KWAME NKRUMAH UNIVERSITY OF SCEINCE AND TECHNOLOGY, KUMASI

AN INVESTIGATION INTO LOCAL REVENUE MOBILISATION AT THE NKORANZA SOUTH MUNICIPALITY

By

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CENTRE: SUNYANI

2014

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A THESIS SUBMITTED TO THE INSTITUTE OF DISTANCE LEARNING, KWAME NKRUMAHY UNIVERSITY OF SCIENCE AND TECNOLOGY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR AN AWARD OF COMMONWEALTH EXECUTIVE MASTERS DEGREE IN BUSINESS ADMINISTRATION.

APRIL, 2014

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DECLARATION

I hereby declare that the submission of this compilation is the true findings of my own researched work presented towards an award of a second degree in the Commonwealth Executive Masters in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor submitted to any other university or institution for the award of degree except where due acknowledgement has been made in text. However, references from the work of others have been clearly stated.

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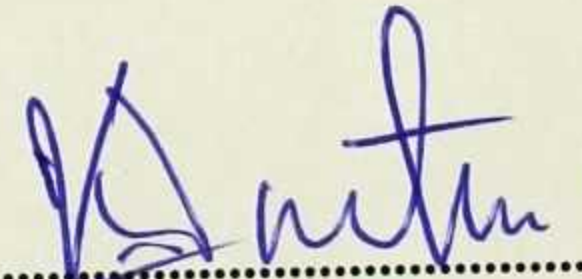(Student)   (Signature)   (Date)

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DEDICATION

I dedicate this research to my father, Ex. Sgt. Major Imoro Amanah who singularly sponsored

my education to this level.

It is my hope and prayer that the Almighty God would richly bless him.

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ACKNOWLEDGEMENTS

I wish to acknowledge the support given to me by Boaah Kwakye Rita and Patricia Dankwa who took time to type this piece of work.

I also wish to thank my Supervisor, Mr. Ellis Akwaa- Sekyi who supervised this peace of work to bring it to success. May the Almighty God bless them all.

ABSTRACT

The Nkoranza South Municipal is one of the twenty seven Districts in the Brong Ahafo Region of Ghana. As a newly promoted from District to Municial status in June, 2012, the Municpality requires a lot of funds to enable it pursue its developmental Agenda. Even, as a District, it had not been able to fund its projects.

The research delved into the causes and consequences of the low revenue generation by the Municipal Assembly.

The main instrument used in gathering this data were three sets of questionnaire. One for the heads of department of the Assembly, another for the revenue collectors and the third was for the rate (tax) payers.

The research indicated the sources of funds to the Asssebly. It further revealed the weaknesses in the capacity of the Assembly in mobilizing local revenue. The challenges were that low incentive for revenue staff, low public education, inadequate logistics for revenue mobilization, dishonest revenue collectors and inadequate skill of revenue collectors were some of the factors leading to the low revenue generation by the Assembly. This has consequently led to the low level of development of the Municipality.

It is therefore recommended that the Assembly recruit more qualified revenue collectors, implement a strict supervision schedule, provide adequate logistics and motivation for revenue collectors, and prosecute rate payers who default in paying their taxes.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Decentralization has globally shaped the contours of development thinking, administration and governance. Academics, international development agencies, bilateral and multilateral donors have placed much emphasis on decentralization globally partly because of its potential to reduce poverty particularly in developing countries.

Decentralization is defined broadly to mean the transfer of authority on a geographic basis whether by decongestion (i.e. delegation) of authority to field units of the same department or level of government units or special statutory bodies. It implies the delegation of power and authority from the central government to the local authority for easy administration, spread of development across the length and breadth of the country, provision of efficient and effective services, and to ensure accountability.

In a developmental context, however, decentralization has been linked to such benefits as equity, efficiency, effectiveness, and responsiveness. It is in this light that the International Monetary Fund (IMF), the World Bank, the European Union and others did put pressure on the Government of Ghana to return the country to Democratic rule in the latter part of 1980's.

Decentralization, from a hierarchical perspective (Pollit, 1995) as envisaged in Ghana, involves the pushing of specific decisional authority down to lower levels of an administrative hierarchy and thereby involving the majority of the people in decision making and hence in governance. The incident of poverty in most developing countries are manifested by low productivity, low

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per capita income, high population growth rates, unemployment and under employment, income inequalities between different social groups and poor social infrastructure among others. It has been estimated that about 35 percent of people in developing countries live below the poverty line, (Subrata, 1995) and frequently seek support from the developed countries.

These supports may, however, not be sustainable in the long-run as sometimes such assistance come with a lot of conditionalities and strings which leads to debt creation and subsequently may influence the macroeconomic instability which these assistance have sought to reduce. The need has therefore been expressed to generate financial resources locally for development and to reduce the over-reliance on foreign assistance.

This policy direction has gained cognisance in development discourse and several government policies including legal mandates which have been instituted to ensure its implementation. The Local Government Act, 1993, Act 462 provides the legal framework that mandates the District Assemblies to formulate and execute strategies for the mobilization of local resources (including financial resources) necessary for development of their local communities.The District Assemblies are public agencies mandated by Act 462 to administer and generate revenue for community development (Government of Ghana, 1996).

In Ghana, a significant amount of financial resources including transfers by the Central Government and local revenue sources have been devolved to Metropolitan, Municipal and District Assemblies (MMDAs) with some degree of autonomy in revenue and expenditure allocation decisions. However, financial transfers from the Center called the Statutory Allocations still constitute the largest source of local government finance and this adversely affects their efforts towards local revenue mobilization. There is over-dependence on statutory allocations for both recurrent and capital expenditures. Since most administrative expenditures

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are considered obligatory or restricted in nature and therefore have priority in the allocation of financial resources, development projects tend to suffer severe financial constraints. Hence, local development seems elusive as evidenced from the absence and decay of infrastructural facilities in local communities nation-wide.

The district assemblies system was introduced by the elsewhere PNDC regime in 1987 and became operational in 1998 through the PNDC Law 207 which was later incorporated in the Local Government Act1993 (Act 462) and the 1992 Constitution of the Republic of Ghana. The district assembly is the local government representation of the central government. Its mission is focusing and improving rural and national development as a whole. District assemblies need funds to be able to provide services and responsibilities assigned to them. National development will not be successful without genuine partnership between the central and local government. The local government was set up as part of efforts to decentralize and democratize the governance structure of the country. It has succeeded in involving a wide spectrum of the Ghanaian citizenry in governance and development at the grass root level.

The role of the District Assemblies in national development is thus not only limited to the development of infrastructural facilities but also as an important source of revenue for local governance. It is therefore imperative that more attention is focused on the Metropolitan, Municipal and District Assemblies to effectively administer the generation of adequate revenue from the local sources to finance development projects and programmes so as to complement the efforts of the central government.

1.2   Statement of the Problem

The Local Government Act, Act 462, (1993) enjoins all District Assemblies, not only to provide various services, but also to improve the standards of living of the people, who are regarded as

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the owners of the Assembly. The numerous municipal services demanded by the people place the assemblies at critical positions to generate and mobilize adequate resources to ensure that the needed facilities lacking in various communities such as portable water, access roads and sanitation facilities are provided.

District assemblies are mandated by law to levy taxes and other charges on people within the district for development, and to undertake the functions for which they are established. It is obvious that once the district assemblies collect revenue from the people, it is equally proper that the assemblies in turn provide municipal services to the people and be accountable to the citizenry.

As a representative of the central government at the local level, the district assemblies are also expected, as statutory responsibility under the local government Act 462, to address the concerns of various communities in terms of roads, schools, provision of portable water, health facilities and sanitation. The only way through which the assemblies will be adequately resourced to satisfy the burning needs of the people is by designing more effective and efficient strategies which propels the assembly to be aggressive in their revenue generation and mobilization. District assemblies are generally recognized as having fragile financial standing (Badu, 2007). The policy to mandate the assemblies to levy the people might have been put in place to ensure that they will be able to use the funds generated internally to meet administrative expenses and to support certain minor projects and programmes.

However this has not been the case as most assemblies, including the Nkoranza South Municipal have been grappling with the problem of generating adequate revenue to meet administrative expenses and to provide the needed services to the people. Activities of the Nkoranza South Municipal Assembly almost come to a standstill as a result of inadequate revenue generation

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most especially when their share of the Common Fund at a particular quarter is expended. More often than not, revenue targets are not met thereby creating financing gaps on the local assemblies. There are questions on the effectiveness of the assemblies in mobilizing revenue for development, meeting revenue targets, identifying various sources of revenue and challenges confronting the mobilization and administration of revenue.

The need to employ better strategies to drastically improve revenue generation and mobilization should be the basic principle of every assembly. It is in this regard that the researcher investigate into the revenue mobilisation of the Municipal Assembly.

1.3   Objectives of the Study

1.3.1   General Objective

The general objective of the study is to find out the best management options (approaches) for administering revenue in the Nkoranza South Municipality to promote development.

1.3.2   Specific Objectives

The specific objectives of the study are to

Identify the different sources of revenue to the Municipal Assembly.

Trace the trend of revenue targets and revenue realized from 2008-2012.

Assess the capacity of the Nkoranza South Municipal Assembly to administer revenue.

Identify the major challenges in local revenue mobilization of the Assembly.

1.4   Research Questions

What are the different sources of revenue to the Municipal Assembly?

What is the trend of revenue targets and revenue realized from 2008-2012?

Does the assembly have the capacity for revenue administration?

- What are the major challenges in local revenue mobilization?

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1.5   Significance of the Study

It has been realized by many financial and development analysts that a local government is jeopardized as long as it has no power with decision making relating to its financial and budgetary affairs (Bandie, 1989). This has led to a lot of studies advocating for a higher level of financial autonomy for local governments and expansion of the tax base.

The study revealed the sources of tax that are available for the local governments to operate. This would enable management to identify the type o tax to lay emphases. In addition, it would assist financial institutions to know the areas in which to provide credit and which type of development services should be emphasized in the local budget to enhance the welfare of the majority of the people.

It is equally important to point out that revenue generation has become an important factor, in fact, one of the criteria for sharing the District Assemblies' Common Fund. The more a district improves its internally generated fund (IGF), the more of its share of the DACF, and vice versa. Therefore, once the study will find the causes of the low revenue generation and assign recommendations for its improvement, a huge financial problem of the assemblies will be addressed.

The study will also attempt to point out the loopholes and weaknesses associated with revenue generation. This would assist management to adopt a strategy to blocking the loopholes to improve upon the revenue base of the assembly. The findings and recommendation of this study would be helpful to management, other sister assemblies and researchers to carry out a further research.

1.6   Scope of the Study

Geographically, the study was carried out in the seven sub-district (Nkoranza, Donkro- Nkwanta, Akumsa-Domase, Ayerede, Akuma, Bonsu and Nkwabeng) zonal councils in the Nkoranza South Municipalilty of the Brong Ahafo Region of Ghana. This is to enable the research cover the entire Municipality.

The study did not consider the common fund, the district development fund, grants but considered only the local revenue mobilisation of the Assembly.

The study also took into consideration the core activities of the Nkoranza South Municipal Assembly performed at the local level, revenue administration strategies of the Assembly, the operational capacity of the Assembly to effectively administer revenue and the revenue performance of the Municipal Assembly from January 2008 – December 2012.

1.7 Limitations of the Study

The study is not devoid of challenges which might have affected the result in one way or the other. There were frustrations on the part of respondents in responding to the questionnaire. Preliminary arrangements were made with department heads but the situation turned different when the researcher wanted to retrieve the questionnaires. Some additional questionnaires were printed because some respondents reported of missing questionnaires which aggravated the financial constraints. Field assistants had to visit the areas on several occasions before the questionnaires were retrieved for data entry and analysis. This indeed delayed the analysis and the final submission of the entire work.

The writer again encountered financial challenges because he had to make numerous visits to the sub-districts to discuss with management seeking permission to use the staff as subjects for the study. There was also the issue of time constraints. The researcher was constrained by time

factor considering the same period for the writing of five first year second semester deferred courses as well as the writing and submission of the dissertation. Extra effort was however put in place to ensure that this piece of work is put together. The researcher was also faced with limited access to literature on the study area due to unavailability of well-resourced facilities. There were therefore frequent travels outside the study area to have access to the needed literature.

1.8   Organisation of the Study

The research work is divided into five chapters. The first chapter gives a brief introduction to the problem and defines the problem. It also covers the objectives of the study, relevance of the study, scope and organisation of the study. Chapter two presents a review of related literature; an overview of decentralized development theories, contemporary local administration and fiscal decentralization and analysis.

The third chapter focuses on research methodology. It provides the profile of the Nkoranza South Municipal and then present the methods used in collecting and analyzing data.

Chapter four analyses the capacity of the Assembly to administer revenue effectively, different sources of revenue and existing approaches to its administration at the Municipal Assembly and finally, rate-payers view on the Municipal Assembly service delivery efforts. The fifth chapter presents summary, conclusions and recommendations.

2.1   Introduction

Decentralizing financial decision-making to local authorities is an issue that has received much attention in most countries, because adequate financial resources independent of central government funds are perceived as the necessary pre-requisite for decentralization. The purpose of this chapter is to review the literature on decentralized development concept, characteristics of the decentralized authority and the nature of financial policy with the view of analyzing some important factors to be considered when analyzing the local government revenue on local development.

2.2   The Decentralization Concept

Over the recent past, a model of decentralized development, that is, bottom-up has been offered as one of the solutions to the problems of under-development and rural dependency especially in the third world countries. The decentralized development concept emerged because of the short comings of the radical approaches to regional development (Talcot, 1983). The critical theorists argued that, only widespread nationalization of the space Economy could counter under-development and dependency, because functional economic power removed from the control of territorial authority can also exacerbate the social and geographical inequalities inherent in polarized development. This argument was seen by planners as a policy that could hardly provide appropriate solutions to actions at the regional levels. Planners were to wait for major social upheaval and political revolutions. Since this was not mostly likely, some other approaches were necessary to deal with the regional development problem and this saw the emphasis on decentralized development concept.

The proponents of this concept conceived regions as territorial entities which should in the first place develop in their own way and according to their own interest. This territorial development strategy was dubbed as 'Agropolitan', John Friedman (1979). The basic argument is that, if development is to occur under contemporary conditions, what is needed is a doctrine of territorial development, negating the bonds of unequal exchange by an explicit theory of willful community action, selective regional closure and strategic regional advantage. Supporters of this concept of development, Salih (1981), Stohr (1981) and Weaver (1982) referred to territorial development as:

- Utilization of the regions resources for the benefit of the regional population;
- The development of an integrated and diversified agro-industrial economy geared to regional needs;
- Job creation through meeting regional needs;
- Development of regional infrastructure and community facilities including education;
- Development of residential activities as the key to growth;
- Decentralization of planning and decision making;
- Popular participation and co-operative action at the local levels.

From the review of decentralized development theory, it is conclusive that local development should not only be seen as the provision of food, clothing and shelter, but it also ensures adequate and active participation of local population in decision making process. The need to utilize local resources to satisfy local demand.

2.3   Sources of Local Government Revenue

The operations and functions of the assembly depend on the availability of revenue. Plans, sectorial activities and development activities in the district are financed from the revenue

collected from different sources. The revenue is used among others to facilitate the execution of development projects, pay allowances and other incidental expenses for employees of the assembly, pay assembly members" sitting allowance, ex-gratia awards and others and facilitates the funding of operational and maintenance cost of MMDAs in the country (MMDA Manual, 2010). The Manual identified the following as the main sources of District Assemblies revenue:

- Appropriation from Government.

- Retained Internally Generated Fund and

- Grants and Donor Funding.

As noted above, the local government 'own revenue' systems across Anglophone Africa are often characterized by a huge number of revenue instruments. However, the main sources of 'own revenues' are usually property rates in urban councils, business licenses, market fees and various user charges, often in the form of surcharges for services provided by or on behalf of the local government authority. Nevertheless, experiences from a number of African countries show that these revenue instruments have serious shortfalls. For instance, property taxes can be very costly to administer, (Brosio, 2000).

Aye (2003) also reported that the source of revenue for the Assembly is categorized into three: Grants from central government, Internally Generated Fund and ceded funds. According to Darison (2011), among the sources, the major contributor to the District Assembly is the grant from central Government which constitutes 67.2 percent of the total inflow from 2003 to 2005. The donor funds constituted 28.4 percent while the internally Generated funds was only 4.4 percent.

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The internally generated funds could be tax or non-tax revenue. 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, not-withstanding 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 & Slack, 2002 cited in Darison, 2011) but less in several countries due to outmoded collection methods (Fjeldstad & Semboja, 2000).

- Fees

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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 used 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 (6th schedule Act 462).

- 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.

The Local Government Act, Act 462, 1993 outlined the various sources of local revenue for District Assemblies as discussed below.

Fees & Fines: Section 34 of Act 462 allows District Assemblies to charge fees for any service or facility they provide. These are user charges levied on services provided by the Assembly. These are fees mainly levied on markets, lorry parks, conservancy and burial services, slaughter houses, etc. These also include fines from tribunal or courts paid to the Assembly.

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

Licenses: Act 462 of the Local Government Act, empowers Assemblies to issue licenses for various activities. The licenses are for control purpose rather than a revenue instrument. These include licenses issued to Drinking Bars, Restaurants or chop Bars and Hotels, etc.

Lands (Royalties): This comprises of levies imposed on Building Plans and Permits as well as Stool Lands payable to the Assembly.

Annual Basic Rate: This is generally a regressive tax payable by all people of eighteen (18) years and above. It is a poll tax and broad based by Section 8, Act 462 2000 exemptions are given to those who are above the age of seventy (70) years as well as students in educational institution.

Investment Income: Section 89 of the Act permits an Assembly to invest all or any portion of its surplus funds in any interest yielding investment as may be approved by the Assembly. Such investments go into transport equity shares, etc. to yield income to the Assemblies.

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

Miscellaneous: This is any other revenue generated outside the above mentioned sources.

The table below further throw light on the types of local revenue generated by Local Authorities in Africa.

Note: 'Yes' indicates that property taxes are in place, while the empty boxes indicate that the tax is not levied in the respective country.

Table 1: Types of property tax in Anglophone Africa

Country	Property Transfer tax	Urban Property Tax	Value added tax	Rural property tax
Namibia	Yes	Yes	Yes	Yes
South Africa	Yes	Yes	Yes	Yes
Kenya	Yes	Yes	Yes	In principle
Mauritius	Yes	Yes	Yes	-
Nigeria	Yes	Yes	Yes	-
Botswana	Yes	Yes	Yes	-
Ghana	Yes	Yes	Yes	-
Lesotho	Yes	Yes	Yes	-
Malawi	Yes	Yes	Yes	-
Sierra Leone	Yes	Yes	Yes	-
Tanzania	Yes	Yes	Yes	-
Uganda	Yes	Yes	Yes	-
Zambia	Yes	Yes	Yes	-
The Gambia	Yes	Yes	-	-
Swaziland	Yes	Yes	-	-

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Seychelles   Yes

2.3.2   District Assemblies Non-Tax Revenue (NTR)

The Assembly generates NTR from many sources including revenues generated by rendering

services and providing goods to the general public. NTRs are revenues other than tax revenue

generated through

1. The operation of law (for example, property rates, penalties, licences etc.)

2. Services and/or goods provided by the assembly (school fees, hospital fees, and proceeds from

sale of authorised items) MMDA Manual 2010):

The Assembly was permitted by an Act of Parliament to retain and utilize a percentage of their

NTR. The proportion of NTR retained by the Assembly was what was referred to as Internally

Generated Fund (IGF).

Revenue collection from internal sources is important for a number of reasons. In the first place,

IGFs reduce pressure on Central Government and reliance on donations. It also sustains service

delivery and autonomy of Local Government and lastly, it is used for regulating business

establishment in Assemblies and the development of agro-industry and job formation is of

paramount importance.

2.4   Existing Approaches to Revenue Administration

Inherent in Talcot's definition of decentralization are certain basic structural and functional

characteristics of a decentralized system of government is often used to improve on the

efficiency of government machinery to achieve spatial equity and ensure transfer of societal

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power to the disadvantaged segment of the population. Talcot (1983), defines decentralization to mean the sharing of part of the governmental power by a central ruling group with other groups, each having authority within a specific existence of formal political structures, each covering a well as by normative rules which are accepted by the centre defined central rulers. The local share of allocating power is protected by formal as government. These are;

- It should have attributes of geographical identity over which local decision making can be made;
- It should have separate legal existence;
- It should have local planning and financial autonomy;
- It should have political representation;
- It should perform service delivery functions; and
- It should have access to central and local government resources

It is explicit from these characteristics that, the concept of decentralization is not just devolution of administrative machinery, but that any system of decentralized government should have depository powers with adequate financial autonomy. As Schroeder (1986) noticed, without financial resource mobilization powers of their own, decentralized governments will find themselves in a position of being required to provide higher level of services without the power to finance such spending.

In Ghana, the features of system of government is one of "mixed" or "fused" typed of decentralized authority- a system in which institutions extending from the central government (like the District Chief Executive) and (deconcentrated departments and organizations) and locally based institutions (like the District Assemblies (DAs) are linked into one organizational structure at the local level. The system is designed ultimately to abolish the distinction between

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"local government" and central government field agencies. This, it is hoped, would improve efficiency and effectiveness of administration through the transfer of both human and material resources to the rural areas (Ayee, 1994; 1996).

Development' means different things to different people. Mosse (1993) illustrates the kind of large-scale, export-led economic development favoured by rich southern elites, foreign investors and intergovernmental agencies such as the World Bank.

According to Seers (1969), development models that rely on the idea of wealth "trickling down" to the poor have been widely discredited, yet they are still pervasive. In many countries economic development policies that have favoured powerful interests as engines of wealth creation have not yielded benefits to the poor majority. Instead, they have resulted rapid short-run economic gain for a few individuals, at the expense of wider social justice and long-term environmental security.

2.5   The Level of Financial Capacity of Local Governments

Kasunga (2001) asserts that, much of Africa's development strategies have concentrated upon export-led growth to the exclusion of food security and incomes for the poorest people. That, disparities in wealth have increased as the poor have become poorer. For instance, in Sudan, the average per capital income in 1991 was 25 per cent lower than in1984.

Decentralizing administrative machinery in Ghana has always been a standing requirement but attempts to implement it have often been stymied. At various times in the country's history, Commissions and Committees came out with reports recommending for devolution of central administration authority to the regional, district and local levels. Among these Commissions and Committees of Enquiry were:

- The Watson Commission (1948)

- The Coussey Committee (1949)

- Sir Sydney Philipson Commission (1951)

- The Greenwood Commission (1957)

- The Regional Constitutional Commission (1958)

- The Siriboe Commission (1967)

- The Mills Odoi Commission (1969)

The Watson Commission was formed after the 1948 riots. One of the causes of the riots was a revolt against payment of poll tax which had been introduced to enable the Native Authorities raise revenues for their operations.

The Commission after carefully studying the causes of the riots, among other things recommended that the Native Authority should be replaced by a democratically elected Council. The reason was that the Native Authorities were crippled financially due to the unwillingness of people to pay the poll tax and that they were staffed with incompetent administrative personnel.

As an addition to these recommendations, Coussey Committee which was formed later (1949) concluded that, geographical size, financial resource base as well as population should be the basis upon which local councils were to be formed. These recommendations meant that the viability of the Local Councils should be geographical size and population.

The Coussey Committee's recommendations formed part of the Local Government Ordinance of 1951. Under this Act, four Municipal Councils, twenty-six District Councils and two hundred and sixty-two Local and Urban Councils were formed in the country. It was observed during this period, that most of the Local Councils were very small both in terms of physical and population size. Most of them had limited financial resources due to their geographical position.

The Councils could not pay their staff; neither could they provide essential services for which they were formed. The non-viability of the Local Councils coupled with inefficiency saw the appointment of Greenwood Commission in *1957*. After studying the system, the Commission came out with recommendations proposed to make the Local Councils more viable by reducing administrative cost, ensuring adequate financial resources and a population threshold necessary for efficient and economic implementation of major projects.

The recommendations of the Commission led to the enactment of 1961 Local Government Act which led to the amalgamation of the smaller units Local Councils from 262 to 139.

The amalgamation of Local Councils led to the formation of large Councils which became remote from the people. This made the people to loose confidence in the local government and thus desisted from paying their taxes. This jeopardized the efficiency of the Local Councils.

The failure of the Local Councils to make any impact in their areas of jurisdiction led to the formation of Siriboe and later Mills Odoi Commissions. The Siriboe Commission observed that, the local governments were fraught with financial irregularities, incompetence, nepotism and waste. The Commission advocated for a three tier government administering units (Regional Council, District Council, and Area, Town and Local Councils) with the district as the basic local government unit.

The recommendations of Siriboe and Mills Odoi Commissions were adopted as Article *156* to 161 of the 1969 Constitution which was later enacted by Parliament during the Second Republic (Local Government Act of 1971).

Soon after the Local Administration Act of 1971 was enacted, it was observed that the roles of Local Government Agencies in the performance of certain functions were not fully taken care of, and that, scarcity of technical staff and inadequate financial resources were likely to

constrain the local governments. This gave birth to an amendment in 1972 (NRCD *258).* The amended act brought into existence sixty-four District Councils to coincide with administrative boundaries.

The District Councils could not perform the functions assigned to them. According to Audit Report in 1976, less than *5* per cent of local government budget estimates went into capital projects.

This led to poor capital formation at the local levels and people lost trust in the district councils. After launching a revolution in 1981, the Provincial National Defence Council (PNDC) government sought to democratize state power and advance participatory democracy and collective decision-making at the grassroots. Against this background, the government promulgated a local government law (PNDCL 207), demarcated and gazetted one hundred and ten political administrative districts to replace the existing sixty-five districts. Democratic elections were organised in December, 1988 and January, 1989 to elect District Assembly members.

The District Assemblies which are made up of 70 per cent elected members and 30 per cent government appointees are charged with the responsibilities of preparing timely and comprehensive development plans and budget estimates for the overall development of the districts. They are also responsible for the formulation of programmes and strategies for the effective mobilization and utilization of the human, physical; financial and other resources in the districts.

Concerning financial autonomy, sections *57* (2) and 59 of the law provide financial base for the District Assemblies. These include:

- Charging of fees for any service or facility provided or license or permit issued by or on behalf of the Assembly.

- Levying general and specific rates to provide for that part of the total estimated expenditure to be incurred.

- Investing in Ghana Government Treasury Bills or any other investment as may be approved by the Assembly.

- Entertainment Duty (under Entertainment Duty Act of 1962 (Act 180).

- Casino revenue (casino revenue tax decree of *1973)* and betting tax.

- Income tax (registration of trade, business and profession).

- Rates and levy (crop levy).

- Fees (market tolls, lorry parks, conservancy, abattoir use, kiosks, chop bars, corn mills among others).

- Licences (dogs, hawkers, extension of hours of hotels).

- Miscellaneous (fines, toilet receipts, toll lands revenue).

2.6   Fiscal Decentralization and Development

One of the recent approvals of solving the problems of local under-development in Africa is the decentralization of administrative and decision-making powers to lower level institutions specifically in the planning, implementation and management of public facilities. Decentralization as a development strategy is the transfer of responsibility for planning, management, resource mobilization and allocation from the central government to sub-national agencies (Rondivelli & Cheema, 1983). It takes different forms such as deconcentration, delegation, privatization and devolution, depending on the degree of responsibility for and discretion in decision-making transferred by the central government to the decentralized units.

Deconcentration is the redistribution of responsibilities to the sub-national representatives or field agencies of the central government. Delegation refers to the transfer of planning and management functions in respect of specific tasks to semi-autonomous management functions which are usually located outside the normal structure of government. Privatization includes the transfer of some public functions to voluntary agencies, non-governmental organizations and the private sector. On the other hand, decentralization by devolution is the creation of autonomous and independent local government institutions on which the central government has little control and which are established by law and has the power to raise and spend funds. Devolution is the most favoured form of decentralization in the literature because it gives power to the local citizens to decide on their affairs (Maetz & Quieti, 1987).

It is generally expected that decentralization will facilitate local economic and social development through improved allocation and management of resources at the local level. This is because the task of development involves the mobilization of the entire national resources, which cannot be tackled alone by the central government. Secondly, locally felt needs could be better identified by the local authorities who could also plan more effectively for the realization of these needs and preferences. Also, central programmes and projects designed for local development face the risk of failure of implementation or rejection at the community level. Thus decentralization would ensure better identification of local needs and priorities, efficient mobilization of human and material resources and would also improve the chances of successful programme implementation at the local level through community acceptance, participation and ownership (Rondinelli & Cheema, 1983).

2.7   Financial Analysis of District Assemblies in Ghana

The weak financial position of the DAs as against their extensive responsibilities has been recognized by several writers. The government's response to the financial inadequacies has been essentially two-fold. The first is the device of "ceded revenue" under which a number of poor yielding taxes such as entertainment duty, casino revenue tax, gambling tax, advertisement tax, income tax payable on registration of trade, business, professional or vocation, daily transport tax payable by operators of commercial transport and income tax payable by specified categories of self-employed persons in the informal sector has been transferred to the DAs.

Funds generated from the ceded revenue were centrally collected by the Internal Revenue Service and the total collected for a year was transferred to the Ministry of Local Government. This notwithstanding, the ceded revenue approach did not improve the capacity of the DAs to perform functions assigned to them. The DAs still looked up to the central government to provide grants for their development projects, which were not forthcoming. Furthermore, the DAs had only limited success in increasing revenues from rates and other forms of local taxation for a number of reasons.

First, most DAs are located in poor areas, which limited the total amount of mobilized resources. Second, even if resources were available to be mobilized, elected DA members naturally hesitated to impose fresh taxes on their constituents since they made the representatives unpopular. They were particularly reluctant because most of the resources which might be tapped are in the hands of local elite from which most DA members depend on election time (Crook, 1994). Thus, efforts to mobilize local resources often amount to attempts to persuade local elite to tax themselves. Or they bring elected DA members into bitter conflict with their electorates.

Third, the long history of the failure of local government in Ghana and the misuse of locally mobilized resources has made tax payers cynical about what the DAs may do with local contributions or tax revenue. They are therefore generally unwilling to pay taxes.

Fourth, the scope of functions allocated to the DAs in relation to their size and resources almost guarantee that large numbers of the electorate would be disappointed. Even if the DAs have made a better job with revenue collected, it is impossible that every community in the 110 districts could have its demands for large-scale infrastructural and social development be met (Ayee, 1995, 1996; Crook, 1994).

The second approach at revenue transfer to the sub-national units to execute development projects is the District Assemblies Common Fund (DACF) under which the 1992 Constitution directs that not less than 5 percent (now amended to 7.5 per cent) of the total revenue of the country shall be shared among the DAs on the basis of the formula approved by Parliament annually. The formula for 1999 is based on four factors. They are:

- The needs factor (that seeks to redress the imbalance in the various levels of development among the districts) — *35%*.

- The equalizing factor (that seeks to ensure that each district, irrespective of size, natural endowment and population is given an equal specified minimum for development) — 35%.

- The responsive factor (which motivates the DAs to mobilize more resources locally for their development instead of relying solely on the DACF) — 20%; and

- The service pressure factor (which is determined by population density and special reports on districts by the Ministry of Local Government) — 10%. These factors

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aresubject to controversy because of the unreliable statistical data used in their calculation by the

Administrator of the District Assemblies Common Fund.

In addition to the above, 10% of the total allocation has been set aside as Reserved Fund

(formerly called contingency). One half of the Reserved Fund is allocated to the 230 Members of

Parliament (MPs) for the development of their constituencies.

The 1994, 1995, 1996 and 1997 disbursements from the DACF show that they exceeded

revenues generated locally by the DAs. In 1994, US$ 19 million, representing 19.6% of the

Central Government's total domestic development budget for the year. In *1995, 1996* and 1997,

US$28 million, US$41 million and US$45 million representing *28.5%*, 25.5% and 26.7%

respectively of the total domestic development budget was transferred (Ayee, 1995,1997).

That the DACF has tremendous impact on the operation of the DAs cannot be denied. Indeed

receipts from the DACF enabled the DAs to start and complete new development projects as

well as refurbish old ones. In fact, projects some of them abandoned over twenty years ago, were

completed in one year (Ahwoi, 1994).

Nevertheless, from the point of view of central-local relation, the DACF has been

operationalised in such a way that it has increased control, not reduced it, as it was conceived to

do. Section 9 of the DACF Act (Act 455) of 1993, authorizes the Ministry of Finance and

Economic Planning, in consultation with the Ministry of Local Government and Rural

Development to determine the category of expenditure of the approved budget of a DA that must

be met out of the DACF. According to Nsarkoh (1994), this directive has been seen by the DAs

as under-mining their autonomy.

The government, however, has explained that the directive is not meant to control the DAs, but rather to serve as an interim measure designed to manage the interface between the period of centralized project and the decentralized one.

2.8   Challenges of Local Revenue Mobilization

Revenue mobilization and its management constitute one of the major areas of concern of local Government administration in Ghana. The limited resources available to the local authorities (Metropolitan, Municipal and District Assemblies) in the face of numerous development functions require judicious use of resources and stablemen of control mechanism to avoid waste of funds.

Nsakor (1964), points out that local authorities need money to pay for the services that they are legally required to provide and also for services which they themselves plan to implement. The fundamental problem that faces local authorities all over the world is how to provide this funds to meet the cost of these services without imposing high financial burden on the citizens, and without becoming too dependent upon central government grants and thereby losing too much of their freedom of choice in planning the budget and the way they execute their plans.

Jackson (1959) in his work postulated that one of the most difficult problems that any government faces is taxation. He further observed that there are no ways of raising revenue by way of taxes that are not open to objection. It was noted, however, that there are a number of authorities that are local and could be taxed for local government revenue without running into any technical problem. Mc. Cluskey and Franzsen (2005) and the enforcement of user fees has resulted in widespread resistance to pay from the poorer segments of the urban population in some countries (Fjeldstad, 2004; Fjeldstad *et al* 2005). Moreover, complex business licensing systems have proved to be major impediments for the start-up and expansion of especially micro

and small enterprises (Devas and Kelly 2001; Sander 2003; Pimhidzai and Fox 2011). However, experiences from other regions shows that when well administered, these revenue instruments can provide substantial and reliable revenues for urban municipalities.

Hume and Martin (1961), state that the competence or authority to undertake functions is generally useless unless the local units or authorities have the financial power or means to undertake the task since without funds the local authorities cannot pay for the labour, machinery or the materials with which to carry out the local activities.

Professor Meyer quoted by Hume and Martin (1961) further state that: Of course the backbone of local Government is financial autonomy, as soon as local Government have to live on income derived primarily from the Central Governments, the future of local Government does not seem bright. F. Greenwood, 1956 Permanent *Secretary* of the Ministry of local Government Leaded a Commission that was tasked to look into the structure of local Government in the Gold Coast the mode of financial, methods of expenditure control, methods of revenue collection, and the prospects of raising the level of rates and imposing other forms of taxation.

The Commission's Report contained two major recommendations:

a. That local government should continue to be democratic in form and should perform as wide as range of functions as lies within its capacity.

b. That local government must finance its services as far as possible out of resources at its own disposal and that undue dependence on the central government should be avoided.

Zanu (1990), in indicating the political perspective under which financial matters of the local authorities must be viewed noted:—"If local authorities lack financial resources to back the implementation of their projects and programmes to meet demands of their people they will soon become weak and unable to exercise the people's power entrusted to them". In reviewing the

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factors that compared revenue generating by local authorities, the observation was made that "some of these problems require local, bold and innovative actions by the local authorities themselves". The two most important criteria for determine the financial states of a local unit as indicated, are its total income and the extent to which this income is dependent on the central government grants and contributions factors that would seem to militate against decentralization and local governance.

2.9 Summary of Literature Review

From the literature review many issues have been identified as contributing significantly to the poor revenue base of sub-national in most developing countries including Ghana. This situation has made it difficult for the local authorities to live up to the expectation of the people.

From the review, it is observed that over the years, Ghana has sought on several occasions to evolve an appropriate planning system with varying levels of success. After a long period of reversal tendencies and building from the past mistakes, various governments the country has had, seek to lay a solid foundation for decentralization of local government.

However, in view of the fact that the country has been characterized by an over-centralized economic and administrative system and with decentralized development in view, the decentralized administration should have regulatory and legislative component as well as re-allocation of decision making authority and responsibility to lower level units such as the District Assemblies, Urban, Town and Area Councils and Unit Committees.

- Are all the decentralized sources of revenue administratively cost effective?

- Can local governments exploit these revenue sources without imposing heavy burden on rate payers?

To address these questions, this study is conducted to assess the role of effective revenue administration on local development, using the Nkoranza Municipal as a case study. Since these variables are interrelated and are essential in ensuring financial competence of the decentralized government, any act that seeks to make local government viable should incorporate them. The government in a braid to making the local units financially sound, has identified and decentralized more than fifty (50) different revenue sources for the local units to exploit and has identified 178 local governme5 as viable units for operation.

In addition, the administrative structures have been restructured to ensure efficiency and accountability. Despite these bold attempts, there are certain questions that need to be carefully looked at.

CHAPTER THREE

METHODOLOGY

3.1   Introduction

This chapter deals with the research procedures used in the collection of field data for the study. This includes the background of the study area, sources of data, study population, sample size, sampling procedures, the data collection and analysis.

3.2   Research Design

The study combined both qualitative and quantitative techniques. The researcher employed more than a single type of research design. In the first place, the researcher used a case study design to restrict the study to the Nkoranza South Municipal Assembly. The differences in attributes measured in various sub-municipal areas make the study also cross-sectional in nature. The reason behind this is to make the study as representative as possible and also make it feasible for generalization. Also, a longitudinal study design was used in the study because the data was collected to cover a period not less than five years. A combination of data collection methods were adopted for the study.

3.3   Population

The study population is made up of all the revenue staff, assembly members, presiding member and potential tax payers within the Nkoranza South Municipal Assembly. The breakdown is given in Table 3.1. There are a lot of departments and stakeholders in the assembly but these chosen category have more to do with the topic than any other group of persons.

Table 3.1 Population for the study

STAFF	NUMBER
Rate Payers	800
Revenue Staff	65
Head of Departments	35
The Presiding Member	1
Assembly Members	34
TOTAL	935

3.4   Sampling

Stratified sampling method was used as the seven (7) sub-districts (Zonal Councils) in the

municipality were used for the study. These Zonal Councils included; Nkoranza, Donkro

Nkwanta, Akumsa-domase, Ayerede, Akuma, Bonsu and Nkwabeng. Furthermore, three (3)

communities in each Zonal Council were selected by simple random sampling. In each of the

selected communities, the simple random sampling method was employed to select the rate

payers and the revenue collectors.

Within each of the selected communities, the simple random sampling method was employed to

select the revenue collectors. Quota sampling technique was adopted to select the respondents

because there were variations in the size of the selected areas and that the larger the community

the more the respondents selected.

Purposive sampling method was used to select the heads of departments of the Municipal

Assembly for the administration of the questionnaire. The heads of departments included the

Municipal Coordinating Director, the Municipal Finance Officer (MFO), the Municipal Budget Analyst, the Municipal Planning Officer, the Municipal Works Engineer, the Internal Auditor, the Local Government Inspector as well as the overall Revenue Superintendent. Furthermore, the Presiding Member of the Assembly and the chairpersons of the Finance and Administration and Development Planning sub-committees were also given questionnaires. Out of the remaining 45 Assembly members, 34 were chosen by simple random sampling.

Table 3.2 Sampled respondents

STAFF	NUMBER
Rate Payers	80
Revenue Staff	35
Head of Departments	25
The Presiding Member	1
Assembly Members	34
TOTAL	175

3.5 Sources of Data

Data was collected from primary and secondary sources

3.5.1 Primary Data

Primary data was obtained from field studies within the Nkoranza South Municipal assembly. The data was collected using instruments such as questionnaires and observation. A total of 175 questionnaires were administered to the selected respondents which can be found in table 3.2. The breakdown of the respondents who returned their questionnaires could be found in chapter four.

3.5.2 *Secondary Data*

Secondary data was obtained from published studies, reports and seminar papers on the subject matter from the Institute of Local Government Studies, Ghana Institute of Management and Public Administration, Kwame Nkrumah University of Science and Technology, Universities of Cape Coast, University of Ghana, and data from Nkoranza South mnicipal Assembly where location of infrastructural facilities, sources of revenue and expenditure, rate-payers register and monthly Trial Balances from 2008 to 2012 was obtained. Other secondary data used for the research involved both published and unpublished materials of the Municipal Assembly as well as other available literature relating to the problem. They include:

- The annual estimates of the Assembly
- Assembly's minutes and sub-committees Reports
- Sectional Addresses by the District Chief Executive of the Assembly
- Local Government Digests
- Act of Parliament relating to the problem
- The 4th Republican constitution of Ghana
- Other relevant materials.

3.6   Methods of Data Analysis

The result from the study was duly analyzed from carefully worded questionnaires. The Statistical Product and Service Solutions (SPSS) software was used to analyze the data. The data was organized in frequency distributions and charts for thorough analysis and discussion. Certain variables were also cross-tabulated for analysis and discussion. The results were analyzed in line with already existing literature on the subject matter to ascertain the true situation pertaining to assembly.

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3.7   Organizational Profile

3.7.1   Location

Nkoranza South Municipal is one of the twenty seven (27) administrative Districts in the Brong-Ahafo Region of Ghana. It is located in the middle portion of the Brong-Ahafo Region. It has about 115 settlements which are mostly rural. It shares boundaries with Nkoranza-North District to the North, Techiman Municipality to the West, both in the Brong Ahafo Region and Offinso-North to the South and Ejura Sekyeredumase (also in Ashanti Region) to the South and South-east.

3.2.2   Geological and Hydro-geological Condition

Nkoranza South Municipal geology is of the Voltain formations which consist of quartzite, shale, mudstones, sandstones and conglomerate or pebbly beds. Although there are areas of uniform lithology, inter-bedding of the different geological units is a common feature of the basing.

The shales and mudstones of the mudstone of the Obosum bed are essentially impermeable with very low groundwater potential is low, some boreholes drilled in the Voltain areas have yielded up to 600, 1/min and above. Groundwater storage is expected to occur mainly as a result of jointing, and at a mean depth of about 70m. The mean death of weathering is about 10m.

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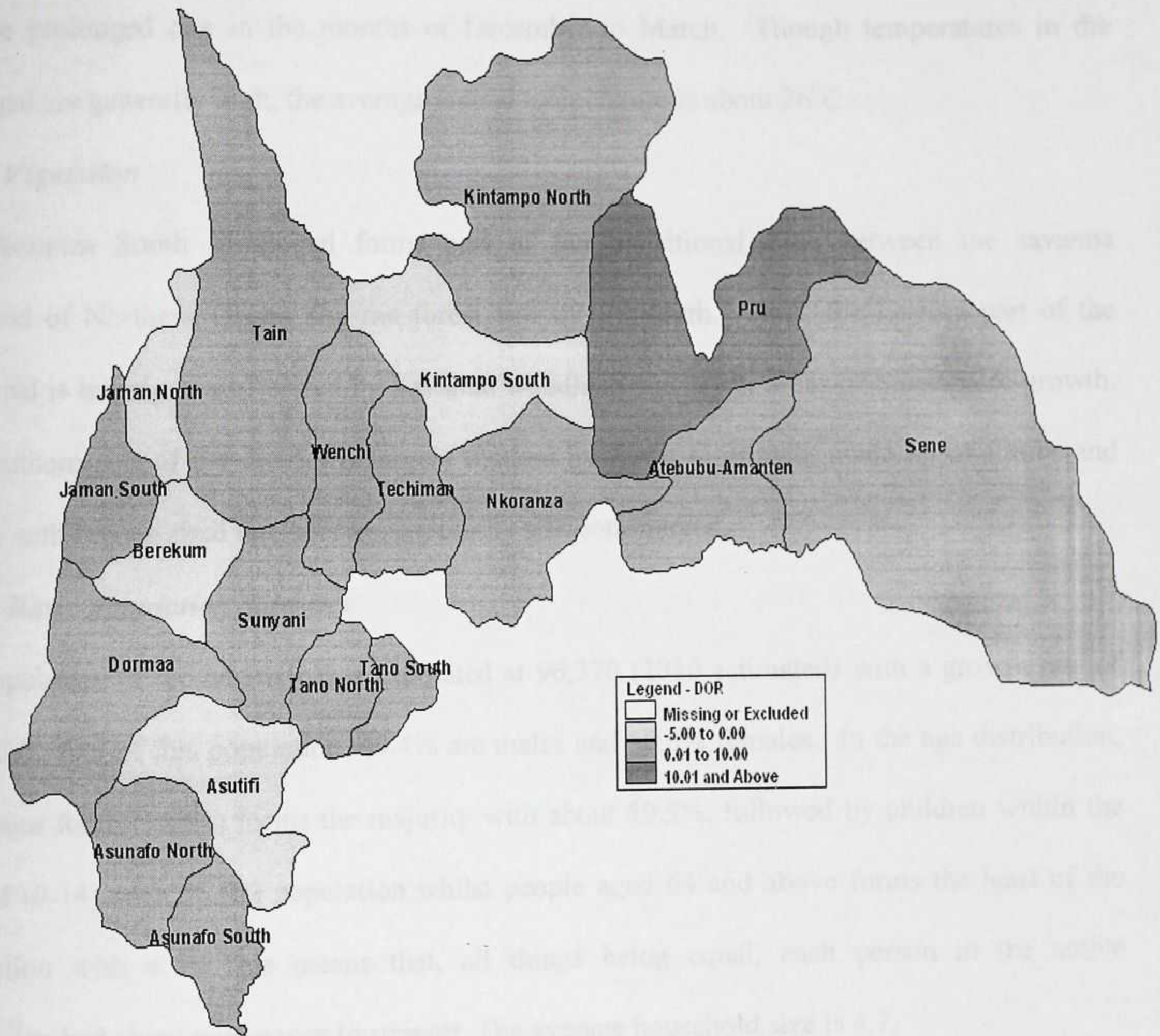
3.7.3 Relief and Drainage

Generally, low lying and rising gradually from 153m to 305 above sea level. The Municipal is well drained by several streams and rivers, notable among them are Pru, Fiano, and Afuofu. Most of the rivers and streams take their sources from the North-Eastern portion of the Muicipal, flowing South and Northwestwards.

3.7.4 Climate

The municipalities within the wet semi-equatorial region, having a mean annual rainfall level ranging between 800–1,200mm. It has its major rainy season from March to June, experiencing her minor rains in September to November. The month of August experiences a short dry season,

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with the prolonged one in the months of December to March. Though temperatures in the Municipal are generally high, the average annual temperature is about 26^0C.

3.7.5 Vegetation

The Nkoranza South Municipal forms part of the transitional zone between the savanna woodland of Northern Ghana and the forest belt of the South. Thus, the Eastern part of the Municipal is largely characterized by Savanna woodland and fewer areas of Savanna re-growth. The Southern part of the district is largely marked by forest re-growth, made up of shrubs and grasses with few original tree species, especially silk cotton trees.

3.7.6 Basic Population Statistics

The population of the Municipal is estimated at 96,370 (2010 estimated) with a growth rate of about 3.6. Out of this population, 49.4% are males and 50.6% females. In the age distribution, the labour force (15-64) forms the majority with about 59.5%, followed by children within the ages of (0-14) with 36.0% population whilst people aged 64 and above forms the least of the population with 4.5%.This means that, all things being equal, each person in the active population had about one person to support. The average household size is 4.7.

It looks like the dependency ratio is favorable, but high unemployment and low income levels negate the benefits. This puts demands on the Municipality to create more jobs for the active group and provision of educational infrastructure for the increasing number of the youth. The population also has immense growth potential to grow into the aged dependency group, thereby increasing its dependency population.

3.7.7 Economic Activities/Occupational Distribution

Nkoranza South Municipal economy is predominantly agriculture. The sector accounts for about 64.4% of the active labour force, followed by commerce (16.3%), Service (11.1%) and Industry

(7.2%). The type of agriculture is mainly subsistence resulting in low income levels of the people. The rural nature of the district coupled with limited employment opportunities explains why the occupational distribution is skewed to agriculture.

3.7.8 *Poverty Status*

Deducing from the above data, it can be noticed that, each household will have a large family to feed leading to a low standard of living because the greater part of incomes will go into food, clothing and other basic needs. To add to the above, the 64.4% population in subsistence agriculture suggests that, the poverty level is potentially high in the Municipal. This situation of low income levels has serious implications for the people's ability to contribute towards financing development projects such as water and sanitation investments, operation and maintenance.

3.7.9 *Water Facilities*

Nkoranza, Donkro-Nkwanta and Akumsa Domase are benefiting from a small town water project. In all, there are about 86 boreholes and few hand-dug wells. Other sources of water in the district include dams, streams, ponds, rivers among others.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1   Introduction

This chapter deals with data presentation an analysis. It provides an indeth analysis of both primary and secondary data collectecd.

It also provides tables indicating percentages of respondents and finings.

4.2.0   Demographic Description of Respondents

There were 175 respondents sampled for the study but 115 questionnaires were returned representing a response rate of 65.7%. The findings as contained in this study are the views of 115 respondents who answered question relating to their fields of operation as well as secondary data obtained from the office of the Nkoranza south municipal Assembly.

4.2.1   Socio-demographic Distribution of Respondents

The breakdown for the questionnaires returned are 50 rate payers, 25 revenue staff, 16 Head of Departments and 15 Assembly Members of the Municipal Assembly including the Presiding Member (PM). Table 4.1 shows the distribution of respondents. The table indicates that as many as 50 (or 43%) of the respondents were rate payers.It should be noted that the rate payers consisted of the various categories of artisans, traders, property owners and host of others.

Table: 4.1 Frequency Distribution of Respondents

Category of respondents	Frequency	Percentage (%)
Head of Departments	25	22
Revenue Staff	25	22
Rate Payers	50	43
Assembly Members	15	13
TOTAL	**115**	**100**

Source: Field survey, 2013

4.2.2 Distribution of Respondents by Sex

Table 4.2 below shows the distribution of respondents by sex. It indicates that the respondents were made up of 58 males and 57 females.

Table 4.2: Distribution of Respondents by Sex

Sex	Frequency	Percentage (%)
Male	58	50.4
Female	57	49.6
Total	115	100

Source: Field survey, 2013

4.2.3 Age Distribution of Respondents

The age distribution of respondents showed that those aged between 40 and 49 made the highest contribution (49.6%) into this research work. This was followed by those aged between 50-59 years representing 23.5% of the respondents. A careful study of the age distribution shows that those aged between 20 years and 59 years constitute about 94.8% of the respondents. This is the economically active group, which contributes significantly to the development programmes of

the Municipal Assembly. The mean age of the respondents is 44 years, which indicated that very active respondents were used in the study.

Table 4.3 Distribution of Respondents by Age

Age	Frequency	Percentage (%)
20 – 29 years	6	5.2
30 – 39 years	19	16.5
40 – 49 years	57	49.6
50 – 59 years	27	23.5
60 + years	6	5.2
TOTAL	**115**	**100**

Source: Field survey, 2013

4.2.4 Marital Status of Respondents

The marital status of respondents is indicated in Table 4.4 below. Over half of the respondents (67.8%) can be described as very responsible respondents and their views should be respected as such. The remaining 12.2%, 11.3% and 8.7% were single, widowed and divorced respectively.

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Table 4.4 Marital Status of Respondents

Marital status	Frequency	Percentage (%)
Married	78	67.8
Single	14	12.2
Widowed	13	11.3
Divorced	10	8.7
TOTAL	115	100

Source: Field survey, 2013

4.2.5 Educational Level of Respondents

The Educational level of Respondents is indicated in the Table 4.5 below. The table below indicates that the highest number of respondents i.e. 56 (48.7%) were those with SSS/Technical/Training College (Secondary Education) whiles Postgraduate being the least with 6 (5.2%).

Table 4.5 Educational level of Respondents

Educational level	Frequency	Percentage (%)
None	9	7.8
Primary/JSS/MSLC	18	15.7
SSS/Technical/Training College	56	48.7
University/Polytechnic	26	22.6
Postgraduate	6	5.2
TOTAL	115	100

Source: Field survey, 2013

4.3   Sources of local government revenue

The nature of this objective was such that only the revenue staff, heads of department and Assemblymen who were involved in the running of the municipality on local government issues were involved in this analysis. It was indicated by 81.5% of the respondents that the common fund was a major source of local government revenue. This was followed by fees (70.7%), rates (69.2%), levies (49.2%) and other sources like fines, donations (43.1%). The result is not too

different from what is found in the literature on the topic. The main sources of revenue mobilization in the municipality are rates, market fee, lorry park fee, bill board, stores, property rates and district assembly common fund. The findings of the study confirm the assertion of Aryee (1990).

According to Darison (2011), among the sources of revenue generation, the major contributor to the district assembly is the grant from central government which constitutes 67.2% of the total revenue even though a minimum of 5% of national revenue is granted to the local government. The above assertion by Darison shows that the availability of the common fund to the district or municipal assembly plays a pivotal role in the generation of revenue at the local government level.

The main sources of revenue mobilization in the municipality are market fee, lorry park fee, bill board, stores, property rates and district assembly common fund. Darison, (2011) disclosed that 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. The findings of the study confirmed Darison's results. Acording to Mikesell (2002), property rate is a major source of revenue in many urban types of council. Bird and Slack, 2002 cited in Darison, 2011 emphasized that in the 1990s, property taxes accounted for 40 percent of all sub-national taxes in developing countries but less in several countries due to outmoded collection methods (Fjeldstad & Semboja, 2000).

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Table 4.7 Sources of Local government revenue

Source of revenue	Frequency	Percent (%)
Common fund	53	81.5
Fees	46	70.7
Rates	45	69.2
Levies	32	49.2
Others	28	43.1

Source: Field survey, 2013

4.4 Revenue Targets and Actuals from 2008 – 2012

It could be seen from Table 4.8 that revenue targets were not met within the five years being studied. The highest targets realized was in 2012 where 69.2% of revenue targets were met. The trend is an undulating trend characterized by rise and falls in revenue targets. The worst situation was in 2009 which recorded an abysmal 43.6% of revenue targets realized. A careful examination of the local financial resource base of the Assembly portrays the inability of the Assembly to successfully generate revenue to meet its target.

Annual audit report (2008-2012) reveals the following as the cause of the assembly's inability to mobilize adequate revenue; improper data on revenue, especially on property rate; lack of supervision and control of revenue collectors, poor mobilization strategies; poor and irregular valuation of property; corrupt practices and tax evasion and avoidance. The resultant effect of this state of affairs is the inability of the assembly to meet the demands and expectations of the people by providing services and facilities needed to make their life comfortable. The abysmal performance of the study area in revenue generation and mobilization is only a representation of what pertains in many other districts throughout the nation. This is in consonance with the views

of Aryee 1990 and 1996 which indicated most district assembly's inability to realize revenue targets thus plunging them into serious financial distress and uncompleted capital projects and impoverishment.

Table 4.8 Revenue Targets and Actuals from 2008 – 2012

Year	Revenue projection (GH¢)	Revenue collected (GH¢)	Percentage achieved (%)
2008	130,136.36	75,779.44	66.7
2009	209,634.00	91,447.19	43.6
2010	241,308.00	148,779.05	61.6
2011	334,558.56	202,097.78	60.41
2012	344,523.00	238,422.98	69.20

Source: Annual financial statement of the Assembly from 2008 – 2012

4.5 Challenges Confronting Revenue Mobilization and Administration

The Assembly, from 2008 – 2012 was able to realize only 53% of its estimated revenue underlying the inability of the Assembly to mobilize more revenue as indicated earlier.

Lack of accurate and reliable database in the Assembly impacted negatively on the ability of the Assembly to generate more revenue as indicated in Table 4.9.

The revenue staff, who are mainly the implementing agents have little education, low motivation and are not given in-service training. This affects their output. The tax and rate payers believe that the surest way to improve revenue generation is for the Assembly to promptly address their

development needs. In the absence of this, the rate payers think it is unjustified for the Assembly to impose rates and levies on them.

Payment system that leads to leakages could possibly lead to the diversion of funds for private use.

Community aspirations are not reflected in the operational budget of the Assembly.

The number and quality of personnel involved in the revenue collection also affected revenue mobilization in the district as indicated in table 4.7 below. The study revealed that only Two (2) Senior Revenue Officers had Secondary Education and Seven (7) Junior Officers whose highest academic qualification was up to basic education level.

The delay in the involvement of the lower sub-structures in revenue mobilization was another contributory factor which led to the low revenue mobilization over the period under study. The non-existence of a reliable data contributed to the low revenue mobilization. Table 4.9 gives a further illustration of the challenges.

Inadequate Public Education for Tax Payers

The investigation revealed that insufficient public education on rate payment is a factor that accounts for the inability of the Assembly to improve its revenue generation in order to meet its revenue targets. Seventy Three (73) of the one Hundred and fifteen (115) respondents representing 63% have attested to this.

Lack of Accurate and Current Data

Lack of accurate and current data to support budgetary projections is another factor contributing to low revenue in the Municipality. This greatly affects the execution of development projects in the Municipality. This can be observed from the outcome of the research where 59% of the respondents confirmed the assertion.

Capacity of Personnel Engaged in Revenue Collection

One set back to effective revenue mobilization is the capacity of personnel engaged in revenue mobilization. The study revealed that most of the revenue staff were unable to record their daily revenue collection as the log book given to them to record their daily receipts were not done. They are unable to plan and strategies their revenue collection. The result is not different from the findings of Hume and Martin (1961). The writers argued that most revenue collectors lack the capacity to collect local revenue. According to Fjeldstad and Semboja (2000) most local government revenue mobilization challenges have emanated from the unqualified nature of revenue collectors. These activities of the revenue collectors adversely affect the progress of local assemblies in Ghana. This affects the municipal assembly's capacity and accountability. The inability of the Assembly to develop a comprehensive training programme for the revenue staff has led to the continuous low revenue mobilization of the Municipal Assembly. This can be realized from the fact that 72 of the respondents representing 63% attested to this assertion.

Poor Supervision

Supervision was identified by 56% of the respondents as a major factor that is capable of influencing the generation of revenue negatively or positively. Reasons advanced for lack of effective supervision are as follows;

Supervisors are not well equipped with adequate and relevant data to enhance their effectiveness in supervision. The Municipal Finance Officer (MFO) who said that, the number and type of residential and commercial buildings, number of businesses and other revenue generating points in the district are not known thus making supervision difficult.

Another problem that leads to inefficient supervision of local revenue generation is the lack of logistics. There are no vehicles or motorbikes to enable supervisors go round to supervise revenue collectors on the field.

The Municipal Assembly lack Local Government Inspector whose responsibility is to supervise the revenue collectors. This has contributed to the weak supervision of revenue collectors leading to diversion and under accounting of revenue collected.

There is also the problem of indiscipline on the part of both revenue collectors and supervisors who are mostly natives of the Municipality. The revenue collectors and supervisors tend to favour rate payers who might be relatives and friends. The end result is low revenue mobilization in the Municipality. Some local 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 as reported by Devas and Kelly (2001).

Inadequate Supply of Logistics and Low Motivation for Revenue Staff

The research revealed that the Assembly has not been able to provide enough logistics as well as motivation to encourage revenue staff to give up their best. As at the time of collecting the data, it was realized that the revenue collectors who were mostly commission collectors had their four (4) months commission in arrears. This has negatively impacted on the revenue performance of the Assembly. From the analysis, 66 respondents representing 57% have consented to this.

Inability of the Assembly to Prosecute Rate Defaulters

The investigation revealed that the Assembly's inability to prosecute rate defaulters has largely contributed to the low revenue performance of the Municipality. The attempt to prosecute rate defaulters had often met with the interference of politicians, chiefs and opinion leaders. The lack

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of sanctions on rate defaulters does not serve as deterrent to others leading to large number of

rate defaulters.

Table 4.9 Views expressed by respondents on the factors militating against Revenue

Mobilization.

Factors Militating Against Revenue Mobilization	Revenue Staff	Management Staff/Assembly Members	Rate Payers	Total	Percent (%)
Lack of Education for Tax payers	12	29	32	73	63
Lack of Accurate and current data	18	36	14	68	59
Capacity of Revenue Personnel	10	37	25	72	63
Lack of Efficient Supervision	11	24	29	64	56
Lack of Motivation for Revenue Staff	20	30	16	66	57
Inability to Enforce Bye-laws	19	33	26	78	68

Source: Field survey, 2013

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1   Introduction

This chapter deals with the summary of the findings of the study, conclusion and

recommendations. The main objectives of the study were to identify the sources of local

government revenue, study the trend of revenue targets and actuals to determine how effective

the assembly has been in revenue mobilization and to identify the challenges confronting the

mobilization and administration of local revenue.

5.2   Summary of Findings

The analysis of the research revealed the problem of effective revenue mobilization as numerous.

This led to the inadequate provision of social amenities and economics infrastructure in the

Municipality.

The research also revealed the following;

Low education for tax payers,inadequate current and accurate data (Database), inadequate

supervision by revenue supervisors,dishonesty on the part of revenue collectors to declare all

revenue collected, the assembly bye-laws have not yet been gazetted making its full enforcement

extremely difficult.

The research further revealed low motivation and capacity building for revenue staff, frequent

political inference making it difficult to prosecute businessman who default in paying this taxes

and, inadequate logistics for revenue collectors and supervisors.

5.3   Conclusion

The role of local revenue mobilization cannot be under estimated. Yet several if not all Assemblies continue to face difficultly in the collection of local revenue. To worsen the situation is that Ghana Revenue Authority (Customs, Exercise and Preventive Service, the Value Added Tax and the Internal Revenue Service) have taken the softest part of the tax collection leaving the Assembly to struggle in the collection of the rest. Since the various communities require educational and health infrastructure, good roads, electricity and potable water, the Assembly should take every concrete steps to increase their revenue generation in order to provide those facilities.

The main sources of local government revenue are market fee, lorry park fee, bill board, stores, property rates and district assembly common fund. The district assembly common fund is the grant from central government while the remaining sources are locally generated source.

Local government revenue targets are not met. Within the last five years, not even 70% of revenue targets are met at the local government level. This is a situation of ineffectiveness on the part of the assembly as far as revenue mobilization is concerned.

The challenges confronting the mobilization and administration of local revenue are weak organizational capacity of the assembly, lack of adequate logistics and tools such as motorbike. The lack of skilled personnel, ineffective planning by revenue staff who are mainly the implementing agents, low motivation and are not given in-service training as well as weak legal enforcement system to deal with defaulters and perpetrators of revenue losses.

Local revenue mobilization is not well-diversified and the effectiveness of local assemblies leaves much to be desired looking at the challenges that confront the mobilization and

administration of local revenue. In spite of these challenges, local governments should be serious in generating adequate local revenue to improve the general living condition of the people.

5.4   Recommendations

The respondents provided various suggestions and recommendations. Based on the study, the following recommendations were made:

It is recommended to assembly staff most especially chief executives, coordinating directors and finance officers to regularly assess the major activity that brings revenue to their areas of jurisdiction. As much as possible there should be regular assessment of revenue mobilization by the municipal assembly to identify problems to aid in formulation of policies to enhance revenue mobilization.

Local assemblies could insulate themselves from the risk of over-relying on the common fund from central government by diversifying their sources of revenue. The Municipal Assembly should avoid over-dependence on central government grant to be able to execute all operations within its jurisdiction. Careful examination should be carried out to explore other sources of locally generated revenue other than the sources revealed by the study to enhance revenue generation at the local level.

Revenue collectors should be given adequate training in their areas of operations. Possibly, performance-based pay or reward should be instituted to make revenue staff more effective than they have been. The Municipal Assembly should establish effective revenue administration mechanisms. Training and development programmes should be organized to upgrade the workers of revenue mobilization especially tax collectors.

Regular sensitization programmes should be organized for the citizenry on the need to remain committed to regular tax payment. Local assemblies should make proper use of withholding and third-party information, capable of building on these to implement voluntary compliance and self-assessment. The bone of contention with rate paying by the payee is that they continue to be skeptical about the activities carried out by the Assembly. The Assembly should therefore justify the collection of revenue. They should have a public forums to explain to the people what the taxes has been used for (accountability). This brings about transparency and accountability hence boosting the people's confidence in the Assembly.

The Assembly should adopt effective mechanisms to minimize certain unscrupulous behavior of revenue collectors such as siphoning government funds into the private pockets a situation that jeopardizes revenue targets and local assembly development. Clearly, it is seen that supervision is a key factor that can impact negatively or positively on internal revenue generation. There is the need therefore to recognize this and develop it to the advantage of all District Assemblies to make Internally Generated Funds (IGF) contribute meaningfully to the infrastructural and socio-economic development of all Metropolitan/Municipal/Districts.

It is also recommended that further studies should be conducted on the role of stakeholders in the mobilization and administration of local government revenue. The study will go a long way to ascertain the invaluable role of stakeholders to local government development.

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APPENDIX A

REVENUE MOBILIZATION BY NKORANZA SOUTH MUNICIPAL ASSEMLY

QUESTIONNAIRE FOR CORE STAFF OF THE MUNICIPAL ASSEMBLY, HEADS OF DEPARTMENT AND ASSEMBLY MEMBERS (INCLUDING THE PRESIDING MEMBER)

GENERAL INFORMATION:

- Sex   (a) Male [ ]   (b) Female [ ]

- Age (specify) .... years   [ ]

- Marital status   (a) Married [ ] (b) Single [ ] (c) Widowed [ ] (d) Divorced [ ]

  e) Other (specify) ....

- Religion (a) Christianity [ ] (b) Islam [ ] (c) Traditional [ ]

  (d) Other (specify) ....

- Highest level of education attained   a) None [ ] b) Primary/JSS

  c) SSS/Technical/Teacher [   ]   d) University [   ] e) Postgraduate [   ]

QUESTIONS RELATING TO REVENUE MOBILIZATION

- What is your status in the Assembly? a) Staff (specify your position) ....

  b) Head of Department (specify) .... c) Assemblyman

  d) Other (specify) e) Chairman of sub-committee (specify) ....

- What role has your position got to play in enhancing revenue mobilization in the District

  Assembly? ....

  ....

CAPACITY OF THE ASSEMBLY TO MOBILISE REVENUE

- Has the District Assembly developed an action plan to maximize its revenue

  mobilization? Yes   [ ]   No   [ ]

- How will you describe the level of levies charged by the Assembly?

  - Very high [ ]   b) High [ ]   c) Moderate [ ]   d) Low [ ]   e) Very Low [ ]

- Are the rate payers in the District willing to pay the rates imposed by the District

  Assembly?   Yes   [ ]   No   [ ]

  Give reasons (for your answer to the question above)?

  ....

  ....

- How often do you monitor the work schedule of the revenue staff of your District?

  - Daily   ]

  - Weekly   ]

  - Monthly   ]

  - Quarterly   ]

  - Yearly   ]

  - Other (specify) ....

- How often does the Assembly convene meetings to review the revenue performance of

  the staff?

  - Monthly   ]

  - Quarterly   ]

  - Yearly   ]

  - None   ]

- Other (specify) ....

CHALLENGES IN REVENUE MOBILISATION

- What in your opinion contributes to the poor revenue mobilization in the District? (You may tick more than one)

  - Poor conditions of service (revenue staff)   [ ]

  - Limited revenue base   [ ]

  - Insufficient public education   [ ]

  - High poverty level among the   [ ]

  - Corruption on the part of revenue officials   [ ]

  - Assembly's inability to deliver services   [ ]

  - Inadequate skilled manpower   [ ]

  - Lack of logistics   [ ]

  - Other(specify) ....
  ....

- What in your opinion should be done to maximize revenue mobilization in the District? Give examples

  ....

  ....

- What are the Developmental challenges in the District?

  ....

- What effort has the District Assembly made to overcome these challenges?

  ....

Thank You.

REVENUE MOBILIZATION BY NKORANZA SOUTH MUNICIPAL ASSEMBLY

QUESTIONNAIRE FOR REVENUE STAFF

GENERAL INFORMATION

- Sex   (a) Male [   ]   (b) Female [   ]

- Age (specify)   ………………………… years [   ]

- Marital status   (a) Married   [ ]

                 (b) Single   [ ]

                 (c) Widowed   [ ]

                 (d) Divorced   [ ]

                 (e) Other (specify)...

- Religion   (a) Christianity   [ ]

                 (b) Islam   [ ]

                 (c) Traditional   [ ]

                 (d) Other (specify) ……………………………… [ ]

- Highest level of education attained

                 (a) None   [ ]

                 (b) Primary/JSS   [ ]

                 (c) SSS/Technical/Teacher Training   [ ]

                 (d) University   [ ]

                 (e) Postgraduate   [ ]

                 (f) Other (specify) …………………………………… [ ]

- Occupation/Profession

  - Public/Civic Servant   [   ]
  - Employee of Private firm/Company   [   ]
  - Self-employed   [   ]
  - Unemployed   [   ]
  - Construction   [   ]

- If self-employed, indicate the type

  - Farming/fishing   [   ]
  - Construction   [   ]
  - Trading (commercial)   [   ]
  - Professional (Lawyer, Medical Doctor)   [   ]
  - Small-scale Manufacturer   [   ]
  - Repair/Maintenance   [   ]
  - Artisan   [   ]
  - Other (specify)... [   ]

CAPACITY OF THE ASSEMBLY TO MOBILISE REVENUE

- What is your status?

  - Permanent staff   [   ]
  - Commission collector   [   ]

- If you are a permanent staff what is your rank?

....

....

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- For how long have you been working as a revenue collector?

....

- Are you satisfied with your job as revenue collector? Yes [ ] No [ ]

- If no, why?

....

....

- Do you receive adequate training on the job?   Yes [ ]   No [ ]

- Do you keep nominal roll or register on rate payers?   Yes [ ] No [ ]

- When was the last time the register was updated?

....

- Do you participate in the fee fixing resolutions of the District Assembly?

  Yes [ ]   No [ ]

- How would you describe the range of collectible revenue items in the District

    - Broad   ]

    - Limited   [

    - Other (specify)   ]

- Are the rate payers capable of paying the levies imposed by the District Assembly?

  Yes [ ]   No [ ]

- If no, give reasons

....

....

- Are you assigned specific revenue target to achieve?   Yes [ ] No [ ]

- Do you have adequate resources to enable you achieve this target?

Yes [ ] No [ ]

- If no, what resources would you need? List them

....

....

....

....

- Will you say the Assembly has been able to maximize its revenue mobilization in the

  District? Yes [ ]   No [ ]

- If no, what factors do you think account for this?

....

....

- How would you assess the rate of default in revenue mobilization in the District?

  - Very High   [ ]

  - High   [ ]

  - Acceptable   [ ]

  - Low   [ ]

  - Very Low

- How often do you send your reports (returns) to your superior?

  - Weekly   [ ]

  - Monthly   [ ]

  - Quarterly   [ ]

  - Other (specify)   [ ]

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- How often are your record books audited?

  - Weekly [ ]

  - Monthly [ ]

  - Quarterly [ ]

  - Yearly [ ]

CHALLENGES

- What in your opinion hinders your work as a revenue collector?

....

....

- What in your opinion contributes to the poor revenue mobilization in the District? (You

  may tick more than one)

  - Poor conditions of service (revenue staff) [ ]

  - Limited revenue base [ ]

  - Insufficient public education [ ]

  - High poverty level among the rate payers [ ]

  - Corruption on the part of revenue officials [ ]

  - Assembly's inability to deliver services [ ]

  - Inadequate skilled manpower [ ]

  - Lack of logistics [ ]

  - Other(specify)

    ....

    ....

- Any advice as to how generation of revenue can be improved.

....

- What are the Developmental challenges in the District?

....

- What effort has the District Assembly made to overcome these challenges?

....

Thank You

APPENDIX C

REVENUE MOBILIZATION BY NKORANZA SOUTH MUNICIPAL ASSEMBLY

QUESTIONNAIRE FOR RATE PAYERS

GENERAL INFORMATION

- Sex   (a) Male [ ]   (b) Female [ ]

- Age (specify)   .... years   [   ]

- Marital status (a) Married   [   ]

    (b) Single   [   ]

    (c) Widowed   [   ]

    (d) Divorced   [   ]

- Religion   (a) Christianity   [   ]

- Islam

    (c) Traditional   [   ]

    (d) Other (specify) ....   [   ]

- Highest level of education attained

    (a) None   [   ]

    (b) Primary/JSS   [   ]

    (c) SSS/Technical/Teacher Training   [   ]

    (d) University   [   ]

    (e) Postgraduate   [   ]

    (f) Other (specify)...

- Occupation/Profession

  - Public/Civic Servant   [   ]

  - Employee of Private firm/Company   [   ]

  - Self-employed   [   ]

  - Unemployed   [   ]

  - Construction   [   ]

- If self-employed, indicate the type

  (a) Farming/fishing   [   ]

  (b) Construction   [   ]

  (c) Trading (commercial)   [   ]

  (d) Professional (Lawyer, Medical Doctor)   [   ]

  (e) Small-scale Manufacturer   [   ]

  (f) Repair/Maintenance   [   ]

  (g) Artisan   [   ]

  (h) Other (specify) ....

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QUESTIONS RELATING TO REVENUE MOBILIZATION

- Have you ever heard of the District Assembly concept?

  Yes [ ]   No   [ ]

- Who is responsible for the development of your town?

  - District Assembly/Government   [ ]

  - Traditionmal council (Chief)   [ ]

  - Inhabitants   [ ]

  - All the above   [ ]

  - Other (specify) ....

- What services(s) have you enjoyed from the District Assembly?

  - Water and Sanitation   [ ]

  - School   [ ]

  - Hospital/Clinic   [ ]

  - Roads   [ ]

  - Loans/Scholarship   [ ]

  - Other (specify) ....

- Do you hope to benefit from the development of the District Assembly in the near

  future?   Yes   [ ]   No   [ ]

- If yes, in what form?

  ....

  ....

- To what extent would you say you are satisfied with the level of development provided by the District Assembly?

  - Very satisfied   [ ]

  - Satisfied   [ ]

  - Somewhat satisfied   [ ]

  - Not satisfied   [ ]

  - Not satisfied at all

CAPACITY OF THE ASSEMBLY TO MOBILISE REVENUE[   ]

- Is the District Assembly justified in imposing levies on the inhabitants of the District   Yes   [   ]   No   [   ]

- If no, why?

  ....

  ....

- Are you issued with ticket/receipt when you pay levies to the District Assembly?

  Yes   [   ]   No   [   ]

- If no, why? ....

  ....

- How would you describe the levies charged by the District Assembly?

  - Very high   [   ]

  - High   [   ]

  - Moderate   [   ]

- Low   [ ]
- Very low   [ ]

- Are you capable of paying the levies imposed by the Assembly?

Yes [ ]   No [ ]

- If no, give reasons

....

....

- Are you represented at the fee fixing resolution meetings of the District

Assembly? Yes [ ]   No [ ]

- In your opinion what should be done to enable rate payers pay their levies

promptly?

....

....

CHALLENGES IN REVENUE MOBILISATION

- What in your opinion are the factors, which prevent rate payers from honouring

their obligations to the District Assembly? List them.

....

....

- Any advise as to how generation of revenue can be improved.

....

- What are the Developmental challenges in the District?

  ....

  ....

- What effort has the District Assembly made to over come these challenges?

  ....

  ....

Thank You