

**ENHANCING LOCAL GOVERNMENT REVENUE MOBILIZATION THROUGH THE USE OF INFORMATION  
COMMUNICATION TECHNOLOGY: A CASE-STUDY OF ACCRA METROPOLITANT ASSEMBLY**

**BY**

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## ABSTRACT

The Accra metropolis in particular and Ghana in general is battling with several challenges pertaining to local revenue generation for the past decade. This situation has weakened the operation and management of Accra Metropolitan Assembly leading to increasing loss of revenue. The study attempts to create the nature and extent of tax coverage in the Accra metropolis and to assess the challenges of local government revenue generation in the metropolis. Other objectives included the impact of increased revenue generation on the development of the metropolis and the potentials of ICT system in improving local government revenue generation.

The method used for the study is the case study approach and the data required was on revenue performance and structure of the Accra metropolis, revenue mobilization challenges and the use of ICT in the administration of revenue in the Accra metropolis. Data was therefore collected from both the primary and secondary sources. With regard to the sampling, institution/sub metros that employ the ICT system in their operations particularly in the area of revenue mobilization were considered. Institutional questionnaire was employed in the collection of data.

The outcome of the study revealed the nature and extent of tax coverage in the Accra metropolis. Among the sources of taxation or revenue identified include rates, land, fees and fines, investments, miscellaneous among others. Also, the study showed the attempts made by the Accra Metropolitan Assembly and some of the sub metros in the usage of the ICT system in their operations, the effects of ICT on revenue generation, and the impact of increased revenue generation on the metropolis and the role of ICT in improving revenue generation. Other key findings included the role of Accra Metropolitan Assembly in enhancing local revenue generation through the use of ICT.

The research therefore recommends ways of enhancing the nature and extent of tax coverage and improving the utilization of the ICT system in the Accra Metropolitan Assembly with the Accra Metropolitan Assembly taken the lead role with support from the Government of Ghana and the various sub metros within the metropolis. Also, there should be effective coordination among

ICT stakeholders in the Accra Metropolitan Area with the Accra Metropolitan Assembly being on the forefront and creating the environment where all actors will make input and appreciate the principles underpinning the use of the ICT system especially in local revenue generation. Another answer was the introduction and development of the ICT system at all the sub metros. The central government, through the Accra Metropolitan Assembly, should provide the avenue for the sub metro to be the focal points of local government revenue generation.

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## DEDICATION

This work is dedicated to my daughter Kulawnebache Ai'dah and my grandmother Lejiga-che Lange Abiba Dari.

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## LIST OF ABBREVIATIONS

AISI	Africa Information Society Initiative
ATM	Automated Machines
CICs	Community Information centers
DACF	District Assemblies Common Fund
DAs	District Assemblies
ECA	Economic Commission for Africa
GPRS	Ghana Poverty and Reduction Strategy
ICT	Information Communication Technology
INFODEV	Information Development
IPTC	International Centre of Theoretical Physics
NALAG	National Association of Local Assemblies of Ghana
NCS	National Computer Systems
NRCD	National Redemption Council Decree
OP	Operationalization
PNDCL	Provisional National Defense Council Law
RCC	Regional Coordinating Council
REN	Research and Educational Network
SAPS	Structural Adjustment Programmes
SMDC	Supreme Military Council Decree

UNDP	United Nations Development Programmes
US	United States
USAID	United State Agency for International Development
VRA	Volta River Authority
AMA	Accra Metropolitan Assemblies
RPI	Revenue Performance Index
GPS	Global Positioning System
UMLIS	Urban Management Land Information System.
MLGRD	Ministry of Local Government and Rural Development
ATRACO	Accra Teachers Training College
IPS	Institute of Professional studies
UN	United Nation.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Over the past decades, the Government of Ghana had primarily re-oriented the development agenda of the country. Major policy reforms and measures to restructure the public administration system targeted at the creation of political, economic, social, spatial territorial and environmental balance for sustainable growth with development were introduced (Badu, 2007). Since 1957, district assemblies have been required to finance local development programmes with revenue generated at in their area of jurisdiction but this fiscal decentralization programme of the central government to delegate fiscal obligations to the local councils to undertake development projects became a major challenge as a result of lack of investment capital at the local level (Baffour, 2008).

In the late 1960's and early 1970's however, the decentralized system was reformulated into a frontier structure consisting of regional, district and local councils and town and village committees. In 1988, the government of Ghana finally embarked on the implementation of a comprehensive policy to decentralize the system of government by transferring public authority, resources and personnel from the central government authority to regional and district jurisdictions. This policy was backed by the Local Government Law, 1988(PNDCL 207).

The decentralization policy presented five sources of revenue to the district assemblies and these included the District Assemblies' Common Fund (DACF), ceded revenue, internally generated fund through local taxation, loans, permits, among others, and from other sources like sale of lands. The DACF is the primary source providing a constitutionally stipulated minimum share of government revenue. The ceded revenue deals with a number of lesser tax fields that central government has ceded to the district assemblies. Entertainment duty, casino revenue, betting tax, advertisement tax and others

by the Ghana Internal Revenue Service are examples of ceded revenue available to the district assemblies (Ayee, 2003).

Local government usually provides administrative, fiscal, and other public services and amenities to local residents. In highly unitary centralized states, such as France and Great Britain, local government enjoys only limited powers in the area of initiating and implementing policies, as a result of inadequate funds and lack of autonomy. Although the decentralization process has been regarded by many as a basic underpinning tool for national democracy and development, district assemblies are ill fitted to resist any encroachment on its powers by the central government (NALAG, 2005).

The thrust of the decentralized policy has been to promote popular participation and ownership of government machinery by shifting the system of governance from command to consultation and by devolving power and resources to the community level. In line with the policy, the local governments introduced several activities and programmes aimed at increasing local revenue such as raising of rate levels and expansion of revenue instruments. However, the majority of the district revenues generated from these sources were woefully inadequate to support administrative and other recurrent expenditure much more to finance the delivery and running of basic infrastructure and services needed by the local communities (Badu, 2007).

The mobilization and generation of revenue at the local level are carried out using the manual processes which make it difficult to track the progress of the district in the area of revenue generation. The issues regarding the use of ICT in revenue mobilization and the challenges encountered in enhancing local revenue generation are contained in the next sub section.

## 1.2 Problem Statement

The core responsibilities of the district assemblies as we have it In Articles 245 and 252 of the 1992 Constitution and section 34, (vii – x) of the Local Government Act, 1993, Act 462 dictates that they be responsible for the overall development of their respective jurisdictions and ensure the preparation and submission of development plans and budgets for approval by the appropriate authorities, as they strive to decentralize and follow good governance practices. It is clear that this responsibility of the local government system cannot be executed successfully without the adequate funds. It is therefore

imperative for local government bodies to adopt pragmatic and more efficient measures such as the use of ICT to increase their revenue mobilization capacities and prudent financial management techniques to be able to execute such responsibilities.

However, the sources of finances available to district municipal and metropolitan assemblies are as follow: fees, property rates, tolls, court charges, registration fees, and market tolls, fine for stray animals, artisans and vocational fees, building permits fees, stalls levy, basic rates, lorry park tolls among others. Though district assemblies have extensive sources of revenue, however, due to several responsibilities and lack of modern ways of tracking revenue generation affects the amount and levels of revenue mobilized. This has resulted in a situation whereby districts assemblies are generally recognized as having fragile financial standing (Badu, 2007).

Local governments have little fiscal independence, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability (Oyugi, 2000). According to Kessey and Gunter (1992), financing districts' programmes by the district assemblies has become a major problem in the country as a result of the lack of investible capital at the sub national level and lack of appropriate technologies and tools to raise revenue locally.

The Ministry of Local Government and Rural Development and Environment (2003) indicated in the Ghana Poverty and Reduction Strategy (GPRS I) report that inconsistencies in the declaration of revenue generated at the district level are likely to be a reflection of the poor mobilization of and administration of internally generated revenue. That notwithstanding, the audit reports of 2003 and 2004 further unearthed the inconsistencies and inefficiencies in Internally Generated Revenue declaration (Ghana Audit Service, 2003). This, the reports affirmed that these challenges have emanated due to the use of manual processes and outmoded ways of mobilizing and generating local revenue.

Experiences of revenue generation in developing countries reveal a glaring weakness in the revenue and expenditure administration by local bodies for effective programme implementation. There is therefore a gap in revenue administration in the district assemblies which are attributed to problems

relating to fragile revenue collection system due the use of outdated techniques and methods (Kokor and Kroes 1990).

It is in line with this that Montgomery (1989) stated that when taxes generated public resistance or dissatisfaction, it was often the system rather than the amount that was blamed. However, it appears that the need to design appropriate revenue systems to improve local resource mobilization has eluded district assemblies and policy makers as an integral part of the locally generated revenue mobilization process that will help increase the revenue base of the local assemblies. The ICT presents a number of opportunities ranging from tracking of development process, issuance of permits, easy records keeping among others, which the district assemblies can harness to improve their revenue mobilization and hence the development of their areas of jurisdiction.

It is surprising to note that most district assemblies in Ghana have made no attempts to improve their local revenue generation through the adoption of improved technology. These district assemblies therefore rely solely on the District Assemblies' Common Fund for their development. The few district assemblies which have made efforts to adopt modern tool of raising revenue locally have also failed (Kokor and Kroes, 1990). This is because these district assemblies have not explored the various opportunities the ICT presents in raising revenue and thus rely on the manual process of generating revenue which is inefficient.

This research therefore seeks to examine how the revenue levels of local authorities could be enhanced through appropriate modern technology such as the Information Communication Technology (ICT).

### 1.3 Research Questions

From the foregoing, the study seeks to address the following questions;

1. What is the nature and extent of tax net or coverage in the Accra Metropolitan Assembly?
2. What are the challenges associated with local government revenue mobilization in the Accra Metropolitan Assembly?
3. How effective is ICT as a tool in enhancing local revenue generation in the Accra Metropolitan Assembly?

4. What are the effects of increased local revenue mobilization on the development of Accra Metropolitan Assembly

#### 1.4 Objectives of the Study

The general objective of the study is to investigate the effectiveness of the use of Information Communication Technology systems in improving revenue mobilization of the Accra Metropolitan Assembly.

The general objective can be achieved through the following specific objectives:

- 2 To ascertain the extent of tax coverage in the Accra Metropolitan Assembly.
2. What are the various bottlenecks associated with local government revenue mobilization in the Accra Metropolitan Assembly.
3. The propensity of information communication as a tool to improve the local government revenue generation in the Accra Metropolitan Assembly will be examined.
4. The extent to which improved revenue mobilization can influence the financing of projects in the Accra Metropolitan Area will be examined.
5. To make recommendations for policies and actions towards improving revenue generation at the Accra Metropolitan Assembly through information communication technology (ICT)

#### 1.5 Scope of the Study

This study focuses on the Accra Metropolitan Area in the Greater Accra Region. This place is chosen because of the evident of the phenomenon under investigation and the challenges the assembly is facing with regard to revenue mobilization. The central location of the metropolis and its strategic role coupled with the rapid growth in population and economic activities make the city a better place for the study.

The quality of utilization of the information communication technology in the metropolis with respect to generating and increasing the revenue base of the assembly would be investigated, with the impacts of information communication technology on revenue generation examined. Notwithstanding, issues relating to the importance of increased revenue generation on the development of the metropolitan area would be researched into.

#### 1.6 Significance of the Study

This study on information communication technology and its impacts on enhancing local revenue generation would augment the body of knowledge in several ways. First, it would inform local authorities, policy makers and the government on the relevance of the information communication technology in the mobilization of revenue in the metropolis and other district assemblies.

A critical assessment and understanding of information communication technology in the Accra metropolitan area would lead to the development of effective strategies of developing the metropolis through increase revenue generation and mobilization. Again, information communication technology is in covenant with sustainable and responsible generation and use of internally generated revenue, hence this study would lead to the identification and appreciation of modern revenue generation techniques through information communication technology. This study seeks to unravel ways of enhancing revenue generation through information communication technology thereby ensuring sustainable development of the metropolis.

When information communication technology is adequately embraced and implemented in the metropolis, the several revenue generation and management challenges confronting the metropolitan assembly, which needs much to be desired, would be improved. This is because issues concerning

weak revenue collection, poor records keeping and inefficient use of revenue that are associated with district assemblies would be addressed satisfactorily through effective utilization of information communication technology.

For Ghana, the management of the challenges associated with local revenue generation through information communication technology would put the metropolis on a higher pedestal to play her roles as the national capital of Ghana. The location of the metropolis puts her in an unique position for accelerated development and therefore information communication technology through its nature would create the platform for a sustainable revenue generation and socio-economic development of the metropolis.

Ghana, particularly Accra Metropolitan Assembly, has implemented several revenue related policies over the past decades and the study would add to the existing literature on information communication technology for the efficient management of District Assemblies.

#### 1.7 Organization of the study

This study has been organized in five chapters. Chapter one introduces the work and provides discussions on the problem statement, scope of the study, research questions, research objectives. Chapter two reviewed relevant literature from different sources on the issue being investigated into. In Chapter three the research methodology adopted for the study is being discussed.

The chapter four highlights on the research data collected and the analysis and discussions made. The major findings, recommendations, and conclusion for the entire study have been presented in Chapter five.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter is designed to review literature on relevant concepts and theories relating to the research. This chapter provides a theoretical structure of the research highlighting on the vital and relevant definitions, explanations and concepts. Among these concepts and issues are definitions and the historical background of the decentralization and the district assembly concept. The legal framework and the constitutional provision that support the local government system, approaches to revenue generation in the district assemblies as well as challenges and constraints of revenue collection in the district assemblies are among the principal issues discussed in this chapter. Also considered in this section are the ICT policy and its role in revenue collection at the district level in addition to a case study of the use of ICT in revenue generation in other countries.

## 2.2 Historical Evolution of Local Governance

Decentralization is a mechanism for bringing government closer to the governed and helps to improve public administration by empowering local authorities to be the planning and decision-making bodies and thereby enhancing the capacity of government to achieve local participation.

The use of local authorities to help govern this country started with the colonial authorities that used the traditional rulers (known as chiefs) to help rule the Gold Coast, Ghana's name under the colonial rule. The pre-independence period, therefore, saw the so-called native authorities in a system referred to as the indirect rule, as the hub of local government. Various legislations setting up local authorities were enacted. In 1859, municipalities were set up in the coastal towns under the Municipal Ordinance but a Municipal Councils Ordinance was passed in 1953. This was followed by enactment of the Local Government Act, 1961 (Act 54). Under all these legislations, the local bodies were set up and vested with authority specifically for local matters but operated alongside central government agencies that also existed at the local level. Their main responsibility was to provide municipal services and amenities in their localities. However, to address the weaknesses in the local administrative system and its ineffectiveness, the Local Administration Act, 1971 (Act 359) was passed. This could not be implemented until 1974 after an amendment, the Local Administration (Amendment) Decree 1974, NRCD 258, was made to it. Sixty-five District Councils were set up under this Decree with appointed

Councilors. However, this new system was also beset with numerous problems and it never worked well.

The present decentralization system is the most serious attempt so far in Ghana's history. It was introduced in 1988, when the Provisional National Defense Council (PNDC) initiated some reforms in local government. The Local Government Law, 1988 (PNDCL 207) was enacted to give legal backing to the new local government system. The 1992 Constitution of Ghana made decentralization mandatory and provided that Ghana put in place "*...a system of local government and administration which shall, as far as practicable, be decentralized*" (Section 240 (1) of the 1992 Constitution). The Constitution tasked Parliament with enacting appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from central to local government authorities in a coordinated manner. Thus, in 1993, Parliament enacted a new law, the Local Government Act, 1993 (Act 642) to replace PNDCL 207, though basically the same in character.

The Local Government Act, 1993 (Act 462) retained the 110 Metropolitan (3), Municipal (4) and District (103) Assemblies that had been set up by PNDCL 207. A Metropolitan, Municipal or District Assembly is the pivot of administrative and developmental decision-making at the local level that is assigned with deliberative, legislative and executive functions. The Assembly is responsible for bringing about integration of political, administrative and development support to achieve a more equitable allocation of power, wealth and geographically dispersed development in the country. The Assembly is also the planning authority in the district. The Assembly is given the authority to prepare and implement development plans and to draw up budgets for implementing the development plans. They are expected to mobilize resources, develop local infrastructure and to promote the development of local productive activities with the help of some central government institutions, also decentralized, to operate as part of the District Assemblies. In sum, it is the responsibility of these local authorities to ensure development, peace and security in their various jurisdictions in a participatory manner at every level of governance.

The Local Government Act, 1993 (Act 462) provides for the transfer of 86 statutory functions of state to local government bodies with jurisdiction over geographical areas. This Act also provides for the

establishment of sub-district and unit committees and the resources to create access to political authority for the majority of Ghanaians. The District Assembly's substructures include the Sub-metropolitan, urban/town/zonal/area councils and unit committees. The 1992 Constitution also provides for the establishment of Regional Coordinating Councils (RCC) in the ten administrative regions as part of the arrangements for the decentralized system in Ghana. In principle, the RCC is a purely administrative and coordinating body rather than a political or policy-making body but the Regional Minister obviously wields a lot of power in the region.

The Government of Ghana has emphasized its commitment to pursue a vigorous and progressive deepening of decentralization and devolution of power. The decentralization policy provides an opportunity to involve more people and more institutions in the formulation and delivery of development policy for poverty reduction and growth. It is expected to maximize the use of human resources, optimize equity and provide a basis for accountability and transparency. It is worth noting that a Presidential Oversight Committee on Decentralization was to be set up in 2002 to ensure that functions, powers, responsibilities and resources are at all times transferred from Central Government to local government units in a coordinated manner. Due to the prominent role of the DAs in bringing about development to the rural folks several communities are clamoring for new districts, a situation that could be exploited for political gains. (Badu, 2007)

However, the District Assemblies face considerable problems including limited capacity and lack of appropriate skills on financial management and budgeting as well as the implementation of programmes and projects in their jurisdictions. This situation is exacerbated by inadequate supervision and weak oversight functions. Furthermore, the local revenue base of most district assemblies is very weak and most of them look up to the Central Government for funding for both service delivery and the provision of infrastructure. (Azeem *et al*, 2003)

### 2.2.1 The Concept of Decentralization

The term decentralization connotes the transfer of authority on a geographical basis to local government units or special statutory bodies. She further explained that Decentralization takes the

form of de-concentration (delegation) of authority to field units of the same department, or the level of government, or by devolution of authority to local government (Badu, 2007).

Fass and Desloovere (2003), however, viewed the concept of decentralization as “any act in which a central government formally cedes powers to actors and institutions at lower levels in a political-administrative and territorial hierarchy. This implies that decentralization is the mechanism for bringing government closer to the governed and helps to improve public administration by empowering local authorities to be the planning and decision making bodies thus enhancing government capacity to achieve local participation”.

Bird (1990) also stated that decentralization as a concept refers to the transfer of responsibility for planning, management, and resource raising and allocation from the central government to field units of central government ministries or agents, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide regional or functional authorities, and organizations of the private and voluntary sector.

Stemming from the above definitions and explanations of decentralization, it can therefore be viewed as the process of lowering the governance process to the local indigenes to take control over their development through the support of the central government and the decentralized institutions.

### 2.2.2 Historical Background of Decentralization in Africa

An overview of the process of decentralization in Africa according to Oluwu and Wunsch, (2001) can be put into four phases, starting from the end of Second World War during which decolonization was on top of international relations agenda, as a reward for the colonized people’s participation in the war. In the framework of decolonization important changes were made in local government throughout British and Francophone Africa.

The policy shift included the following; tradition of elected councils, well defined local tax systems, involvement of local government in a range of minimal infrastructure services and involvement of local city government in major capital investment activities (Mawhood et al, 1980 in Oluwu and

Wunsch, 2003). Reform efforts since that time have tried to place local government on the same footing as it was during this period.

The second phase of decentralization in Africa was characterized by the emergence of a new crop of indigenous African leaders who opted to pursue programmes of development through centralized planning. Democratic local government was therefore perceived as obstacles to their development efforts. Decentralization from the 1950's up to the 1970's failed to provide avenues for political participation and empowerment of a great majority of emerging African elites.

Renewed interest in decentralization was as a result of the economic crisis of the 1970's which sewn the adoption of structural adjustment programmes (SAPs), which suggested that decentralization to local government would cut back central government expenditures. It should be noted that, decentralization reforms of the 1980's associated with SAPs and ARPs did not make clear, a distinction between decentralization and devolution. There was real commitment to shift power from the center to the localities.

Real efforts towards decentralization in Africa started in the 1990's. It brought to the fore a fourth wave of decentralization reforms. It is both a continuation of the past approaches to decentralization and a search for local institutions that are genuinely participating and responsible to the local communities (Oluwu and Wunsch, 2003).

### 2.2.3 Types of Decentralization

There are several types of decentralization. Manor (1995) identified three main types of decentralization and they are;

- The Administrative Decentralization or De-concentration. This type of decentralization creates a framework for the re-location of branches of the central state to local areas, entailing the transfer of powers to locally-based officials who remain part of, and upwardly accountable to, central government ministries and agencies.

- **Fiscal Decentralization:** This form of decentralization involves the transfer of fiscal resources and revenue-generating, powers, inclusive of authority over budgets and financial decisions, to either de-concentrated officials and/or central government appointees or to some elected politicians.
- **Political Decentralization or Democratic Decentralization or Devolution of Power:** In this type of decentralization, there is the transfer of powers and resources to sub-national authorities who are largely or wholly independent of the central government and democratically elected.

#### 2.2.4 Fiscal Decentralization

Several studies have shown that there has been a paradigm shift in the thinking and practicing of decentralization in Africa. Some observers believe that one of the attributes of this new phase of decentralization is that it is rapid and global (Badu, 2008). Also, the comprehensive nature of this round of decentralization – the transfer of fiscal, administrative and political resources that distinguishes these recent initiatives from the earlier rounds of decentralization that have dismissed as mere rhetoric (Olowu and Wunsch, 2003).

The basic idea of fiscal decentralization is that decentralization of government addresses the problems with allocative inefficiency (Tanzi, 2000) by allowing smaller communities to take responsibility for governance by forcing local governance to be more relevant and more accountable to the community. In the developing world such decentralization has also been initiated to overcome the problems of unemployment and inequity regarding the distribution of income (Baffour, 2008).

There is no ideal assignment of revenue sources between central and lower levels of government. However, a set of tax assignment rules has been developed in the traditional fiscal federalism theory (Oates, 1998). These standards related to the respective responsibilities of central and lower tiers of government in macro-economic stabilization, income redistribution, and resource allocation (Boadway et al, 2000).

There are a number of methods to close the fiscal imbalances of sub-national governments, some of which also reduce imbalances between jurisdictions (Ahmad, 1997). In practice, transfers may be in

the form of surcharges or revenue sharing whereby a local government receives a share of the revenues from particular taxes collected by the central government within its jurisdiction (McLure, 1999).

Fiscal decentralization is therefore a major aspect of Africa's decentralization process. It is therefore through the fiscal decentralization that the local authorities are mandated and equipped to raise revenue within their areas of jurisdictions. Therefore, mobilization of revenue at the local level is enshrined in the decentralization process of Africa.

### 2.3 Local Government Revenue System

A widely found characteristic of local government revenue systems in Africa is the huge number of revenue instruments in use by local authorities (Bahiigwa et al, 2004). In several countries, local governments intend to raise taxes, fees and charges they are capable of mobilizing often without worrying excessively about the economic distortions and distribution effects that these instruments may create (Brosio, 2000).

Revenue administration is linked with the execution of physical policies through the registration of tax payers and assessment and collection of charges. Local revenue administration is said to be the assessment, collection, recording and verification of taxable amounts (Ter-Minassian, 1999). In addition, there are some aspects of local revenue administration which are not fully operationalized; for instance, only rudimentary assessments of the ratable liabilities are undertaken (Kessey and Gunter, 1992). This problem has resulted due to the absence and poor keeping of records on the activities of majority of the rate payers who are basically small scale economical actors and failure to automate their activities.

Kessey and Gunter (1992) stated that primarily internal revenue mobilization is made up of two aspects, which are policy formulation and administration. With regard to policy formulation, it deals with the physical goal determination and formulation of laws and rules for the attainment of such goals. The administration on the other hand deals with the executions of the physical policies

formulated. Though equally important in revenue mobilization, policy formulation and administration do not receive equal attention both in theory and practice.

Revenue policy formulation is thus given more attention than revenue administration which has caused the failure of many theoretical physical policies. This challenge has attracted some comments in the academic and public administration cycles in recent years (Musgrave and Musgrave, 1994). Matzer (1982) however stressed that no efforts or attempts have been made towards the correction of this ill in the generation of local revenue resulting in inadequate logical theories and practical studies on administering revenue.

### 2.3.1 Financing District Assemblies under the New Local Government System

In Articles 245 and 252 of the 1992 Constitution and section 34, part vii, part viii, part ix and part x of the Local Government Act, 1993, Act 462, revenues from those sources may be classified : as the District Assemblies' Common Fund, ceded revenue, and their own revenue-raising powers through local taxation.

The DACF is the main source, providing a constitutionally guaranteed minimum share of Government revenue and thus some financial independence. Yet evidence of its workings is somewhat mixed. On the one hand, annual monies distributed by the DACF have increased quite significantly from 38.5 billion cedis in 1994 to 165 billion cedis in 1999 in actual amounts, that is without taking inflation into account (Nkrumah 2000). On the other hand, it is disputed whether district authorities have received the full five percent, with annual allocations based on projections of annual revenue, and invariably underestimated. A report for USAID states that DACF disbursements have averaged about 4.3 per cent of actual annual revenue, though no source is cited (USAID, 2003).

A further argument is that the five per cent minimum of national revenue is insufficient, given the broad range of responsibilities devolved to district authorities. However, the object of the Common

Fund is to make available to the DAs additional resources for development. The allocation and disbursement of the Common Fund commenced in 1994 and has made a great impact on the finances of the DAs and on local development.

It is also worth mentioning that apart from the DACF mentioned as a transfer from government to the district assembly, there are others known as recurrent expenditure transfer such as: Central government has, since 1995, assumed full responsibility for salaries and other remunerations, including pensions of staff of the DAs, provided that these fall within the approved manpower ceilings for the assemblies.

The government also bears responsibility for the operational and administrative expenses of the administrative structures of the civil service at the district level. It is planned that once recurrent expenditure is fully decentralized, these payments will be transferred to the DAs as untied block grants. This will enable the DAs to rationalize their manpower within the framework of the local government services and adopt other cost-cutting measures in order to save money for development.

second source of finance is 'ceded revenue' Ceded revenue is derived from selected revenue sources listed below which hitherto were tapped by the central government through the Internal Revenue Service, but which central government has "ceded" to the DAs , in pursuit of decentralization.

The sources are entertainment duty under the Entertainments Duty Act 1962, (Act 150), casino revenue under the Casino Revenue Tax Decree, 1973 (NRCD 200), betting tax under the Betting Tax Act, 1965 (Act 268), gambling tax under the Gambling Machines Decree, 1973 (NRCD 1974), Income Tax (Registration of Trade, Business, Profession or Vocation) Law, 1986 (PNDCL 156). Others are income tax payable by specified categories of self-employed persons in the informal sector, daily transport tax under the Income Tax (Amendment) Law, 1987 (PNDCL177) and advertisement tax under the Advertisement Tax Decree, 1976 (SMCD 50).

The ceded revenue is centrally collected by the Internal Revenue Service and the total ceded revenue collected for a year is transferred to the Ministry of Local Government which shares it among the DAs using a formula approved annually by the Cabinet.

The Constitution designates DAs as the rating authority and empowers them to levy and collect local taxes. Locally generated revenues (otherwise referred to as traditional local government sources of revenue) are derived from six main sources: rates, lands, fees, licenses, trading services and miscellaneous sources.

Given the extensive responsibilities decentralized to district authorities, it is generally recognized that their financial position is weak. Local government has little fiscal independence, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability. Oyugi (2000) suggests that the dependence of local authorities on central government funding leads to a loss of 'operational autonomy', with local initiatives undermined.

The establishment of the DACF is certainly an advance in this respect, providing a constitutionally guaranteed minimum, though the figure of five per cent would seem inadequate. Yet we are also reminded that central government directives determine 75 per cent of expenditure. Greater autonomy still would stem from the ceding of greater revenue-raising powers, but the likelihood of such fiscal reforms is slim. However, the DACF has since been reviewed from 5% to 7.5% of the total national revenue effective 1st January, 2008.

#### 2.4 Typologies or Approaches to Revenue Generation in the District Assembly.

The source of revenue for the Assembly is categorized into three: Grants from central government, Internally Generated Fund and ceded funds (Ayee, 2003).

Among the sources, the major contributor to the District Assembly is the grants from central Government which constitute 67.2% of the total inflow from 2003 to 2005. The donor funds constituted 28.4% while the internally Generated funds was only 4.4%.

The internally generated revenue otherwise known as the locally generated Income Tax, License/Store Fees, Kiosk Rent, Property Rate, Market Toll-, Hawkers license, Toilet Fees, Bar Operation License, Lorry Park Tolls, Street/light/water Levy, Special Levy, and Birth and Death Registration. Of these taxes the most popular is the Basic Rate.

- Rates

Section 94 of the local Government Act 1993, (Act462) provides that,

“District assembly shall be the sole authority for the district and subject to any special provision in the Act or any other enactment; no other authority other than the Assembly shall, notwithstanding any customary law to the contrary have power to make or levy rates in the districts, Further to the above, section 95 states that, “District Assembly shall levy sufficient rates to meet their estimated expenditure”

Rates may be classified according to section 96 of the Local government Act, 1993 as general and specific rates. Specific rates are rates levied over specified areas for the purpose of specified project approved by the district Assemblies. The general rates are rates made and levied over the whole district for the purpose of developing the district. Property rate and basic rates are the two major categories under general rates.

Property rate is a major source of revenue in many urban types of council (Mikesell, 2002). In the 1990s, property taxes accounted for 40 percent of all sub-national taxes in developing countries (Bird and Slack, 2002) but less in several countries due to outmoded collection methods (Fjeldstad and Semboja, 2000).

- Fees

This is the amount of money paid for a particular piece of work or for a particular right or service. A fee is defined as an amount of money paid for a particular right or service or piece of work that is in proportion to the cost of distribution of government services provided to the payer (Kessey, 1995). The sixth schedule of Act 462 provides a range of items where fees are levied by District Assemblies. Some area items on which fees are levied include slaughter houses, cattle ponds, trading kiosks, market dues, and market tolls.

- Licenses

These are official documents, which give one, permission to own, do, or use something usually after money has been paid. Licenses form part of the tax component of the current revenue of government. These are use to finance general expenditure. Licenses are issued for a host of items and activities. These include dog's licenses, beer and wine sellers, hawker`s license, self-employed artisans and petroleum installation (6<sup>th</sup> schedule Act462)

- Trading Services.

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

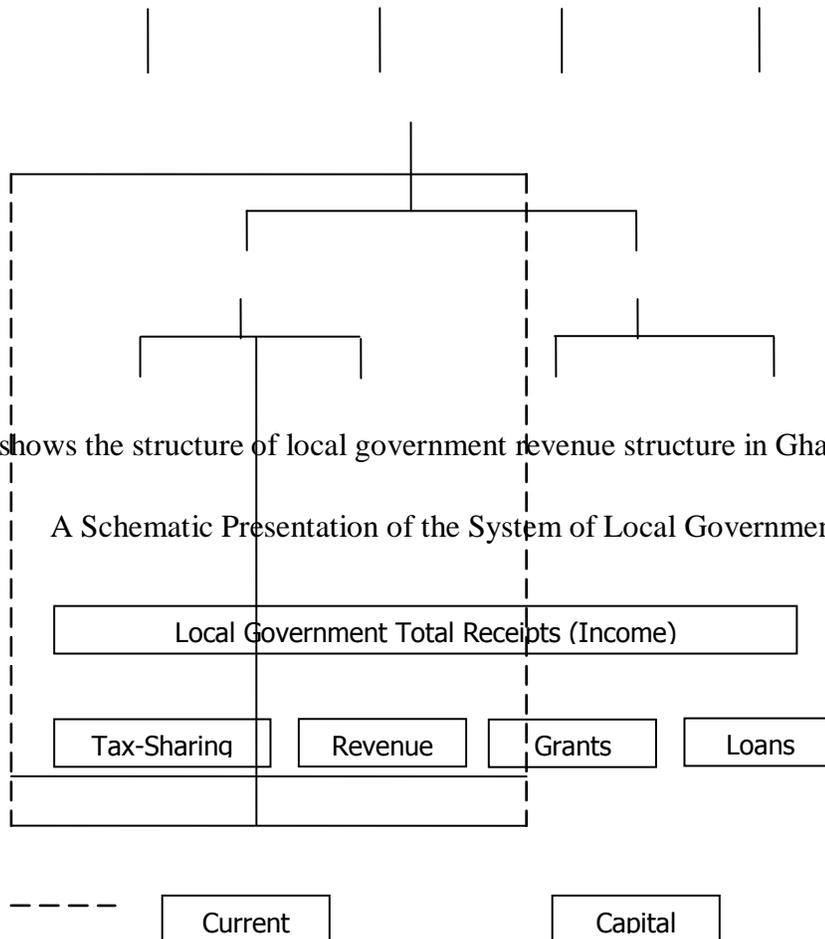


Figure 2.1 shows the structure of local government revenue structure in Ghana.

Figure 2.1: A Schematic Presentation of the System of Local Government Total Receipt

Source: Kessey and Gunter (1992)

## 2.5 Challenges of Revenue Collection in the District Assemblies

The decentralization process has devolved a lot of responsibility to the metropolitan, municipal, and district assemblies. As part of their responsibilities, they are supposed to control the total development of their coverage area.

As part of the devolution of authority from central government to the assemblies they are also mandated by the 1992 constitution to generate their own incomes known as the internally generated funds to support their developmental agenda. The revenue generating capacities of the assemblies have improved over the years; however, they still do not meet their target due to the following reasons:

- Attitude towards payment of rates: The people' unwillingness to pay basic rates is major challenge confronting several district assemblies. Basic rates form a considerable proportion of the district assemblies internally generated revenue therefore the evasion of the basic rates

cripple the assemblies efforts in ensuring sustainable development of the districts. The enforcement of user fees has resulted in a widespread resistance to pay from the poorer segments of the urban population (Fjeldstad and Semboja, 2000)

- Apathy on the part of revenue collectors: This phenomenon has become rampant in the district assemblies in Ghana. Revenue collectors fail to render accurate account to the assemblies on the revenue generated. Also, some revenue collectors connive and condone with tax payers not to pay the correct amount. This problem has emanated due to the unqualified nature of revenue collectors. These activities of the revenue collectors adversely affect the progress of district assemblies in Ghana. This affects the district assemblies' capacity and accountability (Fjeldstad and Semboja, 2000)
- Lack of enforcement of payment of property rates: The Local Government Act, 1993, Act 462 identifies property rate as one of the several ways the district assemblies can employ to raise revenue internally. It is however pathetic to note that several districts assemblies in Ghana do not use this means to augment their revenue. Also, due to the use of antiquated method of collecting property rates, property owners avoid the payment of rates. This has made property rates very costly to administer (Brosio, 2000)
- Poor tracking of economic activities: The district assemblies in Ghana are challenged by the failure of some individuals and small-scale enterprises engaged in economic activities to pay tax. Some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction. This has resulted in a situation whereby these enterprises pay less than the expected amount of money (Devas and Kelly, 2001).
- Poor Record Keeping: Poor keeping of records on economic activities within the districts are bedeviling the smooth growth of the districts. District assemblies in Ghana have inadequate data on all economic activities found in the district. For instance, several district assemblies do not keep or have data on the number of hairdressers, tailors, traders, barters, lotto kiosk among others operating in the district. This therefore militates against attempts to improve internally generated revenue in the districts. These revenues when well administered can provide substantial and reliable revenues for local government (McCluskey, 2003).

Effective and efficient local revenue mobilization is a major priority to all district assemblies; it is however beset with numerous challenges. Attempts and efforts should be channeled towards its resolution.

## 2.6 Information and Communication Technology (ICT) Policy and Role in Revenue Mobilization in Ghana

### 2.6.1 Background of ICT in Ghana

According to data Development Group of the World Bank (2002), ICT infrastructure in Ghana has progressed at a rate of 0.04% in 1995 to 2.9% in 2000 as compared to other low income countries globally who are growing at a rate of about 1.1% on the average. The government of Ghana both past and present and other agencies have over the years made several strides to develop the ICT infrastructure in order to bridge the digital divide between Ghana and the developed world.

In 1993, National Computer Systems (NCS) registered GH.COM with pipex international being the service provider and worked together to establish a commercial service in Ghana. The initial method of connection was by a dial- up IP to Pipex International (Bulley, 2004)

In August, 1995 Ghana became one of the African countries to have full internet connectivity in sub-Saharan Africa. This historic achievement was brought about by cooperation among several organizations, including Network Computer Systems (NCS), Pipex International, the Ministry of Transport and Communication of Ghana, Ghana Telecom, and British Telecom. As at 1998, the number of internet host sites was 241 with about 4500 User, whilst 2.38 users per 10,000 inhabitants could be registered as users of the Internet (Bulley, 2004).

Another, prominent initiative was the development of a national fiber optic network (VOLTACOM) by the nation`s electricity provider, the Volta River Authority (VRA). There has also been a massive investment in ICT infrastructure from existing internet service providers (ISPs) and Telecommunication companies (Opoku, 2003).

In addition, the government of Ghana and other agencies, including the Abdul- Salam International Centre for Theoretical Physics (IPTC), has trained over a thousand professionals in ICT and related areas to provide the necessary knowledge and skills to support ICT activities in the country (Opoku, 2003). Table 2.1 below summaries the ICT indicators in Ghana from 1995-2003

Table 2.1 Ghana's ICT Indicators from 1995-2003

Ghana ICT Indicators	Years				
	1995	1998	2001	2002	2003
Main Lines In Operation	63,067	144,218	242,100	250,000	280,000
Cellular Phones Subscribers	6,200	22,000	193,800	294,130	531,300
No. Of PCs	25,000	40,000	65,000	N/A	N/A
Dialup Internet Users	1,000	6,000	8,000	N/A	15,000

Source: Mike Jensen, 2001.

Table 2.1 presents a summary of the usage of ICT and ICT service indicators. Main line in operation and dialup internet users are example of ICT service indicators and cellular phone subscribers and the number of PCs are examples of ICT in use indicators.

From the table it can be notice that the level of ICT in use is constantly increasing; the number of PCs in use more than double between 1995-2001 and in the same direction the number of cellular phone subscriber increased from 6,200 to 193,800 between 1995 and 2001. Main lines in operation also increased positively with the increased in the number of dialup internet user. Internet user increased from 6000 to 8000, whiles main lines in operation also increased from 144,218 to 242,100 between 1998 and 2001.

Despite the increasing numbers in the usage and service of ICT, it is surprising to note district assemblies in Ghana see no need to employ the system in their efforts of increasing local revenue generation.

### 2.6.2 Policy on ICT in Ghana

Ghana's National ICT for Accelerated Development, which was developed under the auspices of the African Information Society Initiative (AISI) of the Economic Commission for Africa (ECA), was passed by parliament to be implemented to accelerate the socio-economic development process of Ghana. The policy and plan development process is being carried out in three phases with each phase aimed at specific deliverables. The phases of the policy are as follows;

- 6 Phase One (The Framework Document): The first phase of the policy concentrates on the development of an integrated ICT- led socio- economic development framework for Ghana. The first phase is therefore geared towards the development of a framework which captures and encompasses all spheres of development
- 7 Phase Two (The Policy Document): This phase of the process concentrates on the development of an Integrated ICT-led socio-economic development policy and strategies for Ghana. The development of the ICT policy on socio-economic growth is within the framework of the phase one. Also, this phase provides strategies of realizing the policy formulated.
- 8 Phase Three (The plan): This final phase of the process is devoted to the development of a plan guided by the policy commitments detailed in the policy document. The preparation of the plan is informed by the policies, strategies and the framework established by the phase one and two.

### 2.6.3 Attempts towards the Development of ICT in Ghana

After the ICT for Accelerated Development was passed by parliament to be implemented, the government of Ghana has made a number of efforts towards the development of ICT in the growth of ministries, agencies and departments. According to Opoku (2003), the efforts made include:

- The Kofi Annan ICT Centre of Excellence which is a joint Ghana/India project was commissioned in December 2002 with the responsibility to produce the human capacity needed for the emerging ICT industry in Ghana and the Sub-region.
- A wide area network called the Research and Educational Network (REN) was also established in 2000 with the help of the World Bank INFODEV project where Ghanaian Universities and local Research Institutions were linked to serve as nodes for broad network.
- Internet Ghana has launched the digital subscribers Lines which has the potential of providing a high speed access to the Internet and easy communication and sharing of information over the internet.
- Recently, Ghana signed an agreement with Microsoft Corporation to provide resources to improve ICT education in Ghana. This will create an avenue for Ghanaians to be up-to-date with global trends in terms of international trade and security issues.

The Ghana's ICT for Accelerated Development policy and plan development and implementation process presents numerous benefits to institutions, agencies and departments in the country. It is therefore surprising that the district assemblies are still employing the outmoded methods of revenue generation at the expense of the ICT.

#### 2.6.4 The Role of ICT in Revenue Mobilization at the District Level

Information and Communication Technology (ICT) has now become an integral part of district administration. Computerization does not only aid in district administration in decision making but also increases the efficiency of administration to a greater extent. Management Information Systems development and implementation in the districts are of great help to Administration.

Ghana, like Malaysia, Singapore and other technologically minded countries, is today gradually but steadily taking Information and Communication Technology (ICT) to rural communities as a tool of

bridging the digital divide between the urban dwellers and the rural folks in the country (Abissath, 2004). There are a number of strategies that have been outline by the Ghana government to achieve this objective.

Fore mostly, to establishment of Community Information Centers in all the districts throughout the country. The main aim is to establish Community Information Centers in all the constituencies in Ghana. The overall goal is to replicate miniature kind of Ghana- Indian Kofi Annan Advanced Information Technology centre of Excellence in all corners of the country.

Ghana's Ministry of Communications since 2005 has embarked on infrastructure development of CICs at the Metropolitan, Municipal and District Assemblies throughout the country. So far, 71 CICs have been established in selected communities. The communities have been selected based on certain existing facilities such as electricity, telephones and so on in those communities. It is important to underline the fact that the CICs are at various state of development. In other words, not all the established 71 CICs are in full operation yet.

According to the survey and evaluation mission conducted by the office of the UNDP in Accra in April, 2007, various CICs are at various operational and functional levels. For example, out of the total number of 71, five have been commissioned; eight have been classified as fully operationalized and functional ; two are described as operationalized ; 11 of them are categorized as pending operationalisation (PO) and another 11 referred to as ready, while 34 are placed on status of Civil Works (Abissath, 2004).

Secondly, the districts assemblies themselves have their own ICT policy to implement, and this is vigorously being pursued to the extent that most of them have set up ICT departments to pursue this task. Under this strategy the district assemblies have pursued computerization in their offices.

Despite the efforts of government in operationalizing ICT in to the activities of the district assemblies, a number of these assemblies are not responding to the new technology of revenue mobilization. The extent of usage of ICT in enhancing the operations of the local authorities has not been accorded the

needed attention by the district assemblies, especially, in terms of administration and revenue mobilization capacity of the assembly.

## 2.7 Case Study of the Use of ICT in Revenue Generation in Turkey.

Turkey is one of the countries which have embarked on a vigorous ICT usage to the extent that it operates an e-government. And it is based on this e-governance that Turkey has developed the usage of the modern Information technologies in the Tax management and the modernization of Tax Administration.

### 2.7.1 E-Taxation Concept in Turkey

Electronic taxation is a new form of tax payment that does not require going to tax authorities and tax payment through information and communication. It is a new electronic government application and a new perspective for public service.

In this study, e-taxation has been defined as a new technology based system that does not necessitate for tax payers to go to tax authorities to pay their taxes due. System is composed of turning in tax declaration forms that defines tax owed to tax authorities in an electronic format and pay taxes due via electronic environments based on Internet through interactive bank accounts or by ATM bank machines. E-taxation is called to collect taxes due by tax authorities in electronic environments via electronic declaration and electronic payment methods. In Turkey, most of tax payers declare their taxes due in electronic environments and pay their taxes by going to the bank or via Internet based interactive bank accounts. Of course, taxes declared online would be paid by personally going to tax authorities. "Electronic tax payment is first coined in US and implemented in this country. Australia is among the countries that had implemented the system in the management of their municipalities" (Turner and Apelt, 2004).

However, the purpose of the tax strategy in Turkey is to simplify tax laws and regulations and to harmonize tax law with European Union law.

### 2.7.2. Usefulness of E-Taxation

The development and utilization of modern technology in revenue mobilization has become a critical feature of every country particularly developing countries. This is as a result of the numerous usefulness modern technology offers in the development of municipalities. The following are the major usefulness Turkey is enjoying from the adoption of E- Taxation in the operation and management of municipalities.

- **Cost Saving Opportunities:** The e-taxation saves the cost and enhances the operations of the municipalities. The adoption of the system in Turkey saved the country \$23.1 million dollars as the system presented a platform for few workers to be employed with optimum efficiency.
- **Saves Time:** Another usefulness of the e-taxation is time savings. In Turkey the new system of municipal management offers great deal of effective management as the system is employed to perform a multiple tasks within a limited timeframe.
- **E-Taxation also brings about efficiency and effectiveness in the declaration and subsequent payment of tax due.** The situation in Turkey indicated that the new system offers a framework for all tax payers to be tracked. The ultimate of all of these is that more revenue is generated.

## 2.8 Summary

The issue of local revenue generation began during the era of colonial period. The success of local development depends greatly on the level of revenue raised locally. The decentralization process in Africa and Ghana in particular emphasizes on the importance and the necessity of local revenue in the administration of districts. The decentralization process therefore presents a number of ways of raising local revenue as well as numerous legislations backing the mobilization of local revenue at the local level.

The decentralization process presents numerous benefits to local level development when strictly implemented. However, with respect to fiscal decentralization, it has not been fully understood and implemented in several African countries particularly in Ghana. This situation from the literature review has given room for district assemblies to rely solely on the District Assemblies' Common Fund thus militating against the growth of the districts.

The few District Assemblies in Ghana which are employing the internally sources of revenue generation do not use modern technology in raising their revenue. The use of ICT was barely noted to be employed in the administration of the districts' revenue generation despite the several opportunities the system presents.

## CHAPTER THREE RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter outlines the methodology adopted for the study. The techniques and the procedures used in undertaking the study have are presented in this section. The chapter therefore highlights on the research design, data requirements and sources, data collection tools and methods, sampling techniques, study variables, and unit of analysis as well as data processing employed for the research.

### 3.2 Research Design

The study design adopted for the research is the case study which seeks to examine the effects of the implementation and full utilization of ICT in the decentralization process of the Accra Metropolitan

assembly particularly in revenue mobilization. The case study approach entails an observation of a single group or event at a single point in time, usually subsequent to some phenomenon that allegedly produced change, for instance a community, after an urban renewal programme (Nachmias, 1992).

A case study approach according to Bromley (1990) is a systematic inquiry into an event or a set of related events which aim at describing and explaining the phenomenon of interest. In addition, a case study is an empirical enquiry that allows for an investigation of the dynamics of a particular system (Haggett, 1977). In the same vein, Yin (1984 cited by Zucker 2001) also viewed a case study research design as an empirical enquiry that investigates a contemporary phenomenon within a real –life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.

Theodorson and Theodorson (1969) indicated that the case study approach is useful for studying an individual, group an episode, a process, a community, a society, or any other units of social life. Soy (1997 cited by Zucker 2001) argues that with careful planning, detailed study of the real issues and problems, success can be achieved with the use of case study in a research process.

A case study approach was employed in undertaking the research because the phenomenon under investigation is a contemporary one and the study is based on a real life situation. Also, the case study allows the use of multiple sources of evidence, therefore enhancing the quality of data for the research as it permits the validation of one source of data by another source. In addition, the case study research method brings the investigator and the case being investigated into direct contact. This leads to a better conversance with the circumstances of a case and helps to assess the reactions of a group or a community to questions and issues raised in the course of the investigation (Kumekpor, 2002). The case study afforded the researcher an opportunity of studying the evolution of the local government system in Ghana with respect to revenue generation and the effects of modern technology in improving local revenue generation.

The case study approach is an explanatory method which makes it easy to ask and seek answers for the necessary ‘how’, ‘when’ and ‘why’ questions associated with the study. Again, the intimacy of fieldwork relationships associated with case studies can be the greatest advantage (David and Sutton, 2004). Furthermore, once the researcher has very little control over the phenomenon under investigation, the case study approach becomes appropriate method to be employed for the study.

It must, however, be noted that the case study approach has some challenges among them are; investigator related shortcomings such as biases and poor judgment of issues, difficulties relating to the nature of the case study especially when the study has a security or political consequence. Also, linguistic challenges can also affect the outcome of a case study. When the members of the case being studied fail to cooperate, the researcher may not obtain the required information for the study. Nonetheless, these challenges and limitations were overcome by the study through proper planning and adequate preparation towards the field survey.

### 3.3 Data Required and Sources

Both primary and secondary data were used for the study. Relevant literature was reviewed from secondary sources to support and refute arguments and conclusions raised by different people on the subject under investigation. The secondary sources of data which include journals, publications, articles and the internet were employed to provide a deeper understanding of the key concepts, components and efforts in local government revenue mobilization especially with the use of the ICT.

The data required for the research includes the extent and nature of the tax coverage in the selected sub metropolitan assemblies of Ablekuma Central, South and North, Ayawaso Central and East and Osu Klottey. In addition, data on the difficulties the sub metros encounter in raising local revenue and the relevance of modern technology particularly ICT in revenue generation at the local levels were required. Also, data was required on the possible effects or impacts of increased revenue mobilization on the development of these sub metropolitan assemblies.

The nature and level of tax net or coverage of the Accra Metropolitan Assembly were gathered from the finance offices of the six selected sub metropolitan assemblies. The data on the challenges and constraints in the mobilization of revenue at the local level in addition to the relevance of the use of ICT in local revenue generation were available at the finance and planning offices of the selected sub metropolitan assemblies. The data on effects and implications of increased revenue generation at the local government level on the development of the local government areas were gathered from the finance office of the selected sub metropolitan assemblies and the planning office of the Accra Metropolitan Assembly. Table 3.1 below shows the data sources and methods of collection.

Table 3.1: Data Sources and Modes of Collection

Level	Source of Data	Data Required	Office	Mode of Collection
Metropolitan	A.M.A	Impacts of increased revenue generation	Metropolitan Planning Office	Institutional Questionnaires
Metropolitan	A.M.A	Challenges of local revenue generation	Metropolitan Planning Office	Institutional Questionnaire
Metropolitan	A.M.A	Relevant of ICT in revenue mobilization	Metropolitan Planning and	Institutional Questionnaires

			Finance Office	
Sub Metros	Selected Sub Metros	Extent of Tax Coverage	Sub metro Finance Office	Institutional Questionnaires
Sub Metros	Selected Sub Metros	Nature/Category of Taxes	Sub metro Finance Office	Institutional Questionnaires
Sub Metros	Selected Sub Metros	Challenges of local revenue mobilization	Sub metro Finance Office	Institutional Questionnaires
Sub Metros	Selected Sub Metros	Effects of revenue generation on local development	Sub metro Finance Office	Institutional Questionnaires

Source: Author's Construct, December, 2009.

### 3.4 Data Collection Tools

The study involved two levels of data collection. These included the metropolitan level and the sub metropolitan level. The metropolitan level comprises the actual policy formulation and implementation level. The sub metropolitan level serves as a link between the local people and the metropolitan assembly and play crucial role in the planning and development of the metropolitan assembly. The sub metropolitan level is the focal point of empirical analysis of the actual utilization of the ICT in revenue generation formulated at the metropolitan level.

The data collection instruments that were employed for the study include the use of structured institutional questionnaires, observation, telephone interviews, a pen drive and pocket notebook. These tools were employed to facilitate the data collection process as and when the use of any one of them became necessary. These tools were employed to ensure a complete assessment and understanding of the phenomenon under investigation.

The structured institutional questionnaires were used to collect data in the six selected sub metropolitan assemblies of the Accra Metropolitan Assembly. Under this, a number of close and open ended questions were set and administered through purposive random sampling technique targeting

sub metropolitan assembly that are making attempts to adopt ICT in their revenue mobilization. The close ended questions were only used when responses to a given questions were limited. However, where the responses to a question were unlimited and could not be precisely determined or where the responses concerned qualitative and opinion related issues, open ended questions were employed. The challenge encountered was the unavailability of records of revenue generation over the past years.

Direct observation was also employed as a tool to collect data from officers of the selected sub metropolitan assemblies. This was possible due to the institutional questionnaire administered to the sub metropolitan assemblies to ascertain the tax net coverage and the extent of usage of ICT in the revenue mobilization at the local level. This process created a platform for the various sub metropolitan assemblies to be observed in the area of revenue generation and the technologies employed.

Furthermore, pen drive was used as a tool to copy certain documents and recorded information which was vital to the study during the primary data collection. Again, telephone calls were made to some of the sub metropolitan assemblies to validate and fill the gaps in the information gathered.

### 3.5. Sampling Techniques

In carrying out the study, the purposive sampling method was employed in the selection of the six sub metropolitan namely Ablekuma Central, North and South, Osu Klottey, Ayawaso South and North of the Accra Metropolitan Assembly. This method of sampling was employed the sampling units satisfy certain criteria. The Accra Metropolitan Assembly was selected for the study due to the evidence of the usage of the ICT system in revenue mobilization. Also, the Accra Metropolitan Assembly has been utilizing a number of ways of mobilizing local revenue. With regard to the selection of the sub metropolitan assemblies, sub metropolitan assemblies that employed the ICT system in their revenue generation were selected.

Also, the purposive sampling technique was used to sample the officers that were interviewed at the various sub metropolitan assemblies. Planning and Finance Officers of the sub metropolitan

assemblies and the metropolitan assembly were contacted for issues pertaining to revenue generation and the use of ICT.

### 3.6 Key Study Variables

According to Babbie (2007), study variables can be put in a logical grouping of attributes. A variable is thus an empirical element which can take more than one value. Miller and Brewer (2003) have shown that variables help in moving a research from a conceptual to empirical levels, using the variables as key elements of the research problem. Kreuger and Neuman (2006) also viewed a variable as a concept that varies- this implies that a variable may take on two or more values. The value or the categories of a variable are its attributes. With regard to this research, the study variables were:

- Tax net (coverage) of the sub metropolitan assemblies
- Challenges associated with local government revenue mobilization
- Efforts in employing ICT in local government revenue generation
- Effects of increased revenue generation on local development

### 3.7 Unit of Analysis and Reporting

Babbie stated in 2007 that a unit of analysis is the 'what' or 'whom' being studied. He further argues that, unit of analysis in a research are the same as unit of observation. Units of analysis are those assessed in order to create a brief descriptions or explanations of all such units and to highlight the differences among them (Babbie, 2007).

The analysis of the data was carried out based on the understanding of the relevant concepts of the research. This guided and informed the selection of respondents for the study employing the purposive sampling technique. The units of analysis in this study are the Accra Metropolitan Assembly, the six sub metropolitan assemblies and heads of the planning and finance offices of the assemblies. The main respondents of the research are the Heads of Revenue and ICT at the AMA head office. The respondents at the sub metros are the finance officers.

Analysis of the collected data was done with the use of both qualitative and quantitative techniques. Tables, charts among others were employed in the case of the quantitative analysis. The qualitative analytical technique however used descriptions, observations, explanations and plates to emphasize some of the principal issues pertaining to the study.

## CHAPTER FOUR

### PROFILE OF THE STUDY AREA, ANALYSIS AND INTERPRETATION OF DATA

#### 4.1 Study Area Profile

This chapter deals with the profile of the study area encompassing issues of physical characteristics, population characteristics and also demographic features. As well as analysis and interpretation of the data collected.

##### 4.1.1 Physical Characteristics

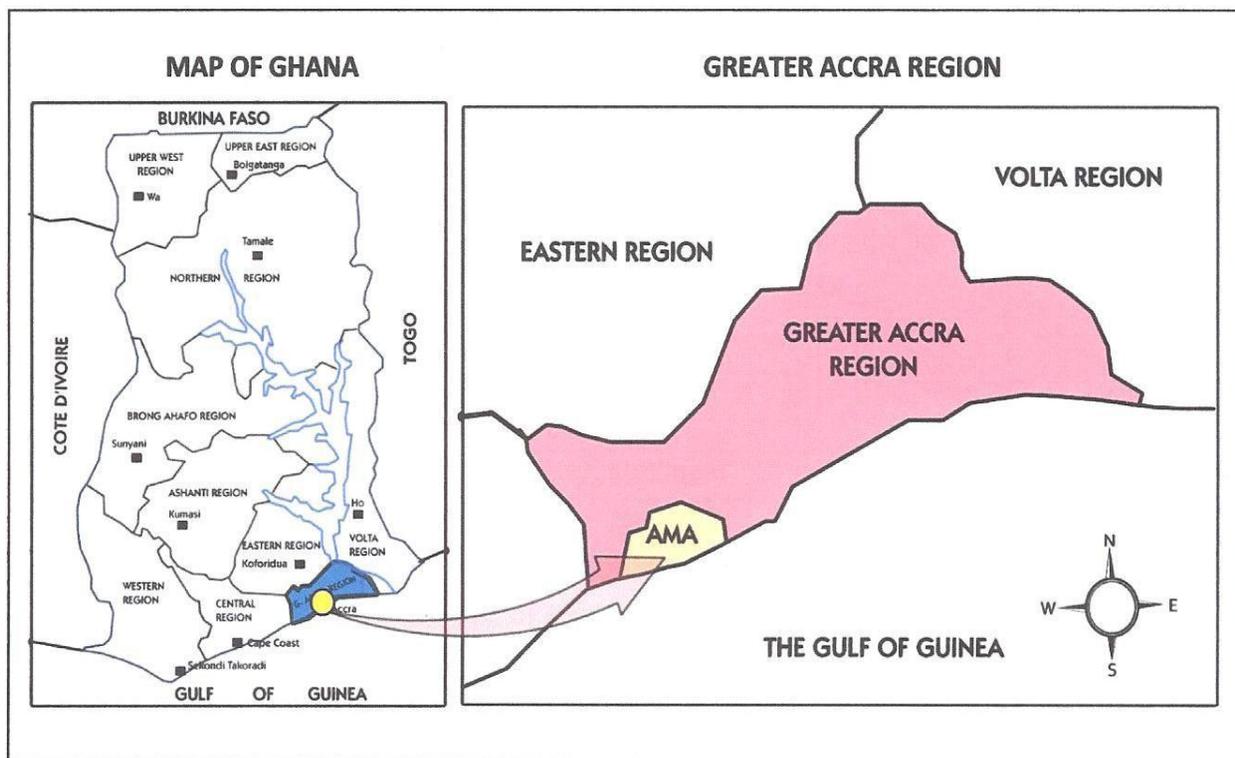
AMA is made up of Eleven Sub Metropolitan District Councils namely Ablekuma Central, Ablekuma North, Ablekuma South, Ashiedu Keteke, Ayawaso Central, Ayawaso East, Ayawaso West, La, Okaikoi North, Okaikoi South and Osu Klotey. The total land area of the Assembly is about 200 square kilometres.

The Assembly shares its northern boundary with the Ga West District Assembly. The boundary, in the north, starts from the road between the Institute of Professional Studies (IPS) and the Accra Teachers Training College (ATRACO), westwards crossing the Accra-Aburi Road to the University of Ghana behind the great Hall to Kisiseman and Christian Village to join the Accra Nsawam Road at the Achimota Brewery Road Junction. It turns left to the Ayeayeeffee Street junction and through the Ayeayeeffee Street to the Bridge over the Achimota Stream, and then turns right along the stream to the high tension lines to the Achwilage Street and through Achwilage Street to the range of the Awoshie Hills.

The Southern boundary is engulfed by the Gulf of Guinea. It starts from Gbegbeyese to the Kpeshie Lagoon. While the Eastern corridor of the Assembly is the Ledzokuku-Krowor Municipal Assembly (which was carved out of the Accra Metropolitan Assembly).

The Assembly is bounded to the West by Ga South Municipal Assembly. The boundary in the west is along the road from Awoshie hills to the boundary between Ga South Municipal Assembly and Awoshie (Accra Metropolis). The boundary line then turns left along the swampy area and crossing the motorway through the swampy area to the bridge on the Sakumono Stream on the Accra-Winneba road and stretching along the stream to Gbegbeyese. Figure 3.2 shows the location of the study area.

Figure 4.1 Accra Metropolitan Areas in Context



Source: Arkorful, 2008

#### 4.1.2 Demographic Characteristics

With a population of about 1,695,136 million people, Accra, Ghana's capital since 1877, is today one of the most populated and fast growing Metropolis of Africa with an annual growth rate of 3.36%. The

reason for the high population rise in Accra can be attributed to a number of reasons: The period between 1960 and 1970 saw some of the rapid industrialization and expansion in the manufacturing and commercial sectors in some major areas within the metropolis. This factor contributed to high immigration to Accra, and the resultant high population growth rate between 1960-1970 inter-censal years (Ghana Statistical Service, 2000).

The stagnation of the Ghanaian Economy during the 1970's had adverse effect on the growth rate of Accra's population. The decline in agriculture in rural communities in Ghana and industrialization in urban regions coupled with the late 1980s and 1990s boom in the service sector in primate cities propelled immigration to Accra (Ghana Statistical Service, 2000). The population characteristics of the study area are shown in Table 4.1

Table 4.1 Population Characteristics of Accra Metropolitan Area from 1960-2000

Years Phenomenon	1960	1970	1984	2000
Population	338,396	636,667	969,195	1,658,937
Population Growth Rates	-	6.32%	7.51%	4.3%

Source: Ghana Statistical Service, Summary report of final results-2000 population and housing census (pp 1-3).

Unfortunately, the population censal figures do not show the number of people who enter Accra daily. It is estimated that the city accommodates between 2.5 million to 3 million people in terms of socio-economic activities aside the residential dimension captured by the 2000 National Population Census.

Lastly, the Accra Metropolitan Area as an administrative, educational, industrial and commercial centre attracts people from all over Ghana and these continues to be the major force for rapid population growth, with migration contributing to over 35% of the population increase (Ghana Statistical Service, 2000).

#### 4.1.3 Soil Characteristics

The soils found in the Accra Metropolitan area can be categorized into four different groups. These include alluvial and marine mottled clays of comparatively recent origin derived from underlying shale's; drift materials resulting from deposits by windblown erosion; lateritic sandy clays soils derived from weathered Accraian sandstone bedrock formations and residual clays and gravels derived from weathered quartzites, gneiss and schist rocks. In low lying poorly drained areas, pockets of alluvial black cotton soils are found.

#### 4.1.4 Governance Structure

The Accra Metropolitan Assembly (AMA) is a corporate body and the highest political and administrative organ in the Accra Metropolitan Area. The Assembly has legislative, deliberate and executive functions. Development in Accra is financed from several sources and at two (2) levels; central and local. AMA is a facilitator for development rather than profit making institution. This is consistent to central government policy. AMA spends 66.70% of its revenue on recurrent expenditure whilst 33.30% on capital expenditure. The expenditure ratio indicates low commitment of the city authority to development (UN-Habitat, 2009).

#### 4.1.5 Economic Characteristics

Accra is the second most industrialized city in Ghana, contributing over 10% to the GDP. Over 30% of the manufacturing activities are located in the area. In 2000, there were nearly 200,101 persons working in various industries in Accra: 22.34% of the employment of the labour force in Accra. Female employment in manufacturing is over 33%, the majority of whom are factory hands. The sector attracts large numbers of rural and urban migrants to the city with the expectation of securing jobs (UN-Habitat, 2009).

Accra is a major centre for manufacturing, marketing, finance, insurance, transportation, and tourism. The economy consists of Primary (farming, fishing, mining and quarrying), Secondary Sectors (manufacturing, electricity, gas, water, construction) and Tertiary Sectors (Wholesale trade, retail trade, hotel, restaurant, transportation, storage, communication, financial intermediation, real estate

service, public administration, education, health and other social services). As an urban economy the service sector is the largest, employing about 531,670 people with the informal service subsector absorbing the largest number of labour force in the sector (UN-Habitat, 2009). The second largest, secondary sector employs 22.34% of the labour force (that is 183,934 people).

Accra has 114,198 of its labour force unemployed, making an unemployment rate of 12.2%. The predominant primary economic activity is fishing and urban agriculture. Fishing takes charge of about 77.8% of productive labour force in the primary sector. However, the industry is characterized by extreme seasonality. Fishing in Accra had been the traditional trade for the native people of Accra who leave in the older and high-density areas (UN-Habitat, 2009).

The several economic activities and opportunities coupled with the large labour force makes the Accra Metropolitan Assembly the most appropriate place for this research as the metropolitan assembly has several sources of local government revenue.

#### 4.1.6 Resource Mobilization Capacity

UN-Habitat (2009) identified the following to be the revenue generation capacity of the Accra Metropolitan Assembly;

- 6 Unexploited tax base. Only 30% of tax base of the Assembly is exploited.
- 7 The AMA receives about 53% of its revenue from Central Government; making it vulnerable to central government control. Central government has made subvention to the Assembly to the tune of \$14,258,617 in the form of emoluments and development expenditure for the past three years.
- 8 About 90% of internal government funding comes from three sources - Property Rates, Fees and Licences.<sup>1`</sup>
- 9 Inadequate database on revenue sources.
- 10 Huge expenditure outside annual budget.
- 11 Lack of political will to enforce revenue mobilization by-laws.

## 4.2 Analysis of Field Data

Having established the theoretical underpinning and methodology adopted for the study as well as the study area profile, the purpose of this chapter is to narrow the discussion down by employing empirical data from the study area to examine and investigate if the theoretical issues discussed in the preceding chapter pertaining to local government revenue mobilisation and the use of modern technologies in their mobilisation in the Accra Metropolitan Assembly. This chapter thus seeks to analyse the data obtained from the field survey conducted in the research area.

## 4.3 Revenue Structure of the Accra Metropolitan Assembly

A principal feature of the local government revenue structure in Ghana is its wide range of items. District assemblies have tall list of revenue instruments. Despite the extensive nature of local government revenue sources, it is surprising to note that most of these sources are generally unproductive. The survey unearthed that the Accra Metropolitan Assembly has over 140 revenue items, of which only 23 sources (16.4 percent) contribute about 93 percent of the total internally generated revenue of the metropolis.

A universal fiscal misapprehension centered on the idea that the more revenue instruments utilized the higher the returns in terms of revenue generation from the local level. The above demystifies the fiscal notion that the more items employed, the higher the increment in local revenue generation. In addition, city managers especially policy makers presume that equality in taxation implies the taxing all enterprises in their area of operation without considering the administrative cost.

The study of the revenue structure of the Accra Metropolitan Assembly indicated that taxes (rates) and non taxes (fines, lands, rents, investment among others) contribute 59.1 percent and 40.9 percent respectively of the internally generated revenue of the assembly. This situation is however not different in the Kumasi Metropolis. A similar analysis of data from the Kumasi Metropolis also showed that taxes and non taxes contribute 60.1percent and 39.9 percent respectively as at 2007.

It was however noted through the survey that irrespective of the several revenue instruments available to the Accra Metropolitan Area, the assembly greatly depend on grants from the central government and this contribute about 63 percent of the total revenue of the assembly. Table 4.2 shows the composition of the revenue structure of the Accra Metropolitan Assembly from 2005 to 2010.

Table 4.2 Revenue Composition of the Accra Metropolitan Assembly (2005-2010)

YEARS SOURCES OF REV. (NEW GHC)	2005	2006	2007	2008	2009	2010
RATE	1,194,603.90	1,535,100.19	1,174,484.13	2,701,497.26	2,131,138.62	2,512,990.91
LAND	38,009.74	15,159	22,885.92	24,700.73	26,164.00	54,324
FEES&FINES	1,833,912.04	2,545,379.87	3,128,134.06	2,987,479.91	2,716,386.55	5,952,299.40
LINCENSE	939,018.91	2,113,691.73	3,402,988.78	4,288,814.66	2,539,116.12	4,330,034.37
RENT	318,454.14	1,011,603.4	1,097,141.70	703,123.60	697,678.28	1,343,962.32
INVESTMENT	3,228.22	3,044.07	12,083.68	5,421.74	-	18,389.06
MISCELLANEOUS	666,098.47	210,883.59	234,529.32	130,822.31	29,085.33	109,430.97

GOVERNMENT GRANDS	3,244,125.46	7,389,736.87	12,959,379.9	9,053,942.95	5,072,291.66	11,702,451.91
TOTAL	8,237,450.88	14,824,598.72	22,031,627.49	19,895,803.16	13,211,860.56	26,023,882.94

Source: Field Survey, January, 2010 (MLGRD Database)

Table 4.2 depicts the level of contributions of the major revenue sources to internally generated revenue in the Accra Metropolitan Area as well as the grants from the government. Fees and Fines as a local revenue source is the most contributors of funds within the six years under consideration. The percentage contribution of the local revenue source (Fees and Fines) ranges from 14.20% to 22.87% the highest being in 2005 and 2010 with the corresponding percentages of 22.26% and 22.87% respectively, the lowest being in 2007 with the contributing percentage being 14.20%. License as a revenue item is the second highest contributor to local revenue with percentages ranging from 11.40% to 19.22% over the period of six years. The third contributing revenue item with percentages ranging from 5.33% to 16.13% is Rates. The least contributing revenue item in the Accra Metropolitan Area is returns from investments.

#### 4.3.1 Fees and Fines

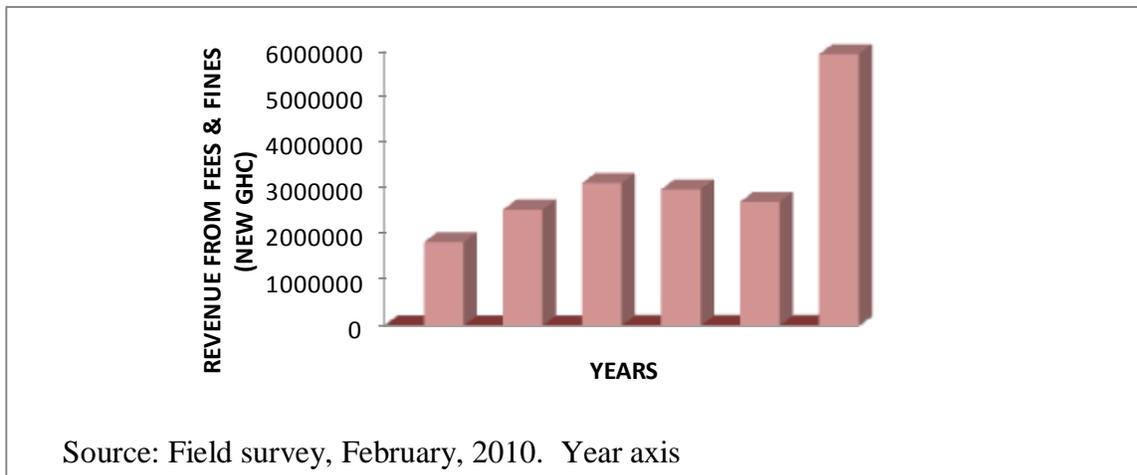
This is one of the major non tax revenue sources of the Accra Metropolitan Assembly. Market tolls forms the nucleus of this revenue source and this is due to a number of factors which include the following;

- The level of investment especially capital investment made in the construction of the markets. The high cost of building materials used in the construction of the market stalls and stores calls for a higher imposition of tolls on traders. In addition, these markets are better serviced and are safe.
- Increasing commercial activities in the metropolis. Marketing activities in the Accra metropolis run on daily basis therefore serving as a major source of revenue for the assembly. The Makola, Kaneshie and other markets contribute immensely to local revenue in the form of fees and fines.

- Amount charged and method of collection. Another important factor that influence the fees charged from market tolls is the rate charged in the markets and stalls and stores rentals as well as the method of collection. It was realized from the survey that the methods employed in the collection of the revenue is inefficient thus leading loss of revenue.

Other sources of fees and fines include Lorry Park and entry fees, court fines/spot fines, slaughter house fee, on- street parking, slot latrine fees, cemetery burial permit, sanitation and environmental fees and waste disposal fees. The survey unraveled the significant role fees and fines play in the generation of internal revenue and therefore the Accra Metropolitan Assembly should not down play the importance of fees and fines. Figure 4.2 highlights on the contribution of fees and fines to the Accra Metropolitan Assembly from 2005 to 2010

Figure 4.2 Contributions of Fees and Fines to Local Revenue Generation of the Accra Metropolitan Assembly (2005-2010)



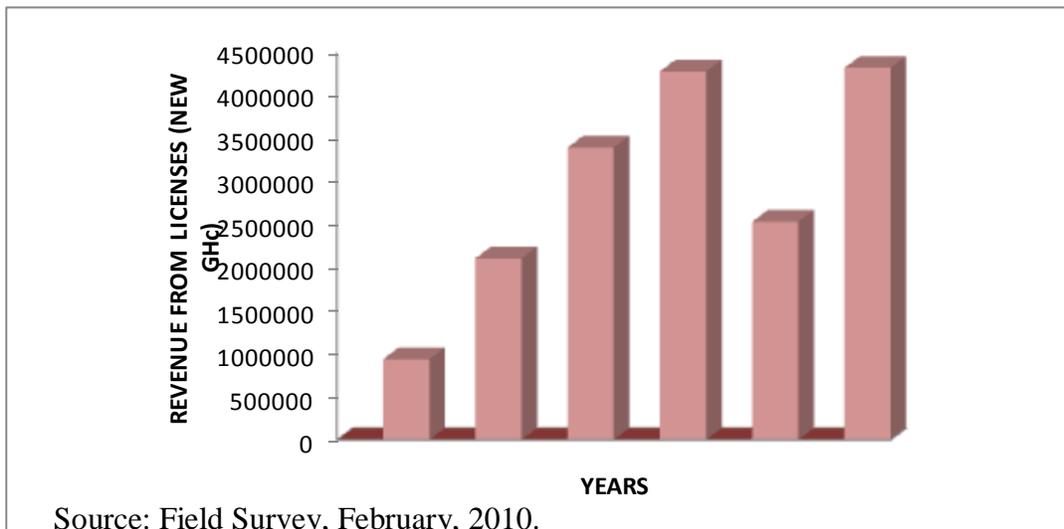
The figure 4.2 shows the yielding strength of fees and fines from 2005 to 2010. It can be seen that fees and fines has been increasing over the years. This can be attributed to the presence of several commercial activities in the metropolis. In addition, the increment in fees and fines over years call for

the attention of the Accra Metropolitan Assembly put in place proper mechanisms to check adequate administration of revenues accruing from fees and fines.

#### 4.3.2 Licenses

In the Accra Metropolitan Assembly, license is noted to be the second highest contributor of local government revenue. Licenses constitute a major component of the non tax revenue sources and are charged on operating businesses and industries. Licenses have the following to be its major sources artisan license, store license, chop bar and restaurants licenses, registration of contractors and printing press. In addition, metro weekly lotto, legal practitioners, registration of businesses premises, private and commercial vehicle registration among others form part of the sources of licenses in the Accra metropolis. Over the past six years (2005-2010), the contribution from this source has been remarkable due to the increasing commercial activities in the metropolis. Figure 4.3 throws more light on the contributions of license on local revenue mobilization.

Figure 4.3 Contributions of Licenses on Local Revenue Generation in the Accra Metropolitan Assembly (2005-2010).



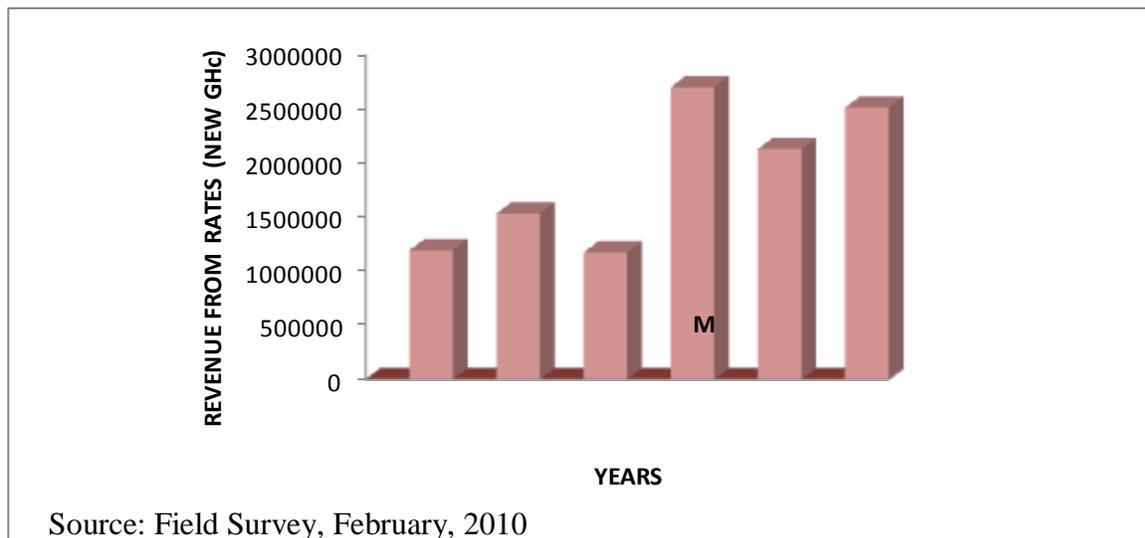
With regard to licenses, figure 4.3 depicts the gradual increment in the revenue being realized from the licenses. From 2005 to 2010 licenses recorded a constant increment from GHc939, 081.91 to GHc 4,330,034.37, except in 2009 where there was a drop. This increment was attributed to the increasing numbers of food joints, businesses, companies among others in the metropolis.

#### 4.3.3 Rate

The survey conducted indicates that rate is one of the most significant sources of local revenue for local government in the Accra Metropolitan Area. This revenue item contributes the highest percentage to the internally generated revenue in the metropolis of Accra. Rates comprises basic rates (plus arrears), property rates (residential, commercial, industrial among others). Each of these types attracts different impost. Due to the manufacturing, commercial, industrial and residential role the metropolis play, rates particularly property rates are of great importance to the metropolis. Rates have been contributing between 12 percent and 48 percent of the internally generated revenue of the Accra metropolis from 2005 to 2010.

The trend of rates contribution to local revenue is unstable due to the yearly variation produced by the source. The principal reason accounting for the high contribution of rates to the metropolis is the difficulty the assembly encounters in making attempts to administer the other sources of local revenue. Figure 4.4 shows the comparative analysis of the contribution of rates to the internally generated revenue of the Accra Metropolitan Assembly.

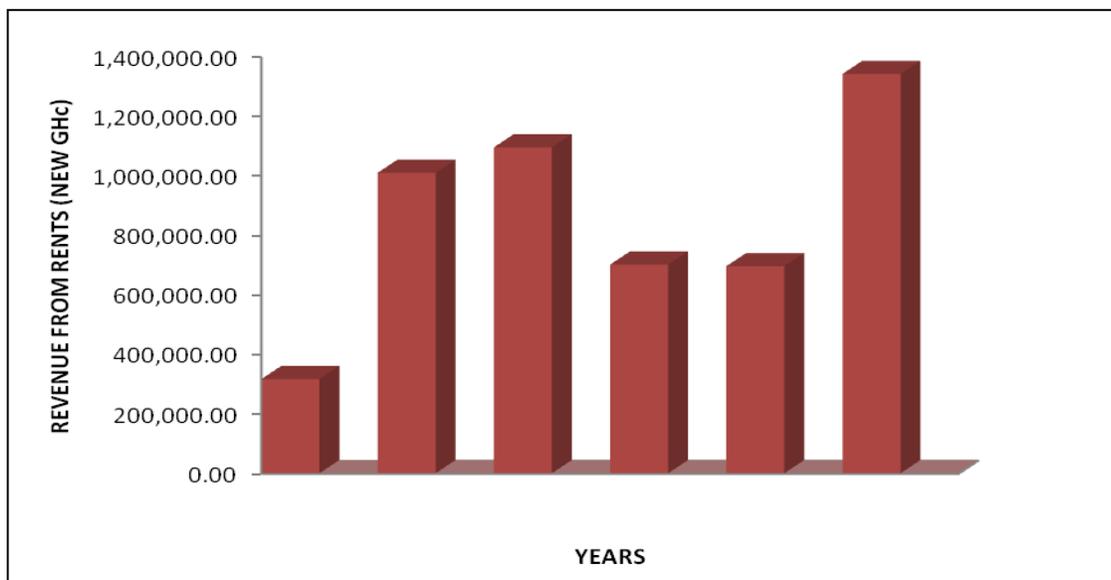
Figure 4.4 Contributions of Rates to Internally Generated Revenue of Accra Metropolitan Assembly (2005-2010)



#### 4.3.4 Rents

This type of local revenue source is generated from immovable assets own by the Accra Metropolitan Assembly and it constitutes one of the several non tax sources of revenue. Rents generate a substantial percentage to the internally generated revenue of the Assembly. For instance, in 2006 and 2009, rents recorded an amount of GHc 1,011,603.4 and GHc 697,678.28 representing 6.82 percent and 5.28 percent respectively of the total revenue of the assembly. Staff quarters, Government quarters, Hiring of Council Chamber and Guest Houses constitute revenues from this source. The contribution of rents to the local revenue generation of the Accra Metropolitan Assembly is shown in Figure 4.5.

Figure 4.5 Contributions of Rents to Locally Generated Revenue of the Accra Metropolitan Assembly (2005-2010).



Source: Author's Construct, February, 2010.

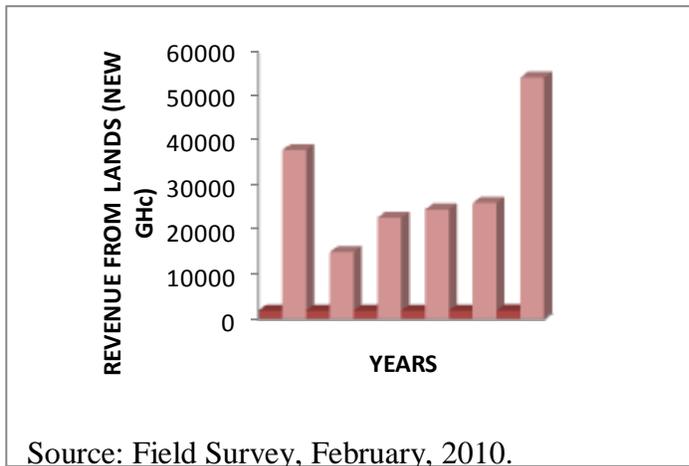
Figure 4.5 portrays the gradual increase in the revenue mobilize from rents. From 2005 to 2007, rent has been recording an even increment with a sudden fall in 2008 and 2009. Though it contributes very little to local revenue, other opportunities can be harnessed when given adequate attention and resource.

#### 4.3.5 Lands

This revenue item contributes a significant proportion to the internally generated revenue of the Accra Metropolis. Through the survey conducted, lands contribution to the total receipts is encouraging only

that it is unstable. For the six year period, it has been oscillating between 0.1% and 0.2 % of the local revenue mobilized. Land has its highest contribution in terms of revenue in 2005; it contributed 0.46 % (calculated from table 4.2 p38). This revenue item comprises revenue generated from the sale of stool lands, issuance of building permits, land transfer, sand winning operations and quarrying activities. Figure 4.6 shows the contributions of land to local revenue mobilization over the period of 2005 to 2010.

Figure 4.6 Land Contributions to Local Revenue Generation of the Accra Metropolitan Assembly (2005-2010).



It can be deduced from the figure 4.6 that the contribution of land to the local revenue generation of the Accra Metropolitan Assembly had its highest in 2005 then declined from 2006 to 2008 and then increased marginally from 2009 and 2010 and a principal factor that accounted for the decline was the increasing prices of land in and around the metropolis.

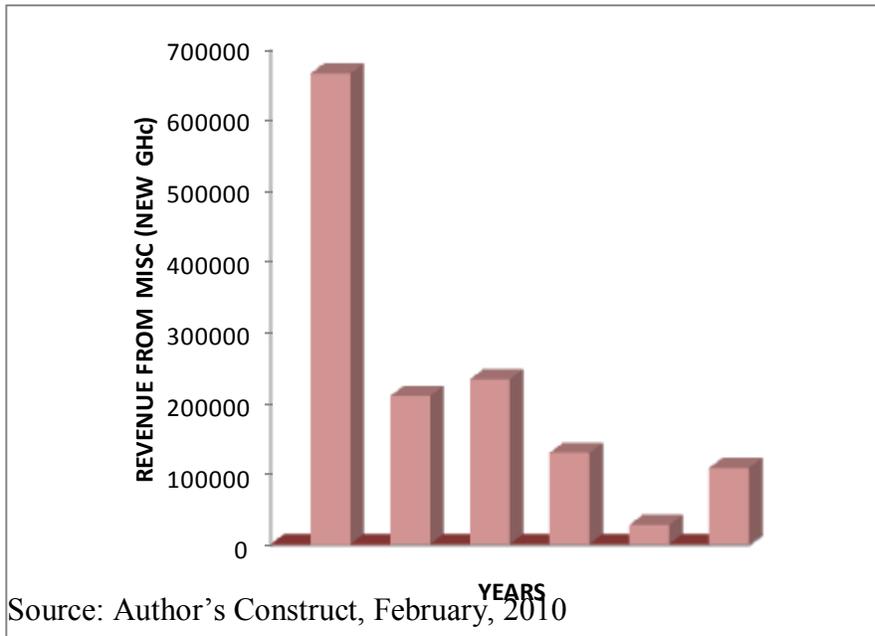
#### 4.3.6 Investments

Investment, being one of the non tax revenue, contributes the least percentage of revenue to the internally generated fund by the Accra Metropolitan Assembly. Items under this source of revenue include treasury bills of the assembly, interest on fixed deposit and savings, interest on traditional accounts of the assembly among others. The dependency of this type of revenue source on the level of patronage of the assembly's assets makes it very unstable.

#### 4.3.7 Miscellaneous

Miscellaneous was also identified to be one of the revenue sources of the Accra Metropolitan Assembly. Miscellaneous include items which cannot be categorized under any of the major revenue sources. Sale of tender forms, unserviceable vehicle, unclaimed salaries and unspecified receipts such as donations are among the items that constitute the assembly's miscellaneous revenue item. Figure 4.6 depicts the level of contribution made by miscellaneous to the local revenue generation of the Accra Metropolitan Assembly.

Figure 4.7 Contributions of Miscellaneous to the Local Level Revenue Generation of the Accra Metropolitan Assembly (2005-2010)



#### 4.4 Revenue Performance of the Accra Metropolitan Assembly

Measurement of revenue performance forms the bedrock of local government in Ghana. This is because the revenue performance is essential in determining economic efficiency, effectiveness of revenue collection efforts and an indicator of accountability. However, several countries, both developed and developing, attach less importance to revenue performance.

With regard to revenue performance, a nationwide survey undertaken in the United States of America indicated that only 32 percent of metropolitan areas employ formulae in measuring the effectiveness of their mobilization efforts. Also in California State, research has shown that 90 percent of the cities do not perform regular estimations and measurement of their collection performance. It is however not surprising that the sub metros of the Accra Metropolitan Assembly have attached little importance to revenue performance.

There are several indicators of poor revenue performance that were revealed during the survey. The following are the indicators of poor revenue performance the sub metros visited outlined; absence of collection programme evaluation; failure to use reminder letters personal visit, phone calls, collection agencies, law suits, and other collection techniques and late billing and delivery. In addition, lack of controls to prevent over payments; antiquated accounting and automated collection system; waivers and payment deferrals; failure to age accounts receivables; the prevalence of high delinquency rate; large write-offs of bad debts; and absence or low penalties for defaults.

Although, the application of some of the indicators are limited in developing countries particularly Ghana, there are other useful indicators that can be employed and harnessed to improve revenue performance in Ghana. For instance, the use of the automated collection system can be adapted to measure performance in Ghana.

Despite the availability of several performance indices, this study adopts Revenue Collection Index, Average Collection Period and Past Due Index to determine the general revenue performance in the Accra metropolis. The availability of information at the sub metropolitan level led to the choice of the

above mentioned indices. Also, the data gathered give clear indication of the direct and indirect loss of potential revenue due to poor collection methods

#### 4.4.1 Revenue Performance Index (RPI)

This is one of the methods used in assessing revenue performance of local governments in Ghana. Revenue Performance Index is the proportion of the total actual revenue collected or mobilized to the total estimated target over a period of time. The data gathered during survey presented the revenue performance index of the Accra metropolis over a period of five years spanning from 2003-2007. Table 4.3 presents the revenue performance indices of the Accra metropolis.

Table 4.3 Revenue Performance Index (2005-2010)

Year	Estimated Revenue (NEW GH¢)	Actual Revenue (NEW GH¢)	Collection Index
2005	7,231,786.21	4,993,388.42	0.6905
2006	8,254,322.66	7,434,862.05	0.9007
2007	8,991,875.87	9,072,247.4	1.0089
2008	24,535,948.44	10,841,860.84	0.4419
2009	22,330,172.28	8,139,568.90	0.3645
2010	29,603,859.60	22,818,340.47	0.7708

Source: Field survey, February, 2010.

Revenue performance as shown in Table 4.3 increased from 2005 to 2007 due to increasing activities within the metropolis enhanced collection methods and strict supervision. Also, the Accra Metropolitan Assembly failed to give enough consideration to some of the tax item particularly investments. However, in 2007 the revenue performance increased and the assembly attributed to the efforts made to keep proper records and also ensure transparency in the mobilization of local level revenue. 2008 and 2009 has however shown declined. But in general the revenue performance index has not been that bad except in 2008 and 2009. This good performance can be attributed to effective ways of record keeping as result of the use of ICT systems.

Stemming from table 4.3, it is important, therefore, for the assembly to put in place effective mechanisms such as adoption of modern technology in their revenue generation so as to improve the revenue performance of the assembly while ensuring efficient economic environment for businesses to thrive.

#### 4.4.2 Revenue Collection Index

The Revenue Collection Index is the ratio of the actual revenue collected from the various tax payers to the estimated target. The reliability of this index for policy and decision making greatly depends to a large extent on the accuracy of both the recorded accounts and the estimated revenues. For instance, if targets are over estimated the index would be low, which is an indication of poor performance. On the other hand, if the revenues collected are under recorded, the index would be low nonetheless the potential revenue would have been collected. Analysis of revenues is therefore very subjective and has several limitations particularly with interpretation. Despite these challenges, the use of the Revenue Collection Index portrays clearly the revenue performance and it is thus an important tool when dealing with issues of local revenue generation.

There are two types of collection indices that were employed in the analysis. These include the crude and refined revenue collection indices. The crude type of revenue collection index measures the proportion of total estimated local receipts mobilized which include own revenue sources and grants from the central government. Refined method thus deals with the level of potential local or own source revenue mobilized. The purpose for the adoption of this collection index is to help outline and examine the impact of grants on revenue performance.

#### 4.4.3 Average Collection Period

This refers to the actual period needed or required to collect or mobilize all revenues budgeted by considering the institution's current collection capacity in terms of resource and performance. It is one of the important tools used in this analysis. The ratio is the period permitted for the mobilization or generation of the budgeted revenues usually a year to the collection index.

The survey revealed that the assembly has an average of 20 months as the collection period. This therefore implies that with the current collection efforts of the assembly, it would take about 20 months to be able to realize all the revenues for a particular fiscal year.

#### 4.4.4 Past Due Index

This type of revenue index is employed when the time for receipt is overdue. The local government system in Ghana permits only the property rate or tax to be carried forward in arrears under local revenue generation. The uncollected burdens are abandoned at the end of the fiscal year. During the survey, it was noted that arrears on property rate provide a classical example of local over aged receivables. The Past Due Index is thus computed as the ratio of the arrears to the total estimated revenue from that source received in a fiscal year.

The three indicators employed have unearthed that the revenue collection performance in the Accra metropolis is just average. The analyses have proven that bad debts loss contribute greatly to the loss of revenue by the assembly at the end of each fiscal year. Improving the revenue collection system by employing modern technology is one of the possible ways of averting the present revenue losses.

#### 4.6 Techniques for Revenue Mobilization in the Accra Metropolitan Area

The study further researched into the efficiency of the modes of revenue collection in the Accra Metropolitan Assembly. This process was carried out by analyzing the primary data gathered from the field survey and the observations made by the various sub metros contacted.

##### 4.5.1 Generation of Market Revenues

Market revenues constitute a greater proportion of the internally generated revenue of the Accra metropolis. It contributed about 15% of the local revenue generated in 2003. It was noted through the survey that the efficiency in the collection of fees and fines was estimated at 65% as at 2007. Fees and

finances have a component of market revenue as one of its sub heads. This is an indication that market revenue mobilization can be enhanced with the introduction and adoption of modern technologies such as the Information and Communication Technology.

Market revenue generation in the form of tolls is collected by officers in charged on daily basis depending on the operational mode of the market. It was observed from the sub metros contacted that the Makola and Kaneshie markets produce daily revenue in the form of tolls to the assembly. The sub metros outlined several reasons accounting for low returns from market tolls and among them are;

- **Infrequent collection of revenue by officers:** It was noted during the survey that about 25% translating into 50 business units of the sample size were not visited by revenue collectors in the Accra metropolis. Increasing absenteeism on the part of revenue collectors has resulted in a situation whereby the assembly losses huge sums of its revenue.
- **Inadequate market infrastructure:** The survey also revealed that due to inadequate market facilities, most traders operate in the open air. The activities of these traders are therefore greatly dictated by the climatic conditions as bad weather affects their activities which consequently results in low level of revenue generated.
- **Tax Evasion:** Some users of the market intentionally evade market tolls as the study unearthed. This according to the sub metros results since revenue collectors have to contact traders directly for payments to be made. Some traders thus avoid these officers.

These limitations in the collection of market tolls results in the loss of huge sums of revenue especially where there are large and vibrant markets.

Market rent is another component of market revenue which is collected monthly at several offices within the market area. Market rent is one of the effective ways of market revenue mobilization according to the Accra Metropolitan Assembly as traders find it more convenient and suitable. Also, the availability of several collection points in the market area affords traders the options of making payments without difficulty.

However, mobilization of market revenue through market rent is faced with some challenges. The Accra Metropolitan Assembly stated the following to be the critical challenges the assembly is confronting in the area of market rent;

- **Conflict of Interest:** This system of market revenue mobilization breeds conflict between traders and revenue collectors. The availability of several offices within the market area sometimes makes it difficult to identify traders who have paid their market rent. Inspection of receipts of payment usually results in conflict as traders expect the officers to keep record of payments. Also, the imposition of penalty for late payment of rent results in conflict.
- **Attitude of Rent Collectors:** The survey also showed that some revenue collection officers adopt unconventional approaches in the mobilization of rents from the traders. The sub metros indicated that it usually happens getting to the end of the fiscal year. Revenue collection officers, in their attempt to defraud, compulsory coerced traders to pay before sometime start selling which sometimes leads to seizure of goods. This has generated intense altercation between traders and revenue collectors especially in the Makola market.
- **Apathy on the Part of Stakeholders:** The Accra Metropolitan Assembly criticizes bitterly about the lack of cooperation among the revenue collection unit (the assembly) and the rents payers (traders). The assembly stated that the rates payers complain that they see no reason to pay their rates as revenue collected are not used for their betterment.

The sub metros contacted as well as the Accra Metropolitan Assembly indicated that that unless strategies such as improved ways of revenue collection, awareness creation and enhancement of the markets physical structure are adopted, the situation would remain unsolved.

#### 4.5.2 Generation of Property Rates

Rates contribution to locally generated revenue is enormous. In 2006, rates contributed 17 percent of the total revenue of the Accra Metropolitan Assembly. An attempt therefore to investigate into its effectiveness with regard to its collection is of paramount importance to the study. Property rates forms huge components (87%) of rates generated by the assembly.

The Accra Metropolitan Assembly generates property tax from six principal sources of taxable properties. These sources include commercial, residential, industrial, manufacturing and un-assessed structures. It must however be emphasized that each of the category or source attracts different impost based on the sub divisions. In the Accra metropolis, the traditional land use zones are employed by the assembly in determining the impost. This according to the assembly is based on the assumption that properties found in these areas are of greater value, for instance, the first class residential areas are assumed to be owned by higher income group and thus their ability to pay.

In addition, the National Land Valuation Board determines the ratable values of the properties within the metropolis after assessment. The Accra Metropolitan Assembly stated that the ratable values determined by the National Land Valuation Board are subjected to the approval of the assembly. The cooperation between the assembly and board ensures successful determination of property rates and division of labour is enhanced, the assembly emphasized.

In the mobilization of property rates, property owners are notified of their liability through bills issued and delivered by the assembly. In the computation of tax liability, the property is calculated as the product of the ratable value of the asset and its corresponding impost. The study revealed that there are acute problems which causes untimely delivery of bills to tax payers as about 65 percent of the bills are issued and delivered during the first quarter of the assembly's fiscal year. The assembly also undertakes a follow up exercise to ensure that those who fail to honor their tax obligations are brought to book.

With regard to payment of property rates, companies, firms and individuals settle their bills at the finance office of the metropolitan assembly. This the assembly indicated that due to the several loop holes with regard to the collection of the market revenue, the assembly deemed it appropriated not to allow the payments of the rates through revenue officers so as to ensure adequate realization of

revenue from the rates. This the assembly stated that it has been successful since about 90 percent of firms, companies and individuals made full payments of their bills in 2008. This system of payments reduces the long chain of money transfers from tax payer to the assembly as well as the staff required to administer the rate.

The assembly attributed the effectiveness of the collection system to the involvement of stakeholders in impost fixing, timely delivery of bills and the creation of public awareness. However, issues pertaining to the training and the provision of modern logistics for revenue collection were not part of the assembly's target for 2009.

#### 4.6 Nature and Effects of ICT on Local Level Revenue Generation

Revenue generation in Ghana is greatly dependent on the technology used. Modern technologies are therefore the major determinants of effective implementation or collection of revenue. The large base of revenue sources of the Accra Metropolitan Assembly which are not harnessed makes Information and Communication Technology a vital tool to ensure success in the collection of local level revenue. The cumbersome processes of revenue collection in Ghana which are usually labour intensive in nature crucially affect revenue returns.

This section of the chapter is therefore focused on the use of Information and Communication Technology as a tool in enhancing revenue generation in the Accra metropolis. Also, the effects of Information and Communication Technology on local revenue mobilization, benefits of the system as well as the challenges of the Information and Communication Technology are captured under this section.

##### 4.6.1 Effects and Benefits of ICT on Revenue Generation and Government Policies of the Assembly

Enhancing local revenue at the metropolitan level is a major challenge confronting the management and the administration of local government. The data collected indicated that the ICT system has a multiple benefits to the Accra Metropolitan Assembly. The major benefits outlined by the assembly and sub metros contacted are as follows:

ICT comprises of storage, retrieval, conversion and transmission of information. The convergence of digital processing and electronic communication has led to a paradigm shift in business process automation and creation of capabilities that were unthinkable some years ago. AMA has leveraged on these new capabilities to improve revenue collection.

From the survey, there are six logical steps involved in Revenue Administration, namely:

- Identification and registration
- Assessment
- Collection
- Accounting
- Monitoring/ Audit
- Enforcement.

And ICT has made it possible for the AMA to automate all the above processes partially. The deployment of ICT solution has assisted the Revenue section of AMA to effectively and efficiently discharge their mandate in terms of identification and Registration of Tax payers, returns and payment processing, audit, accounting and other Tax Administration functions more importantly, fraud or sharp practices inherent in manual transaction processing is being eliminated in fully automated Revenue Administration system. This has led to more Revenue in the Assembly's purse.

The ICT system facilitates faster payments of taxes/rates within a limited time than the manual system. Also, the ICT process has been identified to be more transparent in carrying out revenue mobilization and trade transactions at the markets and industries in the metropolis. Also, the system adopts a more predictable process and it is less bureaucratic. The processes traders or individuals have to follow in paying their taxes/rates; seeking clarification and queries are simplified and made easy with the introduction of the ICT system in the Accra metropolis.

#### 4.6.2 Extent of use of Information Communication Technology Systems

Over the years Accra Metropolitan Assembly has made conscious efforts of enhancing its revenue mobilization by employing information technology, since it has become increasingly clear that the manual ways of handling revenue mobilization has not been yielding the required results.

As a result of the insufficient and ineffective manual system of tax administration, the tax burden has always fallen on the few in the formal sector although it is estimated that in terms of economic activity about 83 percent is carried out by the self employed sector, mostly operating informal structures. (Col Ablorh-Quarcoo, GNA-03/04/2009)

As a developing nation, we have depended on foreign aid, grants and loans to support our development efforts and the reality of Ghana weaning itself from donor funding has caught up with us too soon.

On the bases of the above, the Accra Metropolitan Assembly since in 2000 has tried to involve Information Communication Technology in its overall activities more especially in its revenue generation strategies. They have made use of hardware, software and trained human beings to drive home this ICT strategy.

The Assembly has over the years acquired a lot of computers and their accessories for the use of the entire organization. The assembly has also developed a department (department of ICT) responsible for the computerization, networking and the maintenance of the ICT Systems of the entire organization.

In its efforts to depart from manual ways of doing things at all levels of the organization the assembly has also adapted the use of some software for the Revenue, Accounts and the Budget departments for the efficient and effective collection, storing and reporting of information.

The Assembly has made use of the GPS System for internet connectivity, this help to enhance communication between staff and the public. There is a website created for the Assembly through which the Assembly interacts with the public.

The Assembly has trained its workers in the use of ICT systems and it expects working in the ICT department, training has been given to some field officers and revenue collectors in information gathering and inputting in the computer and also being able to monitor payments of rates as well as defaulters from the systems.

The Accra Metropolitan Assembly has in 2005-2009 implemented a pilot project called the Urban Management Land Information System (UMLIS) this was a collaboration of Accra Metropolitan Assembly (AMA) and Ministry of Local Government and Rural Development (MLGRD), in cooperation with Swede survey AB and Geo-Tech Systems Ltd. The objectives of the project were a built-up capacity within AMA and a developed and tested UMLIS in a pilot scale. The overall objective of UMLIS is a more efficient collection of property rates and other fees, and AMA has made UMLIS its main strategy for revenue mobilization for the coming year (Accra Metropolitan Assembly, 2006)

It has been shown in the upward revenue figures since the pilot that UMLIS is an efficient tool for collection of property rates and for urban management in general. Information about buildings, parcels, use, value, owners and rates to be paid is stored in digital form and the information can easily be illustrated and identified in a digital map. The possibility of storing data from various sources in a common platform is a starting point for exchange of information and collaboration between departments and different organizations. Inconsistencies in land Information have been identified as one of the main reasons for low collection of property Rates and UMLIS can facilitate exchange of information and be a tool for improving its quality.

#### 4.6.3 Information Communication Technology in the Sub-Metros

The Accra Metropolitan Assembly has a strategy to develop and strengthen all its Sub Metros to carry out their responsibilities including revenue mobilization. From the survey the sub-metros under consideration namely: Osu Klottey, Ayawason East, Ayawaso West, Ayawasu Central, Ablekuma north and south have varying degree of ICT development, some are definitely developed than others.

For instance, Osu Klottey and Ablekuma central sub metros are comparatively equipped with ICT systems than the rest. They are adequate in terms of Computer and Accessories, Telephone and

Accessories and also have Accounting Software and for the collection and storing of data as well as internet connectivity. While the other four namely; Ablekuma South, Ayawaso East, West and Central are only adequate in Computer and its Accessories and Telephone and its Accessories but has no internet connectivity and Accounting Software.

Although it seems that the sub metros are not well equipped with ICT infrastructure as compared the district head quarters, but the few that they have has impacted positively on revenue mobilization. Since a single computer can store a whole lot of data and can be used to monitor payments as well as defaulters so that the necessary follow up can be done.

On the whole, in terms of revenue mobilization the sub metros are seen to be collection points. Since much of the information for planning comes from the head office. All data on the various revenue sources are mainly kept at the head office. So rates are printed and given out to the sub –metros for distribution. Then payments are made receipts are given.

It can be deduced that most of the work of the sub metros in respect of revenue mobilization as well as distribution of rate bills and the collection of rate payments and the subsequent issuances of the receipts is done manually. This is an indication that there is yet a lot more to be done in that direction.

The following tables shown below illustrate the effect of ICT usage in enhancing revenue mobilization of the by Accra Metropolitan Assembly. In general, across the local governments of this country, Internally Generated Revenue has not been on the increase, in some cases there have marginal increases but most cases there have been negative increases ( between negative 19% to negative 32%) [www.ghanadistrict.com](http://www.ghanadistrict.com).

From Tables 4.4 and 4.5 it is seen that there has been consistent increase of IGF by AMA year by year since 2000. This can be attributed to a number of factors some of them are as follows: Percentage increases in taxes increase in activities in revenue items, minimizing of frauds etc.

- The survey revealed that when taxes are fixed they are maintained for some number of years before they are changed again (This the head of revenue of AMA said the changes in tax rates can take three or more years to be effected ). So the continuous increase in IGF of AMA cannot

be attributed to the percentage increases in taxes, rather, it we can say, increasing activities of revenue items and some what the minimizing of corruption and fraud. This wouldn't have been noticed if the AMA hadn't identified and capture the data on the increasing activities of the revenue items, assessed and effect collection as well as monitoring of the whole process to ensure effectiveness and efficiency of the revenue mobilization. The above has become feasible because of the use of ICT as a tool in Identification and registration, Assessment, Collection, Accounting, Monitoring/ Audit and Enforcement of AMA's revenue mobilization processes. Meanwhile the Tables also illustrates the period where ICT was not and when it was a major tool in revenue mobilization.

Table: 4.4 Period when ICT not a major tool in revenue mobilization in AMA

Table 4.4 is an illustration of total internal generated funds collected by the Assembly for the period 2000 to 2004 when ICT was not a major tool in revenue mobilization.

Year	2000	2001	2002	2003	2004
Total IGF (New GHC)	2,043,436.48	2,702,666.17	3,921,441.99	3,921,451.19	4,364,272.98

Source: Field Survey, July 2011.

Table: 4.5 Period when ICT was a major tool in revenue mobilization in AMA.

Table 4.5 is an illustration of total internal generated funds collected by the Assembly for the period 2005 to 2010 when ICT was a major tool in revenue mobilization.

Year	2005	2006	2007	2008	2009	2010
Total IGF (New GHc)	4,993,388.42	7,438,862.05	9,072,247.56	10,841,860.21	8,139,568.90	14,321,431.0

Source: Field Survey, July 2011.

Comparing the two periods the Accra Metropolitan Assembly had more IGF in the period 2005 to 2010 than the period of 2000 to 2004.

#### 4.6.4 Challenges of ICT in Local Revenue Mobilization

On the challenges of ICT in local revenue mobilization the survey revealed that the Assembly and its sub Metros have very poor ICT infrastructures to support this activity.

This ICT technology cannot be effective if there is weak or no internet connectivity. While there is an unstable GPS system in the assembly it none exists in the Sub Metros.

Training of staff in the use of ICT systems in the revenue mobilization is lacking. The survey revealed that very few officers in the Assembly received these training while none has received in the sub Metros. This means that most of the revenue generation activities are still done manually which doesn't help the process much.

The survey also reveals that the Assembly doesn't use ICT applications for the effective communication between staff and public and this is as a result of the low ICT infrastructure coupled with unstable internet network.

The aforementioned challenges affect the efficacy of the ICT system in the local revenue generation at the local government level. This is because the traders sometimes fail to appreciate the efforts being made by Accra Metropolitan Assembly to ensure a better environment for economic activities to thrive.

#### 4.7 Summary

The study has revealed that local revenue mobilization in the Accra metropolis has not been accorded adequate attention. This is as a result of the fact that out of over 130 revenue sources available to the assembly, only 8 of them are currently being administered by the assembly. Also, it was evident through the survey that less than 70 percent of the 8 sources are effectively administered in the metropolis.

In the area of collection, it was observed through the survey that the methods and tools employed in the collection of the local revenue are outdated and antiquated and has several problems leading to the loss of about 30 percent of the assembly's local revenue. The collection of the local revenue was noted

to be done using the manual system whereby revenue collectors move around markets, residential and industrial areas to collect the various forms of taxes for the assembly.

The use of ICT was identified to be very limited in the mobilization of local revenue in the Accra metropolis. The survey unearthed the usage of the ICT system mainly at the metropolitan assembly level while the system is only employed for the administrative work of the sub metros. Local revenue generation at the sub metro levels are undertaken manually and this has made the assembly loss huge sums of revenue especially returns from rates

## CHAPTER FIVE SUMMARY, RECOMMENDATIONS AND CONCLUSION

### Introduction

Prior to this chapter was the presentation and analysis of the data collected through the field survey on the use of ICT in enhancing local government revenue generation. Particular attention was directed to the Accra Metropolitan Assembly and the six sub metros under the assembly where they employ the ICT system in their operations and activities, revenue structure of the Accra Metropolitan Assembly as well as the revenue performance. Also discussed were the nature and benefits of the ICT system in local government revenue mobilization, challenges encountered in the usage of the ICT system in facilitating local government revenue generation. This chapter therefore recaps the principal findings from the analysis. This chapter also captures the recommendations which are in consonance with the findings as well as the conclusion of the research.

#### 5.2.1 The Extent and Coverage of Tax in the Accra Metropolis

The study exposed the far-reaching coverage of taxation in the Accra metropolis of Ghana. These sources of taxes identified in the metropolis were rates, investments, miscellaneous, lands, rent. Also, Fines and Fees and licenses were major components of the sources of revenue in the metropolis. It must be stated that these sources of revenue were found to be less administered and there were other sources of revenue which were not administered by the Accra Metropolitan Assembly.

#### 5.2.2 Attempts to Manage and Utilize the ICT System in the Accra Metropolitan Assembly.

The survey unearthed some of the attempts initiated to perk up the ICT system in the administration of the Accra Metropolitan Area in Ghana which included the use of the ICT system at the metropolitan assembly level of the Accra metropolis. Efforts made in enhancing the use of the ICT system in the administration of local government generation are a major focus of the Assembly.

#### 5.2.3 Effects of the ICT System on Local Government Revenue Generation of the Accra Metropolitan Assembly

The study revealed that effective usage of the ICT system has the propensity to arrest the increasing challenges and corruption linked to local government revenue mobilization of the Accra metropolis. This is obvious at the Accra Metropolitan Assembly as sub metros such as OSU Klottey, Ablekuma South, and Central, Ayawaso East, Central and West are carrying out their operations with use of the ICT system. Nevertheless, the effect and effectiveness of the ICT system was observed through the survey that it has been underestimated as some of the sub metros are finding and giving vague reasons for their reluctance to embrace the system.

#### 5.2.4 Effects of Increased Revenue Generation on the Accra Metropolis

There were numerous effects of increased revenue generation on the Accra metropolis that were discovered through the study and among them are ensuring good governance, effective administration through the provision of infrastructure and basic services and improve the living standards of the residents of the metropolis. However, the study showed that there is apathy and weak relationship

among the stakeholders in the raising of the local government revenue leading to low revenue generation in the metropolis.

#### 5.2.5 ICT as a tool for Enhanced Revenue Generation

The distinctive features of the ICT system are additional qualities accounting for the increasing efficiency in local government revenue generation through its usage. The ICT system, having an electronic capitulation and assimilation of information, ample safekeeping of records, removal of the numerous labour-intensive involvements and intrinsic repetition and effective processing of revenue and tax data, has initiated a new aspect to the operations of district assemblies in Ghana particularly the Accra Metropolitan Assembly. The strategic location of the Accra Metropolis has provided an effervescent and matchless atmosphere for the deployment of the ICT system in local government revenue generation at the Accra Metropolitan Assembly

#### 5.2.6 The Role of ICT in the Administration and Management of Accra Metropolitan Area

The study unraveled the central role the ICT system performs in suppressing and surmounting local government related difficulties. It was observed that efficient involvement of actors in the usage of the ICT system and effective monitoring and evaluation are the remedies to the challenges impeding local government development in the Accra metropolis. Yet, these are the very conditions that are lacking in the Accra Metropolitan Assembly.

#### 5.2.7 The Role of Accra Metropolitan Assembly in Enhancing Local Revenue Generation through the Use of ICT

The research unearthed that the successful execution of the ICT system covers a wide range of actors whose careful efforts are indispensable in overcoming the challenges connected to the development of the Accra local government area. The Accra Metropolitan Assembly and the Ghana Internal Revenue Service are given the responsibility of guarantying the successful implementation and usage of the ICT system and its infrastructural development. The sub metropolitan assemblies of the metropolis are into the use and application of the ICT system in their operations.

### 5.3 Recommendations

Managing administrative institutions like local government is a multifaceted and interrelated task which underscores the potential perils of extemporized decision making: the solution to one predicament, at one scale, is usually the cause of another, at an analogous or different level. It is thus of greater importance to appreciate that while effective local government revenue mobilization is the focal point of socio-economic development in the area of local government administration, it cannot be administered independently from powers and assessment that originate outside local government administration. This part of the study therefore presents some of the ways of the ICT system can be enhanced in usage and developed in infrastructure.

#### 5.3.1 Automation of procedures.

To achieve excellence in Revenue generation government must focus on the most important concepts such as “decreasing the number of human errors by automating ordinary procedures” “making it possible to pay tax anytime and almost anywhere”, and building capacity by training and retraining of its personnel.

#### 5.3.2 Enterprise Resource Planning System

Beyond tax systems, AMA needs to invest enterprise resource planning system that will assist the tax office in managing functions such as human resources, finance and accounting, procurement, facility management. Etc.

All these will enable the AMA to effectively manage its staff and assets for higher performance.

One of the critical pillars of tax administration is access to information in a timely and convenient manner. In this regard, best practices is to have a single data base which covers all proceedings relation to taxable properties or activities and taxpayers, which include identification and registration, valuation, billing, collection and enforcement.

### 5.3.3 Unique Tax Identification Number

The AMA should work on the implementation of unique taxpayers identification numbers (UTIN) project which will be aimed at deploying a system that will nationally identify a taxpayer for life and that will enable such a national data to be created

The UTIN system will create a platform for the harmonization of tax administration in the AMA and provide useful data for the identification and monitoring of taxpayers in AMA.

### 5.3.4 Enhancing the Nature and Extent of Tax Coverage in the Accra Metropolis

Effective communication is a vital issue in creating public awareness and stimulating efficient administration of the various sources of internally generated revenue and should thus be enhanced. The Accra Metropolitan Assembly in conjunction with the Ghana Internal Revenue Service should undertake public awareness programme campaigns to inform the wider public on the need to be cognizant of the relevance of local government revenue generation especially in administration of the various district assemblies particularly the Accra Metropolitan Assembly. The awareness creation should also take into consideration how efficient and functional the Accra Metropolitan Assembly in terms of socio-economic development would be when the various sources of local government revenue are adequately and efficiently administered. This should be carried out through the media and the sub metros to ensure full involvement of the public particularly tax payers in the process of local governance

### 5.3.5 Improving the Utilization of the ICT System in the Accra Metropolitan Assembly

It is becoming increasing difficulty for the Accra Metropolitan Assembly to solely manage the ICT system particularly on the subject of ensuring effective local government revenue mobilization. The sub metros and institutions such as the Internal Revenue Service involve in the utilization of the ICT system should for that reason exploit the opportunities the ICT system provides to ensure a functional and holistic development of the Accra Metropolitan Assembly. In augmenting the attempts to improve the use of the ICT system, the sub metros and traders and tax payers in the metropolis should be

provided with equal platform, access and knowledge on the relevance of the ICT system to aid them play their role in sustaining the implementation and usage of the ICT system in local government administration.

#### 5.3.6 Enhancing the Effects of the ICT System on Revenue Generation of the Accra Metropolis

The implementation of the ICT system requires large capital especially for the development of infrastructure hence value for money should be expected. It is important therefore that all stakeholders concerned with the development and implementation of the ICT system at the local government level, especially in revenue generation, be equipped and their skills improved to use modern technologies to manage the local government organizations. The central government, through the Accra Metropolitan Assembly, should play the lead role of providing resources for the training of these staff in the utilization of the ICT system in mobilizing local government revenue, avoiding corruption and enhancing transparency among others. The Ghana Internal Revenue Service should be equipped to provide the training with facilitation from the Accra Metropolitan Assembly to all the sub metros in the utilization of the ICT system. This will result in the implementation of a system that is efficient and human centered.

#### 5.3.7 Increasing the Effects of Increased Revenue Generation on the Accra Metropolitan Assembly

Increased local revenue generation is viewed by several development partners as an alternative way of improved socio-economic development of the local government area as it encourages and supports efficient local government administration while enhancing the living standards of the people. Increasing local government revenue calls for the building of effective performance of the assembly as it makes the sub metros and other related institution more efficient, productive, and financially responsible. The Accra Metropolitan Assembly in collaboration with the sub metros and the Ghana Internal Revenue Service and the other related institutions should have a vision for the future of increasing and sustaining the revenue generation which would eventually improve the livelihood of the people in the metropolis. It is when this is done that the development of the Accra Metropolitan Assembly will be fully appreciated and accepted by all tax payers, individuals and companies involved in the payment of tax in the metropolis.

### 5.3.8 Coordination among ICT Stakeholders in the Accra Metropolitan Assembly

Collaboration and harmonization are essential in providing effective utilization of the ICT system and consequently enhancing the operations of the metropolitan assembly especially in revenue generation. There is the need for all stakeholders to assent on the clarity of their roles in the usage of the ICT system. In the metropolitan domain, the actors should coordinate with each other in meetings which are usually facilitated by the Accra Metropolitan Assembly. The Accra Metropolitan Assembly, being the mother body of the metropolis, should be on the vanguard and provide the platform where all other stakeholders would make contribution and appreciate the principles of ICT system especially in revenue mobilization.

### 5.3.9 Improving ICT Capability in Revenue Generation

Another recommendation concerns given sufficient attention to the specific features of the ICT system at both the metropolitan and sub metropolitan level to help overcome the difficulties impeding the operations of the Accra Metropolitan Assembly, especially on revenue collection and generation. Government policies on increasing revenue mobilization and the programmes and policies of the Accra Metropolitan Assembly, for instance, ought to be achieved through the use of modern technology such as ICT. Increasing use of the ICT system has the potential of shaping the development pattern of the Accra Metropolitan Assembly. The processes of revenue collection are simplified and made easier through the use of the ICT system thereby encouraging tax payers to honor their tax obligation and undertake their activities without difficulty. The Accra Metropolitan Assembly in collaboration with the sub metros should spearhead and engineer the process of utilizing the ICT system to aid the realization of the assembly's objective of increasing its revenue generation. This would place the assembly on a better pedestal to execute its roles efficiently and effectively.

### 5.3.10 Introduction and Development of the ICT System at all the Sub Metros

In handling the problems of local government administration, external forces that facilitate the implementation process of the ICT system should be taken into consideration and map out for.

Revenue mobilization is a major feature driving the use of the ICT system in the operations of metropolitan and sub metropolitan assemblies. It is therefore significant to ensure full utilization of the ICT system at the various sub metros and revenue collection points in the Accra metropolis. The employment and usage of the ICT system in the operations of the sub metros would ensure transparency and accountability in the administration of the metropolis.

This would result in adequate security of information, proper record keeping and good governance of the Accra Metropolitan Assembly. The central government, through the Accra Metropolitan Assembly, should provide the avenue for the sub metro to be the focal points of local government revenue generation. The government should also provide and put resources into the development of the ICT system in the administration of the Accra Metropolitan Assembly to help increase revenue returns.

#### 5.4 Conclusion

The survey unraveled the utilization of the ICT system in the administration of the Accra Metropolitan Assembly of Ghana. However, the utilization of the ICT system by the various stakeholders in the metropolis especially in mobilizing revenue is yet to be appreciated in the operations of the local government. This is as a result of several reasons all centered on the fact government has failed to provide the necessary infrastructure for the utilization of the ICT system. Also, some of the actors have failed to perform their roles adequately to enhance the usage of the system.

The objectives of the study were to ascertain the nature and extent of the tax coverage in the Accra Metropolitan Area of Ghana, the challenges associated with local government revenue generation in the Accra metropolis, the extent to which ICT can be employed to increase local revenue generation and the examination of the effects of increased revenue generation on the Accra Metropolitan Area. The research met these objectives and recommendations made to inform the ICT system's utilization and development at the Accra Metropolitan Assembly.

Recommendations were made to enhance the nature and extent of tax coverage in the Accra Metropolis, improve the utilization of the ICT system in the Accra Metropolitan Assembly, and

enhance the effects of the ICT system on revenue generation of the Accra metropolis. Others were to augment the effects of increased revenue generation on the Accra Metropolitan Assembly, ensure coordination among ICT stakeholders in the Accra Metropolitan Assembly, improve ICT capability in revenue generation and the introduction and development of the ICT system at all the sub metros.

It is when all the proposals made in the recommendations are swiftly and constantly implemented that the efficiency of the ICT system in enhancing local government revenue generation would be realized in the Accra Metropolitan Assembly of Ghana and this would among other things create effective management of local government areas. The activities of the Accra Metropolitan Assembly would be a more efficient, comfortable and functional to businesses and organizations to thrive. The development of the ICT system would also augment the revenue base of the Accra Metropolitan Assembly as traders would be motivated to honor their tax obligation without difficulty.

The recommendations suggested would yield the desired outcome when there is commitment on the part of the Accra Metropolitan Assembly and the sub metros involved in the management and administration of the Accra metropolis. This would go a long way to make the Accra metropolis maintain its status as the national capital of Ghana.

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APPENDIX 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF PLANNING

(ACADEMIC PURPOSE)

TOPIC: ENHANCING LOCAL GOVERNMENT REVENUE GENERATION: THE ROLE OF ICT

CASE-STUDY: ACCRA METROPOLITAN ASSEMBLY

QUESTIONNAIRE FOR ACCRA METROPOLITAN ASSEMBLY

1. What are the main sources of locally generated revenue at the metropolitan assembly?

.....

2. What are the revenue collection methods adopted by the assembly?

.....

3. What are the challenges and constraints to revenue collections?

.....  
4. What is the revenue performance level of the assembly

.....  
5. What are the modes of revenue collection used by the assembly?

.....  
6. What are the difficulties the assembly encounters in the mobilization of revenue?

.....  
7. What are the ways of overcoming these challenges?

.....  
8. How does the assembly collaborate with the sub metros and the tax payers in revenue generation?.....

.....  
9. What are the advantages of stakeholder involvement in the revenue generation?

.....  
10. Does the assembly use of ICT in its operations?

.....  
11. Does the assembly use ICT in its revenue mobilization process?

.....  
12. Are revenue collection officers trained in the use of ICT system?

.....  
13. What are the challenges in the use of ICT in revenue collection?

.....

14. What do you suggest can be done to improve the situation?

.....

APPENDIX 2

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF PLANNING

(ACADEMIC PURPOSE)

TOPIC: ENHANCING LOCAL GOVERNMENT REVENUE GENERATION: THE ROLE OF ICT

CASE-STUDY: ACCRA METROPOLITANT ASSEMBLY

QUESTIONNAIRE FOR THE SUB METROS

1. What are the main sources of locally generated revenue at the sub metro council?

.....

2. What are the revenue collection methods adopted by the sub metro?

.....

3. What are the challenges and constraints to revenue collections?

.....  
4. What is the revenue performance level of the sub metro?  
.....

5. What are the modes of revenue collection used by the sub metro?  
.....

6. What are the difficulties the sub metro encounters in the mobilization of revenue?  
.....

7. What are the ways of overcoming these challenges?  
.....

8. How does the sub metro collaborate with the sub metro and the tax payers in revenue generation?.....

9. What are the advantages of stakeholder involvement in the revenue generation?  
.....

10. Does the sub metro use of ICT in its operations?  
.....

11. Does the sub metro use ICT in its revenue mobilization process?  
.....

12. Are revenue collection officers trained in the use of ICT system?  
.....

13. What are the challenges in the use of ICT in revenue collection?

.....

What do you suggest can be done to improve the situation?

