

**ASSESSING THE CONTRIBUTION OF INTERNALLY GENERATED FUND
(IGF) TO THE BEKWAI MUNICIPAL ASSEMBLY DEVELOPMENTAL
FRAMEWORK**

By

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DECLARATION

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

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DEDICATION

I dedicate this work to Almighty Allah, my wife (Yakubu Sa-adata Kamara) and lovely children as well as the entire Sekyere Afram Plains District Assembly Staff.

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Allah bless us all.

ABSTRACT

This study that was conducted at the Bekwai Municipal Assembly was meant to explore the Contribution of Internally Generated Fund (IGF) to the MMDAs Development Framework, the case of the Bekwai Municipal Assembly. The study relied mainly on secondary sources of data collated from annual accounts for the period, 2010-2014. Interview was also conducted with the Municipal Finance Officer to ascertain relevant information that would otherwise not be available from the secondary data. The study revealed that the revenue generated internally is lower in proportion to the Central Government Transfers (DACF, DDF and Donor Funds) and targets are mostly not met. The study further showed that the trend of revenue mobilization has witnessed a slow but steady growth throughout the period under consideration and opportunities exist for improvement. Aside the uncooperative attitude of tax payers', and difficulty in locating taxable assets and activities, some major challenges included the absence of logistics including a vehicle and the apparent disconnect between the Assembly and the citizenry in respect of tax education. It has therefore being recommended that a common platform beyond fee fixing resolution meetings be created for relevant stakeholders in the revenue mobilization effort. Also the assembly should explore the use of private tax collectors as well as the use of automated tax collection system.

TABE OF CONTENT

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABE OF CONTENT	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xii
CHAPTER ONE: GENERAL INTRODUCTION	1
1.1 BACKGROUND.....	1
1.2 PROBLEM STATEMENT	3
1.3 AIM AND OBJECTIVES	3
1.3.1 Aim of the Research.....	3
1.3.2 Research Objectives	4
1.4 RESEARCH QUESTIONS.....	4
1.5 SIGNIFICANCE OF THE STUDY	5
1.6 SCOPE OF THE STUDY	5
1.7 RESEARCH METHODOLOGY	6
1.8 LIMITATIONS	6
1.9 ORGANIZATION OF THE STUDY	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 INTRODUCTION.....	8
2.2 HISTORY OF LOCAL GOVERNANCE.....	8
2.2.1 Decentralization concept	9

2.3 TYPES OF DECENTRALIZATION	9
2.3.1 The Administrative Decentralization or De-concentration	9
2.3.2 Political Decentralization or Devolution of Power	10
2.3.3 Fiscal Decentralization	10
2.4 REVENUE ASSIGNMENT OF LOCAL GOVERNMENT	11
2.5 TAXATION	12
2.6 FACILITATING TAX COMPLIANCE	14
2.6.1 Comprehensive Taxpayer Coverage	14
2.7 REVENUE SOURCES	15
2.7.1 Central Government Transfers	15
2.7.2 Internally Generated Funds (IGF)	15
2.7.3 Local Government Revenue System	16
2.8 SOME LOCAL TAXES	17
2.8.1 Rate	17
2.8.2 Business Licenses	18
2.8.3 Fees	19
2.9 CHALLENGES OF REVENUE MOBILIZATION COLLECTION	19
2.9.1 Attitude towards Payment of Taxes	20
2.9.2 Weak and Poor Tracking of Ratable	20
2.9.3 Poor Records Keeping	20
2.10 REVENUE COLLECTION AND ENFORCEMENT	21
2.11 TRANSPARENCY, ACCOUNTABILITY AND FAIRNESS	21
CHAPTER THREE: METHODOLOGY	23
3.0 INTRODUCTION	23
3.1 RESEARCH DESIGN	23

3.2 SCOPE OF THE STUDY	24
3.3 SAMPLE AND SAMPLING TECHNIQUE	24
3.4 METHOD OF DATA COLLECTION	25
3.4.1 Primary Data Source	25
3.4.2 The Secondary Data	25
3.5 DATA ANALYSIS AND PRESENTATION.....	26
3.6 ORGANIZATIONAL PROFILE.....	26
3.6.1 Organisational Structure of the Assembly	26
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION	28
4.1 INTRODUCTION.....	28
4.2 REVENUE COMPOSITION OF THE BEKWAI MUNICIPAL ASSEMBLY	28
4. 2.1 Local Tax Efforts	29
4.2.2 Equity of Local Taxes	30
4.3 RATE	31
4.4 LANDS.....	33
4.5. FEES AND FINES.....	34
4.6 LICENSES	36
4.7 RENTS	37
4.8 MISCELLANEOUS.....	38
4.9 STRATEGIES FOR REVENUE MOBILIZATION	39
4.9.1 Revenue Performance Index (RPI)	40
4.10 CHALLENGES THAT IMPEDES REVENUE MOBILISATION	42
4.11 DEALING WITH TAX MOBILIZATION CHALLENGES	43

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION	44
5.1 INTRODUCTION.....	44
5.2 SUMMARY	44
5.3 CONCLUSION	46
5.4 RECOMMENDATIONS	47
REFERENCES.....	49
APPENDIX 1.0: Annual Revenue Variance by Revenue Sources from 2010- 2014 from Bekwai Municipal Assemby Annual Accounts	52
APPENDIX 2.0: Annual Revenue Percentage Performance by Revenue Sources from 2010- 2014 from Bekwai Municipal Assemby Annual Accounts	54
APPENDIX 3.0: Interview Questionnaire.....	56
APPENDIX 4.0: Secondary Data Collection Sheet Any Information Collection via This Sheet Would Be Treated Strictly As Confidential.....	60

LIST OF TABLES

Table 4.1.Composition of the Revenue Structure	28
Table 4.2 Contributions of Licenses	36
Table 4.3 Internal Revenue Performance.....	40
Table 4.4 Revenue Performance Index	41

LIST OF FIGURES

Figure 2.1: Structure of Local Government in Ghana	10
Figure 3.1: Organisational structure of Bekwai Municipal Assembly	27
Figure 4.1 Local Tax Efforts.....	29
Figure 4.2: Equity of Local Taxes	31
Figure 4.3 Contributions of Rates	32
Figure 4.4 Land Contributions (2010-2014).....	33
Figure 4.5 Contributions of Fees and Fines	35
Figure 4.6: Contributions of Rents.....	37
Figure 4.7 Contributions of Miscellaneous.....	38

LIST OF ABBREVIATIONS

LG	Local Government
MMDAs	Metropolitan/Municipal District Assembly's
IGF	Internally Generated Fund
DDF	District Development Fund
DACF	District Assembly Common Fund
DF	Donor Fund
CGT	Central Government Transfer
BMA	Bekwai Municipal Assembly
PI	Performance Index

CHAPTER ONE

GENERAL INTRODUCTION

1.1 BACKGROUND

Local Governments (LGs) as an arm of the Central Government was enacted through an act of Parliament Act 462 (1993) to oversee the activities of Metropolitan/Municipal/District Assemblies (MMDAs) and to provide socio-economic infrastructure to support economic activities within these MMDAs. The goal of Ghana's decentralization programme is to bring governance closer to the citizenry. Implementation started in the 1990s where power, authority and resources have been slowly transferred to the Metropolitan/Municipal/District Assemblies. Over the period, the programme has since chalked some successes particularly, citizenry participation in political governance and local level decision making. In spite of this, a major challenge threatening the Metropolitan/Municipal/District Assemblies is the mobilization of revenue and the efficient and effective use of such revenue for development (Macrothink institute, 2013)

There are several constraints on the delivery of these services; amongst others is finance; the generation of revenue and its effective and efficient management. In this regard, the 1992 constitution of the republic of Ghana, and Act 462 (1993) handed Metropolitan/Municipal/District Assemblies (MMDAs) significant financial power to Impose Taxes, Rates, Fees, and Surcharges on the citizenry and businesses within their territorial boundaries to generate revenue to undertake the activities and development of the Assembly.

Revenues can be seen as the life-line of Metropolitan, Municipal and District Assemblies and its effective mobilization will facilitate the meeting of set objectives

and goals. On this score internal revenue generation becomes important in the delivery of development projects. Though the revenue (Internally Generated Fund) potential of Assemblies is not tapped to its fullest, it is estimated to contribute substantially to the provisions of basic services and amenities such as health, water and sanitation facilities and educational infrastructure in the local authorities.

This study therefore seeks to assess the contribution of internally generated revenue otherwise called Internally Generated Fund (IGF) to the Metropolitan/Municipal/District Assemblies Development Framework: focus on the Bekwai Municipal Assembly. The research looks at the tax chain as the basis of comparison of five local taxes. These Taxes are Rates, Lands, Fees and Fines, Licences and Rent. Bird, (2010) has indicated how Local Governments (LGs) financing may appear to be a less significant issue within the National and Local levels. However most of the decisions in the national public sector have little direct effect on the daily life of the citizens. Fiscal Decentralisation is an aspect of decentralisation policy that supports and further streamlines the financial capacity of LGs in the country. It involves four policy issues and these include fiscal regulation, inter-governmental transfers (IGT), revenue, and expenditure (Appiah et al, 2000).

Helmsing (2005) underscores the inability of LGs in sub Saharan Africa “to define tax rates and service charges and to develop their own tax bases in accordance with their expenditure responsibilities”. As opined by Smoke (1993) LGs determines the local revenue base. However, Urban LGs have reliable revenue bases than rural LGs. This is further explained by the less developed nature of local economies and their obvious implication for the size and composition of existing revenue base. The industrial activities and private property in developed economies constitute the local revenue base; in contrast Local revenue bases in many developing countries are largely

unstable and often depend on agricultural income since collection of property rates, fees and licenses in particular is problematic. This observation was corroborated by Boko, (2005) in a recent study that market taxes constitute an important source of local revenues in many LGs in developing countries. In a related study, Bahl et al, (1984) also indicated that one critical prerequisite for local governments in delivering their mandate to its citizenry is the availability of adequate financial resources. Local governments are tasked with various functions, amongst which is the provision of services to its citizenry.

1.2 PROBLEM STATEMENT

Bekwai Municipal Assembly is one of the orders Assemblies' in the Ashanti Region and recently being upgraded to Municipal status. As the case with MMDAs in the country, there exist insufficient capacity, weak monitoring and supervision of revenue mobilization efforts at Bekwai Municipal Assembly. This reduces the Assembly's ability over the years to generate revenue internally to complement Central Government Transfers to meet the numerous social and infrastructural demand of its growing population. Although this issue has gained currency as a topical issue, ignited and stimulated discussion on several platforms in recent times, and its potential researched, gaps still exist; hence a study in the trend of internal revenue mobilization in Bekwai Municipal Assembly is imperative.

1.3 AIM AND OBJECTIVES

1.3.1 Aim of the Research

The aim of this study is to explore the Contribution of Internally Generated Fund (IGF) on the MMDAs Development Framework, the case of the Bekwai Municipal Assembly.

1.3.2 Research Objectives

The objectives of the study are classified into general and specific. The general objective is to assess the trend of revenue mobilization and the effectiveness of existing revenue mobilization strategies of the Bekwai Municipal Assembly.

The specific objectives of the study are:

- i. To identify the sources of Internally Generated Funds (IGF) by the Assembly.
- ii. To determine the trend of IGF collected by the Assembly in the last five (5) years.
- iii. To assess the strategies of mobilizing revenue for the Assembly.
- iv. To examine the challenges that impede revenue mobilization in the Municipality

1.4 RESEARCH QUESTIONS

The key research questions that will be expressed for the purpose of the enquiry are:

- i. What are the sources of local revenue generation in Bekwai Municipal Assembly?
- ii. What is the trend of local revenue mobilization in the last five years?
- iii. What strategies can the Assembly adopt to improve revenue mobilization for development?
- iv. What are the challenges confronting revenue mobilization in the Assembly?

1.5 SIGNIFICANCE OF THE STUDY

Sound revenue mobilization by a local authority is a pre – requisite for investment, capital formation and development. Aside generating and increasing revenues, the act of mobilizing internal revenue could as well foster local political and administrative empowerment. Increasing, revenue mobilization remains an important issue for consideration by MMDA's in Ghana. The study underscores the trend of revenue mobilization and existing strategies for revenue mobilization and their effectiveness and efficiency.

A critical assessment and understanding of strategies that underpins revenue mobilization in the Bekwai Municipal Assembly will lead to the overall evaluation and assessment of effectiveness of the assemblies' strategies for revenue mobilization. Besides, the study would broaden the literature landscape for further studies in revenue mobilization practices in Metropolitan/Municipal/District Assemblies.

1.6 SCOPE OF THE STUDY

This research focuses on Bekwai Municipal Assembly in the Ashanti Region. The Municipal Assembly is chosen because of the evidence of the phenomenon under investigation and the challenges the Assembly is facing in revenue mobilization. The strategic location of the Assembly close to Kumasi coupled with rapid growth in population and economic activities makes the Municipality a better place to study. The study would explore the trend of revenues mobilised, existing strategies, opportunities available for increasing revenue mobilization and challenges.

1.7 RESEARCH METHODOLOGY

The research focuses on revenue mobilization enhancement of Bekwai Municipal Assembly in the Ashanti Region. Both primary and secondary data sources will be employed. Secondary data would largely come from existing revenue data from Bekwai Municipal Assembly. The primary data will be gathered through the administration of structured questionnaires. The rationale behind the use of both data sources is to enable the researcher gain better appreciation of the research findings. The sampling technique to be adopted is the Purposive Sampling Technique. Owing to the specific needs of the study this targeting technique is most appropriate.

1.8 LIMITATIONS

1. The study is focused on the bekwai municipal assembly. Meanwhile the findings are related to the district assembly frame work hence the findings cannot depict a true picture of internal revenue of all districts.
2. The use of secondary data and interview of the finance office only makes generalization of the findings problematic, however the nature of the research objectives made it possible for the successful use of secondary data and interviews.
3. The limited period of the study and resources were also constraining variables. In spite of these challenges the findings of the research made available some relevant information for further research.

1.9 ORGANIZATION OF THE STUDY

This study is arranged into five chapters. Chapter one is the introductory part of this research. The rest of the study is organised as follows: Chapter two presents review of relevant literature. Chapter three presents the methodology and procedures used to conduct the research. The fourth Chapter analyses and discusses key finding with reference to relevant literature. The fifth chapter contains the summary of the findings, conclusion, and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The broad aim of this chapter is to review literature of interest – in this case local government revenue mobilization establishes key themes and areas of general concern. The historical background of decentralization, the district assembly concept, revenue assignment policy in local government finance, taxes, revenue sources and other intervening constraints are among the principal issues discussed in this chapter.

2.2 HISTORY OF LOCAL GOVERNANCE

Decentralization is a machinery to bring government closer to the citizenry and helps to advance public administration by empowering local authorities to be the planning and decision-making elements and thereby boosting the capacity of government to attain local participation. Since colonial times, local authorities have been instrumental in the administration of this country. Local authorities were very prominent in the indirect rule system, hence the hub of local government and resource mobilization for the colonial governments. Various legislations setting up local authorities were enacted. In 1953 a Municipal Councils Ordinance was passed to legitimize coastal municipalities that were set up in 1859. This was immediately followed by the coming into force the Local Government Act, 1961 (Act 54) and subsequently the Local Administrative Decree 1974, the local government law 1988 (PNDCL, 207)

However the coming into force the 1992 Constitution of Ghana, further backed all initial attempts and stressed that republic of Ghana should as much as possible

establish “...a system of local government and administration which shall, as far as practicable, be decentralized” (Section 240 (1) of the 1992 Constitution).

2.2.1 Decentralization concept

The decentralization concept has been operationalized by several schools of thoughts. For instance Fass and Desloovere (2003) observed the idea of decentralization as any programme in which the national government readily and formally relinquish authority to agencies and institution as well as actors at the lower levels in a political-administrative and territorial hierarchy. Badu, (2007) also rationalized it to connote the devolution of authority to established units of local government or statutory organizations. The researcher further explained that decentralizations is the delegation of authority to lower units of same departments or to local government units.

From the definitions and explanation provided above decentralization, can be seen as a systematic and carefully orchestrated practice of handing down governance to the citizenry at grass roots levels to take control over their development. Hence Birds construction is appealing and fit well into the current dispensation of Ghana decentralization system.

2.3 TYPES OF DECENTRALIZATION

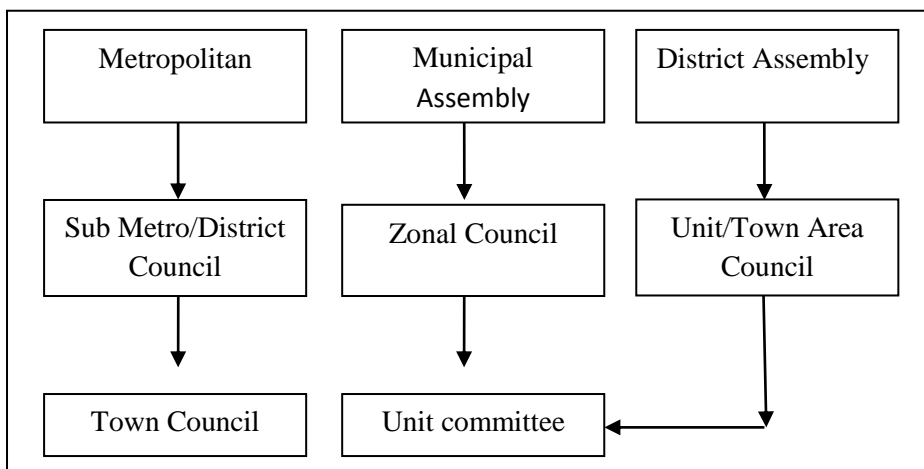
The concept decentralization and its implementation come in several forms or types. Manor (1995) identified three main types of decentralization and they are:

2.3.1 The Administrative Decentralization or De-concentration

This type of decentralization creates a framework for the delegation of central governance to lower units, involving the devolution of power and official units at

local levels and decentralized institutions that remains vertically accountable to the national government institutions. In respect of administrative decentralization; Metropolitan, Municipal and District Assemblies (MMDAs) have the overall responsibility to coordinate, integrate and harmonize the activities of all development agencies in the area inclusive of central government ministries, department and agencies and non-governmental organizations (Ahwaoi, Kwamina, 2010)..

Figure 2.1: Structure of Local Government in Ghana



Source: Commonwealth Local Government Forum (CLGF)

2.3.2 Political Decentralization or Devolution of Power

In this type of decentralization, there is the power and resources are transferred to subnational authorities which are mainly independent of the national or central government

2.3.3 Fiscal Decentralization

This form of decentralization involves the transfer of financial resources including the capacity and authority to budget and take fiscal decisions in respect of income and expenditure. Several studies have revealed that there has been a dramatic change in the thinking and practicing of decentralization particularly in Africa. Badu, (2008)

opined that one of the attributes of this new phase of decentralization is that it is rapid and global. The comprehensive nature of this form of decentralization (transfer of fiscal, administrative and political resources) distinguishes it from earlier forms of decentralization that have been described as mere rhetoric (Olowu and Wunsch, 2003).

The basic design of fiscal decentralization is that decentralization of government addresses the problems with allocative inefficiency (Tanzi, 2000) by allowing smaller communities to take responsibility for governance making local governance receptive, relevant and more accountable to the community. This idea informed Baffour, (2008) to conclude that decentralization has been initiated in the developing world to deal with the problems of joblessness and inequality in income distribution.

Financial (fiscal) decentralization policy does not only pursue efficiency through provision of critical facilities at the local levels, but also to achieve sustainable development, economic growth and poverty reduction. Therefore through the fiscal decentralization, local government units are required to mobilize revenues within their territorial jurisdiction. Therefore, mobilization of revenue at the local level is enshrined in the decentralization process of Ghana and revenue at local government level must be properly assessed and assigned within the local authorities' jurisdiction.

2.4 REVENUE ASSIGNMENT OF LOCAL GOVERNMENT

Litvack and Seddon (1998) observed that central government depends on a wide range of taxes to meet revenue targets or needs but wonder which form of tax was deemed proper for use by Local Governments. They further suggested that there seemed to be “dilemma” delegation of revenue mobilization responsibilities to local authorities. In an attempt to deal with this dilemma; Smoke (1994) says the concept

of fiscal federalism advocates that taxes related to specific objectives and functions should be assigned to the level of government with the responsibility for that function. Hence Sub national tax autonomy is widely considered as the essence of decentralization.

Transition economies in Africa, sub of the Sahara, often face challenges of proper assignment of revenues and the development of the administrative capacity to manage taxes. In this respect Tax sharing is practiced where Central Governments set the taxes, and allocates a percentage of the collected tax to Local Governments (Martinez- Vazquez and Alm, 2003). They also opined that several local authorities failed to step up their tax basis or utilize it as a result of factors including political interference, poor budgeting practices and weak accounting systems.

2.5 TAXATION

Running a very efficient and professional tax administration is huge task for nations, irrespective of it level of development. Bird (2003) However, as Bird (2003) says it is –“particularly difficult in developing countries with large informal sectors, low levels of literacy and public morality, poor salary structure for public servants, poor communications, malfunctioning judicial systems, and entrenched interests against radical reform. Despite such handicaps, the experience of several countries in recent years shows that substantial improvement can be achieved with determined effort and an appropriately designed strategy. What a tax administration can do, however, and how it can best be reformed depends largely upon the environment in which it operates”.

Taxes can be described as compulsory payments imposed on inhabitants of a particular jurisdiction over ownership of properties and incomes. Taxes are designed

to mobilize revenues in order to meet public expenditures and redistribution of income. Central and local governments alike depend hugely on taxes and other service or licenses charges as their revenue, as it forms a substantial part of local revenues (Helmsing, 1997). Two main principles of tax system exist. Which are the Benefit and Ability to pay principles.

Benefit principle underscores that taxes be governed by the expenditure decisions of government. Therefore, people will be unwilling to honour their tax obligations if they do not benefit from the existing tax system. The citizenry logically expect to benefit from honouring tax obligation.

The Ability to pay principle on the other hand, sees taxation as independent of expenditures and each taxpayer contributes in line with what he or she can pay. This has a redistribution effect. However, Helmsing (1997) observed that a distinction be created to address parallel imbalances so that citizens with low tax capacity bear same or equal tax burdens pay same level of taxes while those with higher tax ability contribute more to address vertical equity concerns.

Helmsing, (1997) research findings also indicated a phenomenon of persistent decline in local revenues over the years; which is a cause of worry to many stakeholders. The willingness of the citizenry to honour their tax commitments is dependent on how justifiable such taxes are how tax defaulters are handled. The mode in which taxes are collected is equally important and defines taxpayer – tax collector relationship.

Corruption perception within local authorities increases the desire for tax invasion. The citizenry holds local authorities accountable for the manner revenues are applied in respect of local service delivery,

Uncooperative and unwillingness to pay taxes is a form of soft protest against poor delivery of local services. This could also be a protest against unfairness and not taking into account the capacity to pay, issues of corruptions and administrative bottlenecks (Magala and Rubagumya, 2007).

2.6 FACILITATING TAX COMPLIANCE

A study by Bird and Zolt (2003) states that, “the first task of any tax administration is to facilitate compliance. This requires making sure that those who should be in the tax system are really in the system and that they comply with the rules.” Four steps recommended:

2.6.1 Comprehensive Taxpayer Coverage

If tax payers are required to register the process of registration should and must be as simple as possible. A comprehensive system must be in place to determine, identify and follow-up on business that failed to voluntarily register. Tax authorities both national and at local levels adopt a unique tax identification numbering system to enhance compliance and enforcement.

Determination of Tax Liabilities

Tax liabilities can be administratively determined or through some self-assessment which would make honouring of tax much more easy. For instance property and value added taxes can easily be determined through these processes.

Tax Collection

In many countries, this is best done through the banking system. It is seldom appropriate for tax administration officials to handle money directly.

Provision of adequate taxpayer

This can be done in a number of ways, including the provision of sufficient information, pamphlets, forms, and advice kiosks, operators extending payment facilities and options, as well as electronic filing of tax returns. Even tax bills can be used effectively to communicate information. As Bird and Zolt (2003) state, this approach “rests on treating the taxpayer as a client (albeit not a willing one) to be served and not a thief to be caught”.

2.7 REVENUE SOURCES

2.7.1 Central Government Transfers

Section 34 of the Local Government Act, Act 462, (1993) and the 1992 constitution of the Republic of Ghana provides revenue sources to the assemblies as: grants from national government and internally generated and ceded funds (Ayee, 2003). For instance between 2003 – 2005 central government transfers to the district assemblies was 67.2%. Donor support and internally generated funds constituted 28.4% and 4.4% respectively. Although the District Assembly Common Fund is the major source of transfer nevertheless, evidence of its application is somewhat mixed.

2.7.2 Internally Generated Funds (IGF)

In order to effectively carryout the function as bestowed on LGs by the 1992 constitution; Local Government Act 462 (Section 86) establishes internally revenue sources to include Property Rates, Market Tolls, Fees, Licenses, Rents and other taxes. “In other words, a Local Government may charge fees for any service or facility it provides, or for any license or permit issued, and have the power to fix and increase its charges” (Common Wealth Secretariat, 2010). In spite of the fact that these potential sources of revenue is supported by an Act of parliament, Act (462)

especially Section 86-, LGs are unable to meet their revenue responsibilities of which the Bekwai Municipal Assembly is not an exception.

2.7.3 Local Government Revenue System

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

Revenue administration is linked with the execution of physical policies through the registration of tax payers, assessment and collection of charges. Ter-Minassian (1999) Local revenue administration is said to be the assessment, collection, recording and verification of taxable amounts. In addition, there are some aspects of local revenue administration which are not fully operationalized; for instance, only rudimentary assessments of the ratable liabilities are undertaken, Kessey and Gunter (1992). This problem has resulted due to the absence and poor keeping of records on the activities of majority of the rate payers who are basically small scale economic actors and whose activities are not automate. Despite the broad responsibilities divulged to decentralize local authorities it is also common knowledge they have very weak financial strength, little fiscal independence and largely depend on central government financial and economic resources. Hence, Oyugi (2000) suggests that the dependence of local authorities on central government funding leads to a loss of operational autonomy, with local initiatives undermined.

2.8 SOME LOCAL TAXES

According to Bahl and Bird (2008) a local tax is a levy imposed and satisfies the following six unique condition

- ❖ Local Government have the responsibility to decide whether to levy the tax or not
- ❖ Local authorities can determine the accuracy of the tax base
- ❖ They can also determine the tax rate to be imposed
- ❖ In the case of “direct” taxes, they assess the tax imposed on any particular taxpayer
- ❖ Local authorities implement the tax
- ❖ They collect taxes, keep and utilizes revenue

It is important to iterate the very critical features of local taxing power and that is who excise political authority and responsibility for setting levies and tax rates. Furthermore answerability in respect of local taxing is dependent purely on the local authority having the responsibility to determine the amount of revenue to be mobilized and also prepared to be responsible to citizens for the decisions they make, Bahl and Bird (2008).

2.8.1 Rate

Local Government Act 1993 (Act 462) Section 94 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 shall levy sufficient rates to meet their estimated expenditure”. According to Section 96 of the Local Government Act rates may be classified as General and Specific Rates. District Assemblies have the authority to determine and levy specific rates for the purposes of some special projects. The

general rates are made and levied over the whole District for the purpose of developing the district. Property and Basic Rates are the two major categories provided for in general rates.

According to Mikesel (2002), property rate in particular is key source of revenue in many urban councils. It was observed that in the 1990s, 40% of subnational taxes was accounted for by property rate, Bird and Slack (2002) but lesser amounts were recorded in several counties as a result of outmoded collection techniques, (Fjeldstad and Semboja, (2000). Bahl and Bird (2008) further observed that despite the fact that property taxes are useful and necessary local source of revenue, it cannot easily provide the resources needed for substantial expansion of local services. Often it is said, building structures are real and fixed monuments. However it is essential to appreciate that valuation estimation is a critical function in the revenue system. This phenomenon therefore leaves room for discretion and arguments in the determination of the tax base.

It should be noted that property taxes are not easily and equitably administered in a rapidly changing environment. This makes it difficult to increase local revenues quickly. Resistance by taxpayers is possible due to the visibility of property taxes and its burden, Bahl and Bird (2008).

2.8.2 Business Licenses

Licenses are annual operating levies on business and economic activities undertaken within the jurisdiction of a local authority. As posited by Helmsing (1997), licenses contribute significantly to local government revenues. Most Local Governments will wish to impose local business taxes due to the un-reliability of residential property

taxes. Business taxes in some jurisdictions have become the sole source by which Local Governments can expand local revenues to meet the cost of local needs.

Local business taxes are popular among both Local Governments officials and citizens because of the substantial revenue they produce which is also elastic than property taxes. Again, the tax incidence of business taxes is not easily known. However, due to distortions experts have argued that such taxes should not be applied, (Bahl and Bird (2008). Roy et al, (2001) supported this view and argued that business license tax is seen largely as simpler than other taxes and require just one characteristic to determine the fee to be charged for a particular activity namely class of business and size.

2.8.3 Fees

These fees are the money paid for certain is the amount of money paid for a certain works, or for some particular rights or services. Kessey (1995) further expatiated this definition to mean, 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. Schedule six of Act 462 provides a range of items where fees are levied by District Assemblies. Fees are levied or applied on temporal structures, market dues and tools, as well as cattle ponds.

2.9 CHALLENGES OF REVENUE MOBILIZATION COLLECTION

The decentralization process has devolved a lot of responsibility to the Metropolitan, Municipal, and District Assemblies. As part of their responsibilities, they are supposed to control the development of their coverage areas. The delegation of authority and responsibility from national government to assemblies mandated them

to generate their income to augment their development agendas. Observably, revenue generating capacities of the district assemblies have improved over the years yet they often lag behind in meeting revenue targets as a result of factors including:

2.9.1 Attitude towards Payment of Taxes

Citizens' reluctance to honour tax obligation including payment of rates is of concern to the assemblies. Payment of rates especially basic rate suffers seriously though it forms a significant proportion of revenue generated internally, the evasion of basic rates particularly cripples the district assemblies effort in raising revenue for sustainable development. The enforcement of user fees has as observed by Fjeldstad and Semboja (2000), resulted in a widespread resistance to pay from the poorer segments of the urban population.

2.9.2 Weak and Poor Tracking of Ratable

Local authorities are not only challenged by tax evasion and deliberate failure by individuals and businesses engaged in economic activities to pay taxes but the identification of ratable businesses. This disturbing situation arises from the lack or insufficient capacities of the assemblies to monitor and track economic activities within their jurisdiction which resulted in a situation whereby business and enterprises pay less than the expected amount of money (Devas and Kelly, (2001).

2.9.3 Poor Records Keeping

District assemblies in Ghana have inadequate records and data on all ratable business, residential, commercial and industrial properties. For example many assemblies do have well assessed data all existing micro and small business they only exist in piece meal and challenged attempts to improve internal revenues. Effective and efficient

local revenue mobilization is a major priority to all district assemblies; it is however beset with numerous challenges, therefore attempts and efforts should be channeled towards its resolution. These revenues when well administered can provide substantial and reliable revenues for local government, McCluskey (2003).

2.10 REVENUE COLLECTION AND ENFORCEMENT

Local revenue collection generally, is inadequate and below actual potential. Some revenue collectors or the local authorities for some reasons rely on individual persuasion to collect revenues either than enforcing their mandate through the powers bestowed on them in the legal process. Such weak collection and enforcement is attributable to a plethora of factors including political will which requires strong leadership and consensus development to meet local fiscal and development objectives. Again taxpayers and enterprise owners must be viewed as partners in development and convinced that fees and taxes are administered fairly so that they honour their ax obligations to help improve service delivery. The first priority, for city administrators therefore, is to improve service delivery—since people are always more willing to pay taxes and fees if in return they receive some tangible benefits or services.

2.11 TRANSPARENCY, ACCOUNTABILITY AND FAIRNESS

To advance trustworthiness in revenue mobilization, local authorities must enforce the established laws and regulation and that revenue instruments are been administered in a fair, responsible, transparent and accountable manner. Management and operational staff need to ensure that the property tax and business registers are complete and kept up to date, assessments are calculated properly, tax demand notices are distributed,

taxpayers are made aware of their obligations and the procedures to pay, and taxes and fees are collected systematically and fairly from all rate payers and businesses.

Monitoring and supervision are very important. Often tax revenue compliance is monitored through the use of tax receipts and business licenses, which requires local staff to check and identify individual compliance in the field on a case-by-case basis. Although these spot compliance checks can generate additional local revenues, a well-maintained, up-to-date delinquency (i.e., defaulters) list can be used effectively by local enforcement agencies to follow up on noncompliant taxpayers. These tax delinquency lists can be widely publicized to ensure transparent and consistent action against noncompliance. Depending on local cultures, 'name and shame' strategies like these can work.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

The section is focused on the procedure used in obtaining relevant data for the achievement of the research objectives. It covers the scope of the study, research design, sampling technique, data analysis and presentation for the study.

3.1 RESEARCH DESIGN

This research is a systematic field investigation into the Assessment and contribution of internally Generated fund on the developmental projects of Bekwai Municipal Assembly. It is intended to provide information on revenue mobilization and the strategy used by the Assembly. The research design enable the researcher to ensure that findings obtained from the study answer the research questions (De Vaus, 2001). A quantitative research approach was adopted to facilitate the analysis of secondary data.

The strategy adopted was determined by considering two factors: research questions type and data sources. To do this, an exploratory research would be undertaken using a structured spreadsheet to collect secondary data from the Assembly as well as administer and conduct interview with the finance officer. Quantitative method would be used to fit the varying data obtained from secondary source in particular into standardized categories, to which tables, figures, and graphs are used to present and analyse the research data gathered.

3.2 SCOPE OF THE STUDY

The Bekwai Municipal Assembly is one of the thirty (30) administrative districts in the Ashanti Region. The Municipality was formerly Amansie East District, but was split into Amansie East Municipal and Amansie Central Districts in 2003. The Municipal Assembly has a total land area of 1,937 km² and a population size of 118,024 with males and females representing 47.1 percent and 52.9 percent respectively. In terms of industry, more than half (53.4%) are in agriculture, forestry and fishing industry. Manufacturing, wholesale and retail, repair of motor vehicles and motorcycles represent 8 percent and 13.8 percent respectively. Those in accommodation and food service activities are 4.4 percent while 2.6 percent of the employed population are in the construction industry. The transportation and storage industry constitute 2.9 percent, (Ghana Statistical Service 2010 Population and Housing Census)

The strategic location of the Municipality, sharing boundaries with six other district, nearness to Kumasi; coupled with rapid growth in population and economic activities makes the Municipality better placed for the study. The research intends to explore revenue mobilization trend and revenue mobilization strategies for the assembly in the last five years. The study would further examine various revenue sources as well as the administrative constraints and problems facing internal revenue mobilization in the Municipality.

3.3 SAMPLE AND SAMPLING TECHNIQUE

A purposive sampling method was adopted to choose a management staff for interview. This method was most appropriate for the study since a large percentage of the data required for the study was obtained from a secondary source and responses

from the interview is only meant to confirm and facilitate the analysis of the secondary data.

3.4 METHOD OF DATA COLLECTION

The study relied on secondary and primary data sources. Primary data was obtained from an interview while secondary data gathered from existing December financial statements for the period covered.

3.4.1 Primary Data Source

Structured questionnaire was used to gather primary data from the Municipal Finance Officer. The questionnaire contains largely open-ended and close-ended questions. Primary data would largely aid to explain the behaviour of persons involved in revenue mobilization as well as help explain the challenges or constraints associated with revenue mobilization in the Municipality.

3.4.2 The Secondary Data

The secondary data was obtained from Bekwai Municipal Assembly from 2010-2014 (Financial Statement) Annual Accounts (Trial Balance) via a structured spreadsheet, which is the main source of data; because it contains all revenue sources, as well as, both the Estimated and Actual receipts for the financial year. The use of this cross-sectional data collection technique would provide a complementary assessment of the trend of revenue mobilization and the efficiency of existing strategies within the period under investigation.

3.5 DATA ANALYSIS AND PRESENTATION

This section deals with the methods used to examine the data. Quantitative method was used to further categorize and analyse the secondary data in particular. The results was computed into percentages and subsequently presented in the form of bar charts and tables. Computer data analyses software, Microsoft Excel was the main tool employed to analyse the data in order to help interpret the results. The justification for the choices of this programme is that, the technique facilitates word processing and data analysis as well as accurate pictorial presentations. Open-ended questions would be considered and to explain relevant portions of the secondary data.

3.6 ORGANIZATIONAL PROFILE

The Municipal Assembly, the highest political and administrative body in the District, was established by legislative Instrument (L.1) 1408 in 1998, and it has a mission and responsibility to improve the quality of life of the people through sustainable development.

3.6.1 Organisational Structure of the Assembly

The Assembly is made up of a Municipal Chief Executive, seventy nine (79) Assembly members of whom fifty four (54) are elected by universal adult suffrage and twenty five (25) are appointed by the President in consultation with Chiefs and interest groups in the Assembly. The Members of Parliament in the Assembly also doubled as ex-officio members. The Meeting of the Assembly is chaired by a Presiding Member elected from among their ranks.

The Assembly performs its functions through the Executive Committee and a network of sub-committees. The Executive Committee exercises executive and co-ordinating

functions of the Assembly while the five (5) sub-committees collate and deliberate on issues relevant to their functional areas. Data is always gathered from the unit committee level through the Town/Area committees to the Assembly level and that forms the basis for the development plan of the Bekwai Municipal Assembly. The functions of the sub-committees are quite enormous and they often meet regularly to deliberate on pertinent issues confronting the assembly. The reporting relationships amongst these committees of the Assembly are demonstrated by the organisational structure shown in Figure 3.2.

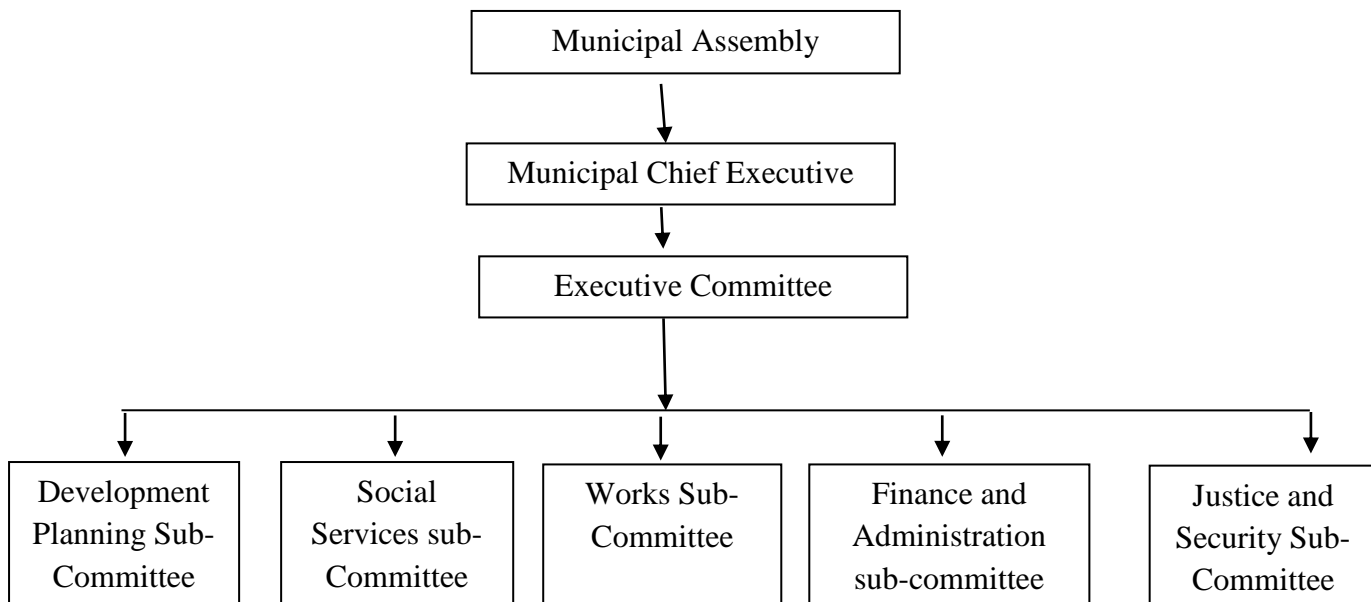


Figure 3.1: Organisational structure of Bekwai Municipal Assembly

Source: Bekwai Municipal Assembly, 2014

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

This chapter delves into detailed analyses of revenues sources and comparison and trend of the local taxes. The researcher employed tables, and bar charts in the analysis and discussion.

4.2 REVENUE COMPOSITION OF THE BEKWAI MUNICIPAL ASSEMBLY

A most important characteristic of the local government revenue arrangement in Ghana is its wide range of items. District Assemblies have tall list of revenue instruments. In spite of the broad nature of local government revenue sources, it is important to note that most of these sources are generally ineffective. The analysis of the revenue structure of the Bekwai municipal Assembly showed that Taxes (Rates) and Non Taxes (Fines, Lands, Rents, and Miscellaneous Revenue) contribute monthly average of 26.7 percent and 73.3 percent respectively of the Internally Generated Revenue of the assembly between 2010-2014 Table 4.1. Nonetheless it was noted that despite the numerous internal revenue generating sources available to the Bekwai Municipal Assembly, the assembly greatly depends on grants and statutory transfers from the Central Government (DACF & DDF) which contributes 92.8 percent of the total revenue of the Assembly.

Table 4.1.Composition of the Revenue Structure

Year	Total Receipt (A+B)	TRANSFERS AND DONOR FUNDS		IGF - RATE (TAXABLE) AND NON TAXABLE (LANDS, FEES & FINES, LICENCES, RENT AND MISC. REV.)					
		Total Transfers (DACF &DDF) and Donor Funds (A)	% of Transfer & Donor Funds	Total IGF (B)	% of IGF to (A+B)	Rate (Taxable)	Rate % Contribution To IGF (B)	Lands, Fees & Fines, Rent and Misc. Rev. (Non Taxable)	Non Taxable % Contribution To IGF (B)
2010	4,274,449.54	3,925,495.88	91.8%	348,953.66	8.2%	41,403.59	11.9%	307,550.07	88.1%
2011	4,901,847.31	4,611,210.39	94.1%	290,636.92	5.9%	96,248.05	33.1%	194,388.87	66.9%
2012	4,450,319.72	4,094,476.01	92.0%	355,843.71	8.0%	112,540.33	31.6%	243,303.38	68.4%
2013	6,388,568.96	5,915,390.73	92.6%	473,178.23	7.4%	129,453.33	27.4%	343,724.90	72.6%
2014	8,320,947.66	7,749,539.05	93.1%	571,408.61	6.9%	165,602.50	29.0%	405,806.11	71.0%
TOTAL	28,336,133.19	26,296,112.06	92.8%	2,040,021.13	7.2%	545,247.80	26.7%	1,494,773.33	73.3%

Source: Secondary Data 2010-2014 Annual Accounts Bekwai Municipal Assembly

The Table 4.1 also depicts that the contribution of IGF to the overall revenue generation effort is below 10 percent annually and only contributed 7.2 percent as compared to 92.8 percent of Central Government Transfers to the municipality with in the period under review. It shows that Central Government Transfers and other donor funds have been the main source of income for the Bekwai Municipal Assembly. This revelation resonates with Bahl et al, (1984) that central government transfers are used as substitutes to Internally Generated Funds and Local Government is not put under budget constraints that will compel it to raise resources locally.

4. 2.1 Local Tax Efforts

Appendix 1.0, also illustrates the performance of six local taxes in the Municipality. This is to give a general picture of the tax efforts; nevertheless the study is focused on five selected local Taxes (Rates, Fees & Fines, Licenses, Lands and Rent). As indicated on Figure 4.1, analysis over the period rather shows a fluctuating trend. For instance rate recorded the highest taxes collected which stood at GH¢ 528,955.52 representing 27.1 % of total IGFs for the period. Lands and Fees & fines also recorded 24.3% and 21.3% respectively while licenses and rent recorded below 20% with least performing tax category for the period being rent (11.5%).

Appendix 2.0 also gives an indication of the tax efforts of BMA which shows a rather unclear picture in terms of estimates and achievements in tax collection. It appears the budgeted sums are often unrealistic, considering tax effort records of 174% for fees & fines s and 179% for licenses in 2013. Clearly an area that can barely rise up to 10% of total income from local taxes cannot be genuinely exceeding professionally budgeted estimates like this. This holds for rates, lands and rents in some cases. This evidence is also enough to state that the improper conduct of budgeting, and fee fixing activities is actually undermining local revenue efforts (Cothran, 1986).

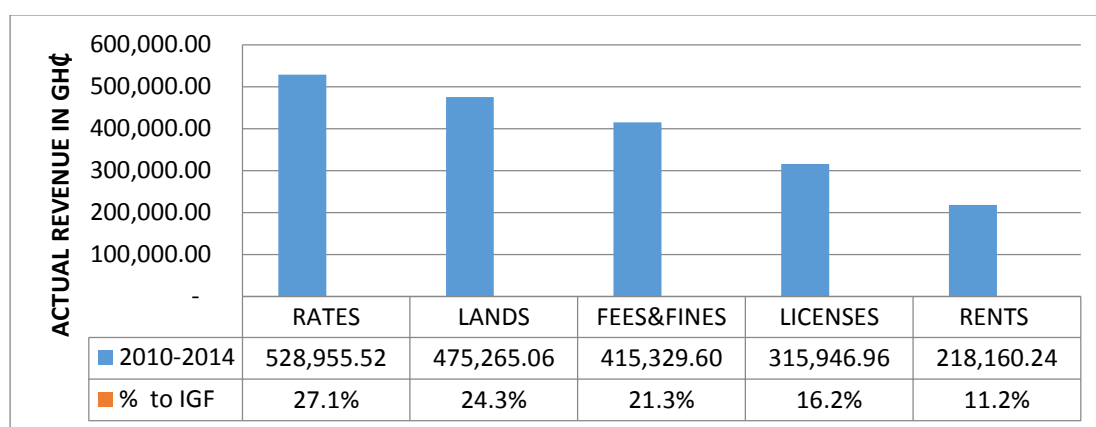


Figure 4.1 Local Tax Efforts

Source Secondary Data 2010-2014 Annual Accounts

4.2.2 Equity of Local Taxes

Rates are suitable such that the incidence of taxes is not easily pushed on to the tenants in a particular property. An increase in property tax is not supposed to affect rent agreement with tenants (LG Act 462). This has a progressive character and since properties are categorized into classes based on which assessment is made, depending on factors like the type of material or location etc. In terms of basic rate the flat rate imposed on everybody does not reflect equity as suggested by theory. It does not treat people with different economic circumstances differently, (Bahl et al, (1984).

Lands in the rural areas as well as stool lands constitute at least 80% of lands in the assembly which are not taxed either on their value or potential economic yields as a result of the ownership structure or regulations related to their tax valuation. Economic incidence in this sense could have been avoided where land taxes were based on the potential economic yield lands, (Helmsing (1997).

Fees and fines and licenses tax payers are categorized but this categorization is often wrongly done since economic activities with different earning capacities are put in same groups and therefore charged similarly. From Appendix 2.0, revenue from fees & fines has been below GH¢100,000.00 from 2010-2013, but was hiked GH¢134,3497.00, in similar fashion licenses budgeted revenue have been below GH¢80,000.00 from 2010-2013, but was hiked GH¢105,984.00 as a results of the excess revenues mobilized in the previous year, 2013. This budgeting behaviours portrays the uncertainty associated with the earning categories and propensity to pay taxes. Hence, makes the taxes appear to be regressive and unfair to some businesses and the propensity to shift burden to consumers becomes high with its related consequences (Helmsing (1997).

The economic incidence of rent as a local tax in Bekwai Municipal Assembly can barely be determined. Rent is largely progressive considering the rent of bungalows. Charges on bungalows are a percentage on one's income. Charges on the use of public toilets and other landed properties do not consider the economic situation of individual which seems regressive in character (Helmsing (1997).

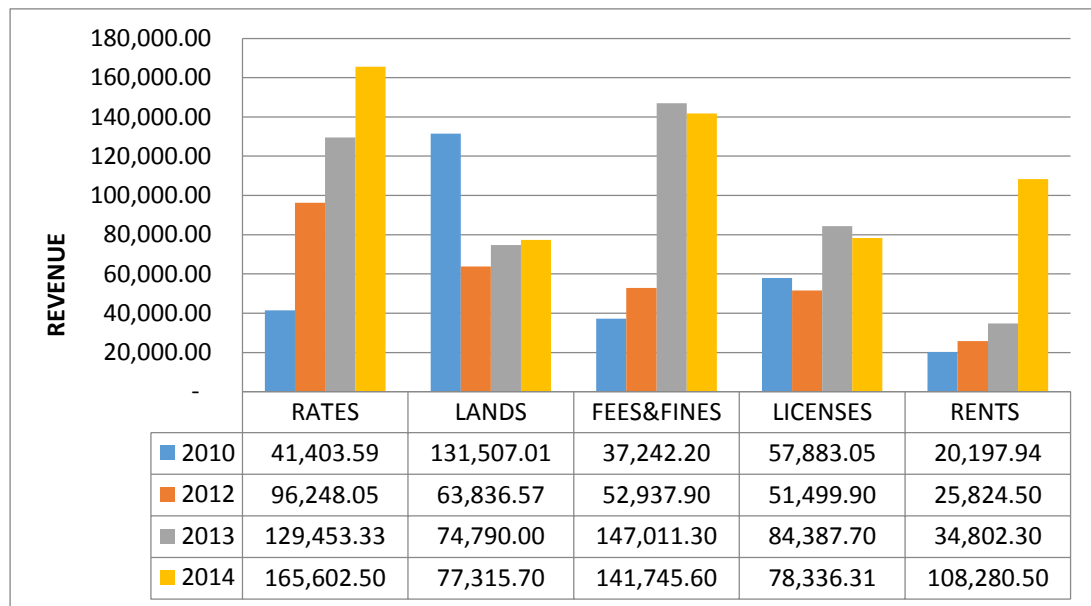


Figure 4.2: Equity of Local Taxes

Source: Secondary Data 2010-2014, Annual Accounts Bekwai Municipal Assembly

4.3 RATE

The analysis indicates that rate is one of the most significant sources of local revenue. This revenue item contributes the highest percentage to the internally generated revenue. Rates comprise basic rates and property rates (residential, commercial, among others). Each of these types attracts different rate impost. Owing to the sprawling nature of the municipality in commercial and residential development and growth in particular, industrial rates particularly property rates are of great importance to the municipality. Rates contributed the highest 27.1 percent of the internally generated revenue of (BMA from 2010 to 2014).

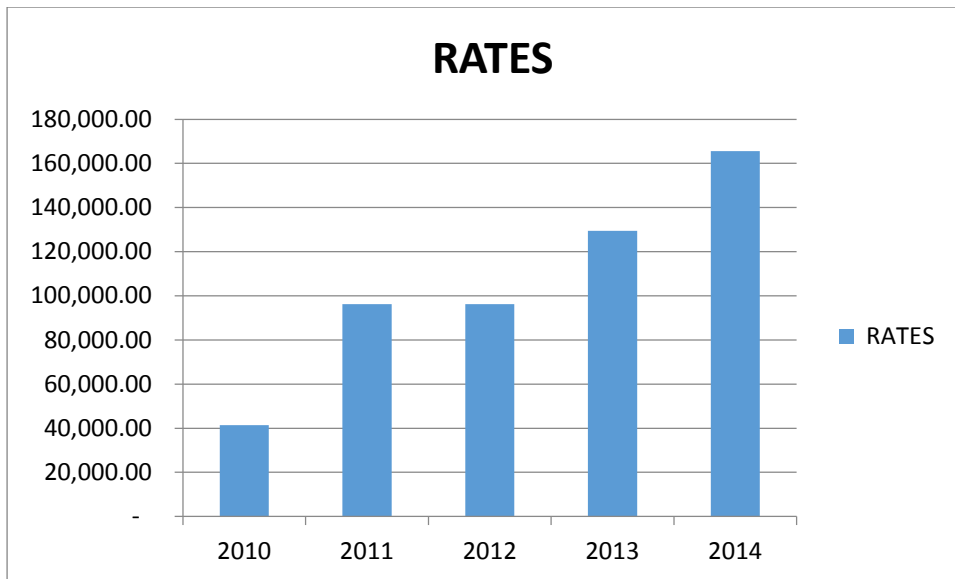


Figure 4.3 Contributions of Rates

Source: Secondary Data, 2010-2014 (Bekwai Municipal Assembly. Annual Accounts)

The trend of rates growth and contribution to local revenue has been quite steady and regular. Figure 4.3 portrays the actual performance of rate over the period. Analysis in Appendix 2 shows that in percentage terms, actual rates collection rose from 46% in 2010, to 129% in 2014. It is therefore not surprising that over the period under review rates contributed 27.1%, the highest, to Internally Generated Fund effort. The principal reasons accounting for the high contribution of rates is that, in the first place, structures that are visible monuments that cannot run away or hide making easy to apply Property rate and basic rates which are the two major categories under general rates. The second reason is the difficulty the assembly encounters in making attempts to administer the other sources of local revenue. These reasons stand for Bahl and Bird (2008) further observed that despite the fact that property taxes are useful and necessary local source of revenue, it cannot easily provide the resources needed for substantial expansion of local services. Again they opined that resistance by taxpayers is possible due to the visibility of property taxes and its burden (Bahl and Bird, 2008)

4.4 LANDS

This revenue category contributes a significant proportion to the IGF effort. From the analysis, lands contribution to the total receipts is refreshing only that it has been vacillating or unstable for the five year period. It however contributed 24.3% of the local revenue mobilized between 2010-2014. Land has its highest contribution of GH¢131, 507, 01 in terms of revenue in 2010. This revenue item comprises revenue generated from the sale of stool lands, issuance of building permits, land transfer, sand winning operations and quarrying activities.

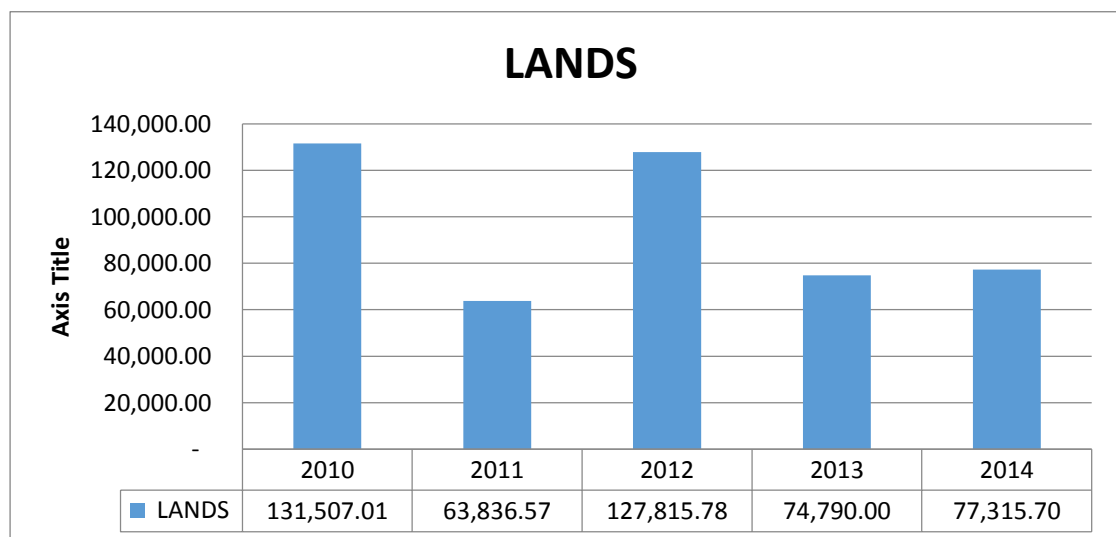


Figure 4.4 Land Contributions (2010-2014)

Source: Secondary Data, 2010-2014 (Bekwai Municipal Assembly. Annual Accounts)

Figure 4.4 shows the contributions of land to local revenue mobilization over the period of 2010 to 2014. The main source of revenue for this category is stool lands revenue transfers from central government. This is evident in the actual revenue mobilized in that anytime stool lands transfer is high revenue performance exceeds budgeted revenue. For example, in 2010, and 2012 actual revenue mobilized exceeds target by 4%, and 79% respectively (Appendix 2.0). For instance in 2012, budgeted revenue was GH¢71, 500.00 and actual revenue mobilized was GH¢127, 815.00 thus

target was exceeded by 79%. This budgeted revenue represented the least for the period for lands and ironically achieved the highest collection rate.

It can also be argued that the estimated revenue for the 2012 in particular was informed by the revenue performance (37%) of the preceding year, 2011. This phenomenon epitomized the effect stool lands revenue has on this category since local government authorities has no control over the sharing and disbursement processes. The situation could also result from the absence of or poor records keeping of lands which are vested in the traditional authorities of the district, making problematic for the district to take full control of land transactions in particular. Hence McCluskey, (2003) states that when identifiable revenues sources are well managed, can offer significant and dependable incomes for local authorities.

4.5. FEES AND FINES

This is one of the major non tax revenue sources of the Assembly. The sources of revenue for this category include market tolls, export commodities, registration of contractor, burial fees, lives stock marriage, divorce registration etc. Market tolls and export commodities (farm produce) forms the nucleus of this revenue source. The analysis unravelled the significant role fees and fines play in internal revenue generating effort of the assembly, hence conscious efforts must be made to step-up maximization of revenue from this category. From figure 4.5 revenue mobilization between, 2010-2012 was unimpressive; it however, peaked in 2013 recoding GH¢147,011.30 in actual revenue mobilized exceeding target by 74%. It dipped slightly in 2014 to GH¢141,745.60 yet exceeded budget by 5% (Appendix 2.0).

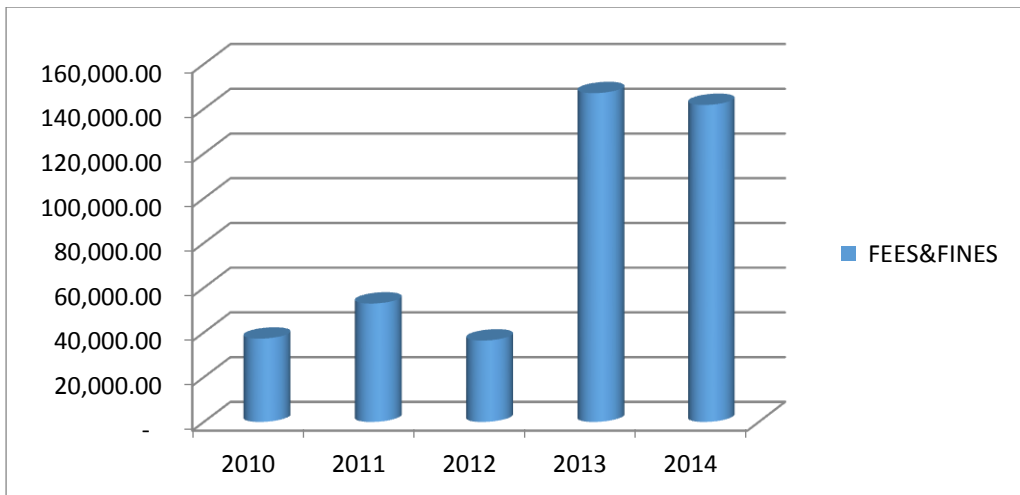


Figure 4.5 Contributions of Fees and Fines

Source: Secondary Data, 2010-2014, (Bekwai Municipal Assembly. Annual Accounts)

This improvement is attributable to the investment the district made to boost commercial activities in the Municipality. For instance the renovating of markets and expansion of lorry parks, business advisory services leading to upward surge in the production and sale of palm oil and palm kernel products and increase in farm produce including plantain, banana, maize etc. The sharp rise in actual revenue in 2013 and 2014, calls for the attention of the Bekwai Municipal Assembly to put in place proper mechanisms to check adequate administration of revenues accruing from fees and fines. The primary interest for managers of assemblies is to improve delivery of services. There is a direct relationship between willingness to pay taxes vis a vis the tangible returns derived from paying of taxes. Hence enforcement of user fees has resulted in a widespread resistance to pay from the poorer segments of the urban population (Fjeldstad and Semboja (2000)).

4.6 LICENSES

In the local government system, license is noted to be the highest major contributor to internally generated revenue especially in the metropolitan assemblies. Licenses represent a key component of the non-tax revenue sources and are charged on operating businesses and industries. Licenses have the following to be its major sources artisan license, store license, chop bar and restaurants licenses, agro-processing, fuel stations, registration of business premises, private and commercial vehicle registration etc. Over the past six years (2010-2014), the contribution from this source has been inconsistent. Table 4.2 shows the yielding strength of licenses to local revenue mobilization. For instance revenue contribution which stood at 18.3% in 2010 decreased to 16.3% in 2011, and further dropped to 13.9% in 2012. Revenue however shot up to 26.7% in 2013 and dipped again to 24.8% in 2014. This phenomenon buttressed the analysis on figure 4.1 which put licenses total contribution to Internally Generated Funds for the period under review as 16.2% (fourth highest) due to the increasing commercial activities in the Municipality. Figure 4.2 throws more light on the contributions of license on local revenue mobilization.

Table 4.2 Contributions of Licenses

YEAR	LICENSES GHC	PERFORMANCE
2010	57,883.05	18.3%
2011	51,499.90	16.3%
2012	43,840.00	13.9%
2013	84,387.70	26.7%
2014	78,336.31	24.8%
TOTAL	315,946.96	100.0%

Source: Secondary Data, 2010-2014(Bekwai Municipal Assembly. Annual Accounts)

This unpredictable behaviour of revenue accruing from licenses is attributable to the general slowdown in the business environment over the period which is a reflection of the national economy as well as the ease of entry and exists of businesses that require business operations licenses. Roy et al, 2001 supported this view and argued that business license tax is seen largely as simpler than other taxes.

4.7 RENTS

This type of local revenue source is generated from fixed assets own by the Municipal Assembly and it constitutes one of the several non-tax sources of revenue. Rents generate a considerable percentage to the internally generated revenue of the Assembly. From figure 4.6 rent recorded a steady and consistent growth in revenue from 2010-2013, which never exceeded GH¢34,802.30 but shot-up to GH¢108,280.50 in 2014. Staff quarters, Government quarters, and rental of landed properties including public toilets constitute source for this revenue.

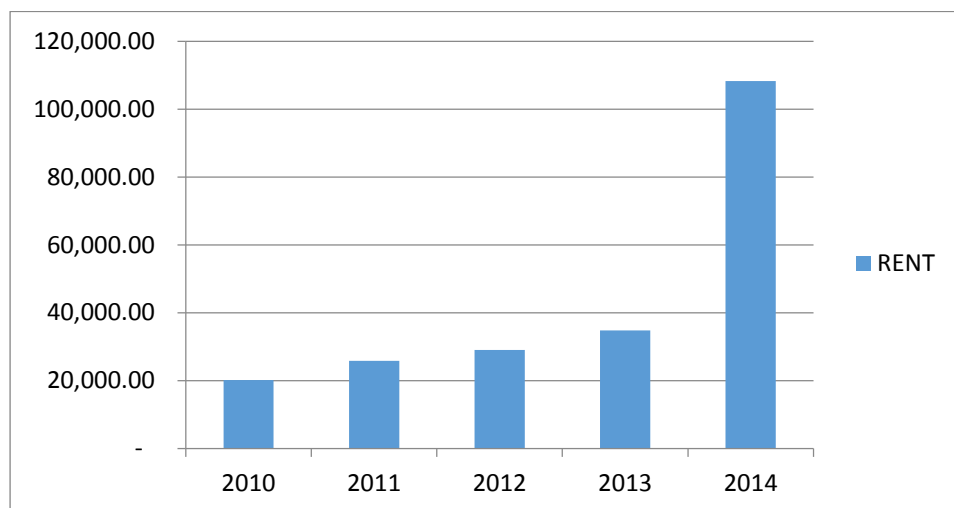


Figure 4.6: Contributions of Rents

Source: Secondary Data, 2010-2014, (Bekwai Municipal Assembly. Annual Accounts)

Figure 4.6 portrays the gradual increase in the revenue mobilize from rents. From 2010 to 2013, rent has been recording an even increment with a sudden jump in 2014.

Though its contribution to local revenue has not been very impressive like rates, land and fees & fines and licenses. The sudden upsurge in revenue in 2014 signified that other opportunities to maximize revenue can be harnessed from this category when given adequate attention and resource. For instance actual revenue mobilized in 2014 was GH¢108,280.50, which was by far more than actual revenues from lands and licenses for that same year; since charges on rent items for instance use of public toilets and other landed properties do not consider the economic situation of individual which seems regressive in character,(Helmsing (1997).

4.8 MISCELLANEOUS

Miscellaneous was also identified to be one of the revenue sources of the Assembly. Miscellaneous include items which cannot be categorized under any of the major revenue sources. Sale of tender forms, unserviceable vehicle, unclaimed salaries and unspecified receipts such as donations are among the items that constitute the assembly’s miscellaneous revenue item. Figure 4.7 depicts the level of contribution made by miscellaneous to the local revenue generation of the Assembly.

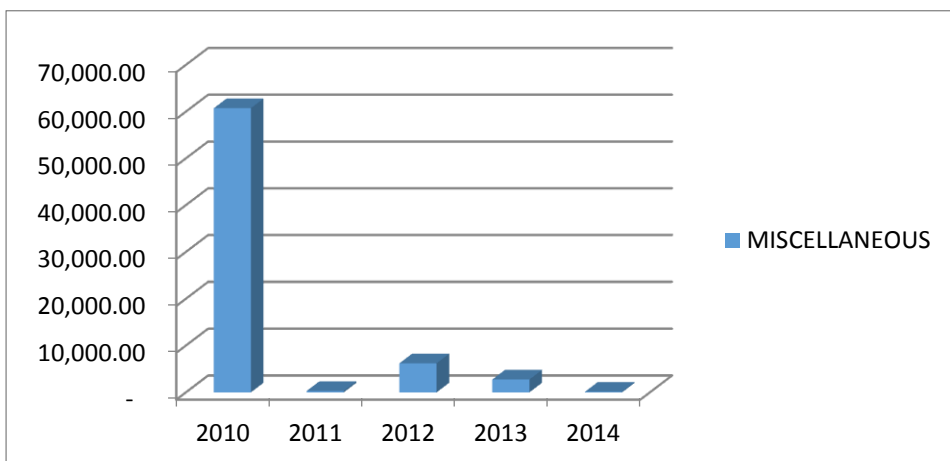


Figure 4.7 Contributions of Miscellaneous

Source: Secondary Data, 2010-2014, (Bekwai Municipal Assembly. Annual Accounts)

4.9 STRATEGIES FOR REVENUE MOBILIZATION

Measurement of revenue performance forms the bedrock of local government in Ghana. This is because the revenue performance is essential in determining economic efficiency, effectiveness of revenue collection efforts and an indicator of accountability. This seems to have attracted less attention from several districts in Ghana for which the Bekwai Municipal Assembly is not an exemption. It is therefore not surprising that revenue targets in most cases are not met (appendix 1.0). The assembly's ability to meet its revenue targets depends on a myriad of things, chief of them is a Specific, Measureable, Attainable, Realistic and Traceable (SMART) strategies for revenue mobilization. Although the researcher gathered from the finance officer, as a strategy, that there has been public education on the assembly tax system, collation of all rateable businesses and other taxable activities and availability of revenue data on various activities for budget and fee fixing resolution.

The use of old method of revenue collection and accountability is still been pursued. The researcher was told we deposit the money collected immediately to bank, we send the pay in slip to accounts office for official receipt. The relevant question for consideration is that who supervises the collection process; a typical challenge that contributes consistently to the low internal revenue levels as indicated in Table 4.3 again there appeared not to be any collection evaluation programme, it is also an observable fact that there are no plans in place to compel local tax defaulters to pay even with interest. The figures in the Figure 4.7 indicate that there is more space for revenue improvement if the right strategies are employed. For instance, the adoptions and use of the automated collection system can measure and check internal revenue collection accountability. Furthermore the accountability aspect of local taxation is dependent on Local Government having the authority to determine the amount of

revenue they raise and also prepared to be responsible to citizens for the decisions they make,(Bahl and Bird (2008).

Table 4.3 Internal Revenue Performance

DSICRIPTION	ACTUAL COLLECTION	
	2010-2014	PERFORMANCE
RATES	455,969.80	24.2%
LANDS	475,265.06	25.3%
FEES & FINES	415,329.60	22.1%
LICENSES	315,946.96	16.8%
RENTS	218,160.24	11.6%
TOTAL	1,880,671.66	100.0%

Source: Secondary Data 2010-2014 (Bekwai Municipal Assembly. Annual Accounts)

4.9.1 Revenue Performance Index (RPI)

This is one of the methods used in assessing revenue performance of local governments in Ghana. Revenue Performance Index is the proportion of the total actual revenue collected or mobilized to the total estimated target over a period of time. The Revenue Collection Index is the ratio of the actual revenue collected from the various tax payers to the estimated target. The reliability of this index for policy and decision making greatly depends to a large extent on the accuracy of both the recorded accounts and the estimated revenues. For instance, if targets are overestimated, the index would be low, which is an indication of poor performance.

On the other hand, if the revenues collected are under recorded, the index would be low nonetheless the potential revenue would have been collected. Analysis of revenues is therefore very subjective and has several limitations particularly with interpretation and that some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction. This has

resulted in a situation whereby these enterprises pay less than the expected amount of money,(Devas and Kelly, (2001).

The secondary data analysed and presented on Table 4.4 shows the performance of both Central Government Transfers (DACF, DDF & Donor Funds) and Internally Generated Funds. The performance index for the period (2010-2014) is between 65.44%-82.83%, which average 74.40% for the period under review. This seemingly appreciable index was largely influenced by central government transfers as confirmed in Table 4.1 which supports Kessey and Gunter (1992) observation that some facets of internal revenue administration are not optimized and only elementary assessment of rateable businesses is carried out.

Table 4.4 Revenue Performance Index

YEAR	TOTAL BUDGETED REVENUE	ACTUAL REVENUE	VARIANCE	PERFORMANCE INDEX
2010	6,531,618.80	4,274,449.54	2,257,169.26	65.44%
2011	6,370,950.64	4,901,847.31	1,469,103.33	76.94%
2012	6,497,194.94	4,450,319.72	2,046,875.22	68.50%
2013	7,712,607.86	6,388,568.96	1,324,038.90	82.83%
2014	10,971,582.97	8,320,947.66	2,650,635.31	75.84%
TOTAL	38,083,955.21	28,336,133.19	9,702,822.02	74.40%

Source: Secondary Data 2010-2014, (Bekwai Municipal Assembly. Annual Accounts)

Despite these challenges, the use of the Revenue Collection Index portrays clearly the revenue performance and it is thus an important tool when dealing with issues of local revenue generation. Also, the data gathered gives a clear indication of the direct and indirect loss of potential revenue due to ineffective and inefficient budgeting and revenue collection methods. Attempts and efforts should be channelled towards the

resolution of these challenges; these revenues when well administered can provide substantial and reliable revenues for local government,(McCluskey (2003).

4.10 CHALLENGES THAT IMPEDES REVENUE MOBILISATION

The researcher interactions with the finance and revenue officers further revealed that the already known facts in respect of the difficulty in local revenue mobilization: the non-availability of ‘vehicle for revenue mobilization, educating the public on how money (revenue) collected are used for development projects,’ according to the officers are challenges hampering the rate at which local revenue could be effective by mobilized. The office also mentioned ‘tax evasion, tax avoidance, political interference and lack of data’ as factors militating against their tax collection efforts. The challenges elucidated above are all internally motivated and collaborative commitment is required to eliminate or mitigate their impact on revenue mobilization.

For instance it is the assembly’s duty to provide the revenue office with the needed logistics including at least a vehicle to facilitate revenue monitoring and collection, it also the prime duty of the assembly to develop the human resource capacity of the revenue office in particular to constantly educate tax payers on the relevant projects that their taxes are financing at the local government level especially. Yet it is the duty of the assembly to invest in policies and structures that make local tax administration less cumbersome for the district. Tax should be very flexible and appealing for tax payers to prevent any attempts at tax evasion and avoidance in particular. From the above it appears the Assembly does not have the mechanism to ensure adequate monitoring of economic activities in its area of jurisdiction. This has resulted in a situation whereby these enterprises pay less than the expected amount of money, (Devas and Kelly (2001).

4.11 DEALING WITH TAX MOBILIZATION CHALLENGES

Effective and efficient local revenue mobilization is a major priority to all district Assemblies; it is however beset with numerous challenges. Attempts and efforts should be channelled towards its resolution. In this respect the researcher was told by the revenue department ‘if the assembly is able to provide vehicle for revenue mobilization; meeting the public regularly on revenue education and by providing to the public of their needs’ are some of the strategies to dealing with revenue mobilization challenges. These and similar utterances were repeated severally indicating that the reasons or causes of low level internal revenue mobilization are well known to them but the necessary administrative measures and logistics support barely exist. This could be explained by McCluskey (2003) that when local revenues are well administered can provide substantial and reliable revenues for local government.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This chapter contains brief summary the of the research method, analysis of data and main findings. It also contains the conclusions and recommendations

5.2 SUMMARY

The findings are summarized according to the objectives. Firstly, it was identified that, the main sources of revenue to the Assembly included Central Government Transfers (DACF, DDF & Grants), Rates, Lands, Fees and Fines, Licences, Rent and Miscellaneous receipts. It was also found out that Central Government Transfers for the year is always higher in terms of proportion to total revenue; as compared to IGF (rates, lands, fees and fines), Appendix 1&2. The main source of funding to the Assembly was Grant (including donor funds) component of Central Government Transfers, and Rates was the chief source of revenue mobilized from internally generated revenue sources through Basic and Property Rates (from daily market tolls and annual property rates). For the whole period, 2010-2014, rates contribution to the overall performance of internally generated revenue was the highest 27.1% (figure 4.1). In respect of the above presentation, it can be said that first objective is met since all revenue sources have been identified and various receipt provided.

Secondly, the findings show that the trend of revenue mobilization especially internally generated revenue been been inconsistent. Comparism of five major local taxes (Rate, Land, Fees & Fines, Licenses and Rent) figures 4.1 and 4.2 show that internal revenue generation has seen a slow but steady growth over the period. For

instance rates contributed 27.1%, land (24.3%), fees & fines (21.3%), licenses (16.2%) and rents (11.2%). Appendix 2.0 also portrays the individual performance of revenue effort year by year. The trend observed from these presentation suggest that there exist a great space and opportunity for Internally Generated Funds enhancement and maximization and the relevant structures and policies must be put in place or relevant legislation activated to drive internal revenue mobilization upward.

Thirdly it was realized that the old fashioned fee fixing meetings, public education and use of data on existing rateable businesses remains the main strategy employed in revenue mobilization and that Revenue collectors go to deposit money collected to the bank, and pay slip subsequently sent to the finance office for official receipt. It was also realised that one strategy used in the Assembly is the collaboration among revenue collectors, works and rent control departments. Although these strategies exist, and has the potential to facilitate a fee fixing process they appear to be elementary and cannot guarantee an upsurge in internal revenue mobilization.

Finally, the findings show that revenue collectors at Bekwai Municipal Assembly are confronted with some challenges. It was stated in very categorical terms that revenue collection within the Assembly is a challenging one. This expression of frustration might have emanated from the uncooperative attitude of tax payers, difficulty in identifying owners of properties, bad or poor and in some cases absence of houses numbers, and grievances about high tariffs. Again, the study indicated logistical challenges as a bottleneck to effective revenue mobilization as well as very weak public education and engagement on local revenue system and collection

5.3 CONCLUSION

Based on the summarized findings it can be concluded that the revenue sources for Bekwai Municipal Assembly are Rates, Lands, Fees & Fines, Licence, Rent and Miscellaneous revenue and Central Government Transfers. Rates (from property rates and basic rates and property rates) and Lands (from stool lands revenue, building permits, registration of plots, temporal structures etc.) are the most important internal revenue sources. In terms of share of total revenue for the Municipality however, grants (Donor support) is the highest and followed by District Assemblies Common Fund.

The challenges that hamper revenue mobilization efforts include obstinate attitude of tax payers, insufficient data for revenue collection purposes, lack of or inadequate logistics including transport for revenue collectors to perform, and weak revenue collection skills. Revenue collection can be enhanced through the provision of vehicle for revenue collection and monitoring as well as regularly meeting the public on revenue education.

A common forum for revenue collectors, works department rent control, tax payers and relevant stakeholders to meet and share their concerns should be created. This platform would foster good interpersonal relationship among the stakeholders and make it much easier for revenue billing and collection. This measure can improve revenue mobilization if properly orchestrated and implemented.

5.4 RECOMMENDATIONS

Based on the results and conclusions, the researcher recommended that management of Bekwai Municipal Assembly should, explore other possible means to improve its revenue mobilization especially the Internally Generated Funds sources. The Assembly should regularly conduct research into taxing and revenue collection activities. Involve stakeholders, tax payer groups, in decision making process leading to the introduction of new rates (and not only during fee fixing resolutions meetings) in order to avoid any unnecessary confrontations between tax payers and collectors.

It is also recommended that realistic estimation should be done and targets set. Performance indicators including collection evaluation programme, reminder letters, early billing and delivery and use of modern collection and accounting gadgets should be adopted to achieve economic efficiency and effectiveness. For instance the use of automated collection and accounting system to measure revenue performance.

The researcher also suggests that revenue collectors be given training periodically to enable them acquire the needed skills required to be able to collect taxes from rate and tax payers with little or no confrontation. This will prevent most of the frequent disagreements among revenue collectors and tax payers. Again the Assembly should endeavour to strengthen existing Areas Councils to facilitate revenue collection and monitoring and steps taken to create Area Councils and Unit Committees in communities where internally generated fund efforts are low. In addition, the Assembly should begin to explore the possibility of procuring and utilizing the services of private revenue collectors which engagement and continuous predetermined obligation would be performance driven. This would enable the revenue office concentrate on core areas of revenue generation.

Yet it is also recommended that the Assembly should support and work even closely with agencies such as National Commission on Civic Education and the Information Services Department in the municipality to organize tax education campaign to educate tax payers on their civic responsibilities on one hand and to inform taxpayers of the numerous development projects their taxes are financing in the Assembly area of jurisdiction on the other hand.

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**APPENDIX 1.0: Annual Revenue Variance by Revenue Sources from 2010- 2014 from Bekwai
Municipal Assembly Annual Accounts**

REVENUE DISCRIPTION	2010 JAN-DEC	2011 JAN-DEC	2012 JAN-DEC	2013 JAN-DEC	2014 JAN-DEC
DACF					
ESTIMATE	2,200,000.00	2,400,000.00	2,160,000.00	1,220,714.00	1,437,693.02
ACTUAL RECEIPT	1,083,042.77	1,652,655.34	787,045.18	504,506.51	753,290.17
VARIANCE	- 1,116,957.23	- 747,344.66	- 1,372,954.82	- 716,207.49	- 684,402.85
DDF					
ESTIMATE	500,000.00	800.00	500,000.00	640,000.00	1,024,543.77
ACTUAL RECEIPT	600,314.25	-	728,363.93	372,376.00	717,390.98
VARIANCE	100,314.25	- 800.00	228,363.93	- 267,624.00	- 307,152.79
GRANT (DONOR FUNDS)					
ESTIMATE	3,466,771.00	3,469,288.64	3,462,882.94	5,353,514.76	7,940,787.30
ACTUAL RECEIPT	2,242,138.86	2,958,555.05	2,579,066.90	5,038,508.22	6,278,857.90
VARIANCE	- 1,224,632.14	- 510,733.59	- 883,816.04	- 315,006.54	- 1,661,929.40
RATES					
ESTIMATE	89,278.00	151,100.00	149,600.00	160,660.00	128,569.63
ACTUAL RECEIPT	41,403.59	96,248.05	112,540.33	129,453.33	165,602.50
VARIANCE	- 47,874.41	- 54,851.95	- 37,059.67	- 31,206.67	- 37,032.87
LANDS					
ESTIMATE	126,000.00	170,700.00	71,500.00	187,000.00	104,500.00
ACTUAL RECEIPT	131,507.01	63,836.57	127,815.78	74,790.00	77,315.70
VARIANCE	5,507.01	- 106,863.43	56,315.78	- 112,210.00	- 27,184.30
LINCENSES					
ESTIMATE	48,180.00	61,282.00	70,779.00	47,054.70	105,984.00
ACTUAL RECEIPT	37,242.20	51,499.90	43,840.00	84,387.70	78,336.31
VARIANCE	- 10,937.80	- 9,782.10	- 26,939.00	- 37,333.00	- 27,647.69
FEES & FINES					
ESTIMATE	48,180.00	54,158.00	54,587.00	84,562.40	134,397.00
ACTUAL RECEIPT	37,242.20	52,937.90	36,392.60	147,011.30	141,745.60
VARIANCE	- 10,937.80	- 1,220.10	- 18,194.40	- 62,448.90	- 7,348.60
RENT					

ESTIMATE	18,142.00	18,622.00	25,846.00	17,102.00	94,108.25
ACTUAL RECEIPT	20,197.94	25,824.50	29,055.00	34,802.30	108,280.50
VARIANCE	2,055.94	7,202.50	3,209.00	17,700.30	14,172.25
MISCELLANEOUS REV.					
ESTIMATE	30,000.00	45,000.00	2,000.00	2,000.00	1,000.00
ACTUAL RECEIPT	60,719.87	290.00	6,200.00	2,733.60	128.00
VARIANCE	30,719.87	44,710.00	4,200.00	733.60	872.00
TOTAL ESTIMATES	6,526,551.00	6,370,950.64	6,497,194.94	7,712,607.86	10,971,582.97
TOTAL RECEIPT	4,253,808.69	4,901,847.31	4,450,319.72	6,388,568.96	8,320,947.66
TOTAL VARIANCE	-	-	-	-	-
	2,272,742.31	1,469,103.33	2,046,875.22	1,324,038.90	2,650,635.31

APPENDIX 2.0: Annual Revenue Percentage Performance by Revenue Sources from 2010-2014 from Bekwai Municipal Assembly Annual Accounts

REVENUE DISCRPTION	2010 JAN-DEC	2011 JAN-DEC	2012 JAN-DEC	2013 JAN-DEC	2014 JAN-DEC
DACF					
ESTIMATE	2,200,000.00	2,400,000.00	2,160,000.00	1,220,714.00	1,437,693.02
ACTUAL RECEIPT	1,083,042.77	1,652,655.34	787,045.18	504,506.51	753,290.17
% PERFORMANCE	49.23%	68.86%	36.44%	41.33%	52.40%
DDF					
ESTIMATE	500,000.00	800.00	500,000.00	640,000.00	1,024,543.77
ACTUAL RECEIPT	600,314.25	-	728,363.93	372,376.00	717,390.98
% PERFORMANCE	120%	0%	146%	58%	70.02%
GRANT (DONOR FUNDS)					
ESTIMATE	3,466,771.00	3,469,288.64	3,462,882.94	5,353,514.76	7,940,787.30
ACTUAL RECEIPT	2,242,138.86	2,958,555.05	2,579,066.90	5,038,508.22	6,278,857.90
% PERFORMANCE	65%	85%	74%	94%	79%
RATES					
ESTIMATE	89,278.00	151,100.00	149,600.00	160,660.00	128,569.63
ACTUAL RECEIPT	41,403.59	96,248.05	112,540.33	129,453.33	165,602.50
% PERFORMANCE	46%	64%	75%	81%	129%
LANDS					
ESTIMATE	126,000.00	170,700.00	71,500.00	187,000.00	104,500.00
ACTUAL RECEIPT	131,507.01	63,836.57	127,815.78	74,790.00	77,315.70
% PERFORMANCE	104%	37%	179%	40%	74%
LINCENSES					
ESTIMATE	48,180.00	61,282.00	70,779.00	47,054.70	105,984.00
ACTUAL RECEIPT	37,242.20	51,499.90	43,840.00	84,387.70	78,336.31
% PERFORMANCE	77%	84%	62%	179%	74%
FEES & FINES					
ESTIMATE	48,180.00	54,158.00	54,587.00	84,562.40	134,397.00
ACTUAL RECEIPT	37,242.20	52,937.90	36,392.60	147,011.30	141,745.60
PERFORMANCE	77%	98%	67%	174%	105%
RENT					
ESTIMATE	18,142.00	18,622.00	25,846.00	17,102.00	94,108.25

ACTUAL RECEIPT	20,197.94	25,824.50	29,055.00	34,802.30	108,280.50
% PERFORMANCE	111%	139%	112%	203%	115%
MISCELLANEOUS REV.					
ESTIMATE	30,000.00	45,000.00	2,000.00	2,000.00	1,000.00
ACTUAL RECEIPT	60,719.87	290.00	6,200.00	2,733.60	128.00
% PERFORMANCE	202%	1%	310%	137%	13%
TOTAL ESTIMATES	6,526,551.00	6,370,950.64	6,497,194.94	7,712,607.86	10,971,582.97
TOTAL RECEIPT	4,253,808.69	4,901,847.31	4,450,319.72	6,388,568.96	8,320,947.66
% TOTAL PERFORMANCE	65%	77%	68%	83%	76%

APPENDIX 3.0: Interview Questionnaire

The study is for academic purpose and impartial fulfilment of a Masters in EMBA (Executive Masters in Business Administration). I will be grateful if you could respond to the following questions. Any information provided would be treated as purely confidential.

SECTION A: SOURCES OF REVENUE OF THE MUNICIPAL ASSEMBLY.

1. How does the Assembly get revenue to finance its development projects? State the revenue sources

- (A).....
- (B).....
- (C).....
- (D).....
- (E).....

2. Do you consider Internally Generated Funds (IGF), a critical source of revenue to the Assembly?

Yes No

3. If yes, list the sources of IGF

- (A).....
- (B).....
- (C).....
- (D).....
- (F).....
- (G).....
- (H).....
- (I).....

4. What targets (estimates) do you set for IGF mobilization?

State the target.....

5. Are you able to meet your IGF target? Yes No

6. How much (actual revenue) are you able to raise?

State the amount.....

7. State the trend of IGF mobilization over the last five years?

.....

SECTION B: STRATEGY FOR INTERNALLY REVENUE MOBILIZATION

8. Mention the category of people involved in IGF revenue mobilization? State them

.....
.....

9. List the instruments used in revenue collection

.....
.....

10. How do you account for IGF revenue collection?

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

11. State the existing strategies you have in place to enhance IFG mobilization

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

12. Indicate the various uses of IGF in the Bekwai Municipal Assembly

(A).....

- (B).....
- (C).....
- (D).....
- (F).....

SECTION C: CHALLENGES IN REVENUE MOBILIZATION

13. Is revenue collection a challenging job? Yes No

14. If yes, list the major challenges you go through to be able to mobilize IGF.

.....

.....

.....

.....

.....

15. How can such difficulties be dealt with?

.....

.....

.....

16. Which of the following factors tend to affect revenue mobilization?

- Tax evasion
- Tax avoidance
- Political interference
- Malpractices by revenue collectors
- Lack of data

17. How can revenue mobilization be improved?

.....

.....

.....

.....

THANK YOU

APPENDIX 4.0: Secondary Data Collection Sheet Any Information Collection via This Sheet Would Be Treated Strictly As Confidential

REVENUE DISCRPTION	2010 JAN-DEC	2011 JAN-DEC	2012 JAN-DEC	2013 JAN-DEC	2014 JAN-DEC
DACF					
ESTIMATE					
ACTUAL RECEIPT					
DDF					
ESTIMATE					
ACTUAL RECEIPT					
GRANT (DONOR FUNDS)					
ESTIMATE					
ACTUAL RECEIPT					
RATES					
ESTIMATE					
ACTUAL RECEIPT					
LANDS					
ESTIMATE					
ACTUAL RECEIPT					
LINCENSES					
ESTIMATE					
ACTUAL RECEIPT					
FEES & FINES					
ESTIMATE					
ACTUAL RECEIPT					
RENT					
ESTIMATE					
ACTUAL RECEIPT					
MISCELLANEOUS REV.					
ESTIMATE					
ACTUAL RECEIPT					