national level of governments.

2.4.1 Structure of Ghana's Local Government System

Every state or country in the world has a system of local government. The form it takes depends on the nature of the society in which it is practiced and the conception of the people it serves (Ahwoi, 2010). Nevertheless one principle runs through all the forms, namely, power is given to a local body to carry out functions which would have been otherwise

performed by the central government within the locality. The transfer of power is based on two main considerations.

First of all, that Central Government functions are always numerous and heavy and a certain amount of decentralization is necessary, secondly, that certain services are better carried out at the local level where local initiative and talents can be tapped in the discharge of local functions. Crook (1994) emphasizes that even services and projects that are provided do not respond directly to popular conceptions of needs of the people, and projects that are barely provided do not respond closely to popular conceptions of needs, and are therefore not highly valued or in other words appreciated by the people for who the facilities are being provided for.

In Ghana, Article 35 (6) (d) of the 1992 Constitution provides for making “democracy a reality by decentralising the administrative and financial machinery of government to the regions and districts”. To give form and meaning to the constitutional provisions relating to decentralisation, the government enacted the Local Government Act, 1993 (Act 463). Other subsidiary legislation have also been enacted to deepen the range, scope and process of decentralisation, notably Local Government (Urban, Zonal and Town Councils and Unit Committees) Establishment Instrument of 1994 (L.I. 1589), Civil Service Law of 1993 (PNDC Law 327), District Assemblies Common Fund Act of 2003 (Act 455), National Development Planning (System) Act of 1994 (Act 480) and the Local Government Service Act of 2003 (Act 656).

The objectives of the Ghana’s decentralised system can be stated as follows:

- ❖ restructure the allocation of resources and reassign functions and responsibilities into three levels of government (national, regional and district) to promote efficiency of management;

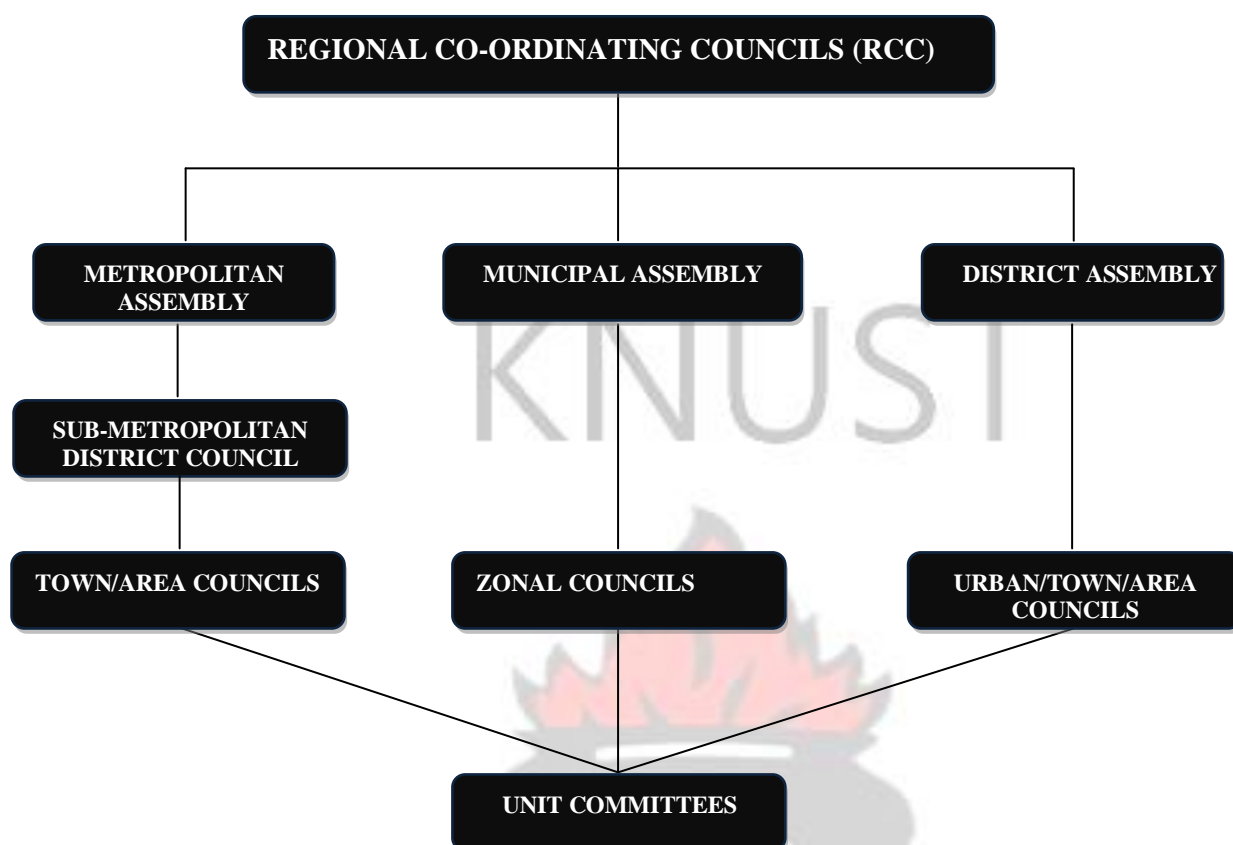
- ❖ integrate central and local government units and functions at the district level into the District Assembly system; and
- ❖ improve resource allocation, utilisation and management as well as administrative efficiency by providing for flexible adaptation of local conditions and circumstances that may affect development efforts and outcomes

Generally, the local government structure that emerged under the decentralised system of planning and public administration has four levels: national, regional, district and sub district level institutions. At the **national level**, the ministries have been restructured into four-line directorates to deal with broad sector policy formulation, planning, budgeting and monitoring and evaluation.

At the **regional level**, the Regional Coordinating Councils coordinate, harmonise, monitor and evaluate the activities of metropolitan, municipal and district assemblies within their respective areas of jurisdiction. At the **district level**, the metropolitan, municipal and district assemblies are the highest political administrative, legislative, development planning including implementation and rating authority. At the **sub district level**, the sub metro district councils, urban councils, zonal councils, town councils, area councils and unit committees have been established to perform community and grassroots planning and management functions in support of the district assemblies within which they are located. Also operating concurrently at the national, regional and district levels are the parastatals (public companies), statutory bodies, non governmental organisations and private sector firms that do not directly form part of the decentralisation programme.

The structure of the local government system is depicted in Figure 3.

Figure: 2.1 Structure of the Local Government System



Source: MLGRD 1996.

2.4.2 Fiscal Decentralisation in Ghana

Fiscal decentralisation entails entrusting local government units with the authority and capacity to generate, allocate and utilise financial resources to promote socio economic development. According to Kokor and Kroes (2000), the objectives of Ghana's decentralisation programme is to increase local revenue mobilisation, restructure allocation of resources to meet local needs and empower MMDAs to make allocation decisions at the local level over both locally generated funds and those transferred from the central government

In furtherance of these objectives, the District Assemblies Common Fund was established and has been in operation for over a decade. The allocations to each MMDA are based on a formula approved by Parliament. Disbursements are made on a quarterly basis and a quarter in arrears. The DACF is available to MMDAs only for investment expenditure. In 2008, the proportion of total government revenue allocated to the DACF was reviewed from

5% to 7.5 %. All MMDAs can only receive their allocations upon the submission of their Annual Action Plans (AAP) and Annual Budgets to the Administrator of the DACF. MMDAs have also been mandated under section 245 of the 1992 Constitution and Act 462 to collect fees, fines, rates, tolls and licences in order to support socio economic development in their areas. Further to this, several legal instruments have been enacted to ensure transparency and accountability in the use of financial resources at the local level. These include:

- ❖ Financial Administration Act, 2003 (Act 654, amendment to FAD, 1979, SMCD 221)
- ❖ Financial Administration Regulations, 2004 (L.I. 1802, revoking the Financial Administration Regulations, 1979, L.I. 1234)
- ❖ Public Procurement Act, 2003 (Act 663)
- ❖ Ghana Audit Service Act, 2000, (Act 658)
- ❖ Internal Audit Agency Act, 2004 (Act 656),

It has to be acknowledged that some modest gains have been achieved since the process of fiscal decentralisation was set in motion in Ghana. According to Kunfaa (2002), despite the many negative stories about misappropriation of funds in MMDAs, a significant number of development projects have been carried out on the initiative of almost every MMDA throughout the country, which would not have been the case if development was initiated from only the central government.

2.4.3 Institutional Arrangement for Fiscal Decentralization

The degree or extent to which power and resources are transferred from the central government to the local authorities determines the form of decentralization practiced. The amount of resources, functions and power transferred to the subordinate organization

determines the four forms of decentralization. The four forms are de-concentration, devolution, delegation and private public partnership and privatization (Ahwoi 2010).

- De-concentration

De-concentration, often refers to as administrative decentralization, describes the transfers of specific decision to peripheral agencies of the same central government institutions, without the transfer of the corresponding authority to make decisions at the destinations of the transfer. It is a system of field administration through which functions are transferred to the field staff to make routine decisions. In this case, de-concentrated offices can be opened at the national, regional, district and sub-district levels where central supervisory authority is paramount (Ahwoi 2010). Faculty of inter institutional or inter-sectoral coordination or integration. In this type of decentralization, the decentralized agencies remain dependent on the central government thereby stifling local initiative.

They serve to cut through „red tape“ and the highly structured procedures characteristic of centralized administrative systems.

- Delegation

According to Ahwoi 2007 delegation is the attribution of certain specific functions to semi-autonomous authority or para-statal organization which do not execute them independently and owe direct responsibility to either local or sectoral central government institutions. Delegation has been used in public corporations development extensively in Africa and Asia to implement development schemes. This was part of the western public administration theorists“ prescription for administrative reforms and modernization between the 1960s and 1970s to undercut or bypass the normal government machinery and endow the parastatal with developmental drive, coherence and authority to plan and pursue economic development. (Boodhoo1976). This type of decentralization was used in Ghana and some parts of Africa by public corporations and special development authorities to

manage and implement infrastructure projects such as, the provision of water supply, hydro electric power facilities, managing dams and integrated rural development programmes.

- **Public -Private Partnerships and Privatization in the District Assemblies**

This refers to the extent to which local institutions providing goods and services to communities are in the public or the private sector. In local government, privatization is when local authorities contract out or outsource part of the services they provide to a private producer or supplier for an agreed fee. This has in practice included the collection of local taxes, the management of local markets and lorry parks or terminals and the supply of technical staff such as lawyers and accountants (Ahwoi 2010). This aids the local authority to concentrate on its core business of providing the basic socio-economic amenities for the designated locality.

This may refer to a complete and final transfer of a package of government services to private profit making or non-profit making organizations (Ahwoi 2007).

- **Devolution**

Devolution conceptually is what comes closer to decentralization, in that, it involves the legal conferment of powers and the performance of specified functions by formally constituted regional or provincial bodies. Under devolution, powers and functions once devolved are not easily taken back, since this will often require a constitutional amendment (Ahwoi, 2010). This gives the local government in the authority to raise funds for local development through taxes, rates and the other heads of the IGF. In other words, devolution is the transfer of authority for decision making, finance and management to autonomous units of local government. In a truly devolved independent system, local government have clear and legally recognized boundaries over which they exercise authority and within which they perform public functions for which they are held accountable (Rondinelli, Supporting Rural Development 1998).

2.4.4 Challenges of Fiscal Decentralization

A number of bottlenecks towards fully institutionalizing fiscal decentralisation in Ghana however still remain.

These include the following:

- ❖ Substantial authority had been given to MMDAs without commensurate resources to fulfil/achieve their mandates;
- ❖ Composite budget system has not been fully operationalized;
- ❖ MMDAs continue to prepare budget estimates and account for expenditure on sectoral basis at the district and regional levels;
- ❖ Limited discretionary authority of MMDAs over funds from DACF;
- ❖ Weak local revenue generation and mobilisation capacity of MMDAs
- ❖ Untimely disbursement of funds from DACF; and
- ❖ Substantial deduction in the quarterly DACF allocation to the MMDAs to finance national level programme e.g. National Youth Employment Programme, Fumigation etc.
- ❖ Variances in the amounts allocated, disbursed and actually received by MMDAs from the DACF. The variations were as a result of the fact that certain expenditures were incurred on behalf of MMDAs and the cost deducted at source.

2.4.5 Prospect of Fiscal Decentralization

In order to address the fiscal decentralisation challenges, a number of initiatives are being implemented. An inter-governmental fiscal framework that clearly assigns service responsibilities between the central government and the sub-national level has been developed and is being implemented. A Municipal Finance Bill to assist local governments to source funds from the open capital market is being considered by Parliament. In a bid to further strengthen the fiscal capacity of MMDAs, the Ghana government and Development Partners (DPs) have introduced the District Development Facility (DDF). This facility

exists to provide additional financial resources to MMDAs through an annual performance assessment to enable them implement programmes and projects in their MTDPs. The Ministry of Local Government and Rural Development also intends to introduce the concept and practice of “municipal contracts” whereby Metropolitan and Municipal Assemblies would be assessed at the technical/urban, financial and organisational levels with a view to granting them additional financial assistance to implement projects identified in a Priority Investment Programme prepared after the assessment.

2.5 Revenue Mobilization by the MMDAs

The effective administering of MMDAs is highly reliant on the availability of both financial and other resources; unfortunately, MMDAs have always encountered the problem of inadequate resource for development. These problems have been with us since independence. That notwithstanding, some of these MMDAs have continued to make appreciable strides in increasing revenue mobilization in their various catchment areas with little results, sometimes these achievements can be attributed to constant sensitization by their various Task Forces for the need for citizens to pay their Taxes and the call for the elimination of leakages in Assemblies revenues. To further entrench the policy of transparency at the district level, the Ministry of Local Government And Rural Development continues to instil in MMDAs the need for prudent use of resources by constantly auditing the accounts of the Assemblies by external auditors not forgetting the efforts of local government inspectors and the placement of internal auditors in each MMDA and the publication of development projects both completed and on-going ones, this is to educate, and convince the populace about the prudent use of their taxes collected from them. In furtherance of the above, the Financial Memorandum of the Local

Governments-Act, Act- 54 has also been reviewed to indicate how important the issue is to Government and other development partners. (Ghanadistricts.com). According to Zanu (1990), the political perspective of in financial matters of the District Assemblies must necessarily be reviewed and that the factors that negatively affect revenue mobilization of MMDAs require local, bold and innovative actions by the District Assemblies themselves. Twerefou (2010) observed that the collection of property tax as a method of revenue mobilization in Ghana was ineffective due to weak monitoring and collection mechanisms that existed in the bodies mandated to collect the revenue. Also high tax rate and weak enforcement of the law, as incentives for tax defaulters to carry out the illegality, adding “May be there is the need to take a look at the law again to ensure compliance, if taxes are reasonably low and the enforcement is high and strongly implemented, it will serve as an incentive for many to pay them” Twerefou expressed worry that proper valuation of property had not been thoroughly and properly done claiming there still existed many communities and households left out without having been valued to meet modern estimations. He also notes that property tax would be an effective way of ensuring the rich acquired properties were made to assist the poor in society. (Twerefou, Ghanaian Times, Thursday May, 6th 2010)

2.6 Institutional Arrangements for Local Revenue Generation

Asamoah (2010) intimates that with the current global recession, revenue mobilization has become a more serious business agenda of many governments including Ghana and in her view traditional rulers can assist the revenue collection agencies to improve their revenue base to support the provision of infrastructure like roads, hospitals and schools in the various localities since the Traditional rulers easily mobilize their subjects for various productive activities. Ngeyen, (2010) agrees and further opines that chiefs could do more to help in the dissemination of tax information and education due to their strategic positioning in society.

Korbieh (1997) intimated that revenue mobilization by MMDAs was critical to government but the apparent laxity with which some districts approached the issue of revenue mobilization was deplorable. That quite a number of people have attributed this attitude to the fact that District Assemblies now receive „huge“ supports from central Government through the District Assembly Common Fund and other development partners. Korbieh alluded to the fact that there would be no meaningful development without adequate funds and that, “If District Assemblies (DA’s) are really serious about tackling the issue of under development in their jurisdictions, they should not consider their allocation of the common fund sufficient enough to avoid any complacency.”

2.6.1 Institutions responsible for Revenue Mobilisation and their Functions

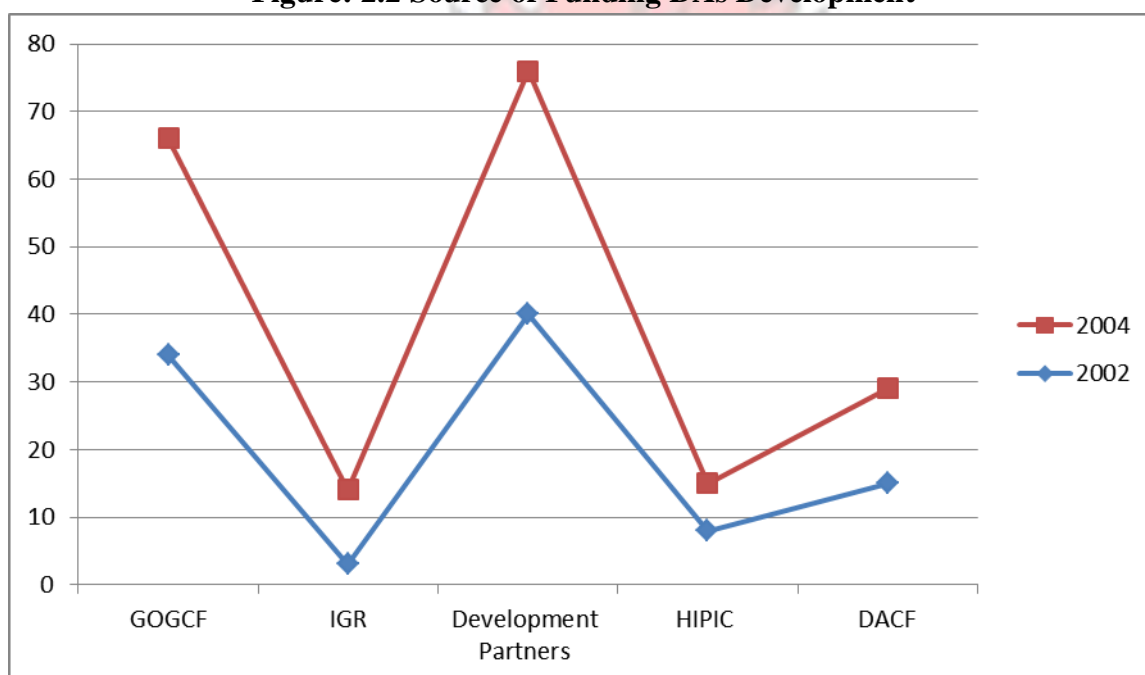
There have been calls by authorities of local governance and politicians to MMDAs and Interim Management Committees (IMC) to intensify and modify their revenue collection methods to be able to execute the various developments plans of their areas. Nkrabea (2003) hypothetically intimated that, MMDAs relied on the District Assembly Common Fund for development, without making efforts to generate local revenue to augment the funds that comes in from the central Government. District Assemblies have been urged to set up revenue generating mechanisms to enable them to generate more funds to meet the numerous demands of the electorates. In furtherance to the above, the GNA (2004) reported that the administrator of the District Assemblies Common Fund (DACF) expressed concern about the Assemblies overreliance on the DACF, and further regrettably noted that most of them (MMDAs) have forgotten that the fund was set up to augment their Internally Generated Funds (IGFs). Tigie et al (1998) indicate that, many governments are experimenting new approaches and ideas to improving revenue collection through the recent use of technology to boost collections. There seemed to be a lot of collusion between revenue collectors and taxpayers which enabled the latter to evade the payment of taxes.

This has contributed to the over reliance of district assemblies on the District Assemblies' Common Fund for all development projects (GNA 2003).

2.6.2 Performance

There is empirical evidence that payment of taxes and levies is reported to have witnessed substantial improvement since the implementation of the decentralisation plan between 2002 and 2004 leading to a modest rise in IGR. (Refer to Figure 2.2).

Figure: 2.2 Source of Funding DAs Development



Source: GPRS Annual Report 2004

Despite the modest structural change, resource mobilisation at the district level in Ghana is still very weak. This has made the DAs still highly dependent on the central government funding. The survey results have also indicated that the involvement of traditional authorities, local communities, civil societies, assembly members and the private sector in the revenue mobilisation activities of the DAs is not impressive - just about average. This

indeed calls for the concern of all. The private sector in the revenue mobilisation activities of the DAs is also not impressive - just about average.

Resources (especially financial) channelled to the District Assemblies are supposed to be efficiently managed so as to derive their optimal utilisation. DA expenditure details are first supposed to be audited by the internal audit unit of the Assembly which was found out not to be the case in most cases. There is the need to intensify regular auditing

(internal and external) of the District Assemblies accounts.

There should also be periodic unannounced auditing and reports submitted to the Controller and Accountant General, Ministry of Finance or published on bill boards in the communities to put Das on their feet.

It is inferred that the funds released from the Central Government (including DACF) often fall short of the financial requirements of the DAs plans and operations. However, the funds that the DAs actually get usually fall short of the amount budgeted for. This is evidenced from the persistent deficits that have come about as a result. On the whole, the deficits have averaged between 20% and 30% of the amount budgeted for. This adversely affects the execution of many poverty reduction projects in the districts in the form of delays, uncompleted projects and diversion of resources to other ends that have not initially been budgeted for.

The increase in the DACF from 5% to 7.5% would bring additional basic social facilities (for example: water, health, sanitation and education) to be provided. However, the present allocation formula for the disbursement of the DACF was found to be inadequate in view of the prevailing regional and District differences of natural endowments and poverty levels in the country.

To ensure that the poor are the main beneficiaries of the 2.5% increase in the DACF, there is the need to refine the DACF allocation formula to facilitate the increase for pro-poor

activities. The refined formula needs to take into consideration the regional and district disparities as well as equity into consideration to enable those poverty-endemic districts get more allocation of the DACF. As an incentive, there is the need to include in the formula the indicator that those Assemblies with more IGF will be allocated more DACF.

2.6.3 Monitoring and Evaluation

In 2006, NDPC prepared and issued guidelines for the preparation of district monitoring and evaluation plans. The guidelines were to be used as a basis for preparing district monitoring and evaluation plans for the implementation of district plans under the GPRS II. NDPC is responsible for monitoring the implementation of national, sectoral, regional and district level plans. The approach by NDPC over the years has been to issue guidelines and format for monitoring and receiving monitoring reports. In addition, NDPC has established a database called Ghana Info. The database is reviewed based on reports and inputs received from sectors and MMDAs. The challenge with monitoring at the national, regional and district level is the delay in the preparation and submission of monitoring reports. In addition, inadequate financial support and logistics for RPCUs and DPCUs remains a challenge for effective monitoring and evaluation.

2.6.4 Challenges and Prospect of Institutions responsible for Local Revenue Generation

Despite the modest structural changes, resource mobilisation at the district level in Ghana is still very weak. This has made the DAs still highly dependent on the central government revenue. It is inferred that the funds released from the Central Government (including DACF) often fall short of the financial requirements of the DAs plans and operations. This is evidenced from the persistent deficits that have come about as a result. On the whole, the deficits have averaged between 20% and 30% of the amount budgeted for. This adversely

affects the execution of many poverty reduction projects in the districts in the form of delays, uncompleted projects and diversion of resources to other ends that have not initially been budgeted for.

Alifo (1997) attributed the low revenue base of the District Assemblies to their inability to enforce the regulation on tax evasion because politicians would not want to be unpopular especially in years preceding elections or even election years for obvious reasons.

Also District Assemblies' access to sources of revenue is controlled by legislations, but admits that experience suggests District Assemblies are reluctant to increase their charges and taxes within levels already permitted. Additionally, DA's are unable to collect what is due them, preferring to seek relief from revenue problems through the central government transfers. Alifo cited property rates, as the single most important source of revenue for MMDAs, but even with that, it was not being fully tapped with some property owners owing the assembly monies that ran into several Thousands of Ghana cedis.

A report by the World Bank (2010) revealed that District Assemblies found it difficult to allocate large portions of their resources to development projects instead, Capital expenditure accounted for 5 to 20 per cent of their total expenditure between the periods 1982-1988 with majority of the Assemblies falling at the low end of the range. This erodes the confidence of the public in the inability of the District Assemblies to raise resources for the development of their various localities. The report further revealed that only few Assemblies spent up to 20 per cent of their resources on capital development which is nothing to write home about looking at the extent of work to be done, noting that a greater number of them {MMDAs} spent only 5 per cent of their resources on capital development.

Lack of effective internal and external control measures and the lack of staff with the requisite specialized skills to manage technical services partly accounts for the

ineffectiveness of District Assemblies. (Dotse 1998) concedes that the problem of revenue generation in local government units is due to the inelastic nature of the rates charged by MMDA's.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter elaborates on the processes and methods employed to provide answers to the research questions related to this study. Essentially, it is a guide for understanding how the research was conceived and carried out, including the choice of the research strategy.

3.2 Research Design

According to Inkoom (1999) A research design can be described as the logical sequence that connects the empirical data to study initial research questions and ultimately to its conclusions. Basically, it is viewed as a guiding plan for the process of collecting, analyzing and interpreting observations and a logical model of proof that facilitates the drawing of inference by the research concerning causal relations among the variables under study. Thus, the main objective of the research design is to ensure that evidence collected addresses the initial research questions and make appropriate inferences.

The case study was adopted and used for this study. Yin (1984) observes that a case study design is an empirical inquiry methods that investigates a contemporary phenomenon within its real life context when the boundaries are not clearly evident and in which multiple sources of evidence are used. The issue of local government financing is a critical contemporary phenomenon that confronts national governments across the world.

Financial autonomy for sub national governments in Ghana's decentralization process has been the major consideration that seeks to empower local government units financially to perform their mandated roles as expected.

Yin and Tellis (1997) also argue that case studies are designed to bring out details of a study by using multiple sources of data, and that the unit of analysis under case study is a typical system of action rather than an individual or group of individuals. Since revenue Mobilization at the local level works well with several actors, information related to the subject could only be obtained from several sources which are connected with harnessing and management of these resources. It is for this reason that the case study design method was adopted to allow in in-depth analysis of generating, mobilization and managing local financial resources for metropolitan (local level) development in Kumasi.

3.3 Research Processes

This section throws light on the processes and methods adopted in achieving the objectives of the study. Specifically, issues discussed included the design and the selection of study topics, review of related literature, and the design of survey instruments and tools. Other issues discussed are the pre-testing of survey instruments, field survey and data collection as well as data collating and analysis.

3.3.1 The Design and selection of study topic

The research began with the conception of the idea that comprehensive socio economic development of the nation as a whole depends on our collective efforts at spreading development equitably across the nation to ensure fairness. This feat, it is believed, could be achieved by identifying and harnessing local financial resources that are available in every geographical unit and utilize them for the improvement in the lives of people. The idea was conceived bearing in mind the prospects and challenges the mobilization of

endogenous resources was likely to encounter. The passion for local development which is the key objective to Ghana's decentralization concept led to the selection this research topic.

3.3.2 Review of Related Literature

Relevant and related literature was reviewed. This was done in order to get more insight into the study regarding the perspectives of different authors in respect of the topic. The review of literature provided a better understanding into the various concepts related to the study and provided the bases for the research design adopted. Again, the review of the literature helped in the design of the survey instruments and tools used for empirical data collection.

3.3.3 Design of Survey Instruments and Tools

Having reviewed literature and identifying data requirements and determining their sources, the appropriate questionnaires were designed which were used to solicit information from respondents from the KMA. Structured questionnaires and interview guides were the main instruments used for the data collection.

3.3.4 Pre-Testing of Survey Instruments

Having designed the various survey instruments there was the need to pre-test them to ascertain their appropriateness or otherwise so as to correct anomalies. This provided the opportunity to test the appropriateness or otherwise of the questionnaires. To this end Bantama Manhyia Sub-Metropolitan council's areas were chosen for the pre-test survey. The choice of Bantama and Manhyia Sub-Metro councils was based on the fact that they have active business environments which can be conveniently generalized for the whole of

Kumasi. The pre-test exercise was quite successful. However, since the communities chosen for the pre-test were predominantly market areas it was difficult getting respondents to attend to questionnaires given them. This challenge was however overcome by follow up visits.

3.4 Field Survey and Data Collection

Prospective respondents were notified and dates set for the exercise. At a meeting with officials which was at the instance of Municipal Co-ordinating Director (MCD), the purpose of the exercise was made known and issues were clarified further, Respondents were entreated by the Metropolitan Co-ordinating Director (MCD) to take the exercise seriously and in this case an administrative officer was tasked to coordinate the exercise. In some instances there was little difficulty with soliciting information from officials of the assembly since the MCD entreated for their maximum cooperation. Other interest focus groups were not so enthused about the exercise since they perceive revenue collectors of the assembly as corrupt. The issue of the assembly not using much of locally generated revenue for local development was another issue of concern to the tax-paying public.

3.5 Data Analysis and Reporting

Data collected was then collated under various objectives of the study for ease of analysis and inferences. Attempts were made to make meaning out of the data so collated. Analysis was then done using both qualitative and quantitative methods. Regarding quantitative methods of analyses, averages, percentages and proportions were mainly used. Other situations were statistically described since it was not possible in those circumstances to describe graphically. Findings were then reported reflecting analyses carried out.

3.6 Categories of Data Collected and Sources

This research design, questions and objectives as well as information gathered from the review of related literature provided the bases for the identification of data requirements and their sources. The primary data source for the study was from interview of employees of KMA, businessmen/women and the secondary sources information for the study are discussed below.

- Assemblies' Trial Balance (Financial Statement). These provided the existing revenue sources and structure as well as expenditure trends of the assemblies. (Source; KMA Archives)
- Finance and administration sub committee report: Independent and objective analysis and comments on the financial situations of the assemblies. (Source; KMA Archives)
- Annual recurrent and development budget estimates: veracity of marching income with expenditure. (Source; KMA Archives)
- Development sub committee report: fairness in the distribution of development projects across the metropolis. (Source; KMA Archives)
- District Medium Term Development Plans (DMTDP): strict compliance with the provisions of the development plans in the selection and implementation of projects. (Source; KMA Archives)
- Annual fee fixing resolutions: issues relating to proper rating of revenue items. (Source; KMA Archives)
- Audit reports: independent analysis and comments on compliance with laid down financial regulations (Source; KMA Archives)
- Tender committee minutes and contract register: compliance with laid down procedures. (Source; KMA Archives)

The primary data requirements and sources are presented in table 1.0

Table 3.0: Primary Data Requirements and sources

Data Sources	Information Type
MCD	Operationalization of the MPCU's public perception about revenue generation, available institutions that could assist in revenue mobilization, unexplored revenue sources
MFO & OTHER OFFICIALS	Revenue sources, expenditure patterns, challenges of revenue mobilization, suggested solutions.
INTERNAL AUDITORS	Financial control mechanisms, expenditure patterns, functional relationships
DPSs	Contract management, selection of projects
MBAs	Preparation of FFR and budget estimates, involvement of tax payers in the budget process, problems with revenue collection
REVENUE SUPERINTENDENTS	Revenue collection challenges, motivational issues, instruments used for revenue collection, suggested solutions, public perception about revenue mobilization, and mode of accounting for revenues collected, institutions that could be used in revenue collection.

Source: Author's Own Construct, 2011

Information was also obtained from identifiable groups at focus group discussion level. Landlords, revenue collectors, market operatives, the GPRTU as well as artisan group, were interviewed. The focus groups provide information on their involvement in the budget processes, their perception about the revenue mobilization of the municipal assemblies, their ability to pay taxes, challenges of tax payment, suggested solutions among others.

3.7 Data Collection Methods

Both Primary and Secondary data were employed for effective and comprehensive analyses, to help answer the research questions and meet the objectives as well. Questionnaires were dispatched to the MFO and revenue collectors for their responses on issues that will help address the research questions and objectives. The annual financial reports were also

requested for at the KMA finance office and assess was granted without delay. Other required data were also sought through formal and informal discussions with executives and colleagues at the assembly.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

The theoretical basis of this study, and the research methodology were discussed in the previous chapters. This chapter however focuses on the analysis of the KMA's financial reports for the research work. The chapter will discuss data on the financial resource base of the assembly like the internally generated revenue and other forms of sourcing revenue for the smooth administration of the KMA. Regarding the internally generated revenues of MMDAs, data gathered and presented includes the demographic and social characteristics, the perceptions and knowledge of internally generated revenues and the impact that locally generated revenue on the operations of the KMA.

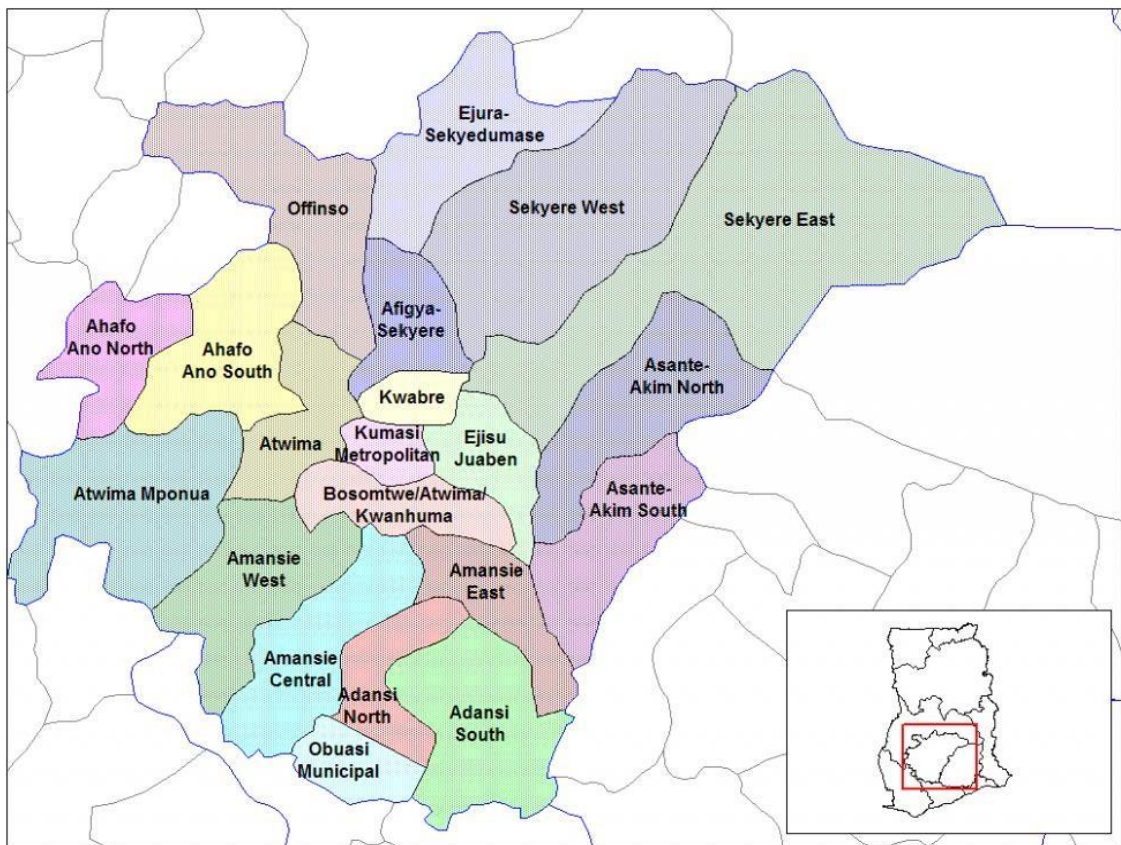
4.2 Kumasi Metropolis in Context

Kumasi was the capital of the ancient Ashanti Empire now the Ashanti region of Ghana and still remains the capital of contemporary Ashanti Region. Kumasi as a matter of course, developed into a major commercial centre with all major trade routes converging on it (Dickson, 1969). However, it came under the influence of the British rule in 1890 (Adu Boahen, 1965). With time the city began to expand and grew thereby making it second only to Accra in terms of land area, population size, social life and economic activity. Its strategic location has also endowed it with the status of the principal transport terminals and has assured its pivotal role in the vast and profitable distribution of goods in the country and beyond. The city is home to the predominant Ashanti tribe and several other tribes of Ghana today. **Sources; Dickson, 1969, Adu Boahen, 1965**

4.2.1 Location and Size

Kumasi is located in the transitional forest zone and is about 270km north of the national capital, Accra (<http://kma.ghanadistricts.gov.gh/>). It is between latitude 6.35° – 6.40° and longitude 1.30° – 1.35° , an elevation which ranges between 250 – 300 meters above sea level with an area of about 254 square kilometers. The unique centrality of the city as a traversing point from all parts of the country makes it a special place for many to migrate to. (Regional Statistical Office, Kumasi)

Figure 4.1 Map of Kumasi in the Ashanti Region and National Context



Source: www.google.com (2011)

4.2.2 Demographics distribution of Kumasi

Its beautiful layout and greenery has accorded it the accolade of being the “Garden City of West Africa”. From the three communities of Adum, Krobo and Bompata, it has grown in a concentric form to cover an area of approximately twenty five (25) kilometers in radius.

The direction of growth was originally along the arterial roads due to the accessibility they offered resulting in a radial pattern of development. The city is a rapidly growing one with an annual growth rate of 5.47 per cent (Regional Statistical Office, 2000, Kumasi). It encompasses about 90 suburbs, many of which were absorbed into it as a result of the process of growth and physical expansion. The largest ethnic group is the Ashanti, but other ethnic groups are growing in size. Approximately 80 per cent of the population is Christian and 5 per cent Muslim, with a smaller number of adherents to traditional beliefs. The 2000 Population Census kept the population at 1,170,270. It was however projected to 1,610,867 in 2006.

Kumasi is the most populous district in the Ashanti region. Millennium Cities Initiatives (MCI) projects that the 2010 population is 1,634,899.4. Table 1 shows Kumasi City's population by location, both at the time of the 2000 census and, as projected, in 2010.

Source; Statistical Service Dept. (2005) Kumasi

Table 2.0 Kumasi City Population, by Area

Sub-Metropolitan Area	Census Population 2000	Projected Population 2010	Area (Sq.KM)
Oforikrom	1 24,869	174,445	54.1
Asokwa	1 31,418	183,595	29.5
Bantama	1 01,409	141,671	30.6
Nhyiaeso	6 4,505	90,115	30
Kwadaso	1 18,039	164,904	34.2
Subin	1 00,979	141,070	8.5
Manhyia	1 63,986	229,093	17.1
Suame	1 14,751	160,310	14.6
Old Tafo	1 28,022	178,850	6
Asokwa	1 22,292	170,845	29.3
Total	1 ,170,270	1,634,899	253.9

Source: Ghana Statistical Services (2005); MCI projections

Note: Some of the districts in the map have since changed their names due to redemarcations and the creation of new districts in the Region.

4.2.3 Water and Sanitation in Kumasi

Most of the water in Kumasi is obtained from rivers, such as the Barekese, Offin and Owabi. These surface water sources are fed by several tributary streams. Rainwater harvesting used to be widely practiced in Kumasi, though the practice has reduced dramatically it is still the source of water for some suburban households with no connections to pipe born water. However urbanization and pollution have made this practice unsafe. Emissions from a growing number of industries and vehicular fumes have increased the range and levels of pollutants in the city, including such toxic chemicals as platinum, palladium and lead.

There are two water intake points: one at Owabi (located 10 km from the city); the other at Barekese (located 19 km from the city). The abstracted water is treated at the Owabi and Barekese Water Treatment Plants. The Government of Ghana's key water and sanitation policy objectives are to accelerate the provision of safe water and adequate sanitation facilities and to ensure the sustainable management of those facilities. Strategies for achieving these objectives include: the development of District Water and Sanitation Plans (DWSPs); improving community-owned and -managed water supply systems; and strengthening public-private partnerships. The government is also interested in integrating hygiene education into water and sanitation delivery (Maoulidi, 2010).

4.2.4 Sanitation System in Kumasi

The KMA Waste Management Department (WMD) is the institution responsible for environmental sanitation services in the city. It supervises the design, construction and management of public sanitation facilities and provides financial and technical assistance for their establishment and maintenance.

4.2.5 Economy

Due to large gold deposits that have been mined in the area, Kumasi has been among the wealthy cities in Ghana. The city's major exports are hardwood and cocoa. Kumasi has 50% of the timber industry in Ghana, with more than 4,000 are employed in the business. The Kaasi Industrial Area plays an important role in industry in the area. The Guinness Ghana Breweries is based there and is listed on the Ghana Stock Exchange. Much of the trading activity in the city takes place in and around Kejetia Market and Adum. These two areas are in close proximity with the two having a common boundary. **Source; KMA Achieves (2007)**

4.3 Kumasi Metropolitan Assembly in Context

The Kumasi metropolitan Assembly was established by Legislative Instrument 1689 of 1986 to be responsible for the overall development of the Metropolis, and shall ensure the preparation and submission through the Regional Coordinating Council for approval of the plans to the National Development Planning Commission (NDPC) and forwarding of Budgets to the Ministry of Finance.

4.3.1 Local Administration

The Kumasi Metropolitan Assembly is one of the twenty seven (27) MMDAs in the Ashanti Region. It is one of the old Administrative Districts in the Country; it dates back in the colonial days when it was called the Kumasi city Council with Kumasi always being the District Capital. The KMA has ten operational sub-metros and these are the Oforikrom, Asokwa, Bantama, Nhyiaeso, Kwadaso, Subin, Manhyia, Suame, Old Tafo and Asokwa sub metros. The KMA shares boundaries with the Kwabre East District

Assembly to the North, Bosomtwe and Atwima Kwanwoma District Assemblies to the South, Ejisu-Juaben Municipal Assembly to the East and the Atwima Nwabiagya District to the West of the Metropolitan Assembly.

4.3.2 The Organizational Structure of Kumasi Metropolitan Assembly

The structure of the Assembly as presented in figure. 4.2 consists of the assembly at the top most part of the highest decision making and legislative body. Below the assembly are the Executive Committee, the MCE and sub-committees in descending order of authority. Membership of the Executive Committee comprises all chairmen of the seven sub committees, and five other members appointed by the MCE in consultation with the Presiding Member.

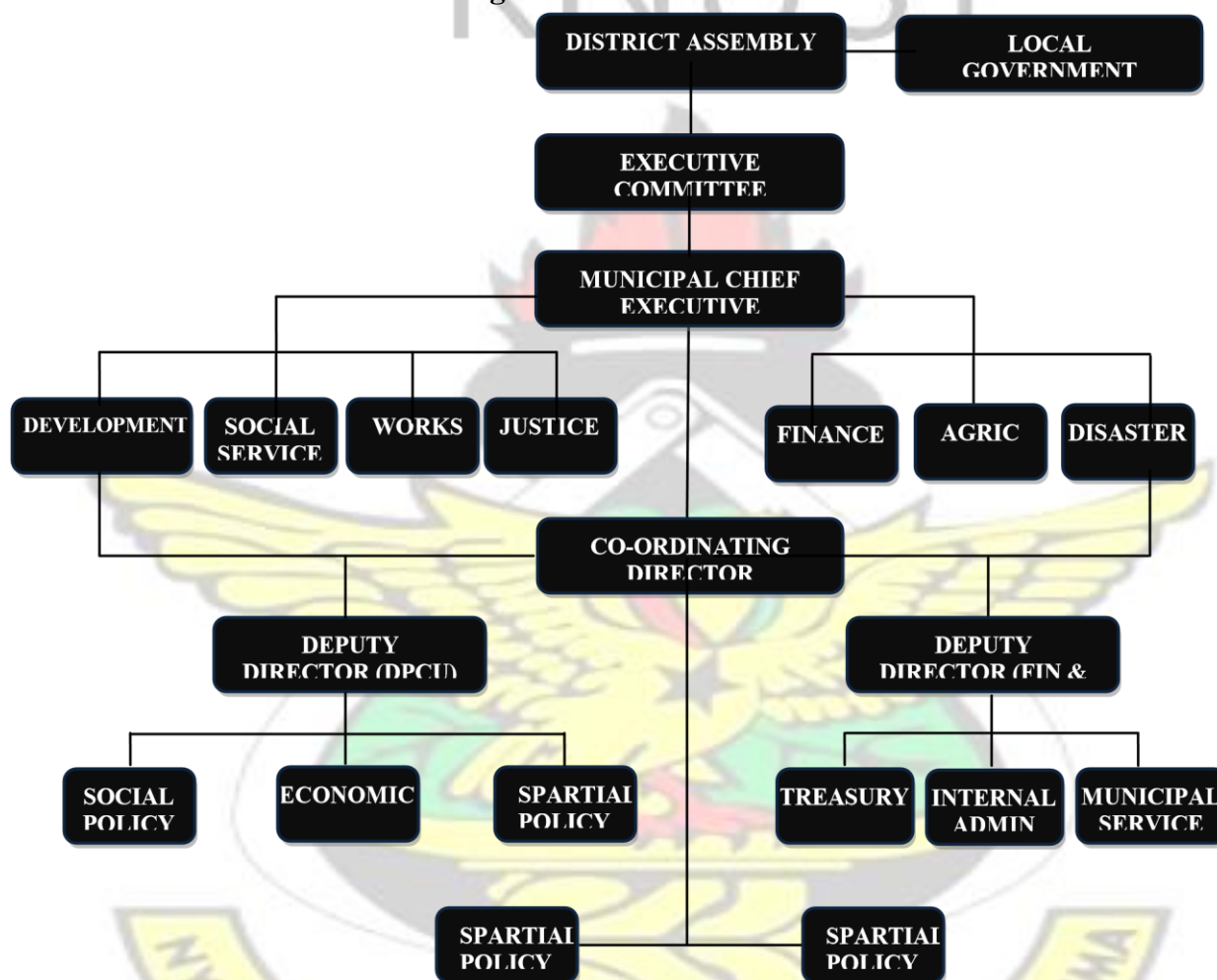
The sub committees include the Development Planning, Social Services, Works, Justice and Security, Finance and Administration, Agriculture, Environment and the Disaster Prevention and Management. At the base of the structure are two (2) Deputy Directors who report to the MCD.

The KMA was established by Legislative Instrument 1689 of 1986 like the MDA's. the KMA is expected to perform the following functions among others:

- (a) Be responsible for the overall development of the Metropolis, and shall ensure the preparation and submission through the Regional Coordinating Council for approval of the plans to the National Development Planning Commission (NDPC) and forwarding of Budgets to the Ministry of Finance.
- (b) Sub-government financing and its challenges
- (c) Formulate, execute plans, programmes and strategies for the effective mobilization of resources necessary for the over all development of the Metropolis.

- (d) To promote and support the productive activities and social development of the area.
- (e) Initiate programmes for the development of basic infrastructure in the Metropolis.
- (f) Be responsible for the development, improvement and management of human settlement and the environment in the Metro.

FIG. 4.2 Organizational Structure of KMA



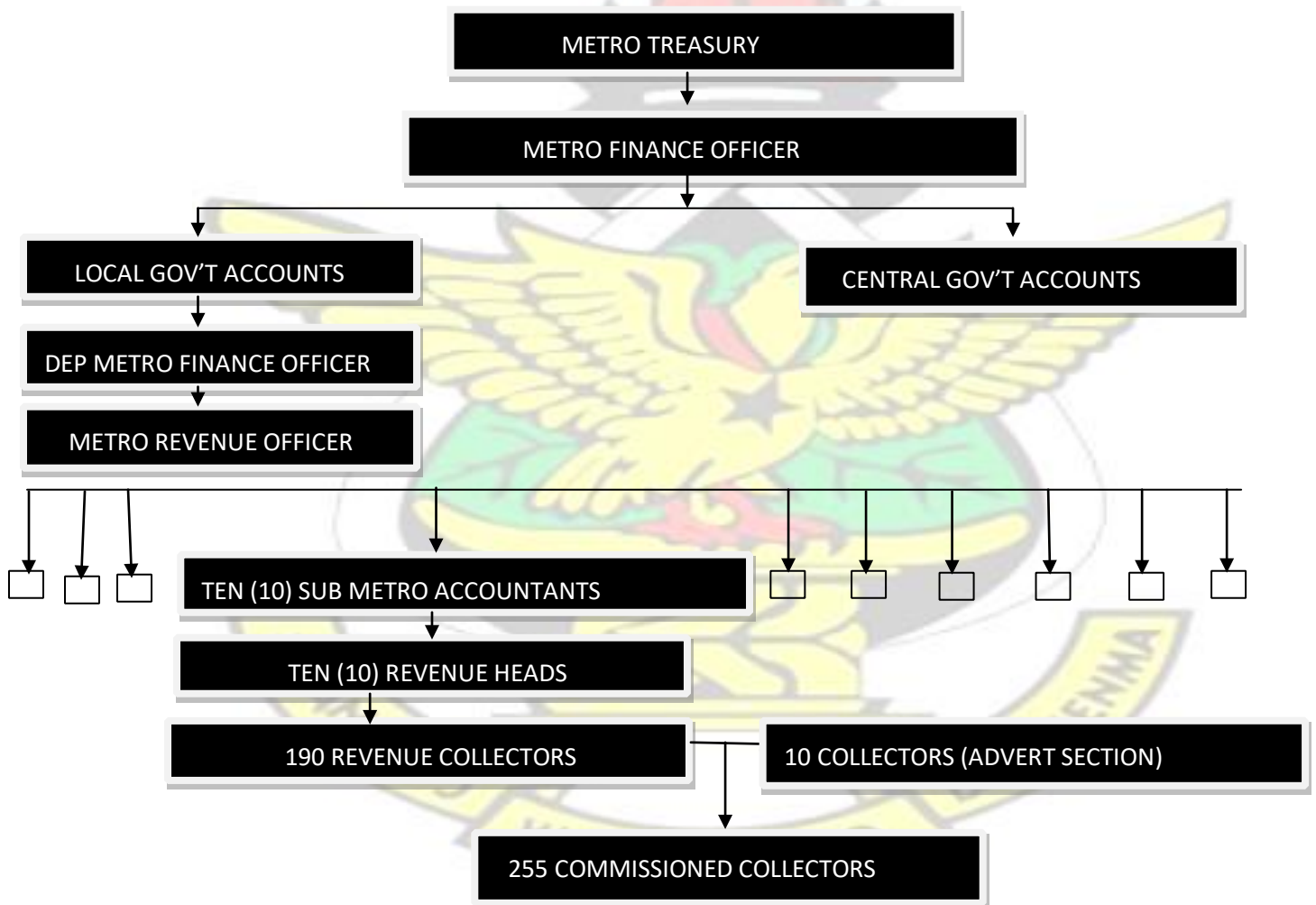
Source: KMA, 1994

4.3 The Structure of Revenue Mobilization in KMA

The Metro Treasury is the highest office of the revenue collection department of the assembly the metropolitan finance officer is the head of the accounts unit in charge of all accounting transactions of the assembly. The Local and Central Government account are the next on the chart indicating the hierarchy followed by the Deputy Metro Finance Officer.

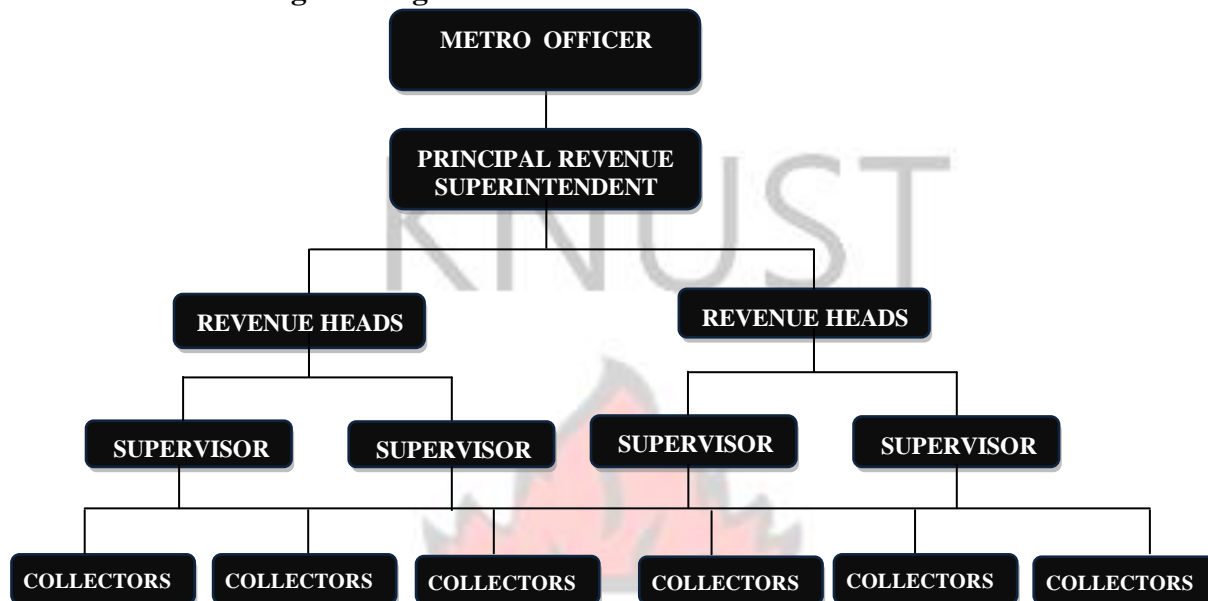
The principal revenue superintendent is the head of the revenue unit responsible for revenue station heads and revenue collectors. The revenue collectors pay in monies to designated banks of the assembly and present pay-in slips thorough the revenue heads for relevant receipts. In all there are four hundred and forty five (445) revenue collectors at the assembly. One hundred and ninety (190) are permanent collectors and two hundred and twenty five (255) are commission collectors. The hierarchy includes revenue heads, supervisors and actual collectors.

Fig4.3: Organizational Chart of the KMA



Source: KMA, 1994

Fig 4.4: Organizational Chart of Revenue Officers



Source: Field Work 2011

Out of the 445 revenue officers, 21 are heads, 10 are supervisors and actual collectors are 424 in number. The five sub-district structures of the assembly are responsible for the collection of ceded revenues which are shared equally between them and the central administration. The Internal Auditor of the assembly vets all payment vouchers of the assembly before any spending or expenditure is incurred. This is to ensure that proper procurement procedure is followed. **Source; KMA Achieves (2007).**

4.5 Spending and How Spending is permitted

Below is an outline of how the assembly permits spending of its revenue:

- ❖ The spending of revenue commences with a budget line which has been prepared and approved. The approval of the budget line also depends on that availability of the approved funds;

- ❖ Request for release of funds as allocated by budget is initiated by the appropriate departments which is sent the coordinating Director for approval and to the finance office for the release of funds;
- ❖ Approval of budget expenditure is done after cross checking of the approved budget;
- ❖ Before funds are released, pre-auditing is carried out by the internal auditor to ensure that proforma invoices are attached to the requested or the purposed of the funds request is checked;
- ❖ After the pre-auditing, funds are therefore release to the appropriate department or the individuals requesting for payment.

It is important to note that approval for spending is first given by the general assembly before it gets to the coordinating Director.

It should be emphasized that there is a good relationship between revenue officers as they coordinate the efforts of each other in complimentary and collaborative roles with each rank and file performing their own duties as assigned.

4.6 Main Sources of Revenue for the KMA

It is by no means erroneous to assert that funding for the local government system in the country leaves much to be desired to say the least. The general sources of revenue mobilization of the assembly are primarily through government subventions and local sources (i.e. the IGF) but these have been inadequate to sustain the developmental needs of the KMA. The government's response to the poor financial situation of the assemblies has been essentially two-fold.

First to be considered is the mechanism of "ceded revenue" under which a number of taxes such as advertisement (bill boards) tax, income tax payable on registration of trade, business, professional or vocation, daily transport tax payable by operators of commercial transport and income tax payable by specified categories of self-employed persons in the informal sector have been transferred to the District Assemblies. In addition is the payment

of property rates by property owners within the area of operation of the metropolis and revenue from Lands, Fees and Fines, Licenses, Rent and Investment. The second is the District Assembly Common Fund (DACF) which is a transfer from the central government. However the DACF falls under a broad group of the assembly's revenue source called grants (see table 4.2).

Table 3.0: Revenue performance of KMA

INTERNALLY GENERATED FUND							
YEAR	RATES	LANDS	FEES & FINES	LICENSES	RENT	INVESTMENT	MISCELLANEOUS
2007	584,974.59	221,215.60	2,018,432.48	655,584.02	191,752.90	8,414.09	41,236.28
2008	1,000,568.57	175,410.00	1,842,364.53	1,444,393.23	334,609.20	5,435.38	109,438.55
2009	2,059,274.93	664,875.14	2,303,395.64	542,516.49	369,480.90	384.42	152,397.63
2010	2,245,036.81	732,876.50	2,949,563.79	4,918,968.29	516,759.64	1,385.88	47,675.83
	5,889,854.90	1,794,377.24	9,113,756.44	7,561,462.03	1,412,602.64	15,619.77	350,748.29
YEAR	DACF	HIPIC					
2007	2,599,455.75	3,712,996.14					
2008	2,449,288.37	3,001,420.55					
2009	3,851,368.40	6,069,960.45					
2010	2,782,583.97	319,283.12					

Source: Annual Financial Reports of KMA 2007-2010

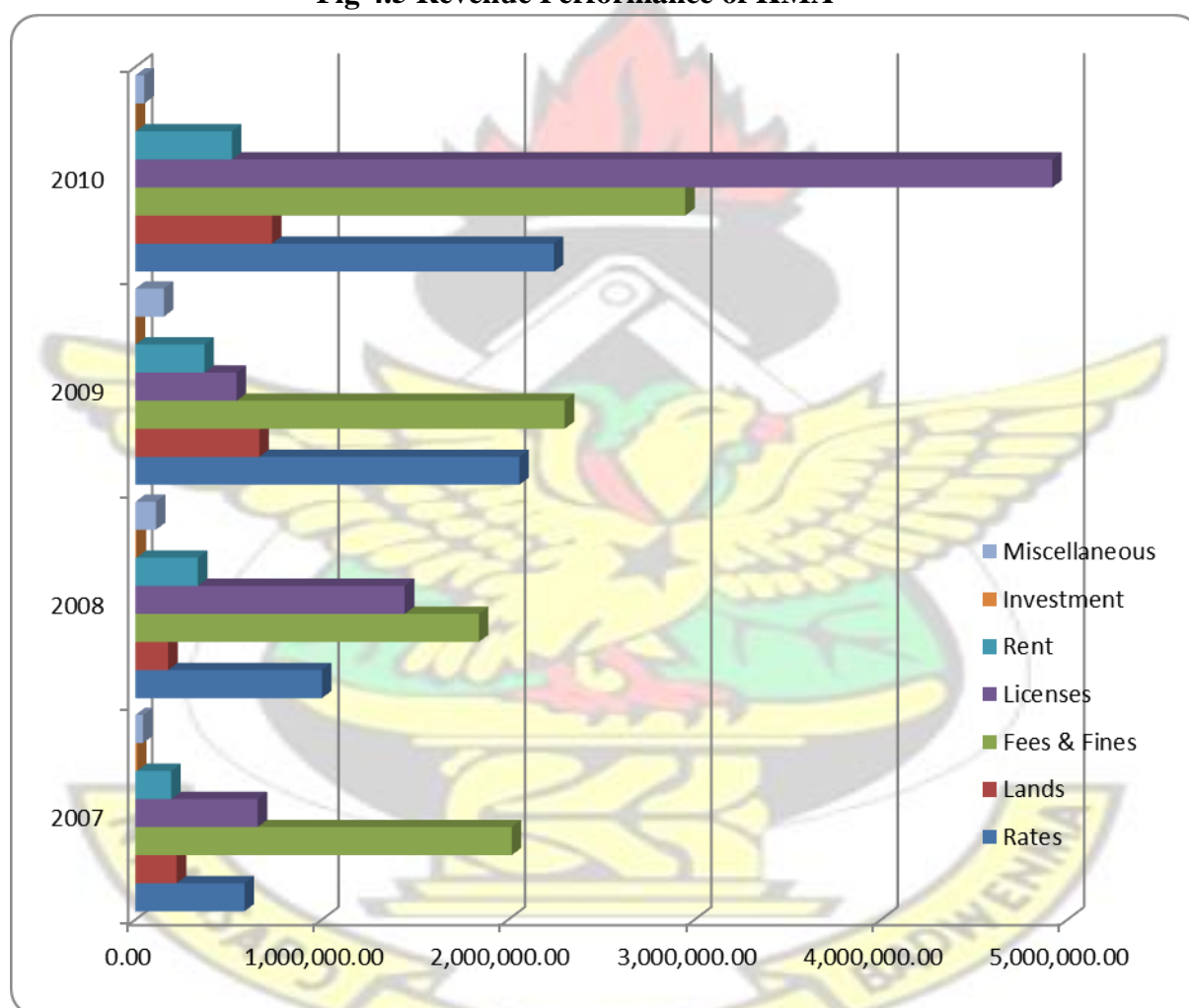
4.6.1 The Internally Generated Fund (IGF)

From the analysis of data from the KMA's annual financial reports, it was revealed that the main sources of local revenue for the metropolitan Assembly primarily are the IGF. In reality, the KMA has seven (7) main sources of IGF which include Rates, Lands, Fees and Fines, Licenses, Rent, Investment, and Miscellaneous (that constitute the ceded revenue) as outlined earlier.

Table 4.0: Revenue performance of KMA

	Rates	Lands	Fees & Fines	Licenses	Rent	Investment	Miscellaneous
2007	584,974.59	221,215.60	2,018,432.48	655,584.02	191,752.90	8,414.09	41,236.28
2008	1,000,568.57	175,410.00	1,842,364.53	1,444,393.23	334,609.20	5,435.38	109,438.55
2009	2,059,274.93	664,875.14	2,303,395.64	542,516.49	369,480.90	384.42	152,397.63
2010	2,245,036.81	732,876.50	2,949,563.79	4,918,968.29	516,759.64	1,385.88	47,675.83
	5,889,854.90	1,794,377.24	9,113,756.44	7,561,462.03	1,412,602.64	15,619.77	350,748.29

Source: KMA 2010

Fig 4.5 Revenue Performance of KMA

Source: KMA Annual Reports (2007-2010)

❖ Contribution of Rates to the IGF

Rates include basic rates, property rates and arrears of property rates but property rates contribute the greatest revenue (65.5 per cent) among the two sources with arrears being

the second highest (34.2 per cent). Property rates constitute over 90 per cent (on the average) of the total rates revenue. The average total rates revenue is 22.08 per cent to the total IGF realization of the assembly.

The collection of rates goes along these simple steps

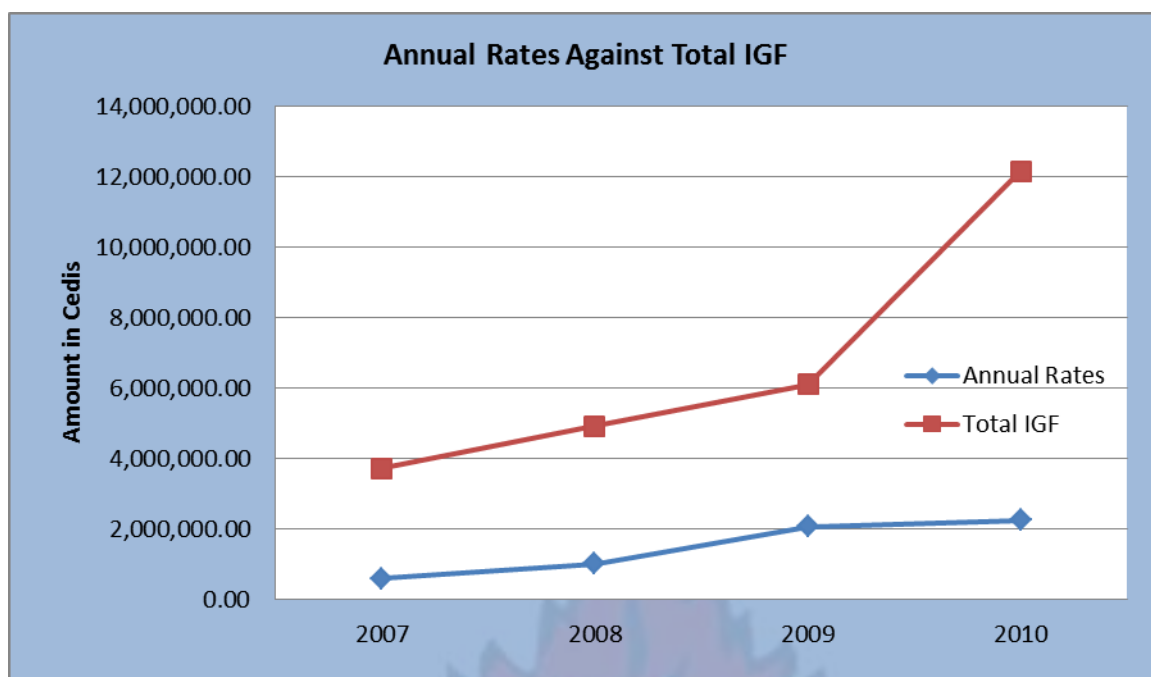
- Fee fixing resolution is compiled and approved by the assembly
- General Counterfoil receipts are issued to Revenue Collectors and collecting firms with copies of the fee fixing resolution.
- Collectors are enjoined by the financial Memoranda and the Financial Administration Regulation to pay daily collections into the Assembly's bank account
- The pay-slips and bank statements are used to verify and account for all monies collected.

Table 5.0 Rates Performance

Year	Annual Rates	Total IGF
2007	584,974.59	3,721,609.96
2008	1,000,568.57	4,912,219.46
2009	2,059,274.93	6,097,223.15
2010	2,245,036.81	12,157,111.74
	5,889,854.90	26,888,164.31

Source: Financial Reports of KMA 2007-2010

Fig 4.6 Rates Performance



Source: Annual Financial Reports of KMA 2007-2010

From the figure 4.5 above rates performance year on year increased steadily in 2008 as against what was recorded for 2007 but shot up sharply in 2009 and increased marginally in 2010.

❖ Contribution of Lands to the IGF

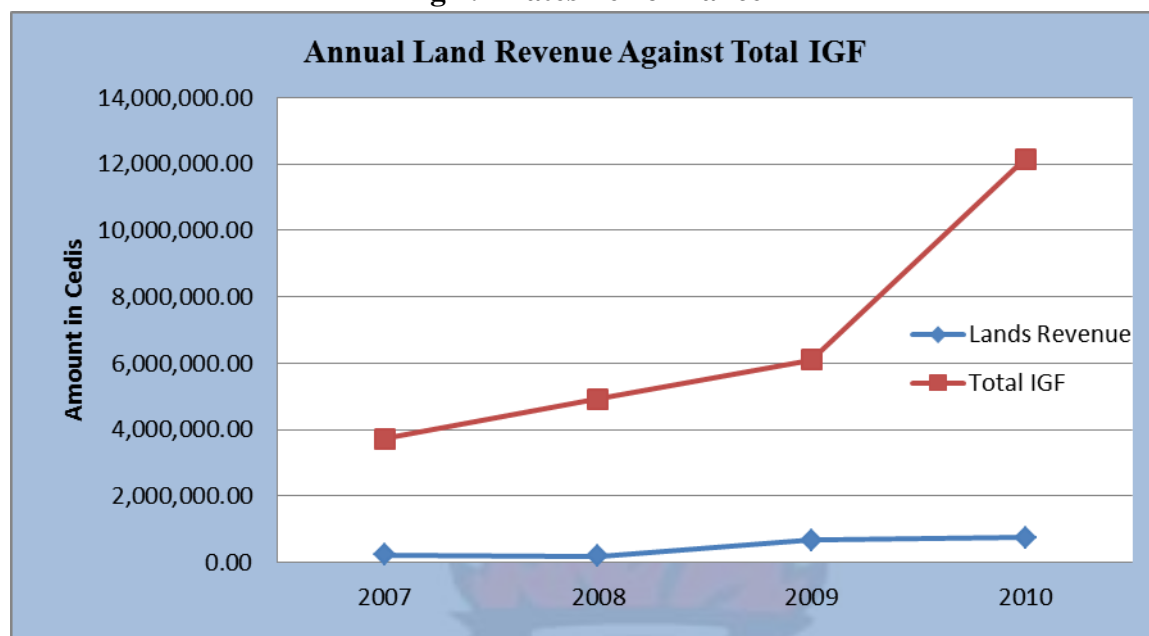
Revenue from lands is obtained from building plans and permit issuance as well as stool lands royalties. Lands contribute 6.6 per cent to the assembly's total IGF as seen from computed average percentage of the contributions of land year on year from the table 4.3 below. The year-on-year was highest for 2009 and lowest in 2008. This was due to the fact in 2009 a lot more building plans and permit were issued and stool land royalties paid were significantly higher than the other years in consideration. Building plans and permit issuance alone contributed 88.6 per cent of the total revenue base from lands.

Table 6.0 Performance of Lands Revenue (2007-2010)

YEAR	2007	2008	2009	2010
Amount (GH¢)	221,215.60	175,410.00	664,875.14	732,876.50
Total IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
(%) of IGF	5.90	3.57	10.90	6.03

Source: Financial Reports of KMA 2007-2010

Fig 4.7 Rates Performance



Source: Financial Reports of KMA 2007-2010

❖ Contribution of Fees and Fines

Fees and fines on the average constituted of 38.45 per cent of the assembly's total IGF and identified as the biggest source of IGF for the KMA for the periods under consideration, see (appendix 3). Sources of this revenue included court fines, market tolls, lorry parks tolls, cattle kraal fees, marriage registration fees, burial or cemetery charges, sub-metro management tolls. Others include dislodging charges, tipping charges, street parking and zip code street address charges.

Considering the population of Kumasi and the fact that more litigations, court fines, lorry parks utilisation, on street parking charges, slaughter fees, tipping charges and dustbin clearance under this category of IGF are routinely undertaken in the metropolis, it is then clear that fees and fines contribute immensely to the total IGF of the assembly. Other categories under fees and fines include registration of marriages/divorce, burial permits/cemetery and sub-metro managed toilets. All these fetch significant revenue for the assembly to make fees and fine the biggest contributor to the IGF. Market revenue

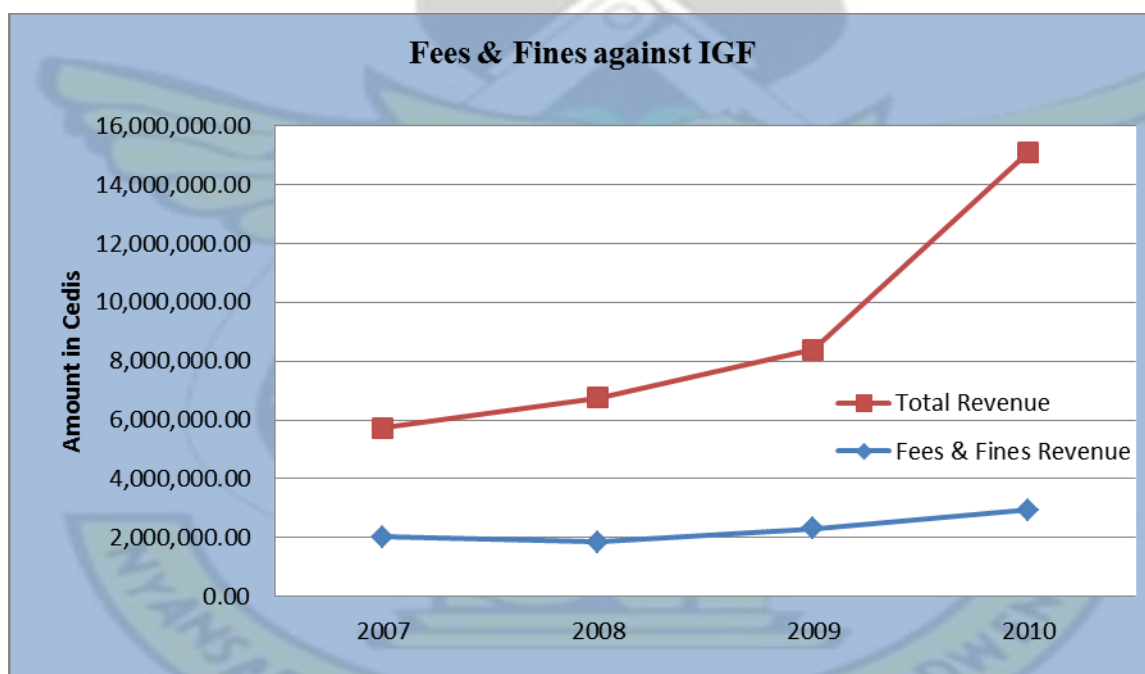
contributes 56.0 per cent of the total revenue for fees and fines and it stands as the biggest contributor.

Table 7.0: Performance of Fees and Fines Revenue (2007-2010)

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	2,018,432.48	1,842,364.53	2,303,395.64	2,949,563.79
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
PER OF IGF	54.24	37.50	37.78	24.26

Source: Annual Financial Reports of KMA 2007-2010

Fig 4.8 Performance of Fees and Fines Revenue



Source: Annual Financial Reports of KMA 2007-2010

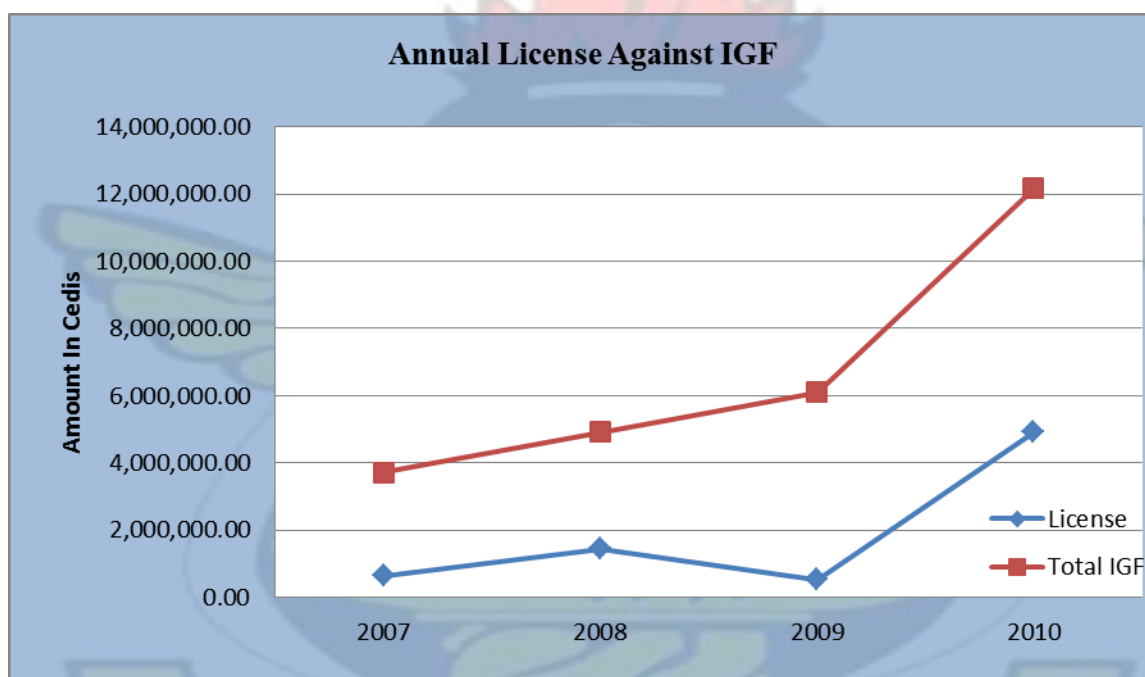
❖ Contribution of Licenses to Revenue

Revenue from licenses may come from hawkers, business service providers, block manufacturers, hotels and guest houses, fuel dealers, hoarding adverts, stores etc. Licenses contribute 22.09 per cent of the assemblies IGF revenue. Rates and licenses are considered

to be the second largest income earners for the assembly. On the average they contribute approximately 22.1 per cent each to the total IGF of the assembly (see appendix 4).

Under this category, hoarding adverts is the highest contributor and that alone contributes about 28.5 per cent to the revenue from this area followed by financial institutions (8.0 per cent).

Fig 4.9 Performance of Licenses



Source: Annual Financial Reports of KMA 2007-2010

From figure 4.7 the contribution of licenses increased steadily from 2007 to 2008 but declined in 2009 and further sharply escalated to record high in 2010 compared to 2007 to 2009.

❖ Contribution of Rents to Revenue

Revenue from renting the metropolitan bungalow, North Zongo Estates, market and the Prempeh Assembly Hall constitute rent revenue. Others include rent from open

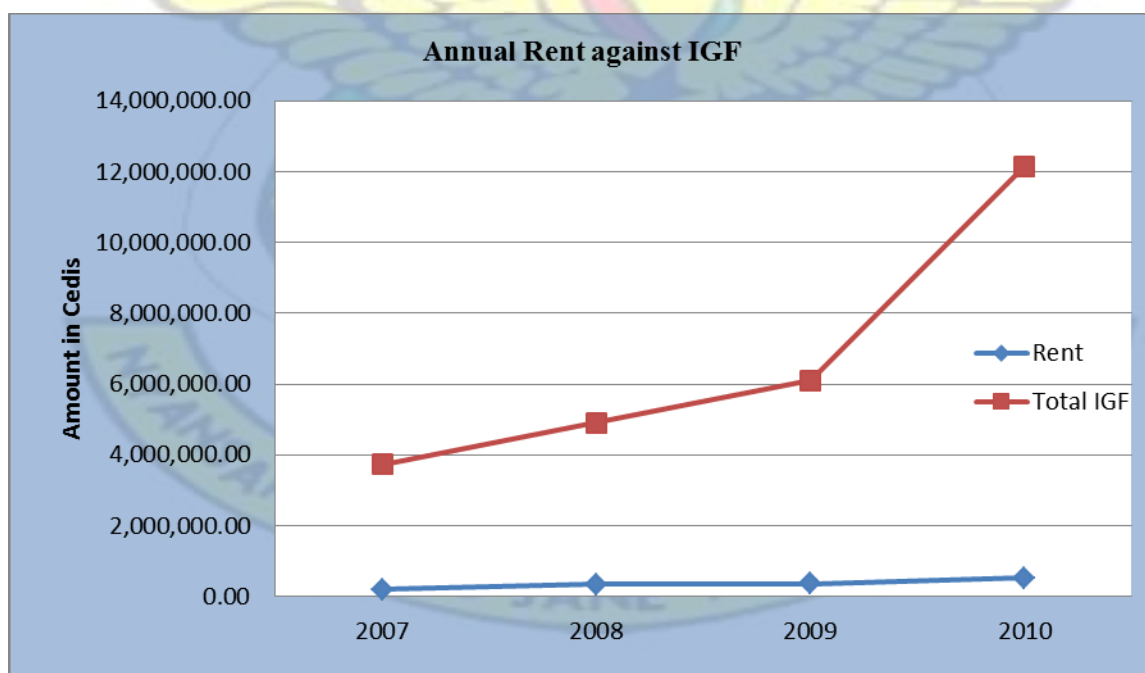
spaces/parks and old slaughter house. This source, year on year contributes 5.57 per cent of the grand IGF revenue of the KMA on the average (See table 4.4). Under this category, rents from markets contribute 81.8 per cent to the total revenue from this group. This is true considering the size of the markets and number of traders in these markets in the metropolis.

Table 8.0 Performance of Rents

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	191,752.90	334,609.20	369,480.90	516,759.64
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
% OF IGF	5.15	6.81	6.06	4.25

Source: Annual Financial Reports of KMA 2007-2010

Figure 4.10 Performances of Rents



Source: Annual Financial Reports of KMA 2007-2010

❖ Contribution of Investment Income

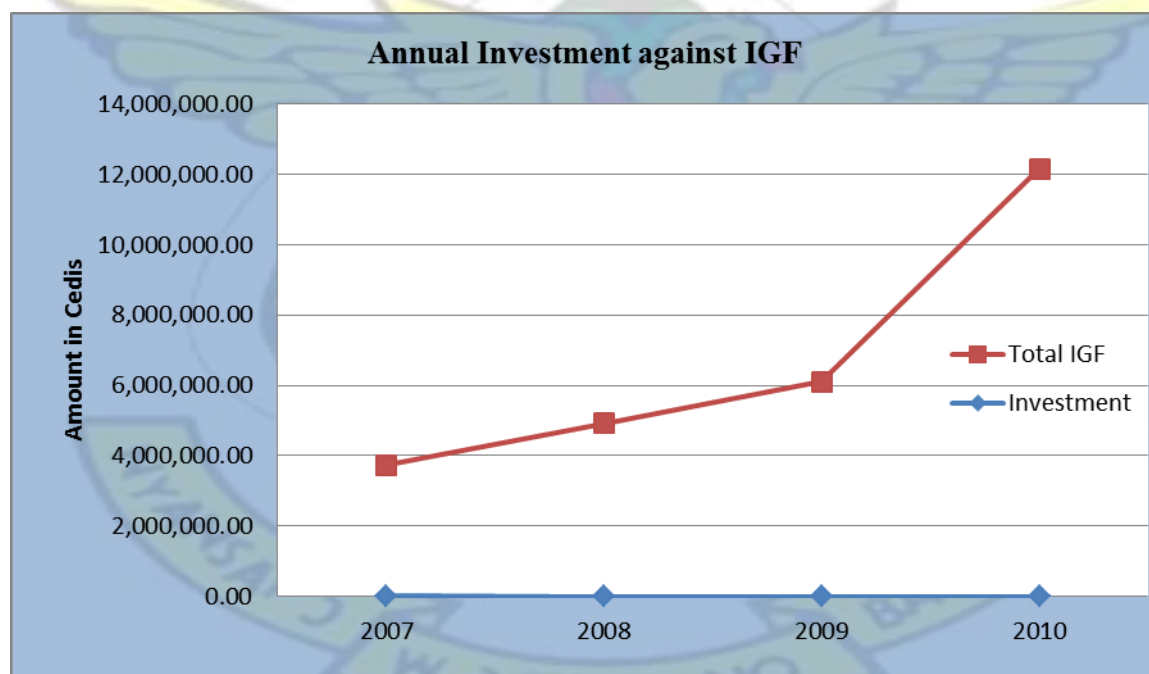
Investment income is primarily bank interest paid on bank accounts and fixed deposits of the KMA. This is only 0.09 per cent of the total IGF as seen from table 4.5 below and identified as lowest income earner for the assembly. However it is only interest on bank accounts, that wholly contribute (100 per cent) to the revenue from this source.

Table 9.0 Performance of Investment Income

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	8,414.09	5,435.38	384.42	1,385.88
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
% OF IGF	0.23	0.11	0.01	0.01

Source: Annual Financial Reports of KMA 2007-2010

Figure 4.11 Performance of Investment Income



Source: Annual Financial Reports of KMA 2007-2010

❖ Contribution of Miscellaneous

Miscellaneous income may come from penalties (towed vehicles), unspecified receipts and donations. Other sources include over payment receipts, refund of cash embezzled and

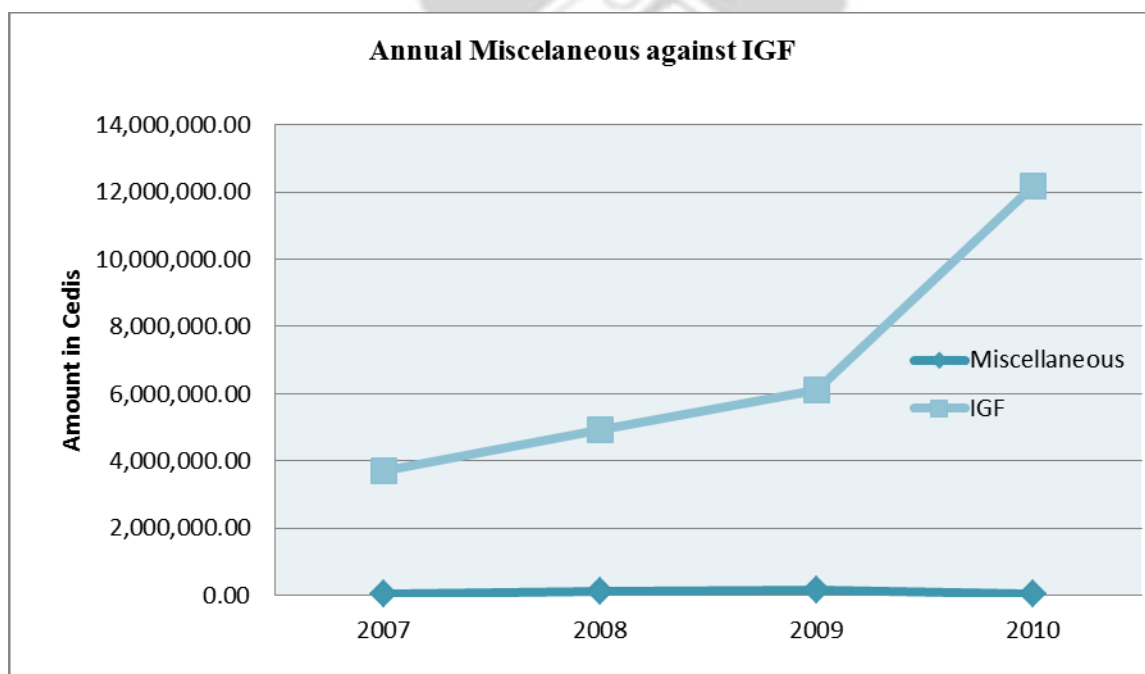
compensations. From the table 4.6 below, miscellaneous contributes just 1.56 per cent of the assembly's IGF.

Table 10.0 Performance of Miscellaneous Income

YEAR	2007	2008	2009	2010
Amount (GH¢)	41,236.28	109,438.55	152,397.63	47,675.83
Total IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
% of IGF	1.10	2.23	2.50	0.39

Source: Annual Financial Reports of KMA 2007-2010

Figure 4.12 Performance of Miscellaneous Income



Source: Annual Financial Reports of KMA 2007-2010

4.6.2 Contribution of Grants to the Assembly's Revenue

The second structure of revenue sources is in the form of grants from the central

Government and some development partners like the USAID, DFID, GTZ, SIF and the

District Assemblies' Common Fund (DACF) fall under this category. The 1992 Constitution directs that not less than 5 percent of the total revenues of Ghana shall be shared among the District Assemblies through a formula that is approved by Parliament annually. The formula for sharing is based on modalities that may be agreed by parliament. Other sources of income for the assembly under the grants are the H.I.P.C funds, social investment fund (SIF), urban sanitation project fund (UESP) and government grants for salary wages. In 2010 financial statements of the assembly, grants included funds from urban poverty program (UPP) and the district development fund (DDF). These amounts were significantly greater than the HIPC fund and DACF when individually considered.

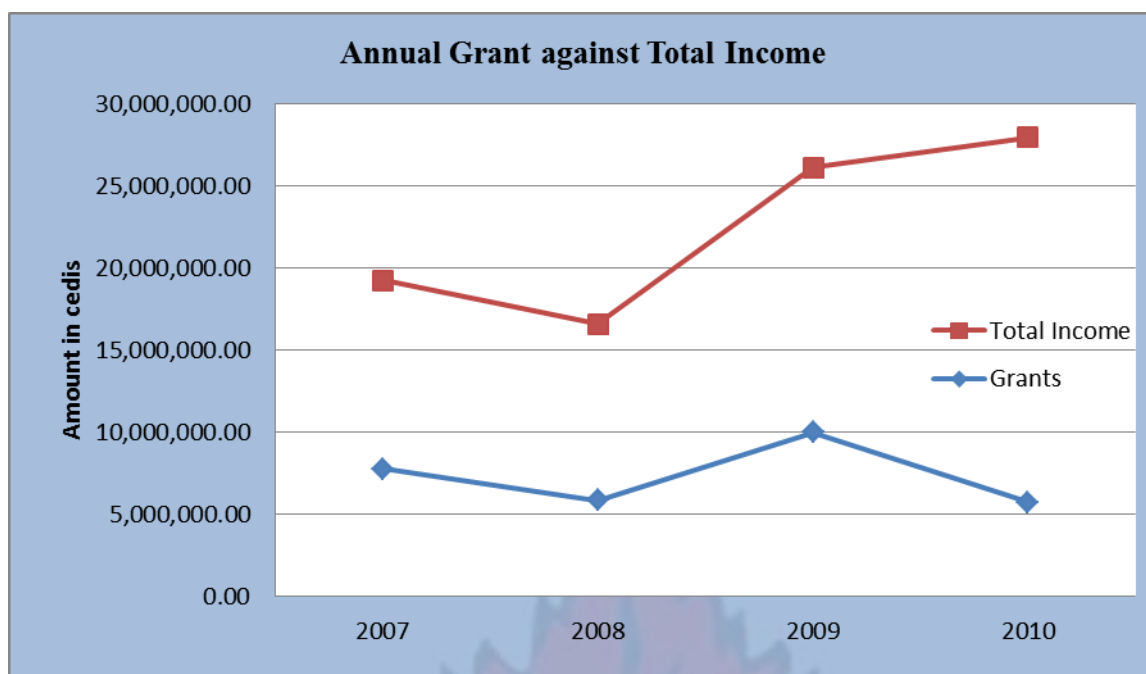
Grants contribution is 52.48 per cent of the assembly's total income sources on the average for the periods 2007-2010 and has been identified as a very significant source for the KMA (see appendix 5).

Table 11.0: Performance of Grants

YEAR	2007	2008	2009	2010
Grants (GH¢)	7,770,426.91	5,846,049.04	10,005,602.58	5,732,147.76
Grand Total Income	11,492,036.87	10,758,268.50	16,102,825.73	22,221,659.12
Performance of Grants	67.62	54.34	62.14	25.80

Source: Annual Financial Reports of KMA 2007-2010

Fig 4.13 Performance of Grants



Source: Annual Financial Reports of KMA 2007-2010

❖ Contributions of the DACF

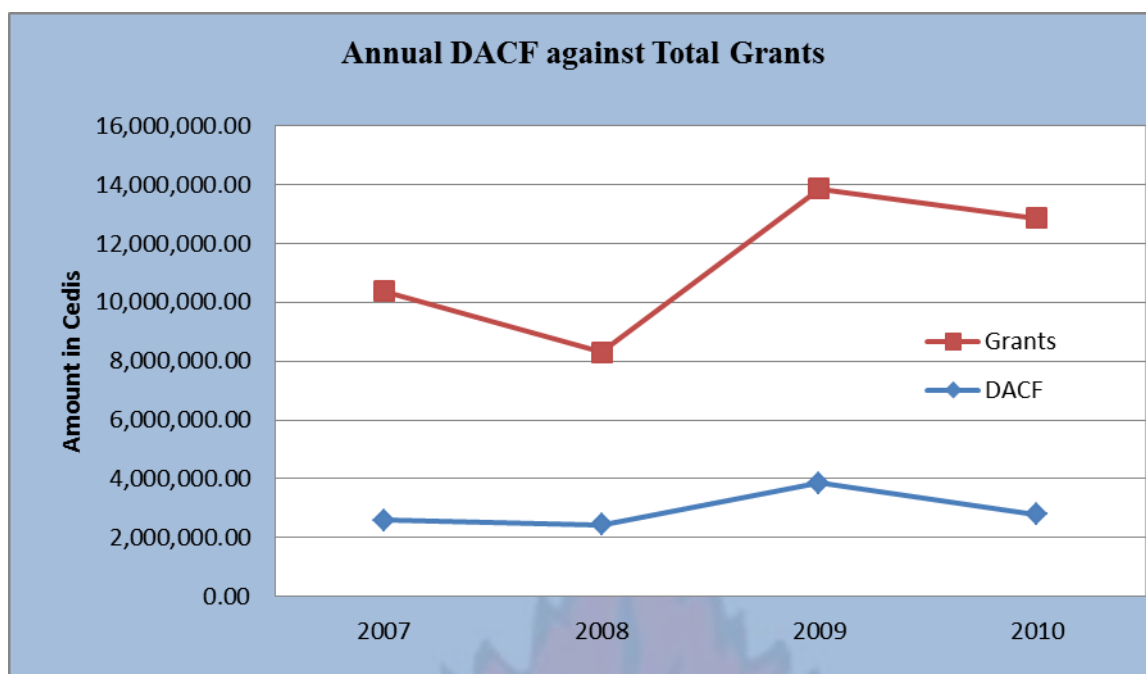
Considering grant sources of revenue for the KMA it can be seen (from appendix 6) that DACF alone contributed about 35.37 per cent on the average to the assembly's revenue received from grants.

Table 12.0: Performance of the DACF (2007-2010)

YEAR	2007	2008	2009	2010
Amount (GH¢)	2,599,455.75	2,449,288.37	3,851,368.40	2,782,583.97
Total Grants	7,770,426.91	5,846,049.04	10,005,602.58	10,064,547.38
% of DACF	33.45	41.90	38.49	27.65

Source: Annual Financial Reports of KMA 2007-2010

Fig 4.14 Performance of the DACF



Source: Annual Financial Reports of KMA 2007-2010

The tremendous impact of the District Assemblies Common Fund (DACF) on the operation of the MMDAs cannot be over emphasized. Certainly, it is a well known fact that receipts from the District Assemblies Common Fund (DACF) enables the District Assemblies to start and complete new development projects as well as revamp and complete old ones.

However, from the point of view of central-local relations, the District Assemblies Common Fund (DACF) has been operating in such a way that it has rather increased central Government control over local authorities, but not reduced it.

Even though one will concede that the DACF has substantially increased the financial base of the District Assemblies, the financial viability of the District Assemblies without the DACF is still in doubt. This is because the 170 District Assemblies and 10 Regional Coordinating Councils (RCCs) as well as some Members of Parliament (MPs) have since the introduction of the DACF in 1993, constantly drawn the attention of the central government to the inadequate disbursement from the administrator of the District

Assemblies Common Fund (DACF) and accordingly appealed for an upward revision of the percentages.

In addition to the relatively low transfers from the DACF, which affect the financial resilience of the District Assemblies, there is evidence to suggest that District Assembly officials appropriate the monies transferred to them. In the award of contracts for development projects, some District Chief Executives (DCEs) collude with contractors to inflate the costs of projects (Kwarteng 2009).

❖ Contribution of the HIPC Fund

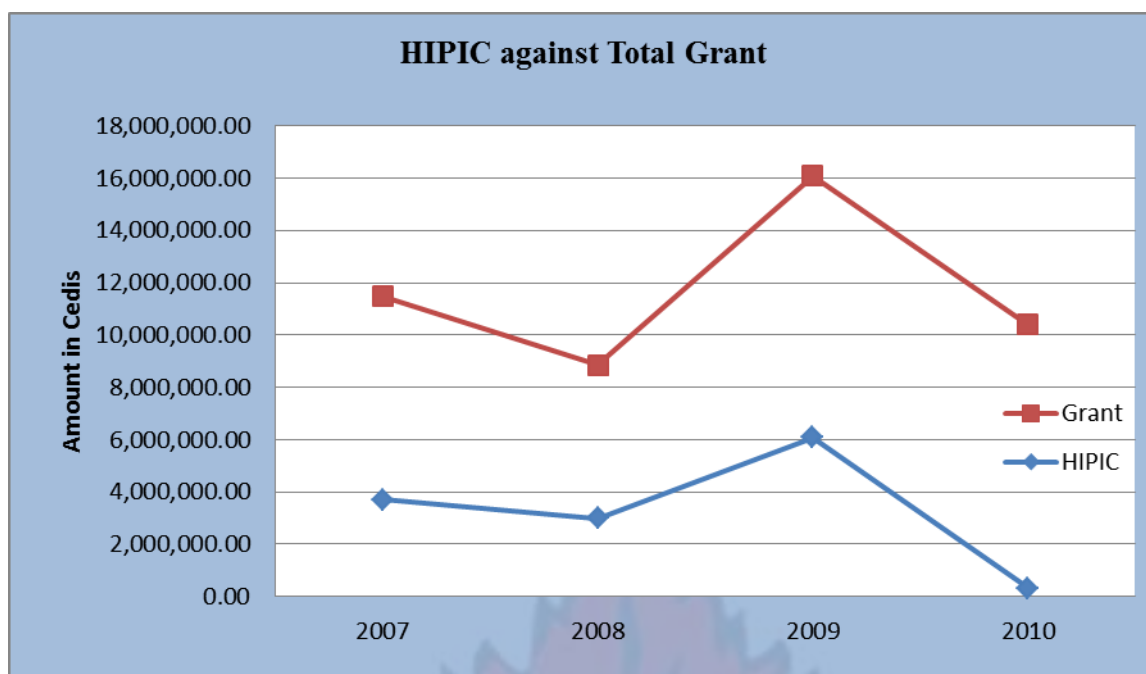
The contribution of the Highly Indebted Poor Countries (HIPC) fund to the assembly's total revenue received was significantly bigger than the DACF. On the average the HIPC fund contributed 40.74 per cent to the total grants received by the KMA. Differences between the HIPC fund and the DACF were large year on year from 2007 to 2009 but reduced significantly in 2010. While the DACF total grants stood at 27.65 per cent in 2010, that is the HIPC fund accounted for only 3.17 per cent for the year 2010. This was due to the fact that the country was weaning itself from the initiative and disbursements are therefore dwindling in quantity (see figure 4.10)

Table 13.0: Performance of the HIPC Fund

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	3,712,996.14	3,001,420.55	6,069,960.45	319,283.12
TOTAL GRANT	7,770,426.91	5,846,049.04	10,005,602.58	10,064,547.38
PER OF HIPC FUND	47.78	51.34	60.67	3.17

Source: Annual Financial Reports of KMA 2007-2010

Fig 4.15 Performance of the HIPC Fund



Source: Annual Financial Reports of KMA 2007-2010

4.6.3 Total IGF and total Grants Compared

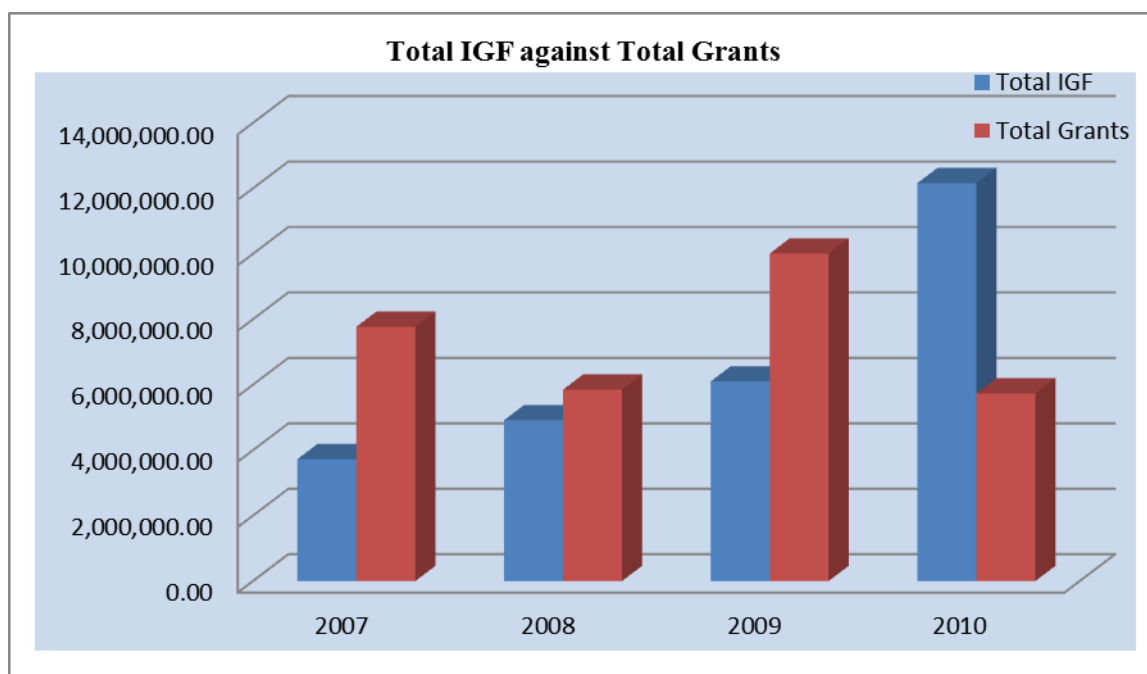
Average total IGF computation results to GHC 6,722,041.078, a figure quite lower than the average total of Grants received that was found to be Ghc. 7,338,556.573. Hence the conclusion is that grants received by the assembly are greater than their own IGF which is supposed to be the backbone of their administration (see table 4.13 below).

Table 14.0 Grants and IGF Compared

YEAR	2007	2008	2009	2010
TOTAL IGF GH¢)	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
TOTAL GRANTS	7,770,426.91	5,846,049.04	10,005,602.58	5,732,147.76

Source: Annual Financial Reports of KMA 2007-2010

Figure 4.16 Grants and IGF Compared



4.6.4 Income, Expenditure and Revenue Compared

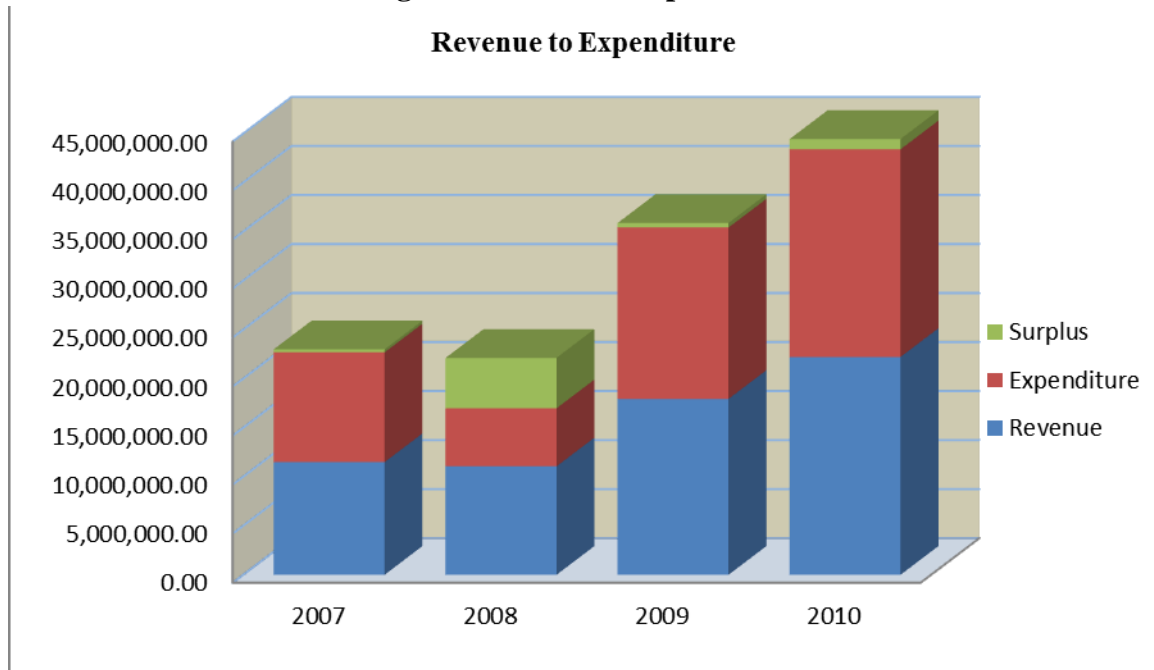
The assembly's expenditure when compared to revenue mobilised was 85.90 per cent of the income mobilized on the average (appendix 8). This means the assembly's budgeted expenses almost consumed all their income realised from 2007-2010, leaving the institution with very little income as surplus for the assembly's future budget expenses. This should be a situation of grave concern to the local governance system of the country since adequate resources will be needed to operate effectively as autonomous bodies off the central government's control.

Table 15.0 Revenue to Expenditure (2007-2010)

Year	2007	2008	2009	2010
Revenue (GH¢)	11,492,036.87	11,062,557.66	17,941,536.81	22,221,659.12
Expenditure	11,193,300.87	5,920,596.62	17,476,871.41	21,176,308.69
Surplus/Deficit	298,735.90	5,141,988.04	464,665.40	1,045,350.43
% of Exp-Rev	97.40	53.52	97.41	95.30

Source: Annual Financial Reports of KMA 2007-2010

Fig 4.17 Income to Expenditure



Source: Annual Financial Reports of KMA 2007-2010

4.7 Institutional Arrangements for Revenue Collection

Part of the revenue is collected by the Assembly's revenue collectors while others are collected by private firms on commission basis. The KMA has engaged the services other organizations by outsourcing most of its revenue collection mandate to some external agents. Though this is to ensure efficiency and effectiveness or otherwise of their output, it is yet to be proven if this objective have been met or can even be met through this venture. The research was able to establish that the underlisted companies are currently engaged to collect certain revenues on behalf of KMA.

1. RESOLV and REFNET – Property rates
2. Skymount – Business Operating permit
3. Goldstreet Consult – On street packing fees
4. FREKO – Kejetia Lorry Terminal

4.7.1 Monitoring Mechanisms

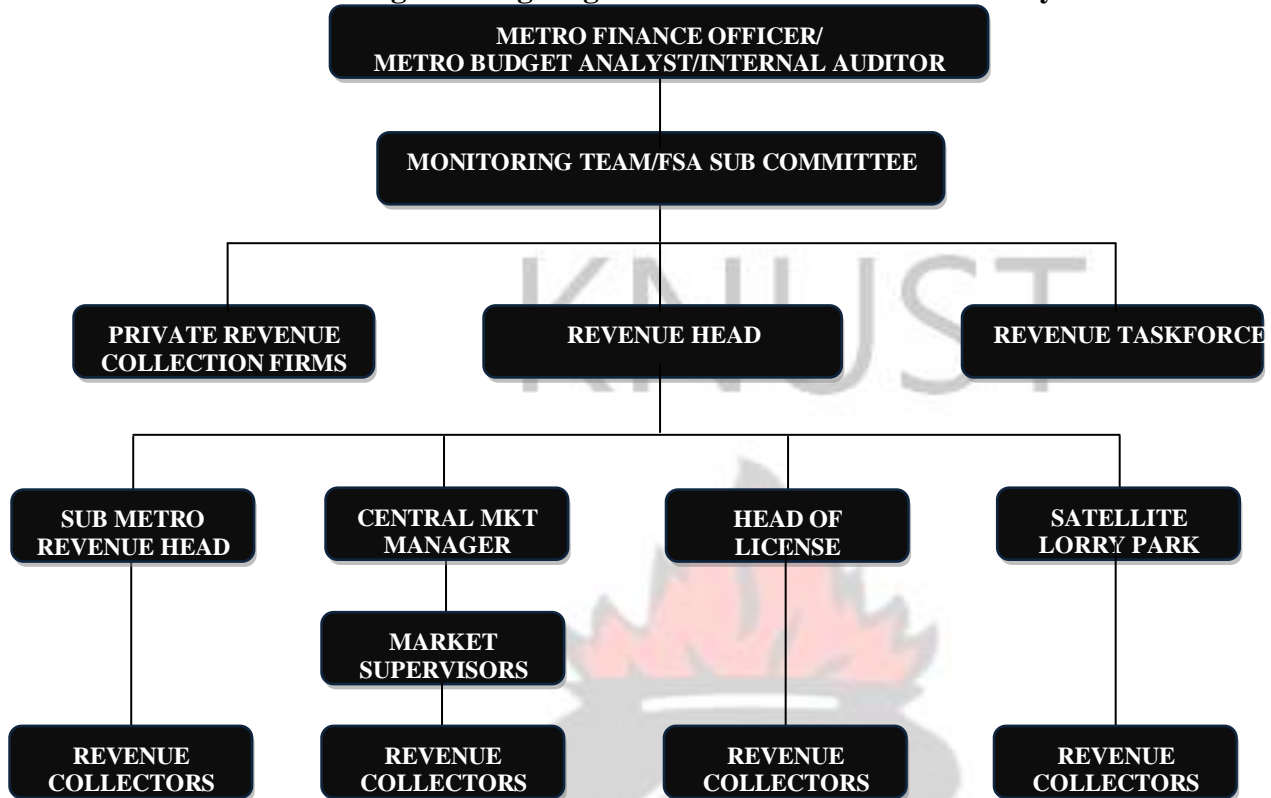
The assembly has a rigid monitoring mechanism in place to check pilferage of revenue by both in-house collectors and external agent's engaged to carry out these functions on their half. The monitoring system in place is to ensure effective monitoring of activities in order not to create opportunities for malfeasance.

- ❖ First the assembly set targets for the collectors and external agents contracted
- ❖ Revenue monitoring teams pay unannounced visits to collection spots to observe the process in its execution stage.
- ❖ Internal auditors carry out verification checks on fees collected, pay-in-slips etc
- ❖ External auditors carry out forensic audits periodically

Below is an Organogram or Institutional Arrangements for Revenue Mobilization.



Fig 4.18 Organogram of the Revenue Collection System



Source: Authors Initiative (2011)

4.8 Capacity for Local Revenue Mobilization

The KMA has all administrative and institutional structures required for local revenue mobilization. Administratively, all the core staffs of the assembly is at post and subdistrict structures are functional. The assembly has twenty (20) revenue vehicles assigned solely to the ten sub-Metro councils and the revenue taskforces to monitor collection. Revenue station officers are assigned to all the revenue stations of the Metropolis who are responsible for revenue collectors under them.

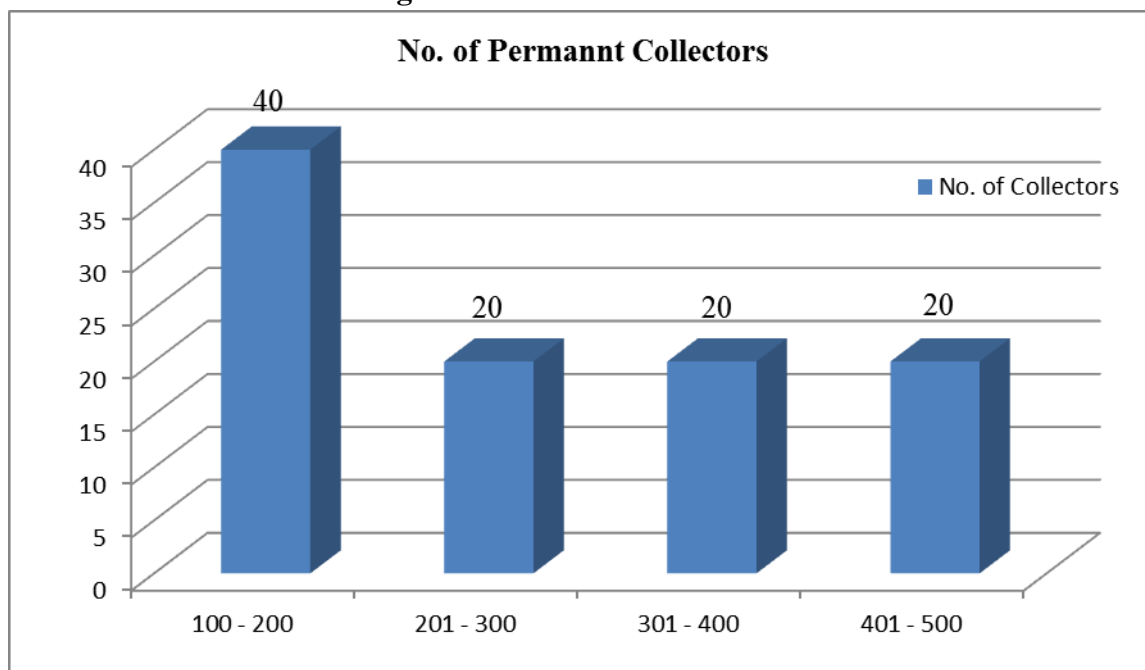
The assembly has the metro Finance Director as the head of the revenue collection team with the revenue monitoring team under him. Under the monitoring team are the revenue head, private collection firms and the revenue taskforce. The monitoring team has oversight responsibility over these divisions. There are ten Sub metro Revenue Heads or Managers of Satellite Markets together with a Central Market Manager, Head of License

Sections and a Satellite Lorry park overseer falls directly under the supervision of the Revenue head. Under these divisions are the revenue collectors who do the actual collections (see also figure 4.12).

However there are five (5) market supervisors under the watch of the Central Market Manager who in turn supervise the activities of the revenue collectors. Real official figures on collectors from the assembly indicate that in all there are four hundred and forty four (444) revenue collectors at the assembly. One hundred and eighty nine (189) are permanent collectors and two hundred and twenty five (255) are commission collectors.

From the survey of the MFO, the number of commission collectors ranged from 30 to about 120 but that finding was factually flawed and misleading compared to official figures on the ground. The survey further established that the numbers of permanent collectors of the assembly are between 100-200. From the survey, Forty per cent (40%) of the finance officers in KMA think that between 100-200 collectors are employed at the assembly permanently but 20 per cent each considered the number to be between 201-300, 301-400 and 401-500 (see figure 4.13 below). This finding is supported by available official figures and could be considered as a good information reference source.

Fig 4.19 Permanent Collectors



Source: Field Survey, 2010

However it is very evident that these institutionalized bodies are not able to meet their mandated obligations to the assembly hence, the need for some other options to pursue this problem and solve it.

4.9 Prospects and Challenges of Local Revenue Mobilization for Local Development

There are a number of challenges confronting the assembly in its to mobilise revenue for the local development and some of the challenges which came to light as in the course of the study are outlined below:

4.9.1 Poor Monitoring and Supervision

The local authorities sometimes do not get value for money because of poor monitoring and supervision. Poor supervision of personnel at the Metro and Sub Metro level leads to the inability of KMA to achieve its annual set target. There is monitoring unit, however, either

monitoring activities are not embarked upon, or they are not given the seriousness they deserve. This creates opportunities for malfeasance.

4.9.2 Misappropriation of Revenue

Failure by District Finance Officers (DFOs) to supervise and monitor the performance of Accounting Officers and Revenue Collectors as stipulated under sections 1 and 2 of Part VIII of the Financial Memoranda result in misappropriation of funds by tax collectors and other revenue mobilisation agencies.

4.9.3 Lack of Proper Checks of Accounts

Findings from the study show that, due to inadequate supervision and delayed payments to bank, revenue misappropriation recurred during the period under review. Lack of proper periodic checks of accounts of revenue collectors by management contributed largely to the high incidence of misappropriation of revenue.

4.9.4 Non-application of sanctions

Sometimes either sanctions take a long time to be invoked, or they are not invoked at all in cases involving corruption practices. The most intriguing scenario is when offending officers are sometimes transferred to other districts or not sanction for political reason.

4.9.5 Lack of strict enforcement and compliance with internal regulations

There are so many regulations and internal control measures that can help reduce corruption in the local authorities in Ghana. These include the Procurement Law, the Financial Memoranda, the Internal Audit Regulations, etc. The problem, however, is that sometimes these measures are not adhered to. The Auditor-General has consistently asked for the enforcement of these and other regulations but most often they are ignore without enforcement of these regulations which are required to fight corruption.

4.9.6 Rate Collection

Apart from the corporate bodies operating in the Metropolis, most properties are not valued correctly so collection of property rates in particular is quite difficult.

The determination of basic rates still lies with the central government which stands at ten Ghana Pesewas (GHP 0.10). The cost of collecting the basic rates is more expensive than the monies realized from the collection. Therefore, collections of the rates are not attractive to collectors and the Assembly in general. Inadequate database on revenue sources of the Assembly is a major setback of its revenue mobilization drive.

This challenge, notwithstanding, the assembly has some tourist attractions that could be harnessed to generate revenue. The presence of most of the regions sawmills and other manufacturing industries in the city are a source of revenue generation and mobilization for the assembly.

4.10 Challenges Militating Against Revenue Mobilization of the Assembly

As discovered in this research work, the assembly has been unable to garner enough of their own income for running the local governance mandate as enshrined in the 1992 constitution but has been reliant or even over reliant on external sources for their own operations. Some of these inhibiting factors shall be considered below.

4.10.1 The DACF Menace

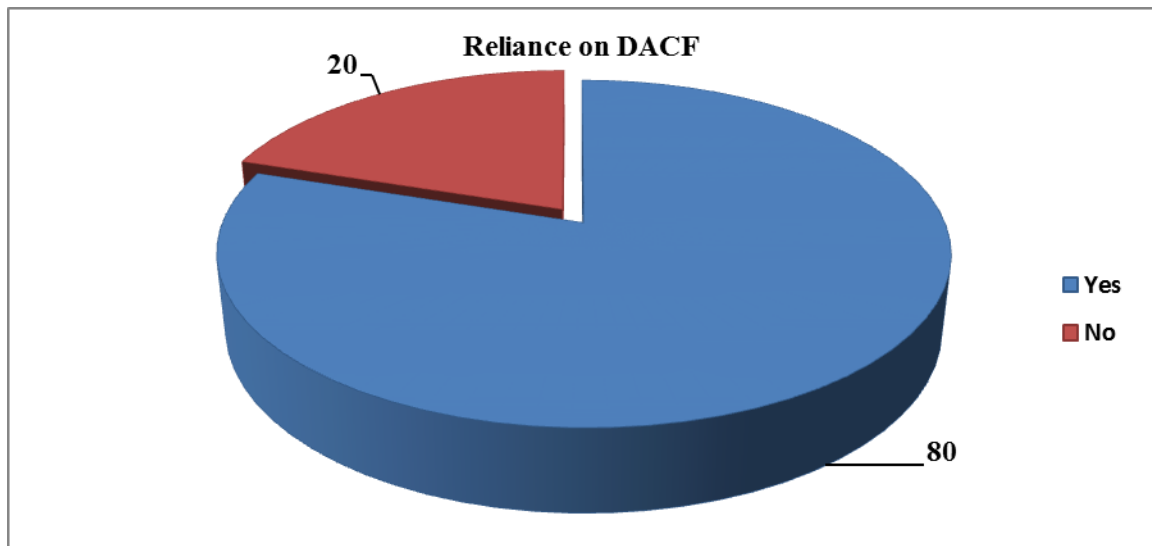
Furthermore the introduction of the District Assemblies Common Fund (DACF) was a very laudable idea but it seems to have brought in its trail some problems or challenges to the assemblies own mandated revenue mobilization drive. The DACF has made the District Assemblies to over-rely on its proceeds rather than providing a mere anchor to locally mobilized resources. According to a Kwarteng (2010) most District Assemblies have not been able to raise about forty five per cent (45%) of their projected revenue from traditional sources since the introduction of the District Assemblies Common Fund (DACF). This was also confirmed in the survey where all respondents agreed that the assembly is not able to meet its annual targets.

Considering that the assembly is not self sustaining in terms of funding of its own day to day running, this result is very much reflective of the reality. Hence as evidenced from the survey conducted, meeting of the assembly's annual revenue targets lie in the ten to forty (10-40%) per cent range (see figure below)

Furthermore records from the monthly trial balances of some District Assemblies show that most of them have not performed well in mobilizing the necessary revenue from the traditional sources of income to support administration. This poor state of affairs has been confirmed by the reports of the RCC monitoring teams that toured the 110 districts and the report of the Auditor-General between 1996 and 1997. Even though the factor of responsiveness in the revenue sharing formula was meant to stimulate local mobilization of funds for development, there is evidence to suggest that the collection of locally generated revenue has gone down considerably. Consequently, the factor does not really have the desired effect (KMA archives 2009).

To further buttress this discussion, results from the survey is quite overwhelming. A majority of the 20 people interviewed indicated that, eighty per cent (80%) of the twenty respondents admitted that the KMA is very reliant on the district assembly common fund but just 20 per cent of these respondents did not agree with the 20%.

Figure 4.20 Reliance on the DACF



Source: Field Survey 2010

4.10.2 The Ceded Revenue Approach

This notwithstanding, the ceded revenue approach also did not improved the capacity of the District Assemblies to perform functions assigned to them. The District Assemblies still look up to the central government to provide grants for their development projects, which are not forthcoming. Furthermore, the District Assemblies had only limited success in increasing revenues from rates and other forms of local taxation for a number of reasons. Firstly, most District Assemblies are located in impoverished areas, which limited the total amount of potential resources they can collect.

Secondly, even if resources were there to be mobilised, elected Assembly members naturally hesitated to impose fresh taxes on their constituents since this act may make them unpopular. Mobilizing local resources often amount to attempts to persuade local elite to tax themselves, or bring elected Assembly members into a bitter conflict with their electorate.

Thirdly, the long history of the failure of local government in Ghana and the misuse of locally generated resources has made taxpayers cynical about what the District Assemblies may do with local contributions or tax revenues. They are therefore generally unwilling to pay taxes. In addition, the scope of functions allocated the District Assemblies in relation to their size and resources almost guarantee that large numbers of the electorate would be disappointed. Even if the District Assemblies have made a better job of revenue collection, it is impossible that every community in the district would have its demands for large-scale infrastructure and social development satisfied (Kwarteng 2009).

Evidence from questionnaires dispatched and informal conversations with the MFO's also make some interesting revelations about some setbacks to the KMA's ability to mobilize revenue locally. For example some of the MFO's cited the lack of logistics and lack of qualified personnel manning revenue mobilization matters as the major constraints of the KMA in mobilizing the IGF. Others believed that the system is so much fraught with corruption that leakages alone drain the assembly of most of the meagre revenues generated. The problem though others attribute to over stayed collectors who have found lope holes in the revenue collection system who also lack the requisite training and motivation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter looks at the key findings of the research and recommendations made as to the way forward for future improvement of financial resource mobilization systems for local development. The chapter however ends with conclusions to the study. The major findings are presented below as.

5.2 Summary of Key Findings

5.2.1 Main Sources of Local Revenue

The findings revealed that, generally there are two main sources of revenue mobilization of the assembly which are the government subventions and internally generated fund. The government subventions are primary the District Assembly Common Fund (DACF) which is a transfer from the central government and HIPIC fund. The local revenue mobilisation have been grouped into seven main sources which include Rates, Lands, Fees and Fines, Licenses, Rent, Investment, and Miscellaneous (that constitute the ceded revenue) including taxes such as advertisement (bill boards) tax, income tax payable on registration of trade, business, daily transport tax and income tax payable by specified categories of self-employed persons in the informal sector. However, the grants and the IGF that fund the KMA are very insufficient.

5.2.2 Institutions involved in Local Revenue Mobilization and their Capacity

The KMA both administrative and institutional structures required for local revenue mobilization. Administratively, the assembly has the metro Finance Director as the head of the revenue collection team with the revenue monitoring team under him and under the monitoring team are the revenue heads, private collection firms and the revenue taskforce. There are ten Sub-metro revenue heads or managers of satellite markets together with a central market manager, head of license sections and a satellite lorry park overseer falls directly under the supervision of the Revenue head. Under these divisions are the revenue

collectors who do the actual collections. The total number of collectors of the assembly according to the findings is four hundred and forty five (445) revenue collectors at the assembly. One hundred and ninety (190) are permanent collectors and two hundred and twenty five (255) are commission collectors.

The findings also revealed that, there are other private organisation involved in the revenue mobilisation and as such part of the revenue collection of the Assembly have been outsourced the firms on commission basis and the objective is to ensure efficiency and effectiveness or otherwise of their output. These private organisations are RESOLV and REFNET for property rates, Skymount in charge of business operating permit, Goldstreet Consult responsible for on street packing fees and FREKO in charge of the Kejetia Lorry Terminal. The assembly is yet to assess if this objective have been met or can even be met through this venture.

5.2.3 Challenges and Prospect of Revenue Mobilisation

The research revealed that revenue mobilization at the KMA has been plagued with challenges such as incompetence, corruption and embezzlement of proceeds by officials making local government initiative ineffective. Therefore, the grants and the IGF that fund the KMA are very insufficient and that the assembly need to do more to improve upon their revenue generation drive. There is a clear lack of or failure of existing institutions to conduct, check and maximise revenue collection for the assemblies especially the KMA. However in spite of these challenges, prospects in overhauling and revamping the system to make it perpetually effective and sustaining remains high.

Furthermore the findings revealed that there is a clear lack of the strong institutional body to effectively handle the revenue mobilization mandate of the Assembly. The current institutional bodies in charge of this matter have failed in their attempts to conduct, check and maximize revenue collection for the assemblies. Also be drawn that collectors of the

revenues are not properly recruited and trained, and also not well motivated. In addition there are no proper monitoring mechanisms of the activities of collectors in place to check leakages, malfeasances and corruption. Finally the politics and political interference is a serious setback and in part hugely responsible for the financial losses incurred on the KMA and similar bodies.

5.2.4 Local Revenue Collection and Monitoring Mechanism

From this piece of research work and similar works conducted by others so far, it has become abundantly clear that resource collection and monitoring endeavours on the part of the KMA leaves much to be desired. Monitoring and collection of these financial resources which are the backbone of the assembly's local government body is at best non existent and even if existent it is ineffective. Monitoring and collection needs serious attention if DCEs and their likes will ever be serious in streamlining their operations. According to a research conducted by Kwarteng (2009) on outsourcing of internally generated fund by KMA, respondents varied in opinion though concentrically. Some respondents intimated that the DA's should embark on intensive and comprehensive data collection, expand and equip the revenue department and also give incentives to those directly involved in collection. In addition some indicated that revenue mobilization task force should be allowed to go out and also embark on a rigorous monitoring process. Others suggested that the assembly should have more resources to mobilize revenue. The assembly should expand the revenue base and also strive to summon and or send defaulters to court. Some believed proper structures should be put in place to capture those who do not pay taxes or simply increase the tax base.

Outsourcing collection operations according to some respondents is imperative. While some considered group collection and educating both the rate payers and task force to improve their skills, others cited an increase in revenue rate and widening the scope of operations. Others advocated for the employment of competent and literate staff. Some respondents

demanded a reconstitution, equipping and motivating revenue collection task force or outsourcing revenue collection exercise. In the opinion of a respondent, the existing control system in place should be strengthened; others supported instituting an efficient data base on entities and proper revenue data by using mechanized and computerized methods of collection. One respondent expressed that DA's by-laws should be implemented, loop holes that lead to revenue leakages should also be nipped at the bud (Kwarteng 2009). One of such leakage may be the non issuance of receipts for money collected.

5.3 Conclusion

The general advancement of Ghana depends mostly on the ability of local governments to marshal financial and human wherewithal necessary for the development of their localities. The promotion of financially burly local governments means lessened dependence on fiscal flows from the inner circle and increased self sustaining financial mobilization efforts from identified and unidentified sources.

This study presented a practical and theoretical context for this research by outlining the significance of the local government system to national development, the structure of the local government system and the role of the MMDAs in resource mobilisation at the local level. Its outline the challenges militating against effective and efficient implementation and establishes prospect of the system

To achieve the objectives of decentralization, it is crucial that local government units are able to identify and harness their potential financial resources and mobilize them for development with a little or no financial transfers from the central government. Local government functionaries ought to be more innovative and more business- minded and

focus more on income generating strategies for a sustainable revenue for the assemblies. Local officials should instil contemporary management paradigms, innovation and strategic approaches in running the local government business in these challenging competitive times. The workforce must be well educated, properly trained and motivated, source of leakages of revenues must be nipped at the bud and above all high handedness and corruption should be addressed. All these measures are necessary for the mobilization of local financial resources for local level development.

5.4 Recommendations

The recommendations presented address the objectives of the study, which was to assess the fiscal decentralisation for local development. Below are some of the measures suggested by respondents as strategies for fiscal decentralisation for local development.

5.4.1 Public, Private Partnership to Fund Infrastructural Development.

Taking a critical look at societal and developmental trends in the country at large and Kumasi in particular, there is an acute need for the development of outdoor entertainment outlets to accommodate the teeming masses in the metropolis and to raise some additional income to develop the metropolis. It is recommended that KMA go into a private public partnership to build outdoor entertainment places which can meet international standards for relaxation, thereby raising some additional income to complement traditional inflows.

Three of such potential places have been identified by the author (researcher) in the Kumasi metropolis which could be developed by the KMA to serve the purpose. The development of the five (5) acre children's park would serve as a major source of income to the assembly, development of a seven (7) acre piece of land near Golden Tulip Hotel as an outdoor

entertainment grounds. Lastly, the reactivation of the PWD car park would help to raising a lot of money looking at the huge numbers of vehicles that enter the central business area.

5.4.2 Monitoring and Supervision

Outsourcing is a good option to consider as already employed by the KMA but there should be mechanisms put in place to check leakages and embezzlement of the proceeds by the officials in connivance with the outsourced agent. As discussed in chapter five, some corrupt assembly men would turn a blind eye as the outsourced agent under declare the real amount of the proceeds from their collectors and share the booty among themselves. This has been one problem with outsourcing as a strategy to help boost the assembly's faltering revenue collection endeavour but with good political and moral will on the part of these people to curb this habit, outsourcing could make the system effective. There should be effective monitoring mechanisms to check the activities of these outsourced vendors and collectors to make sure that siphoning of proceeds on their part and on the part of the revenue collectors are curtailed.

5.4.3 Establishment and Maintenance of a Good Database

The Kumasi Metropolitan Assembly should maintain and improve a reliable revenue collection database in its efforts to improve their revenue mobilization by collecting data on all economic activities in its catchment area for effective planning and budgeting. The assembly in collaboration with the lands valuation board should be able to value and revalue all properties for realistic and economic rating. It is hoped that this measure will among other things ensure accurate nominal rolls with which the assembly could check revenues collected with the estimated. This would reduce the incidence of revenue leakages and increase the volumes collected.

5.4.4 Training in basic Accounting and Revenue Utilization

It was established during the research that most of the finance and administration committee members lack basic skills in accounting and finance principles. To ensure checks and balances in the utilization of revenue, it is imperative for the members to be trained so as to be able to play their oversight roles effectively. The KMA should consider training revenue collectors including local actors and sub-metro administrators in basic skills of not only revenue collection but also in identification of revenue sources and even communication skills which are all necessary for revenue collection. It is recommended that collectors are properly recruited and trained, and also be well paid and motivated.

5.4.5 Availability of Tourist Attractions

The various tourist sites in the Metropolis should be harnessed and developed for job creation and revenue generation for the assembly. KMA in collaboration with the Ministry of Tourism, the Ministry of Trade and the Manhyia Palace could develop the Manhyia Museum, the Okomfo Anokye sword site, the Center for National Culture, the Awhyaa sculpture and pottery village and the Kumasi Military Museum to provide employment and to increase the income base of the KMA.

5.4.6 Financing Capital Projects with Internally Generated Revenue

It is also recommended that the assembly should target projects to be solely funded from recurrent budget using only the IGF. The monies should be used to develop basic facilities and infrastructure like markets, good access roads, toilet facilities, ultra modern markets, improved sanitation, good and reliable water supply, etc to help improve their localities outlook and general well being of the people. This would go a long way to restore tax-payer

confidence in the assemblies and therefore whip up public support for local revenue generation mobilization

5.4.7 Playing of politics

It is recommended that the assembly members desist from playing politics with the assembly's search for solutions to its financial woes and extricate themselves from any form of unwarranted political interference in the affairs of the assembly in order not to sabotage the local government initiative but help strengthen it.

5.4.8 Strengthening Revenue Units of the Assembly

The revenue unit of the assembly must be adequately resourced at all times to meet the challenges of revenue collection. The office of the revenue superintendent should be allocated revenue vans and the needed technology to monitor revenue collection activities on daily bases. This will also make it possible for monies collected to be paid into the assembly's account daily since it is not all revenue stations that have designed banks. Other means of transport like motor bikes should be provided to revenue collators, especially those in remote areas to facilitate their work.

5.4.9 Sub District Development Projects

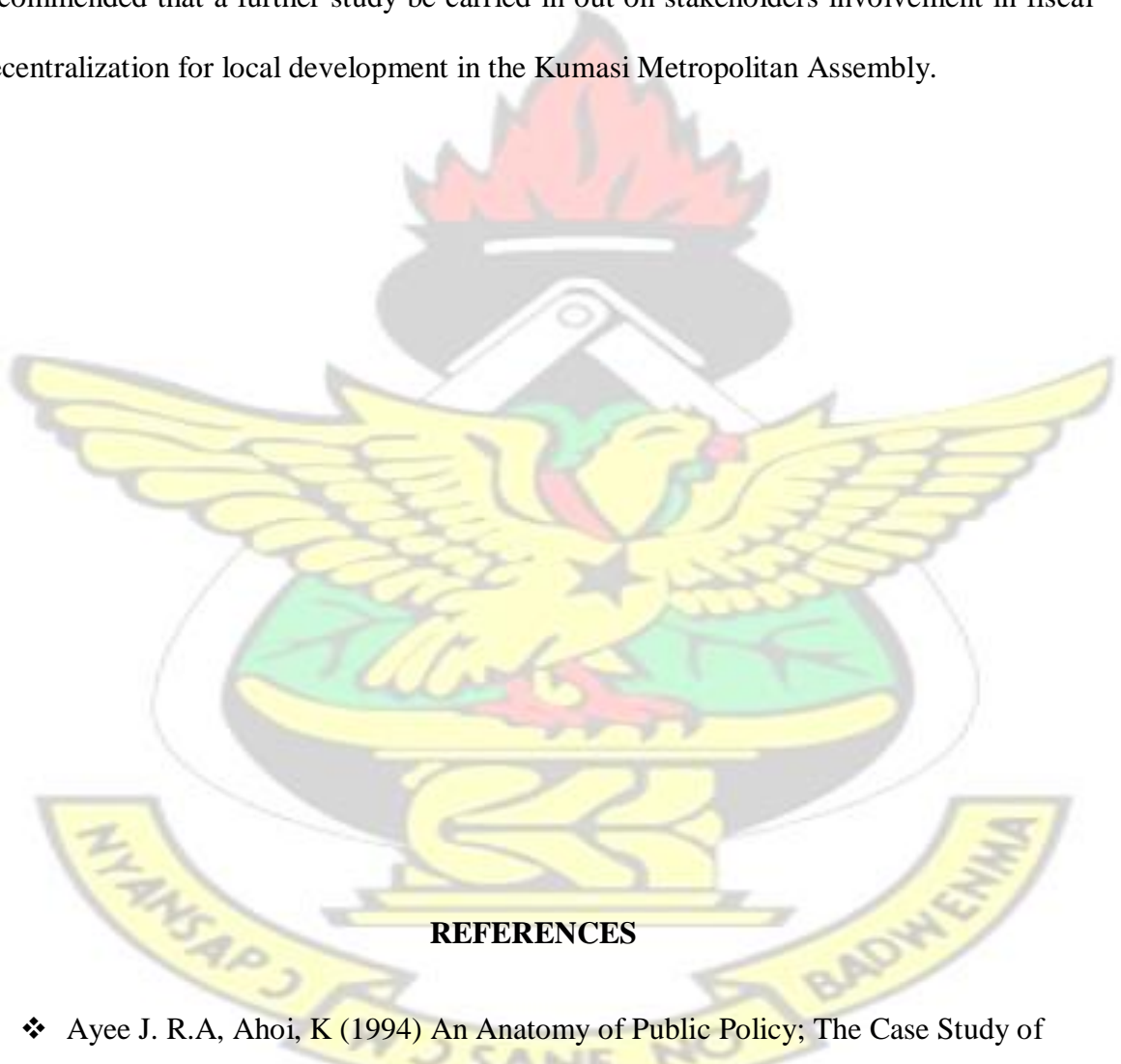
The KMA should encourage sub metro councils to initiate their own development projects and programs using their share of the fifty per cent revenue generated. This move would encourage local participation in revenue mobilization. It is also recommend that government increase the DACF to help strengthen or consolidate the nation's quest for effective local governance.

5.4.10 Tax Education

Tax education programmes“ should be rolled out using the electronic and print media to sensitize the general public on the need to pay rates, levies and taxes.

5.5 Recommendation for Future Research

The research focused on examining the fiscal decentralization for local development, it is recommended that a further study be carried in out on stakeholders involvement in fiscal decentralization for local development in the Kumasi Metropolitan Assembly.



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APPENDIXES

Appendix 1: IGF Categories Year on Year

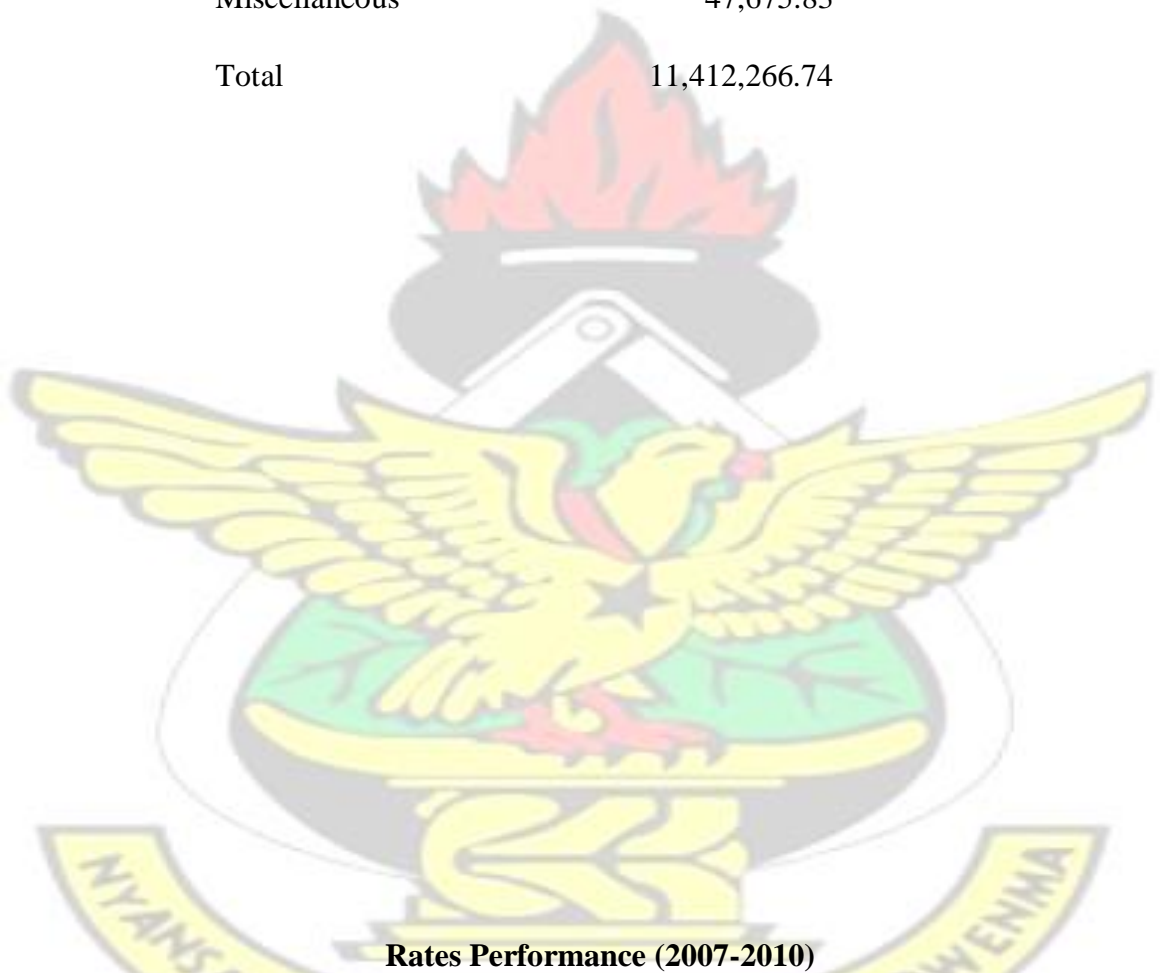
2007	Rates	584,974.59
	Lands	221,215.60

Fees & Fines	2,018,432.48
Licenses	655,584.02
Rent	191,752.90
Investment	8,414.09
Miscellaneous	41,236.28
Total	3,721,609.96

2008	Rates	1,000,568.57
	Lands	175,410.00
	Fees & Fines	1,842,364.53
	Licenses	1,444,393.23
	Rent	334,609.20
	Investment	5,435.38
	Miscellaneous	109,438.55
	Total	4,912,219.46

2009	Rates	2,059,274.93
	Lands	664,875.14
	Fees & Fines	2,303,395.64
	Licenses	542,516.49
	Rent	369,480.90
	Investment	384.42
	Miscellaneous	152,397.63
	Total	6,092,325.15

2010	Rates	2,245,036.81
	Lands	732,876.50
	Fees & Fines	2,949,563.79
	Licenses	4,918,968.29
	Rent	516,759.64
	Investment	1,385.88
	Miscellaneous	47,675.83
	Total	11,412,266.74



YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	584,974.59	1,000,568.57	2,059,274.93	2,245,036.81
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
PER (%) OF IGF	15.72	20.37	33.77	18.47

Source: Financial Reports of KMA 2007-2010

Performance of Fees and Fines Revenue (2007-2010)

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	2,018,432.48	1,842,364.53	2,303,395.64	2,949,563.79
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
PER OF IGF	54.24	37.50	37.78	24.26

Source: Annual Financial Reports of KMA 2007-2010

Performance of Licenses (2007-2010)

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	655,584.02	1,444,393.23	542,516.49	4,918,968.29
TOTAL IGF	3,721,609.96	4,912,219.46	6,097,223.15	12,157,111.74
PER OF IGF	17.61	29.40	0.89	40.46

Source: Annual Financial Reports of KMA 2007-2010 Performance of Grants (2007-2010)

YEAR	2007	2008	2009	2010
GRANTS (GH¢)	7,770,426.91	5,846,049.04	10,005,602.58	5,732,147.76
GRAND TOTAL INCOME	11,492,036.87	10,758,268.50	16,102,825.73	22,221,659.12
PER OF GRANTS	67.62	54.34	62.14	25.80

Source: Annual Financial Reports of KMA 2007-2010

Performance of the DACF (2007-2010)

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	2,599,455.75	2,449,288.37	3,851,368.40	2,782,583.97

TOTAL GRANTS	7,770,426.91	5,846,049.04	10,005,602.58	10,064,547.38
PERCENTAGE OF DACF	33.45	41.90	38.49	27.65

Source: Annual Financial Reports of KMA 2007-2010

Performance of the HIPC Fund (2007-2010)

YEAR	2007	2008	2009	2010
AMOUNT (GH¢)	3,712,996.14	3,001,420.55	6,069,960.45	319,283.12
TOTAL GRANT	7,770,426.91	5,846,049.04	10,005,602.58	10,064,547.38
PER OF HIPC FUND	47.78	51.34	60.67	3.17

Source: Annual Financial Reports of KMA 2007-2010 Table 4.14 Revenue to Expenditure (2007-2010)

YEAR	2007	2008	2009	2010
REVENUE (GH¢)	11,492,036.87	11,062,557.66	17,941,536.81	22,221,659.12
EXPENDITURE	11,193,300.87	5,920,596.62	17,476,871.41	21,176,308.69
SURPLUS/DEFICIT	298,735.90	5,141,988.04	464,665.40	1,045,350.43
% OF EXP-REV	97.40	53.52	97.41	95.30

Source: Annual Financial Reports of KMA 2007-2010

No of Permanent Collectors at KMA

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 100-200	8	40.0	40.0	40.0
201-300	4	20.0	20.0	60.0
301-400	4	20.0	20.0	80.0

401-500	4	20.0	20.0	100.0
Total	20	100.0	100.0	

Source: Field Survey 2010

No of Commission Collectors at KMA

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-30	4	20.0	20.0	20.0
31-40	8	40.0	40.0	60.0
>50	8	40.0	40.0	100.0
Total	20	100.0	100.0	

Source: Field Survey 2010

