

UNIVERSITY OF GHANA

**ASSESSING REVENUE GENERATION PROCESSES AND STRATEGIES IN THE
DISTRICT ASSEMBLIES:**

A CASE STUDY OF THE NORTH TONGU DISTRICT ASSEMBLY



**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MPhil
PUBLIC ADMINISTRATION DEGREE**

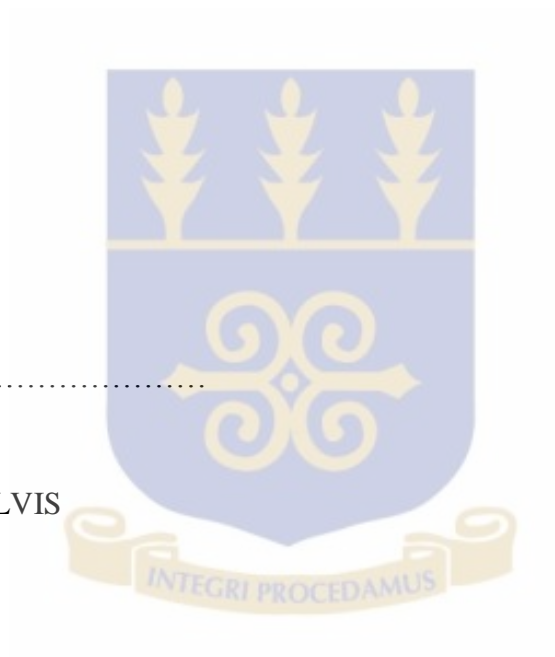
JULY, 2015

DECLARATION

I do hereby declare that this thesis is the result of my own research undertaken under supervision and has not been presented by anyone for any academic award in this or any other University. All references used in this work have been fully acknowledged. I bear sole responsibility for any shortcomings.

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CERTIFICATION

I hereby certify that this thesis was supervised in accordance with procedures laid down by the University.

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DATE



DEDICATION

This research work is dedicated first and foremost to the ALMIGHTY GOD for His continuous grace and loving-kindness. To my mum Mabel Maku Vudugah and to the pupils and teachers of Aveyime R.C. Primary School.



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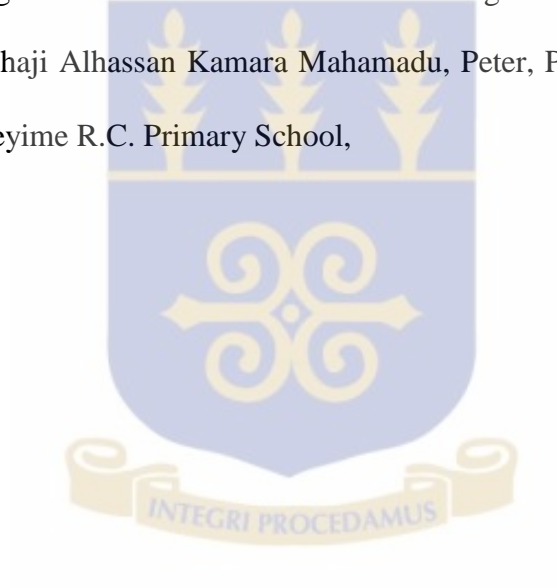


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LIST OF ABBREVIATIONS

CDD	-	Centre for Democratic Development
CIDA	-	Canadian International Development Aid
DA	-	District Assembly
DACF	-	District Assemblies Common Fund
DBO	-	District Budget Officer
DCD	-	District Coordinating Director
DCE	-	District Chief Executive
DDF	-	District Development Fund
DFO	-	District Finance Officer
DIA	-	District Internal Auditor
DPCU	-	District Planning Coordinating Unit
DPO	-	District Planning Officer
DSRS	-	District Senior Revenue Superintendent
FAA	-	Financial Administration Act
FAR	-	Financial Administration Regulations
FOAT	-	Functional Organizational Assessment Tool
GoG	-	Government of Ghana
HRI	-	Higher Revenue Inspector
IGF	-	Internally Generated Fund
LED	-	Local Economic Development

LGSS	-	Local Government Service Secretariat
LI	-	Legislative Instrument
MLGRD	-	Ministry of Local Government and Rural Development
MMDAs	-	Metropolitan, Municipal and District Assemblies
MOFEP	-	Ministry of Finance and Economic Planning
NALAG	-	National Association of Local Government Authorities
NDPC	-	National Development Planning Commission
OECD	-	Organization of Economic Cooperation and Development
PFM	-	Public Financial Management
PNDC	-	Provisional National Defence Council
PPA	-	Public Procurement Act
RCC	-	Regional Coordination Council

ABSTRACT

Revenue generation by local governments towards the development of their respective areas in recent times has been identified as a major challenge. In view of this, the study aims at assessing the revenue generation processes and strategies adopted by the District Assemblies to generate revenue, in addition to the challenges encountered in these processes in order to recommend measures to improve the system. To achieve the above, the study adopted the qualitative case study approach to investigate the problem. A purposive sampling technique was used to select a total sample size of thirty-six (36) respondents and participants from the North Tongu District Assembly, including Assembly and Unit Committee Members as well as revenue collectors. The findings of the study revealed that stakeholder inclusion in the budgetary process and the availability of a reliable database for identifying and forecasting revenue generation was very poor. It was also revealed that revenue collection involved the use of a manual issuance of tickets coupled with poor enforcement of regulations involving revenue collection. The study also found that the unavailability of logistics, poor training of revenue collectors in addition to poor monitoring resulted in leakages of revenue for the Assembly. The study concluded that in order to improve the system of revenue generation, there is the need to involve various stakeholders in the budgetary process of identifying the revenue sources, whiles using efficient collection systems, providing enough logistics such as vehicles in addition to providing adequate training for the various revenue collectors in the Assembly.

CHAPTER ONE

1.0 INTRODUCTION

With the advent of democratic and decentralization reforms, many countries have devolved the responsibility of generation and management of revenue and expenditure to Local Government bodies. These bodies are therefore faced with the challenge of planning through their budgets by mobilizing appropriate level of revenue to enable effective service and infrastructure provision to their constituents. Availability of adequate funds, through efficient budgetary processes constitutes the required catalyst necessary for timely execution and completion of infrastructural development projects by local governments. This study aims at examining the processes and strategies used to generate these revenues and the various challenges that are encountered with these processes and strategies adopted.

This chapter introduces the research background, statement of the problem, the objectives of the study, the research questions, and the significance of the study as well as the summary of the various chapters of the study.

1.1 Research Background

The past two decades of Ghana's decentralization practice had witnessed reforms aimed at ensuring that governance and development is brought closer to the citizens. Most of these reforms were targeted at the creation of political, economic, social and sustainable growth and development (Badu, 2007). Prior to the 1988 Local Government Reforms, District Assemblies in Ghana were required to plan and prepare their budgets and generate enough revenue to finance their local development programmes. However, the reforms of fiscal decentralization programmes which were adopted by the central government to delegate this fiscal responsibility to the local bodies

became a major challenge as a result of improper planning and investment capital at the local level (Baffour, 2008).

With the inception of the local government reform of 1988, the government of Ghana embarked on the implementation of a comprehensive policy to decentralize the system of government by transferring public authority to plan, resources and personnel from the central government authority to regional and district jurisdictions. This policy was backed by the Local Government Law of 1988 (PNDCL 207) and the subsequent passing of the Local Government Act of 1993, Act 462. The reforms identified five main sources of revenue to the District Assemblies and these included the District Assemblies Common Fund (DACF), internally generated funds through local taxation, loans, permits, and other sources such as sale of lands as well as ceded revenue (as it was then), which was to deal with a number of lesser tax fields of the central government (Aryee, 2003). The DACF over the years has served as the primary source of providing a constitutionally stipulated minimum share of government revenue to the District Assemblies. The internally generated funds which in most cases had not been adequate, served mostly as the source of financing recurrent expenditure of the Assemblies as against the DACF and District Development Fund (DDF) which are used to finance capital expenditure in the Assemblies.

The District Assemblies in Ghana are required to provide administrative, fiscal, social services and amenities to their residents. These responsibilities have been increasing in nature as a result of the gradual decentralization of some of these responsibilities which hitherto were being performed by the central government. In view of the increasing functions, several reforms and programmes were aimed at managing the budgetary processes such as the introduction of the composite budgeting system as well as adequate mobilization of local revenue for the development of the local areas.

However, majority of the revenues of the District Assemblies, generated from the identified sources are woefully inadequate to support recurrent expenditure much more to finance the delivery and running of basic infrastructure and services needed by the local communities (Badu, 2007). These District Assemblies have become solely dependent on the District Assemblies Common Fund (DACF) for their infrastructural development. In recent times however, the absence or the delay in the release of this fund, as a result of shortfalls in revenue inflow to the central government has almost brought most of these Assemblies to a standstill. This situation has negatively affected the administrative, social, economic and the infrastructural development of the Assemblies. This has led to the need for the Assemblies to examine their budgetary and revenue mobilization processes and strategies with the view to identifying effective and sustainable ways of generating revenue for infrastructural and other development projects in the Assemblies.

The government of Ghana in its desire to strengthen these Assemblies in their revenue generation and further deepen fiscal decentralization, had put in place some reforms as stated in the 2014 and 2015 budget statements respectively in order to address some of these challenges. These reforms include the need to pay serious attention to local revenue generation and management by the Metropolitan, Municipal and District Assemblies (MMDAs) and to explore other financing mechanisms, which would give local Government authorities greater autonomy from the central Government. It also included the development of a well-defined policy framework that enables the expansion of the base of existing MMDA revenue sources, the identification of new sources of revenue, and the effective administration of collection systems.

These revenues, the government has admitted must however, come from a combination of fees and charges, local taxes, shared taxes as outlined in the Schedule 6 of the Local Government Act 1993, Act 462 and Central Government transfers. To this end, Government has initiated a national

debate on MMDA Internally Generated Funds to reflect on further options for policy reforms as well as the establishment of an effective public and social accountability mechanism to ensure that the resources mobilized are put to use for the benefit of ordinary Ghanaians.

In effect, the government in its quest to advance the fiscal decentralization reforms aims at undertaking a rollout of the Public Financial Management (PFM) templates to all Districts to deepen citizen participation in the financial management of the MMDAs across the country; continue budget reform activities to make MMDAs budgets consistent with National Budgeting processes and formats; complete the revision of the Local Government Finance Bill and seek Parliamentary approval to enable government put the necessary structures in place for MMDAs to borrow for infrastructure provision; and complete and rollout the IGF strategic guidelines.(GoG Budget Statement, 2014 and 2015). While these policies aim at ensuring that these Assemblies generate enough revenues to undertake their development projects, it is also necessary to ensure that the right strategies and processes are put in place to generate these revenues at the local level.

Thus, this study sought to assess the revenue generation processes and strategies in the District Assemblies for infrastructure development with a focus on the North Tongu District Assembly.

1.2 Problem Statement

The success of any sound fiscal decentralization programme rests upon a sound revenue base (Bird, 2010; Martinez-Vázquez and Smoke 2010; Olowu and Wunsch, 2003). Local governments perform several functions, key among which is to mobilize local revenues which have the potential to foster political and administrative accountability by empowering communities (Shah, 1998; Oates, 1998). The growth of Africa's population especially over the past two decades has outpaced the capacity of local governments to deliver services in terms of management and the financing of infrastructure (McCluskey et al., 2003; McCluskey and Franzen, 2005: 43-44). This implies that

these Local government bodies are unable to generate enough revenues coupled with the dwindling Central Government support to meet these ever growing needs of the population.

Scholars have attributed the inability of these local government bodies to generate enough revenues to several reasons. Devas (2003), argued that a growing number of residents in these local areas live in informal settlements characterized by inadequate basic services such as housing, clean water, electricity, sanitation, roads and transport hence the difficulty to generate revenue from these areas. Others have also attributed this phenomenon to the fact that many local government authorities are financially weak due to poor tax administration systems that are unable to properly account for revenues collected and therefore had to rely on financial transfers and assistance from the central government (Brosio, 2000; Fjeldstad, 2006).

Others have recently attributed the lack of transparency in the budgetary processes of local governments due to their inability to engage citizen's interest in terms of their involvement in the entire process of planning and revenue generation as well as being provided with facilities that are of high quality (CLGF/UNDP, 2014; Adenugba & Ogechi, 2013; Akudugu, 2012). Again, some other scholars are also of the view that the existence of central government grants was a major disincentive to mobilize local government revenue (Benin, 2012). Even though a number of studies have drawn the attention to the dangers of decentralized levels of government relying too heavily on intergovernmental transfers for financing their budgets (Weingast, 1995; McKinnon, 1997), the phenomenon has not changed over the years. The implications of all these findings is the fact that there continuous to be an abysmal performance of local governments in revenue mobilization resulting in governance crisis and poor service delivery capability.

It is however, worthy to note that despite these extant literature on the failure of these local government bodies to generate the revenues needed for their development, there still exist a gap which suggest that only little attention has been paid to the exact processes and strategies adopted from the budget stage through to the actual revenue generation of these Assemblies. It appears that the need to focus attention on the strategies and processes adopted to generate these revenues in order to design appropriate revenue systems as an integral part of improving local resource mobilization has eluded District Assemblies and policy makers. If the local governments are able to generate a lot of revenues internally by setting the appropriate revenue targets, involving all the necessary stakeholders in the process, some of these funds can be adequately generated to be used to undertake infrastructural development projects in their respective Assemblies instead of relying solely on the Central Government.

The North Tongu District Assembly as one of the District Assemblies in Ghana over the years has faced similar challenges of revenue generation including the inability to explore revenue sources, inadequate database on revenue, poor revenue monitoring and the inappropriate strategies and processes to realize the actual revenue potentials of the Assembly. For instance, in the years 2012 and 2013, the North Tongu District Assembly budgeted for an amount of GHC 81,259.50 and GHC 132,100.90 respectively. However, in 2012 and 2013 it realized an amount of GHC 32,304.00 and GHC 60,903.00 (Composite Budget, North Tongu District, 2014). The effect of this worrying phenomenon is the inability of the District Assembly to provide the needed infrastructural development to its citizens. There is therefore the urgent need for research in this area to specifically examine the effectiveness of the budgetary and revenue mobilization processes and strategies adopted by these District Assemblies towards infrastructural development.

1.3 Research Objectives

The main objective of this study is to assess the budgetary and revenue mobilization processes and strategies of the District Assembly towards revenue mobilization.

It specifically sought to:

1. Examine the budgetary processes and strategies adopted by the Assembly towards revenue mobilization,
2. Identify the various challenges encountered by the Assembly with their budgetary processes and strategies towards revenue mobilization, and
3. Identify critical success factors for effective revenue mobilization and management for infrastructural development.

1.4 Research Questions

The research primarily seeks to ask: what are the budgetary and revenue mobilization processes and strategies of the District Assembly towards revenue mobilization. This will be achieved mainly through the following specific questions;

1. What budgetary processes and strategies are adopted by the Assembly towards revenue mobilization?
2. What are the challenges encountered by the Assembly with their budgetary processes and strategies towards revenue mobilization?
3. What critical success factors exist for effective revenue mobilization and management for infrastructural development?

1.5 Significance of the Study

This study is very significant in contributing to the enhancement of revenue mobilization of the District Assemblies in Ghana. Specifically this study's significance was viewed from the point of policy, practice and research.

From the policy perspective, this study may provide national and local policy-makers, as well as development partners, with meaningful insights into the processes and strategies adopted by local governments in the mobilization of revenue. In addition, the study may provide broad guidelines for policy makers at both national and local levels of government to facilitate the mainstreaming of effective budgeting and revenue mobilization policies into national and local plans. This may renew the effort and commitment by central and local government structures towards the enhancement of budgeting and revenue mobilization for the attainment of sustainable infrastructure development.

In relation to this study's contribution to practice, it proposed ways to enable Local Government institutions and agencies within the country to incorporate best practices of budgeting and revenue mobilization at the local level. This will enable these institutions to adjust their budgeting and revenue mobilization framework, strategy and approach towards the enhancement of their revenue. It may also provide useful lessons for local government practitioners themselves to enable them implement budgeting and revenue mobilization strategies and policies by taking into consideration the various local conditions. Again, the findings of the study may help practitioners at both the local and national levels to appreciate the various challenges confronting budgeting and revenue mobilization at the local level and the strategies and their contribution to the enhancement of the financial fortunes of the District Assemblies. This may inform the implementation of infrastructure

development programmes meant to empower the local people in order to contribute to the District Assemblies.

With reference to the significance of this study to research, the findings and knowledge from the study provided current and empirically verifiable data and information on the processes and strategies adopted by the local governments towards revenue mobilization in the context of the North Tongu District Assembly and for that matter, Ghana. This may contribute in a significant measure in filling the void in the literature concerning the strategies and revenue mobilization processes at the District Assemblies and its implication for infrastructure development in the developing country context for academic reference.

1.6 Organization of the Study

The study is organised into six chapters. The **First Chapter** is made up of the introduction, background of the study, the problem statement, objectives of the study, research questions, and significance of the study and the organization of the study.

Chapter Two discusses the theoretical and the conceptual framework for the study. It discusses the Fiscal Federalism Theory and the relevant elements within this theory in relation to the objectives of the study.

Chapter Three focuses on literature review in the area of decentralization, local government budgeting and revenue mobilization. This also includes some of the reforms in terms of fiscal decentralization and the impacts on local government budgeting and revenue mobilization for accelerated infrastructural development.

Chapter Four looks at the methodology and data collection for the study. It is made up of the research paradigm, research design, research approach, population of the study, sample frame and

sampling technique, sources of data and data collection instruments, the study area, context of the study, data management, challenges and limitations of the study as well as the ethical considerations.

Chapter Five discusses the findings of the study. This includes transcript of the interviews and the analysis of the questionnaires administered. A chronology of discussions in relation to literature and the conceptual framework was done to achieve the stated research objectives.

Chapter Six provides summary of findings, recommendations and conclusions of the research. The findings were summarized in relation to the objectives and the framework of the study. This finally led to a conclusion and appropriate recommendations on how to improve the budgetary and revenue mobilization processes of the District Assemblies for accelerated infrastructural development.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Saunders et al. (2009) are of the view that literature review helps the researcher to have an insight into other related research on a particular topic under study as well as provides the basis for the building of further research. Based on this fact, this chapter reviews some relevant literature on the topic under study. The first part of this chapter provides insight into the concept of decentralization in general with a focus on fiscal decentralization in developing countries. The second part provides an overview of decentralization in Ghana with a focus on some current policies towards fiscal decentralization, budgeting and revenue mobilization of local governments.

2.1 The Concept of Decentralization

Decentralization as a concept has been variedly defined by various authors. The Chambers Dictionary (1998), described the concept as to withdraw from the center; to transform by transferring functions from central government, organization, authority or head to smaller or local centers. This definition clearly indicates that decentralization occurs when an organization or officials decide to reduce its activities and functions hitherto performed at the center to lower levels. To transform these functions implies a reduction of workload coupled with the transfer of formal authority to the local units.

The United Nations (1962), in its bid to promote development through decentralization when it declared the decade of development defines the concept as, a plan of administration, which will permit the greatest possible number of actions to be taken in areas, provinces, districts, towns and villages where people reside. This gives a confirmation of the belief that functions of governments

are better performed when they are done closer to the people to whom they are meant for. The implication of this as echoed by Conyers, (1990), is that power and authority to plan, make decisions and or manage those functions is a necessary condition to enable decentralization to be completely realizable.

One of the broadest and widely accepted definitions as offered by Rondinelli and Cheema (1983:64), described decentralization as “the transfer of planning, decision making, or administrative authority from central government to its field organizations, local administrative units, semi-autonomous and para-statal organizations, local governments or non-governmental organizations” Decentralization in this sense involves the transfer of power and or authority for decision making, planning and management of public services from higher level to lower level organizations. A very important point to note here is that the various transfers vary from one level of governmental organization to the other. Some occur in the form of deconcentration of responsibilities to administrative units in the field whilst others involve devolution of functions and resources to local government units or delegation to statutory bodies or non-governmental agencies.

2.2 Fiscal Decentralization

According to Yaw-Nsiah (1997), fiscal decentralisation is the transfer to sub-national governments of the power to mobilize, allocate and manage financial resources according to locally determined priorities. Fiscal decentralisation involves the ability to externally and internally generate revenues and has therefore become a very important issue in the decentralisation process in many developing countries. Fiscal decentralization has been considered crucial for the effectiveness of the decentralized institutions, without which the local governments cannot achieve the desired developmental goals at the local level. Thus, the absence of fiscal decentralisation implies the

decentralized institutions would not have the financial means to implement projects in order to achieve their mandates (Dick-Sagoe, 2012).

It has been argued that the most common theoretical rationale for decentralization is to attain allocation efficiency among different local preferences for public goods and services (Musgrave, 1959; Oates, 1972). A core component of the above fact is the ability of the decentralized units to have financial responsibility in order to attain that efficiency. This implies that if decentralized units are to carry out their responsibility effectively, they need to have adequate level of revenues raised locally and or transferred from the central government or from other sources and in addition to have the authority to make decisions about expenditures. This process of distribution of public finance and responsibilities to the various levels of government is usually referred to as fiscal decentralization.

According to Wolman (1990), the theoretical argument for fiscal decentralization traces back to Madison and Rousseau, in the 17th and 18th centuries, though they had different reasons for supporting decentralization. Madison argues that leaders must derive their powers “directly from the great body of the people,” Which means that power for locals and “not inconsiderable handfuls of nobles are exercising their oppression by a delegation of their powers” (Rossiter, 1961: 241). Madison believes that the people must be given the mandate to elect their leaders as a way of “composing the distinct and independent regions, to which they respectively belong”

The emphasis of fiscal decentralization is to strengthen the finances of sub national governments and thus their capacity to provide public goods and services. The idea is to give local governments some revenue authority and expenditure responsibility, and allow them to decide on the level and structure of their expenditure budgets. In this way the local people will be able to articulate their

needs and preferences, and participate in governing their affairs. Fiscal decentralization as a means of achieving local development is based on two main arguments namely economic efficiency and local revenue mobilization (Bahl & Linn, 1992; Oates, 1993). The efficiency argument is that fiscal decentralization moves government nearer to the people and makes local governments more responsible for decisions about the level and mix of taxes and expenditure, thus increasing welfare.

The revenue mobilization argument on the other hand for fiscal decentralization is based on the fact that a decentralized tax structure might actually lead to an increase in the overall rate of revenue mobilization. Typically central governments collect taxes with a high threshold, which leaves many individuals and small firms outside the tax net. What this means is that a significant proportion of taxable capacity is left out of the tax base because central governments lack the familiarity with the local tax base, which makes it difficult to identify small taxpayers and maintain tax toll. In addition, the revenue gains from bringing small taxpayers into the tax net are small and negligible compared with the mobilization costs. However, local governments do have familiarity with the local tax base because of a variety of licensing and regulatory activities in property and land based transactions. Also, the potential revenue yield from these local taxable activities may be a sizeable part of the local government budget. Therefore, local governments might be able to reach these small payers through local taxes, rates and user charges for the provision and maintenance of local public services at lower cost than the central government (Bahl & Linn, 1992; Oates, 1993).

2.2.1 Fiscal Decentralization in Developing Countries

Smoke (2001) argued that the reform of economic systems in developing countries during the 1980s focused largely on increasing the role of the market and improving the environment in which

it operates. Over the years, there was a preoccupation with the private sector, such that the potential role of the public sector in promoting development received little attention. In recent years, there have been widespread attempts to both redefine the role of the public sector in developing countries and improve its performance. An increasingly important goal of these reforms is the decentralization of government functions. In view of this, during the 1990s, fiscal decentralization and local government reform were among the most widespread trends in promoting development (World Bank, 2000).

Bahl and Linn (1992), also argued that in the 1980s, just prior to the emerging fiscal decentralization trend, local governments in Organization for Economic Co-operation and Development (OECD) countries accounted for, on average, 11 per cent of total public employment, and in some countries as much as 25 per cent. In contrast however, local governments in developing countries accounted for an average of 4.5 per cent of public employment, ranging from 2.5 per cent in Africa to 8 per cent in Asia. They indicated that public expenditure data from the late 1980s and early 1990s showed that the local government share of total government spending averaged 32 per cent in the industrialized countries as compared to the 15 per cent in the developing world.

To determine that bases for the above phenomenon, it is important to consider the historical basis for fiscal centralization and the factors that have been undermining it. According to Smoke (2001), traditional systems in some parts of the world, particularly in Asia and Africa, have been highly centralized for centuries. Local governments were introduced in many developing countries through colonization and development assistance, often taking a form that neither met their intended purpose nor gained acceptance from the local people. He argued that post-independence leaders were left with an institutional framework that was not consistent with their culture and

needs. They however, commonly used local governments for administrative and control purposes rather than to promote self-determination, democratization and economic development.

One other most important factor that accounted for the low level of decentralization and for that matter fiscal decentralization is the argument put forward by Rondinelli (1990). He was of the view that the most important reason local governments have been neglected in developing countries is that strong central governments often oppose decentralization. Some reasons for this reluctance, he argued, are legitimate, such as the need for nation building in ethnically fragmented societies and central macroeconomic control in fragile economies. Equally important, however, is the reality that the governing elite, who may be dominated by particular ethnic groups, fear the loss of power and wealth inherent in meaningful decentralization (Smoke, 2001). In addition, central ministries and or political parties that control substantial resources rarely want to share them with autonomous local governments hence the reluctance in sharing these powers and resources with the lower tiers of government to enable decentralization to effectively occur.

2.2.2 The Elements of a Good Fiscal Decentralization in Developing Countries

According to Smoke (2001), key elements that should be included in a good fiscal decentralization program include an adequate enabling environment, assignment of an appropriate set of functions to local governments, assignment of an appropriate set of local own-source revenues to local governments, the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital.

An enabling environment for fiscal decentralization involves constitutional or legal mandates for some minimum level of autonomy, rights and responsibilities for local governments. This provides a foundation on which to build decentralization. There are however, many countries with

constitutional clauses and laws on local government that have not managed to decentralize successfully. A good example is Indonesia, which became more fiscally centralized after a major decentralization law was passed in 1974 (Smoke and Lewis, 1996). On the other hand are Ethiopia and Uganda, two often-cited cases of recent good performance of decentralization reforms (Bahl, 1997 and World Bank, 2000). First, in both countries, emerging political conditions have led to a strong national will to decentralize and secondly, the development of clearly defined constitutional and legal provisions to support decentralization and the strengthening of decentralized levels of government. Furthermore, the establishment of institutions to oversee and co-ordinate decentralization and local government reform and the recognition that effective local governments must have adequate resources to meet their responsibilities under decentralization were the key reasons for the performance of these countries.

Another major condition for a successful fiscal decentralization is the assignment of revenue to lower tiers of governments (Smoke, 2001). He argued that, central governments usually attempt to assign local governments, revenue bases that are relatively immobile and should therefore not lead to serious spatial efficiency effects, which do not compete seriously with central tax bases. He identified some particularly problematic concerns on revenue assignment to local governments. First, assigned revenues are almost never adequate to meet local expenditure requirements. This means that central government must transfer additional funds which are inevitably required to meet these expenditures. Second, local governments are often faced with the use of too many unproductive revenue sources that barely cover the costs of collecting them. Third, there is the lack of attention and capacity to implement reforms in addition to individual local revenue sources which suffer from some serious design problems, such as static bases, overly complex structures and ineffective collection mechanisms.

2.3 Challenges of Revenue Mobilization of Local Governments in Developing Countries

According to a study by World Bank (2000), Local Governments in Developing Countries face several challenges in generating enough revenues to fulfill their mandates. Among the findings, they identified complex and conflicting legislative provisions, poor implementation strategies and designs towards revenue generation, funding relationships as well as issues about economic efficiency and accountability which determine the magnitude of revenues to be generated in the District Assemblies.

Inanga and Osei-Wusu (2004), on the other hand were of the view that although adequate legislation has been instituted to enable District Assemblies to harness internally generated revenues, tax bases of local governments are static because of weak databases for determining revenue potentials. Areas within the districts where revenue could be generated are not well identified and therefore the revenue collection level is not optimal. Secondly, there are complex structures in terms of planning for revenue collection in some of the districts while the mechanisms for collecting internal revenues are ineffective. For instance, revenue collections from property rates are low because properties have not been properly valued. Furthermore, there are inadequate revenue collectors in most districts while there is the absence of appropriate sanctions or punishment for tax defaulters hence making most residents, especially traders, not to feel obliged to pay taxes.

2.4 Decentralization and Local Government in Ghana

Local governance and decentralization in Ghana occurs within a certain context. It is important to discuss the historical, political and the legal context of decentralization in Ghana.

2.4.1 A Brief Historical, Political and Policy Perspective on Decentralization in Ghana

In order to understand and analyze Ghana's decentralization system, a brief look at the history and the political context will be appropriate. The literature on Ghana's decentralization considers the colonial British indirect rule through the local chiefs as the genesis of decentralization in the then Gold Coast (now Ghana). Decentralization thus became a political tool for the British through the chiefs and their elders to reinforce the wishes of the British government (Antwi-Boasiako & Bonna, 2009). As Bamfo (2000) and Rathbone (2000) noted, those chiefs who cooperated with the British were rewarded and the uncooperative ones were punished. Such an authoritative implementation of the concept created fear among the chiefs and their subjects (that is, the locals).

Ghana's political independence in March, 1957 did little to change the political structures established by the colonizers. As a result, many studies have described post-colonial decentralization as ineffective, in which regime change through military coups became the order of the day after Kwame Nkrumah was ousted in 1966. It was during the mid-1970s under Lt. Col. Ignatius Kutu Acheampong's military regime that the government tried to empower the locals (Nkrumah, 2000).

The history of contemporary decentralization Ghana in spite of Acheampong's attempt is credited to the Provisional National Defense Council (PNDC) regime under Jerry John Rawlings' administration (Assibey-Mensah, 2000). He argues that after the passage of the 1987 Local Government Law (PNDC Law 207), 110 District Councils and their respective District Assemblies were set up to ensure local participation in the decision making process. This led to the formation of the defunct People's Defense Committees (PDCs) in communities to identify each area's needs instead of relying on the central government to make every decision and try to solve local problems

from the 'castle' (Office of the National Government). Significantly, the PDC concept created grassroots interest in local administration as district elections during the PNDC regime were the highest ever recorded for the decades in the late 1980s. Assibey-Mensah (2000), further noted that official reports indicated that 58.9% of registered Ghanaian voters cast their ballots in the local elections, and the turnout was the highest of any district-level election over the past 30 years.

The PDCs, made up of local self-identified defenders of the PNDC revolution, effectively took over local government responsibilities, though they were often limited to mobilizing the implementation of local self-help projects, while the deconcentrated ministries played a more significant role. Aryee (1994), notes that despite the PNDC's rhetoric, its interest in decentralization reflected in that of previous regimes, thus, a curiosity in the administrative decentralization of central government and not the devolution of political authority to the local level. Additionally, Aryee (2000) perceives a key feature of local governance, through the PDCs for example, in the pre-1988 period as a dual hierarchical structure in which central and local government institutions operated in parallel, but with encroachment at times by better resourced central government on the roles and responsibilities of under-resourced local revolutionary activists.

Some studies have argued that local participation ensures more direct form of democracy in which the voices of ordinary people can be heard more easily, the PNDC used the PDCs and Workers Defense Committees (WDCs) to make decisions in the local communities and workplaces. These institutions, PDC sand WDCs, were to take part in the decision making process at the grassroots in the rural areas and work places in urban areas, respectively. Given the theoretical understanding of decentralization, it was believed that these groups would unlock the virtue and intelligence of the populace at the grassroots level and would foster good government and promote social capital

(Debrah, 2009). It was based on the above that culminated in the current local government structure developed from the coming into force of the 1992 constitution of Ghana.

2.4.2 The Constitution and Decentralization in Ghana

Following over a decade of military rule (1981 -1991), the 1992 Ghana Constitution provided a transition for democratic governance. The objective of decentralization was then laid out specifically in the 1992 Constitution of Ghana (chapter 20) which deals with decentralization and local government. Here, the constitution states categorically in Article 240:1 that “Ghana shall have a system of local government and administration which shall, as far as practicable be decentralized” Again the independent role of the local government, with discretionary powers at the grassroots, was subjected to a provision in Article 240 [2b], which stipulates that measures should be taken to enhance the capacity of local government authorities to plan, initiate, co-ordinate, manage and execute policies in respect of matters affecting the local people.

The principles of participation in local government and accountability to the locals were also emphasized in Article 240 [2e], which states that to ensure the accountability of local government authorities, people in particular local government areas shall, as far as practicable, be afforded the opportunity to participate effectively in their governance.

Without a doubt, the democratic intent in Ghana towards decentralization was further stated in Article 35[6d] by emphasizing that the state shall take appropriate measures by decentralizing the administrative and financial machinery of government to the regions and districts and by affording all possible opportunities to the people to participate in decision making at every level of national life and in government. These constitutional provisions paved the way for the passage of the Local

Government Act of 1993, Act 462 to guide the current structure of the Metropolitan, Municipal and District Assemblies in Ghana.

The Assemblies, per the provisions of the Constitution and for that matter the Local Government Act, once in session, will become the highest political authorities in the districts (Owusu-Ansah, 1989). The composition of the Assemblies as per the 1992 Ghana Constitution which preserved some of the PNDC 1988 reforms of non-partisan local level elections and presidential powers of appointment comprises seventy percent elected members and thirty percent of the members appointed by the President in consultation with traditional authorities and other interest groups in the district (Article 242[d]). For example, the appointment of a ‘district chief executive’ (DCE) by the President is retained with at least the approval of sixty six percent of the DA members (Article 243[1]). The DCE is the political head of the local executive, centrally involved in decision making, with a district coordinating director (DCD) as the highest ranking civil servant. Additionally, after the elections, the assemblies, once in session, will become the highest political authorities in the districts (Owusu-Ansah, 1989).

To make the Assemblies resource efficient, the Constitution also provides guidelines for government on finances and clearly states that the District Assemblies should have sound finance through the establishment of the District Assembly Common Fund (DACF) as well as the power to mobilize their own resources for development within their jurisdictions. This is determined annually by the legislature but with appropriation “not less than 7.5% of the total revenues of Ghana” [Article 252(2)]. This followed the passage of Act 455 of 1993 to provide a legal framework for the disbursement of these funds. The proceeds of the DACF are divided between DAs on the basis of a revenue sharing formula approved by the legislature.

Article 240 also provides reforms of the civil service with local government authority, which states that, as far as practicable, the persons in the service of the local government shall be subjected to effective control of the local authorities [2] [d]. This provision culminated in the passage of the Local government service Act (656) of 2003, to empower the District Assemblies with the requisite human resources to enable them perform their functions efficiently and effectively. The irony of Article 240 is that it is focused extensively on the districts with no mention of the responsibilities of regional leaders. For Ghana, to benefit from the decentralization concept, it would largely depend on the vision of the leadership and a constitutional amendment to empower the electorates to demand the necessary accountability.

2.4.3 Legal Framework of Fiscal Decentralization in Ghana

Broadly, chapter 20 and specifically article 245(a) (b) and 252 of the 1992 Constitution which also culminated in the passage of Act 455, 1993, regulates the decentralization and for that matter fiscal decentralization in Ghana. In furtherance of that the Local Government Act, (Act 462), 1993 also regulates the local government system in Ghana. It empowers the districts which were in existence before the 1992 constitution to remain as such. The Local Government Service Act (Act 656) 2003 established local government service to provide for the objectives, functions and management of services. The objective of the service is to secure the effective administrative and management of local government in the country. It is also to provide technical assistance to MMDAs in order to perform their functions effectively.

Other former and current legal provisions which have regulated fiscal decentralization in Ghana over the years include but not limited to the Financial Administration Decree (FAD) 1979, which makes the Ministry of Finance the primary authority for the preparation, publication and control

of national budget, the Financial Administration Act (FAA) 2003 and Financial Administration Regulations which makes the Controller and Accountant Generals Department with offices in all MMDAs, the principal disbursement agency of government. Financial Memorandum for Municipal and Urban Councils 1961 also provides control mechanisms of revenue and expenditure of local government units.

2.5 Sources of revenues for local governments in Ghana

Revenues of local governments in Ghana can be grouped into internal sources which include revenues generated from within the jurisdictions of the local governments and those from outside the jurisdictions of the local government known as external sources which comprise intergovernmental fiscal transfers.

2.5.1 Internally Generated Revenues of Districts Assemblies in Ghana

Internally generated revenues as per the Sixth Schedule of the Local Government Act, 1993, Act 462 consists of funds collected exclusively by or for sub national governments. These revenues could be grouped broadly into tax and non-tax sources. Tax revenues are the compulsory payments and include taxes chargeable on the incomes of self-employed persons, businesses and property. The non-taxable revenues are voluntary payments or contributions paid by specific beneficiaries of the districts' services. These include user fees/charges, licenses, permits and royalties. The Minister for Local Government and Rural Development is responsible for issuing guidelines for levying rates. Based on the guidelines, fee-fixing resolutions are passed by MMDAs upon which revenues are collected.

2.5.2 Inter-governmental Fiscal Transfers

Studies have revealed that locally own-sourced revenues do not cover local government expenditure responsibilities in Ghana (Mogues & Benin, 2012). Intergovernmental fiscal transfers are therefore needed to cover this fiscal imbalance. It is observed that there are significant variances in terms of the magnitude of revenues generated by DAs due to differences in revenue-generating potentials. Thus, intergovernmental transfers can be used to meet national redistribution objectives to offset the fiscal capacity differences among sub-national governments. In addition intergovernmental fiscal transfers could be used to encourage local expenditure on goods and services that exhibit positive externalities. In Ghana, such transfers are intended to support poverty reduction and specific sector activities in the districts (Inanga & Osei-Wusu, 2004).

Different types of fiscal transfer systems are used worldwide in different circumstances. In Ghana, three main inter-governmental fiscal transfers can be identified from the legislative provisions (Inanga & Osei-Wusu 2004). These are the District Assemblies' Common Fund, Recurrent Expenditure Transfers, and Ceded Revenues.

2.5.2.1 The District Assemblies' Common Fund (DACF)

Article 252 of the 1992 Constitution of the Republic of Ghana, provides for the establishment of a District Assembly Common Fund (DACF). The DACF is established under an Act of Parliament, Act 455, 1993 and refers to the allocation of not less than 5 (revised to 7.5%) per cent of 'total national revenues' to MMDAs. The fund is distributed to all MMDAs on the basis of a formula approved by Parliament, payable in quarterly installments and administered by the District Assembly Common Fund (DACF) Administrator. The DACF is intended to encourage local

expenditure on specific goods and services such as those attributable to poverty alleviation programs.

2.5.2.2 Recurrent Expenditure Transfers

Since 1995, the central government has assumed responsibilities for salaries as well as pensions of district staff provided they fall within the approved manpower ceilings of the assemblies. Other operational and administrative expenses of the assemblies are also borne by the central government.

Apart from the above transfers, other transfers including district development funds (DDF), Donor funds as well as grants from non-governmental organizations (NGOs) serve as other major source of funds for local governments in Ghana (Ghana Strategy Support Programme, GSSP/ISSER, 2007).

2.6 Policy and Regulatory Framework for Budgeting and Revenue Generation at the local level in Ghana

After two decades of Ghana's decentralization several challenges were identified (Ahwoi, 2010; Inkoom, 2011). In 2004, the government of Ghana initiated the National Decentralization Action Plan with the aim of addressing some of the challenges identified. However, these attempts were not able to achieve most of its intended objectives (MLGRD, 2010). In the year 2010, Government of Ghana through the MLGRD put together stakeholders to draw up another action plan from the year 2010 to 2014. The policy focuses on nine main priority areas of action namely, political decentralization and legal issues, administrative decentralization, decentralized development planning, spatial planning, local economic development, fiscal decentralization, popular

participation and accountability, the social agenda and the involvement of non-state actors in local governance.

In relation to development planning and budgeting, the policy objective aimed at strengthening the capacity for development planning and budgeting at the local level, their integration with the national agenda and the involvement of citizen participation in both processes. To achieve this objective, a number of specific tasks have been set. They include; increase in resource availability to Assemblies in order to allow them implement their own priorities in the district plans by transferring district level funds to the direct control of MMDAs in addition to ensuring the timely release of DACF. It also seeks to strengthen the capacity of Regional and District Planning Coordinating Units by reviewing their membership to include critical officers and provide the appropriate logistics to make them effective. In addition, the policy aims at developing and enforcing appropriate guidelines to strengthen citizen participation in the planning and budget process through the review of guidelines for citizens' participation in planning and budgeting.

With Fiscal Decentralization, the policy objective seeks to also improve funding and financial management of MMDAs. Implementing this objective will involve implementing the district composite budgeting system by developing guidelines for its implementation. Another task to achieve this objective is to facilitate the identification and harnessing of alternative revenue sources with a view to improving local revenue generation by reviewing revenue assignment arrangements, re-negotiating the transfer of ceded revenue to the Assemblies, undertaking house to house numbering and street naming in all MMDAs in Ghana, involving private consultants and Land Valuation Board in undertaking primary evaluation of properties in all MMDAs in Ghana, revaluation of properties, undertaking vigorous campaign to ensure payment of property rates by SOEs as well as increasing the threshold for borrowing by MMDAs (MLGRD, 2010)

Within the Medium term expenditure framework 2014-2016, the Ministry Of Local Government and Rural Development, also seeks to ensure further decentralization through the following objectives; to clarify the status, roles and relationships between levels of government and the different actors to strengthen their participation in and contribution to local governance. Other objectives also include the improvement in the administrative and human resource capacity of the MMDAs and other local government stakeholders in order to ensure quality service delivery and the capacity for development planning and budgeting at the local level. All these objectives are to facilitate economic growth, employment and income generation in order to promote household welfare and alleviate poverty through the improvement in funding and financial management of MMDAs as well as promote local democracy, participation and accountability through strong and viable stakeholder involvement in local governance (MLGRD, 2014)

2.7. Reforms on Revenue Generation and Budgeting at the Metropolitan, Municipal and District Assemblies in Ghana

The government of Ghana in its desire to further deepen fiscal decentralization suggested some reforms as stated in the 2014 and 2015 budgets respectively. These reforms include the need to pay serious attention to local revenue generation and management by the MMDAs and to explore other financing mechanisms, which would give local Government authorities greater autonomy from the central Government so that they can make their own governing choices and act independently of central government.

These revenues, the government has admitted must however, come from a combination of fees and charges, local taxes, shared taxes as outlined in the Schedule 6 of the Local Government Act of 1993, Act 462 and central Government transfers. The situation which is emerging and worrisome however, is the over reliance of MMDAs on central Government transfers, and the

neglect of improving internally generated revenues. This has led to major Assemblies resorting to central Government for grants to resolve their sanitation challenges, despite the huge potentials they have to increase Internally Generated Funds from property rates and other sources. As a result of this phenomenon, the government in the past two decades provided an amount of US\$423,127,532.00 loans and grants to fund sanitation projects in Accra, Kumasi, Tema and Tamale Assemblies alone (Government of Ghana Budget Statement, 2015)

As a measure to curb this worrying phenomenon, the government in the 2015 budget statement has initiated measures to strengthen local revenue generation as an important fiscal decentralization reform component to ensure that MMDAs control substantial amount of own revenue flows to enhance their capacity to actually perform the roles they have been formally authorized to play. The measures include the development of a well-defined policy framework that enables the expansion of the base of existing MMDA revenue sources, the identification of new sources of revenue, and the effective administration of collection systems.

To this end, government had initiated a national debate on MMDA internally generated funds to reflect on options for further policy reforms as well as the establishment of an effective public and social accountability mechanism to ensure that the resources mobilized are put to use for the benefit of ordinary Ghanaians.

For 2015 and beyond, the government has also put in place a mechanism to support the major MMDAs to enter into Public Private Partnership (PPP) arrangements in the building up of sanitation infrastructure in the MMDAs, review draft 2008 Municipal Finance Bill to provide policy direction and operational guidelines to enable qualifying MMDAs to access other financial resources to meet their operations.

In effect, the government in its quest to advance the fiscal decentralization reforms will undertake a rollout of the Public Financial Management templates to all Districts to deepen citizens participation in the financial management of the MMDAs across the country; continue budget reform activities to make MMDAs budgets consistent with National Budgeting processes and formats; complete the revision of the Local Government Finance Bill and seek Parliament approval to enable government put the necessary structures in place for MMDAs to borrow for infrastructure provision; and complete and rollout the IGF strategic guidelines. (Government of Ghana Budget Statement, 2014 and 2015).

2.8 The Budgeting System of Metropolitan, Municipal and District Assemblies in Ghana

Generally, Ghana's Public Financial Management (PFM) system is set within several legal and regulatory framework which sets out to ensure appropriate budget and accountability at all levels of government. The budgeting system of MMDAs in Ghana is set within Act 462 of 1993 which reaffirmed the legal commitment of Article 240 of the 1992 Constitution of Ghana to the establishment of decentralisation in Ghana. To reinforce the principle of fiscal decentralization, section 10 (3) a (i) and (ii) of the Act provides for the preparation of District budgets as a function of a District Assembly while section 92 (1) of Act 462 recognized the basis for preparation and submission of a District budget for the ensuing year (Okrah, 2013).

In pursuance of this, several other Acts of Parliament were enacted to guide the Public Financial Management at all levels of government. This include the National Development Planning Systems Act 1994 (Act 455), DACF Act 1993 (Act 455), Audit Service Act 2000. In addition, the Financial Administration Act (FAA), 2003 (Act 654) and Financial Administration Regulations (FAR), 2004, Public Procurement Act, 2003 (Act 663), Local Government Service Act, 2003 (Act 656), Internal Audit Agency Act, 2003 (Act 658), Financial memorandum, 2008, Regulations,

2004 (LI 1802), Decentralization Policy & Framework reviewed in 2010 and lastly L.I 1961, 2009.

These laws mandate the assemblies as planning, budgeting and rating authority. Section 92 (3) of the local Government Act (Act 462) however states that;

“The budget for a district shall include the aggregate revenue and expenditure of the departments and organisations under the District Assembly and the district coordinating directorate, including the annual development plans and programmes of the departments and organisations under the Assembly”

With the above, a budgeting system known as the Composite Budgeting System came into effect. Successive governments have made several attempts at giving meaning to Composite Budgeting as an activity to give complete meaning to fiscal decentralization. However, the current system became effective on the 1st of January, 2012, as contained in a circular signed by the Minister of Finance and Economic Planning (MOFEP, 2013).

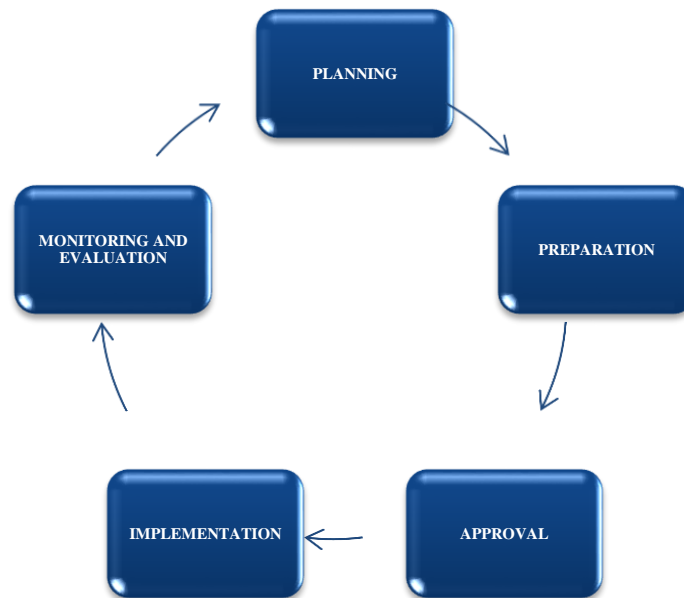
Composite budgeting according to NALAD & CDD (2000), is an integrated District Budget that synthesizes and harmonizes expenditure and revenue estimates of the programmes of all the departments of the District Assembly, as distinct from sectorial budgeting which characterizes the national budgeting process. Composite budget enjoins every District Assembly to, before the end of each financial year submit to the Regional Coordinating Council, a detailed budget for the district, stating the revenue and expenditure for the ensuing year. The Regional Coordinating Council shall collate and co-ordinate the budgets of the various districts and shall submit the total budgets to the Minister of Finance and Economic Planning, Minister of Local Government and Rural Development and the National Development Planning Commission (NDPC). The composite budget of the district shall therefore include the aggregate revenue and expenditure of all departments and organisations under the District Assembly and the District Coordinating

Directorate including the annual development plans and programmes of the departments and organisations under the Assembly (Appiah et al, 2000)

Composite budget has the objective of ensuring cost effectiveness in the planning and implementation of district programmes for the holistic development of the MMDAs, transparency in the use of resources, effective planning and utilization of resources, a unified approach for district and national budgeting system, uniform system of monitoring, evaluation and reporting system as well as the determination of the total inflow and outflow of resources to the Districts for development (MOFEP, 2012)

2.8.1 The Composite Budget Process

MOFEP (2012), identified five major processes of the composite budget for all MMDAs. These processes as shown in Figure 1.0 below are Planning, Preparation, Approval, Implementation and Monitoring and Evaluation. Each stage therefore in the budget process has a role in helping to develop and implement the policies of the MMDAs and integrating local priorities aligned to the national policies.

Figure 1.0. The Composite Budget Cycle

Source: MOFEP, 2012

The planning stage of the budget which usually occurs between February and May each year involves the following activities; review of outer year revenue and expenditure projections in the District MTEF Budget; review of the current and past year revenue and expenditure performance; review of fees in consultations with ratepayers and securing its approval; estimation of Internally Generated revenues to determine how much will be available to be spent; review of medium term plan and the revision of annual action plans in order to establish funding gaps as well as organizing departmental hearings to determine their ceilings. Among the key officials involved in this processes are the District Planning Coordinating Unit, Development Planning subcommittee and other relevant subcommittees such as the Budget Committee. The planning stage of the cycle is considered very relevant because it is the stage that determines how much money is available to

spend, establish the priorities for the year and also plan ceilings for each department based on the priorities.

The preparation stage of the cycle is to develop the budget for achieving the policy objectives of the MMDA by matching resources identified at the planning stage to results. This stage usually occurs between the months of June to September each year by the Budget Committee of the Assembly. It is at this stage that the various departmental budgets are prepared and consolidated to form the draft Composite Budget of the Assembly.

The next stage of the cycle which is the approval stage aims at securing a legislative review and approval and it involves the discussion and approval of the estimates at various levels. These levels are Finance and Administration Sub-Committee, Executive Committee, Regional Coordinating Council (RCC) Budget hearings, Executive Committee Discussions after RCC hearings and the General Assembly debate and approval by the 31st of October each year before submission to the MOFEP, MLGRD, Local Government Service Secretariat (LGSS), NDPC, Office of the Administrator of DACF and the RCC.

The implementation stage of the budget also involves the submission & implementation of departmental work plans in accordance with the approved budget. It is at this stage that various documentations occur including approving and recording financial transactions such as payment vouchers, procurements and award of contracts. All these are aimed at executing the work described in the annual budget in order to achieve the overall policy objectives of the budget. It also involves quarterly internal audit of the implementation of the budget. The key officials involved at this stage include the District Chief Executive (DCE), the District Coordinating Director (DCD), District Finance Officer (DFO), District Budget Officer (DBO), District Planning

Officer (DPO), District Internal Auditor (DIA) as well as the various Heads of departments/cost centers.

The last stage of the budget which occurs all year round is the monitoring and evaluation. This stage aims at ensuring that the budget was executed appropriately towards achieving policy objectives, identifying lessons learned and the compliance with internal control systems in the Assembly. Internal and external Auditors, the District Planning Coordinating Units (DPCU), Finance and Administration subcommittee, Works sub-committee and key relevant subcommittees are the key officials involved at this stage. To achieve this, they carry out activities such as vouching and verification, preparation and review of financial reports, inspection of books and accounts and the physical inspection of projects. Performance and progress reports on projects and programmes and financial and audit reports are also reviewed as part of the entire budget process to identify strengths and weaknesses to serve as inputs for the ensuing year's budget.

2.9 Chapter Summary

This chapter provided an overview of decentralization with a focus on fiscal decentralization in developing countries such as Ghana. It also reviewed literature on decentralization as a concept in general with emphasis on fiscal decentralization and some the challenges of fiscal decentralization and the challenges of raising revenue by local governments in developing countries. The review later focused on decentralization in Ghana by providing a historical, political and policy perspectives as well as budgeting and revenue mobilization of District Assemblies in Ghana. It concluded with the current budgeting (composite budget) system of District Assemblies in Ghana as part of the reforms to improve the revenue financial management of the District Assemblies. The next chapter gives an overview of the methodology used for the study.

CHAPTER THREE

THEORETICAL FRAMEWORK

3.0 Introduction

This chapter explains the theoretical and the conceptual framework for this study. The **Fiscal Federalism** theory has been used to underpin the study. In other words, discussions about internally generated revenue of sub-national or state government are located within the framework of the theory and practice of fiscal federalism. Hence to achieve the objectives of this study, a conceptual framework was developed based on this theory and discussions as well as further analysis are situated within this theory and the conceptual framework.

3.1 Theory of Fiscal Federalism

Fiscal federalism as a concept is an arrangement that involves intergovernmental fiscal relations mostly in contemporary federations and other non-federal systems. It is a general normative framework for the assignment of functions to the different levels of government and the appropriate fiscal instruments for carrying out these functions. It is concerned with understanding which functions and instruments are best centralized and which are best placed in the sphere of decentralized levels of government (Oates, 1999; Sharma, 2005). In other words, fiscal federalism is a set of guiding principles or concepts that helps in designing financial relations between the national and sub-national levels of government. Sharma (2005) believes that the application of these guiding principles occurs on the platform of fiscal decentralization which can be applied to all countries attempting fiscal decentralization. It concerns the division of public sector functions and finances among different tiers of government in which there is the allocation of tax-raising powers and expenditure responsibilities between these levels of government (Akindele & Olaopa, 2002; Ozo-Eson, 2005). In undertaking this division, the emphasis is on the need to focus on the

necessity for improving the performance of the public sector and the provision of their services by ensuring a proper alignment of responsibilities and fiscal instruments to carry out this performance.

In recent times, fiscal federalism has gained much attention in decentralization. According to Ozo-Eson (2005) several reasons account for this. He noted that the increasing burden on central government to deliver its mandate as against the impossibility for them to meet all of the competing needs of their various constituencies, and hence the attempt to build local capacities by delegating responsibilities downward to their regional governments. Furthermore, central governments are looking to local and regional governments to assist them with national economic development strategies as well as regional and local political leaders demanding more autonomy and hence the taxation powers that go along with their expenditure responsibilities.

The basic foundations for the initial theory of Fiscal Federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Samuelson's two important papers (1954, 1955) on the theory of public goods. In laying the foundation for the theory, Musgrave (1959), a German-born American economist, provided the framework for what became accepted as the proper role of the state in the economy. Within this framework, he provided three main roles for the government sector in the economy. These were the correction of the various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices. Thus the government was expected to step in where the market mechanism failed due to various types of public goods characteristics. Government is seen as the custodian of public interest seeking to maximize social welfare based on either their benevolence or the need to ensure electoral success in democracies (Ozo-Eson, 2005).

Since the government has different tiers, each tier is seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than the central provision. This principle, which Oates (1999) has formalized into the "Decentralisation Theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralisation (Bird, 2009). The theory focused on situations where different levels of government provided efficient levels of output of public goods "for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions" (Oates, 1999). Such situations came to be known as "perfect mapping" or "fiscal equivalence" (Olson, 1996).

Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter-jurisdictional spill-overs. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to situation whereby the central government is required to provide matching grants to the lower level government so that it can internalize the full benefits.

Based on the principles above, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government as this is considered more efficient. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government. Based on the principles above we can summarize the role

assignment which flows from the basic theory of fiscal federalism as; central government is expected to ensure equitable distribution of income, maintain macroeconomic stability and provide public goods that are national in character. Decentralized levels of government on the other hand are expected to concentrate on the provision of local public goods with the central government providing targeted grants in cases where there are jurisdictional spill-overs associated with local public goods (Arowolo, 2011).

However, once the assignment of roles had been carried out, the next step in the theory was to determine the appropriate taxing framework to be adopted by the lower tier government in order to raise enough revenue to carry out its role of maximizing welfare. Over reliance on the central government to provide targeted grants at the expense of raising internal revenue to perform the welfare maximizing role would hence provide a greater disincentive for these decentralized levels of government (Weingast, 1995; McKinnon, 1997).

These principles of the theory were however not without criticisms. A number of authors such as Smoke (1994); Bahl & Linn (1992); Prud'homme (1995); Tanzi (1995); Bird & Vaillancourt (1998); Ter-Minassian (1997); and Litvack et al. (1998), were of the view that the issues surrounding assignment of responsibility for both the expenditure and revenue dimensions of the allocation function in developing countries are considerably more complex. First, a number of explicit and implicit assumptions underlying public finance theory in general, and fiscal federalism in particular, may be violated in some developing countries. Among the potential concerns are: the relevance of individual preferences as the principal basis for defining demand; the potential role of mobility in generating an efficient spatial pattern service provision; the applicability of conventional models of public choice; and the existence of an adequate legal basis for an effective

intergovernmental system. To the extent that such mechanisms and assumptions are not valid, some of the standard policy prescriptions of the theory may have to be discarded or adapted.

Second, even if basic principles are essentially valid, local conditions that are fairly common in developing countries can substantially affect the way they should be interpreted. Widespread poverty, for example, may make preferences more homogeneous across local jurisdictions, justifying greater centralization of some functions. This could be offset, however, by substantial spatial diversity in local environments and economic bases, and/or by the existence of widely dispersed and poorly linked settlements, both of which might suggest the need for greater decentralization.

Despite these criticisms, the Fiscal Federalism Theory still provides the basic principles upon which to allocate functions to the various tiers of government within any system of government. However, the main interest of this theory as appropriate for this study is the fact that fiscal federalism is manifest by the financial aspects of the devolvement of authority from the national to the regional and local levels. Fiscal federalism covers two interconnected areas. The first is the division of competence in decision making about public expenditures and public revenue between the different levels of government (national, regional and local). The second is the degree of freedom of decision making enjoyed by regional and local authorities in the assessment of local taxes and the systems or strategies adopted to collect them as well as in the determination of their expenditures (Kesner-Skreb, 2009).

Furthermore, Oates (1972) suggested four basic guidelines as a starting point for defining or evaluating a revenue system or strategy. First, local taxes should be as neutral as possible in terms of their effect on economic behaviour. Second, the benefits and costs of local taxes should be clear

to those for whom services are to be provided. Third, the pattern of incidence of local taxes should meet basic equity standards. Fourth, the administration and compliance costs should be minimized by avoiding the assignment of complex taxes to local governments. These differences in perspective and their potential effects must be recognized when designing local revenue systems (Smoke, 2001).

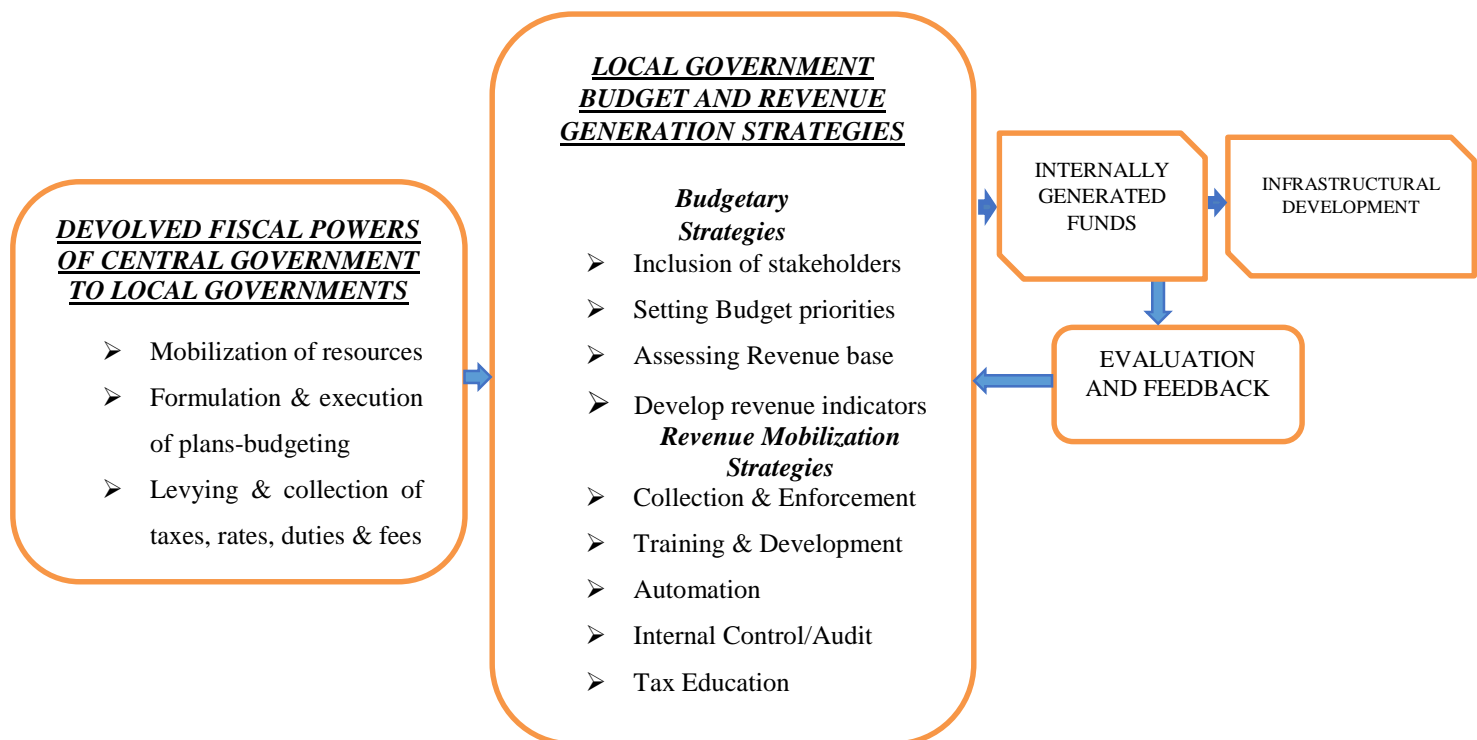
In view of this, a fundamental requirement when redesigning local revenue systems is greater emphasis on the identification of the revenue sources, cost-effectiveness of revenue collection, taking into account not only the direct costs of revenue administration, but also the overall costs to the economy including the compliance costs to taxpayers. In addition, losses through corruption and evasion need to be reduced. Clearly, improved revenue administration cannot compensate for bad revenue design. Thus, reforming the revenue structure should precede the reform of revenue administration since there is not much merit in making a bad revenue system work somewhat better. There is the need therefore to consider and examine this elements of revenue generation strategies in order to determine its effectiveness in generating enough revenue to fulfil the assigned function as propounded in this theory.

According to Ostrom (2005) the use of a framework in research allows the researcher to identify the relevant elements that the researcher needs to consider in analytical and prescriptive purposes. It is in view of the above elements which served as the key prerequisites for the generation of internal funds by subnational governments that the conceptual framework as depicted and discussed in the figure below has been developed for this study.

3.2 Conceptual Framework for the Study

The conceptual framework for assessing revenue generation towards infrastructure development is depicted in the Figure 2.0 below:

Figure 2.0. Conceptual Framework for Assessing Revenue Generation for Infrastructure Development



Source: Developed from the fiscal federalism theory

3.3 Operationalization of Elements in the Conceptual Framework

As indicated in the framework above (figure 2.0), central government has devolved some fiscal responsibilities to local governments in order to mobilize, allocate and manage financial resources according to locally determined priorities. These functions according to the 1992 Constitution of Ghana [article 245 (a), (b)] among other things prescribed the functions of the District Assemblies

to involve the execution of plans, programmes and strategies for the effective mobilization of the resources necessary for the overall development of the district. Local governments have also been mandated to levy and collect taxes, rates, duties and fees suitable for the local conditions. In furtherance of this constitutional mandate of fiscal decentralization, the LG Act of 1993, Act 462 (sections 86-126) further provided additional legal framework on budgeting, levying and collection of taxes, rates and fees. The legal devolution of these fiscal responsibility as propounded by the fiscal federalism theory is what leads to the determination and the mandate by the District Assemblies to budget and also adopt the effective and efficient revenue generation strategies suitable for local conditions towards internally generated revenue necessary for infrastructure development.

Efficient revenue mobilization towards infrastructural development as a core mandate of local governments involve setting into motion an effective budgetary processes. These processes include the engagement of stakeholders such as Assembly and Unit Committee members, Chiefs and Opinion Leaders and the tax payers themselves. Setting of budget priorities for which the revenues are needed in consultation with the relevant stakeholders as well as guidelines given by the Ministry of Finance and Economic Planning is another very important step to be examined in relation to the budgetary process toward revenue generation. An assessment of the revenue base of the Assembly is also another very important factor to consider at this stage coupled with the development of the various indicators that will guide the Assembly in the generation of the revenue. It is also at this stage that the budgeted revenue is linked to the budgeted expenditure of the Assembly for the ensuing year hence serving as the bases for the revenue generation after the approval of the Assembly. It is these budget processes that determines the revenue generation strategies including the employment and training of those involved in the actual revenue collection,

enforcement of regulations on revenue collection, internal controls to ensure revenue generation is safeguarded to be used for its intended purposes. The overall effect of carrying out these two key processes is the generation of adequate internally generated fund for infrastructure development. However, to ensure that these processes work effectively, there is the need to evaluate and provide feedback in relation to the budget and revenue generation strategies in order to deal with any challenges resulting from the implementation of these strategies. The above elements or factors from the budget process through to revenue generation strategies as depicted in the figure 2.0 above provided were the core elements examined in relation to revenue generation in the North Tongu District Assembly. These various elements as depicted in the framework are further discussed into detail below.

3.3.1 Budgetary Processes

For the purpose of this study, the budget process towards the revenue generation shall involve the engagement of the various stakeholders such as rate/fee payers, Assembly and Unit Committee Members, Revenue Collectors and the various heads and staff of the units of the District Assembly. It also involves the determination of priorities or expenditure for the budget, assessing the revenue base and how to set the indicators for success. The ability of the Assembly in ensuring an effective budget in relation to revenue generation for the achievement of the overall goal of the Assembly is based upon the following as indicated in the framework above (figure 2.0)

3.3.1.1 Inclusion of Stakeholders

Stakeholder inclusion in the budgetary process of local governments has been frequently advocated for (MLGRD 2010; GoG Budget, 2014). The Economic Commission for Africa (ECA) (2005) believed that apart from democratic political dispensation, demystification of budgets and

public information strategies, effective participation processes are some of the prerequisites for effective inclusive budgeting. For instance, the city of Porto Alegre in Brazil, which is internationally recognized for pioneering participatory budgeting, substantially improved tax compliance through local participatory mechanisms (Schneider & Baquero, 2006). A significant aspect of this form of participation in relation to Ghana is the fact that citizens at the local level were very active in determining local government expenditure and the source of revenue to finance such expenditure.

An underlying principle of public participation being proposed here is to strengthen the correlation between the level of participation and the level of reciprocal influence and responsibility of the parties and stakeholders. That is to say if there is an increase in costs, then those who have to pay should have maximum levels of participation in the decision making and monitoring. Similarly those who are most affected by public decisions or have the greatest responsibility for implementing such decisions should have the strongest public voice and feedback. In local governments, this relates to decisions regarding tax rates and fees, land use policies, and Local Economic Development (LED) promotion as well as community services in education, youth, and health. This principle would be particularly important in developing infrastructures where the community or developers bear the primary costs.

The goal of stakeholder participation within the budgetary process is to allow local governments to actively engage its citizens and business community in taking shared responsibility for the development of the region and improving socio-economic wellbeing and the quality of life. In view of this, it is important that in promoting stakeholder participation, there is the need to explore the different frameworks through which participation can be fostered and leveraged into public commitment and involvement. It is also important to design the different modes and mechanisms

for participation appropriate for different situations. Finally, using procedures of public participation to develop a service delivery agreement that links the commitment and provision of agreed upon levels of service to the public will lead to the commitment to increase revenue generation. With the stakeholders agreeing on the various issues and building the necessary consensus s discussed above, there is the need to prioritize the needs to be included in the budget as a justification for the revenue generation.

3.3.1.2 Setting Budget Priorities

It is the budget of both central and local government that determines what public priorities will be addressed each year and how public funds will be generated and who will pay for the provision of those priorities. Most often, the local government budget reflects the overall health of the local economy and the place where public scrutiny is focused. Headlines announcing local tax rates for the upcoming year or deteriorating conditions of local public infrastructure or services (as examples) often receive special attention in local newspapers (Huddleston, 2005). The study therefore seeks to examine the determination of the budget priorities or expenditure such as the provision of a school or health facilities and the relation with the amount of revenue to be generated to fulfill those priorities.

For example, decisions to zone land for residential rather than commercial purposes can alter the property tax revenues generated for a city and the mix of public infrastructure and services that must be provided. Of equal importance, the overall condition of a local government's budget may constrain actions that planners propose for the development. For example, large amounts of outstanding debt may hinder the amount of new public infrastructure that can be provided in support of new development that is proposed or alter the way new infrastructure is financed. It is

hence important to properly set the priorities necessary for the budget and the funds necessary for the realization of those priorities which will go a long way to influence the overall health of the economy. The availability of funds necessary to implement these priorities is however, dependent upon a proper assessment of the revenue base of the Assembly as discussed below. There is therefore the need to deploy an efficient revenue assessment tool to adequately identify and forecast revenue.

3.3.1.3 Assessing Revenue Base

It is important for local governments to develop and benchmarked best practices using tools of revenue base assessment. The development of practical baseline indicators on existing and potential taxpayers, subscribers and (if possible) beneficiaries of the services of local governments is another prerequisite to effective revenue generation. A proper approximation of the actual number of beneficiaries and potential number of tax payers enables those concerned to get a clear picture on the true performance of revenue enhancement at later stage.

Frequent update of databases (registers) of taxpayers and service subscribers either through self-reporting compulsory program (tax census), direct field survey and or third party sources of information. An in-depth analysis of the updated databases on actual and potential collection by services and tax sources will enable the Local Government to identify problems, opportunities and challenges that required actions for improvement, revenue collection efficiency and cash flow stability for efficient administration and infrastructural development. The assessment of the revenue base and the actual revenue collection that is efficient to generate enough will also be dependent on setting a benchmark for measuring success in terms of what has been projected and the actual revenue that is collected. There is therefore the need to develop an indicator to measure

revenue as discussed below. The main focus of the framework was the examination of the above factors in the North Tongu District Assembly.

3.3.1.4 Developing Revenue Indicators

Gill (2000), has identified some of important revenue performance indicators. These include: total revenue against gross domestic product (GDP) which is used for countries with similar economic and tax structure and gives relative effectiveness of the revenue administration; actual revenue against estimated revenue which does not address coverage in terms of potential tax payers but commonly used in Ghana and most developing nations; revenue gap that measures the difference between potential and revenue actually collected.

With reliable data, the right indication is provided as to revenue loss due to non-compliance and tax evasion. The amount of revenue paid voluntarily against total revenue collected also indicates voluntary compliance of the tax payers and this can be used to evaluate the perception of tax payers and their civic rights and responsibility. It also indicates tax payers' perception which is a qualitative indicator and can provide pointers as to the integrity, trustworthiness and efficiency of revenue administration. Another indicator is cost/benefit ratio, which is the ratio of cost of administering the revenue as against revenue generated. Cost benefit ratio is calculated as total annual expenditure of the authority expressed as a percentage of the revenue collected in the given period. It also shows per unit cost incurred against a unit of revenue generated and could be one of the best indicators. It is assumed to be the primary indicator used to estimate efficiency of revenue administration.

Taking into account the available data and other limitations two of the above performance measures or indicators are used in the analysis. These are actual IGF collected against estimated

or planned revenue/IGF and cost benefit analysis. In other words, it is important to develop revenue budget performance indicators (functions, effectiveness, accuracy, cost efficiency and retrieval time) while monitoring during the implementation for adequate tracking and evaluation at the end of the period under consideration.

The various budget processes aimed at revenue mobilization as discussed above leads to determining an efficient and effective revenue mobilization process and strategy. These processes include the actual revenue collection and enforcement of regulations on revenue, training of those involved in the revenue generation, the use of information communications technology in the revenue generation as well as ensuring that enough internal control measures are put in place to safeguard the revenue collected. These processes are further discussed below.

3.3.2 Revenue Mobilization Strategies

The main goal of having an efficient and effective revenue mobilization strategy is to have sufficient, easy to administer, stable and predictable income sources to finance quality public services in an accountable manner. This processes and system covers from revenue planning, forecasting/trend analysis, approval, execution and revenue performance. It also includes revenue impact analysis on distribution of income, affordability of taxes and charges and efficiency of revenue identification, billing, collection and enforcement. The study hence operationalizes the revenue mobilization processes to involve an assessment of the actual collection and enforcement of revenue regulations, the training and development given to those involved in the revenue collection process, the use of automation systems in the collection process, the internal control measures to check revenue leakage and how funds are disbursed as well as the kind of tax education given to citizens in order to ensure compliance and easy collection.

3.3.2.1 Revenue Collection and Enforcement

Tax collection and enforcement are necessary and important part of local government revenue generation. The non-collection and enforcement of tax regulations means a higher tax burden for the law abiding citizen who does pay on time. According to the United Kingdom Department for Communities and Local Government (2013) in enforcing and collecting of taxes especially for those who fail to comply on time with tax regulations, adequate information should be given to the tax payer on the need to honour tax obligations. The regulations stipulates that where a payment is overdue, a bill payer should receive at least three statutory communications before further action is taken including reminder for payment; court summons; notification that the liability order has been granted and unless the amount owing is paid, bailiffs are likely to follow.

In Ghana, similar tax collection and enforcement rules are usually undertaken to retrieve funds due to the state. The Ghana Revenue Authority (GRA) adopts various methods to recover tax arrears, including serving of demand notice, telephone calls, personal visits and final demand notices (Ghana News Agency, 2013). Local governments are also mandated through the Local Government Act (462) of 1993 to levy rates and enforce its collection as well (sections 97, 98, 101,104,106,108,109). It is important therefore to put in place adequate mechanism as part of an integrated revenue collection, ways of enforcing and collecting revenues due the local governments. It is important to note that the effectiveness of the collection and the enforcement of revenue regulations is largely dependent on the adequacy of training and the development of those involved in the revenue collection process hence the discussion below.

3.3.2.2 Training and Development of Staff.

Training is a process whereby people acquire capabilities to perform jobs (Mathis & Jackson, 2006). It can also be defined as a planned attempt by an organization to facilitate employee learning of job-related knowledge, skills, and behaviors (DeNisi and Griffin, 2005). Development on the other hand usually refers to teaching managers and professionals the skills needed for both present and future jobs. The Canadian International Development Agency (CIDA), defines capacity development as the activities, approaches, strategies, and methodologies which help organizations, groups and individuals to improve their performance, generate development benefits and achieve their objectives. The study adopts and operationalized training and development to as defined by CIDA to imply how the Assembly improves the performance of its staff involved in the revenue collection through skills acquisition.

It is therefore important that local government staff are trained and developed with the required skills in the area of revenue generation strategies using modern technology. The identification of revenue sources, benchmarking, communication of strategies, the enforcement of rules regarding revenue collection and the automation of the entire system require adequate knowledge and skills that employees must possess in order to effectively perform their job of budgeting, revenue generation and management. In relation to the effective implementation of all these factors is the deployment of information communication tools to enable an efficient revenue collection.

3.3.2.3 Automation of Revenue Collection Systems

The development and utilization of modern technology in revenue mobilization has become a critical feature of every country particularly developing countries. This is as a result of the numerous usefulness modern technology offers in the development of municipalities

Information and Communication Technology (ICT) has now become an integral part of district administration. Computerization does not only aid in district administration in decision making but also increases the efficiency of administration to a greater extent. Management Information Systems (MIS) development and implementation in the districts are of great help to Administration. Australia is among the countries that had implemented the system in the management of their municipalities (Turner & Apelt, 2004). Ghana, like Malaysia, Singapore and other technologically minded countries, is today gradually but steadily taking Information and Communication Technology (ICT) to rural communities as a tool of bridging the digital divide between the urban dwellers and the rural folks in the country (Abissath, 2004).

The use of ICT in enhancing revenue collection and management cannot therefore be overemphasized. It is important for District Assemblies to adopt and reengineer the existing 'stand-alone' billing and collection systems and procedures for all charges, levies, penalties, fees and taxes so that it creates an integrated system with faster, better, cheaper, safer and accountable performance. This can be achieved by modernizing the supporting hardware, software, office equipment and working space with the required staff to handle the upgraded automated system. It is in view of this that the study examined the availability and use of ICT in the revenue collection system. Discussed below as part of the revenue collection and management processes is the deployment of an effective internal control measure to ensure that the revenue generation process is devoid of leakages and disbursed for the budgeted purposes.

3.3.2.4 Internal Control/Audit

According to Ojo (2009), financial management is about efficiency in financial matters, effective use of available financial resources and financial alertness. Efficient financial management is

necessary for the successful execution of projects and delivery of quality services at the local level. Efficiency in financial management in any organization is always achieved through organizational determination to pursue excellent performance. It entails self-discipline on the part of top, middle, and low level managers in the organization.

To ensure efficiency, there is the need to put in place regular audit and internal control. Audit is a practice which may be called a technique for ensuring a more effective internal check on financial management. It is therefore important that to ensure that revenues generated are efficiently managed, adequate measures are adopted for efficient financial management. There should be regular and independent examination of the books of accounts by appointed qualified auditors to ensure that the statement of account as recorded represents a true and fair-view of all the transactions as during the period under investigation. Regular auditing of account would therefore ensure sanity, prudence and probity in the use and management of finances.

Discussed in the framework is the necessity of ensuring that citizens understand the systems and the processes as discussed above. The need for citizens to understand and comply with their tax obligations is a necessary factor in realizing the revenue required for the realizing the goals of the Assembly.

3.3.2.5 Tax Education

The importance of citizen education as part of the revenue generation process is important to ensure tax compliance and efficient administration of any revenue generation strategy. The application of tax education and communication assesses the formulation of messages and communication channels that have the most desirable impact on citizens' ability and willingness to pay their taxes. It also includes collecting questions asked by citizens and communicating the

answers via appropriate communication channels. The design and distribution of effective medium of communication such as websites, brochures, annual reports and specific project factsheets have also been identified as effective means of educating and informing citizens on their tax obligations toward the development of their localities (Fjelstad et al, 2004).

In addition, Local Government Authorities need to set a help desk in town halls or strategic locations and train the officers to answer citizens' concerns on how they use their collected taxes, fees and charges including subsidies and unit costs. The overall effect of this is generally a positive effect on the internally generated revenue of the local government since these strategies will enable citizens to have easy access to information from the government.

The processes discussed above from the budget stages of engaging the various stakeholders to for needs and resource base assessment, determining the revenue base and the priorities of the Assembly will result in setting in motion a revenue generation process as depicted in the framework. The revenue generation processes discussed above and its implementation will eventually result in the generation of adequate internally generated revenue which eventually leads to the provision of infrastructure.

3.3.3 Internally Generated Fund (IGF)

The concept of internal revenue generation in relation to its role in infrastructural development lies on several other relevant concepts which merit their inclusion in this discussion. As noted above, the generation of internally generated fund (IGF) depends on the budget process in relation to the variables stated in the framework and discussed above. These processes hence leads to setting up revenue mobilization processes in motion to generate the required internally generated funds.

IGF is therefore operationalized in this framework as revenues accruing to the local government from local initiatives of local government officials and backed up by the constitution (Olusola & Siyanbola, 2014). It also refers to the money sourced by the local government within its area of operation or jurisdiction (Akindele et al., 2002). Olusola and Siyanbola, asserted that internally generated revenue varies from such money as taxes of different categories, levies and money secured through the grant of licenses of various kinds.

Generally, these sources of internally generated revenues can be classified under the following sub-heads as per the sixth schedule of the Local Government Act (Act 462, 1993) as taxes, rates, local licenses, fines and fees, earnings from commercial undertakings, interest, payments and dividends, grants, miscellaneous, rent on local government property. The ability to generate enough revenue from these sources will therefore impact positively on the general performance of the local governments. This view is supported by Nsarkoh (1994), who is of the view that the ability of a local government to achieve its services and development goals is dependent on, inter alia, the amount of resources it can muster and on how the available resources are spent. Ola and Tonwe (2003), also argued that internally generated revenue is the primary source of local government sustenance. This is because it is only the source of money that the local government has control over. As such, the extent to which a local government can go in accomplishing its goal will largely depend on its internally generated revenue strength. (Adebayo and Rowland, 1974). The capacity of a local government to generate revenue internally is one very critical consideration for the creation of a local government council.

For local governments to generate enough revenue internally to fulfill their mandate of providing the required infrastructural development, it is important to set the necessary budgetary processes that are required including setting the right revenue targets, identifying the various revenue sources

as applicable to the local conditions. It also involves enforcing the necessary regulations in relation to revenue collection as well as adopting the necessary technology while ensuring that adequate internal control measures are put in place to ensure that the revenues collected are put to good use.

The major goal of the however, for the generation of the internal funds is the provision of infrastructure. In other words, the processes from the budget stage through the actual revenue generation leads eventually to infrastructure development.

3.3.4 Infrastructure Development

In relation to the discussions above, infrastructure development occurs when the factors from the budget stage which leads to setting in motion the revenue generation processes and strategies for internally generated funds. Infrastructure development is therefore retarded when these factors are inefficiently implemented to generate enough internally generated funds.

Infrastructure according to the Online Compact Oxford English Dictionary is defined as the basic physical and organizational structure needed for the operation of a society or enterprise. Sheffrin (2003), on the other hand defines it as the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide a framework supporting an entire structure of development.

Viewed functionally, infrastructural development is a necessary condition for further development and investment. Scholars (Wheeler & Moody, 1992; Loree & Guisinger, 1995; Richard et al., 1999; Morisset, 2000; Asiedu, 2000; Sekkat et al., 2004), argued that infrastructural development is a necessary condition for foreign investors to operate successfully as poor infrastructural development increases costs for firms.

A comprehension of infrastructure spans not only these public works facilities, but also the operating procedures, management practices, and development policies that interact together with societal demand and the physical world to facilitate the transport of people and goods, provision of water for drinking and a variety of other uses, safe disposal of society's waste products, provision of energy where it is needed, and transmission of information within and between communities. The term infrastructure could be defined in various aspects but, the study adopts the technical structures that support a society, such as roads, bridges, tunnels, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions (Fulmer, 2009). The provision of infrastructural development is indeed one of the numerous mandates of many local governments. However, this cannot occur in a vacuum. It depends on the availability of adequate revenue which must be provided when effective revenue generation measures are put in place and evaluated adequately to ensure that these processes are achieving the desired results.

3.3.5. Evaluation and Feedback

As a way of ensuring that the budgetary processes that lead to the revenue generation strategies and internally generated funds for infrastructure are achieving the desired outcome, there is the need for feedback through the evaluation of these processes. This leads to identifying the strengths and weaknesses of these processes which informs the input and variables that informs the budget and actual revenue provision for the ensuing year.

The study therefore adopted the OECD (2002), definition of evaluation as the systematic and objective assessment of an on-going or completed project, programme or policy, its design,

implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision- making process of both recipients and donors.

The evaluations of the budgeting and revenue generation processes usually occur after the accounting period ends. Evaluation of the process offers a way to determine whether the initiatives that were undertaken has been worthwhile in terms of delivering what was intended and expected. An internal or external evaluation examines the various activities undertaken during the period under review, assesses compliance with the budget and measures the accuracy of revenue projections used to create the budget. The overall purpose of evaluation is to assist people and organizations to improve their plans, policies and practices on behalf of citizens. It is also to address challenges identified in the implementation of a programme or policy as well as provide good information in order to advance any future planning and management of an organization (Weiss, 1999). The evaluation of the budgeting and the revenue generation processes occurs between the various stakeholders involved in order to determine and correct any lapses during the implementation period.

3.4 Chapter summary

In summary, this chapter provided the Conceptual Framework within which the study is situated and how it helped in assessing revenue generation for infrastructure development. The chapter discussed the fiscal federalism theory as the main theory underpinning the devolution of powers of raising revenue to decentralized units such as District Assemblies. A conceptual framework developed from the theory was adopted and the elements of the framework discussed and

operationalized to guide the context and analysis of findings. The proceeding chapter provided a literature in relation to the topic under study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Introduction

This chapter outlines the methodology adopted by the researcher towards answering the research questions in order to realize the research objectives. It outlines the research paradigm, the design of the study, the targeted population, the sample size used, data sources and the instruments used to collect them, the management of data, challenges and limitations encountered on the field as well as the ethical considerations and the conclusion of the chapter.

4.1 Research Paradigm

Ritzer (1975), defines paradigm as the fundamental image of a subject matter within a science which serves to define what should be studied, what questions should be asked, and what rules should be followed in interpreting the answers obtained. The interpretive paradigm of research was adopted to assess the revenue mobilization for infrastructure development in the North Tongu District Assembly.

Interpretive paradigm assume that access to reality (given or socially constructed) is only through social constructions such as language, consciousness, shared meanings, and instruments (Myers, 2008). Paradigm has the purpose of going beyond the observable actions of people in the context of social phenomena and understand the subjective meanings they assign to their actions and thereby interpreting and understanding the reasons behind those actions (Klein & Myers, 1999). In other words, interpretive research is fundamentally underpinned by the fact that access to reality is socially constructed through the meanings that people attach to them and are aimed at producing

an understanding of the context of a phenomenon and the process whereby the that phenomenon influences and is also influenced by the context within which that phenomenon occurs (Walsham, 1993). They see themselves as part of the phenomenon being studied and are therefore able to develop their ideas through the use of multiple data gathering methods such as the use of interviews, focus group discussions, and observations to investigate their samples (Taylor & Bogdan, 1984). Furthermore, phenomenologists believe that truth or facts about a phenomenon are subjective and are influenced by the context within which it is analyzed.

In deciding to assess the factors that influenced the strategies and the processes used to generate revenue for infrastructure development, it was important to recognize the fact that certain factors such as the history, socio-economic or cultural contexts of the District do matter. It is also important to recognize the various meanings and interpretations that were associated with the factors influencing the strategies and the processes adopted to generate revenue from the perspectives of the researcher and respondents interviewed. In order to explore this phenomenon therefore the researcher needed to closely interact with the respondents and as well as the context within which the phenomenon occurs hence the choice of data gathering instrument within the larger context of the interpretive paradigm.

4.2 Design of the Study

This study adopted the qualitative research design for the assessment of the revenue generation processes and strategies of the North Tongu District Assembly. This approach, as postulated by Babbie & Mourtou (2006), allowed the researcher to give observations of the data gathered from the questionnaires and interviews. This was justified as appropriate for this study on the basis that the researcher wants to examine in detail how and why the District Assembly adopted the various

processes and strategies toward their revenue mobilization. The qualitative approach enabled the researcher to explore further the challenges confronting the strategies and the processes to achieve the desired outcomes in order to determine the various ways of dealing with those challenges. It further provided an approach whereby interaction with respondents and their experiences within the context of the study, enabled the researcher to generate valid information using multiple sources of evidence to generate data that is rich and deeper (Miller & Brewer, 2003; Baxter & Jack, 2008). In furtherance of this, the case study approach of qualitative design to inquiry was adopted. A qualitative case study methodology is usually associated with an in depth investigative study which this study sought to achieve by answering the ‘how and why’ questions through assessing the strategies and processes of revenue generation (Yin, 2003).

Based on the above, the researcher gathered primary data by conducting interviews from the perspectives of district officials and the administration of open ended questionnaires to Assembly and Unit Committee Members and Revenue Collectors. This approach allowed the researcher to elicit relevant information from multiple data sources for the study from these three levels by gaining an in-depth and qualitative insight into the various strategies and processes adopted by the Assembly from the budget stage through the revenue collection stage. It also aimed at achieving subjective reality brought about by the multiple perspectives from a range of respondents who provided the information within the context of the study. The use of interviews also enabled the researcher to achieve reality by drawing closer and getting immersed with the phenomenon under study in order to understand the environment and its participants (Stake, 1995).

Finally, the choice of these three groups was important based on the fact that it allowed for counter arguments and opinions through diverse expression of thoughts from the multiple sources of data in order to achieve the reality that existed in the phenomenon under study (Tellis, 1997).

4.3 Context of the Study

The North Tongu District, with its capital at Battor-Dugame retained the name of the old North Tongu – Adidome District (now Central Tongu District) by Legislative Instrument (L1 2081) when it was created in 2012. The District was officially inaugurated on the 26th of June, 2012 with a total area of 1400 km square, which is about 7.1% of the Volta Region. The District is mainly accessible by Road, Boat and Launch on the River Volta. The two means of accessibility makes room for smooth transport of goods and people to and from the District.

The population of the District as recorded in the 2010 Ghana Population and Housing Census is 88, 388 giving a growth rate of 2.7% over the 2000 GPHC. Taking cognizance of the population figure and the growth rate, the District population is estimated at 96,613 as of 2012 (Source: District Water and Sanitation Team, Adidome)

The District is headed by the District Chief Executive, 38 Assembly members of which 27 are elected by universal adult suffrage and 11 appointed by the President in consultation with chiefs and interest groups in the district.

Agriculture is the main economic activity in the District. The main crops produced in the District are cassava, maize, pepper and cowpea. Other crops grown are groundnut, okro, garden eggs, tomatoes and sweet potatoes. Rice is mainly produced around Aveyime with a major rice factory known as the Prairie Volta Limited. Cattle, sheep and goats are the major livestock reared in the District. The district is currently leading in cattle production in Ghana. As a result of this, a milk factory has been set up in the district to make use of the large quantities of milk produced yearly. Other domestic animals found in substantial numbers in the district are; Pig, grass cutter, rabbits, Poultry (both local fowls, and guinea fowls form the majority). The major market centers are

located at Juapong and Battor in addition to other smaller ones located in smaller towns throughout the District. There are also other small businesses located in the towns and villages throughout the District. The District also boast of the Volta Star Company Limited which produces calico at Juapong.

The choice of this District was informed by the challenges confronting it in its revenue generation. The District in 2012 budgeted for an amount of GH¢ 81,259.50 but realized GH¢34,074.50 representing 42 percent with a variance of 47,185 of revenue generated by the Assembly. In 2013, the Assembly again budgeted for GH¢132,100.90 for (same for 2014, 2015 and 2016) but realized GH¢60,903.00 as of June 2013 representing 46.1 percent with a variance of 71,197.90 yet to be achieved before the end of the year (The Composite Budget of the North Tongu District Assembly for the 2014 Fiscal Year). The Assembly clearly has a challenge when it comes to revenue generation towards fulfilling its mandate of developing infrastructure within the District which included provision of street lights, places of convenience at Battor, Building of markets at Battor and Mepe-Titikope as well as provision of feeder roads to facilitate transport within the District.

It is based on the above factors that the District was selected for the study in order to assess the budgetary processes that result in the revenue generation processes in order determine any measure necessary to improve the processes.

4.4 Data Sources

The study relied on both primary and secondary sources of data for information. Primary data were obtained from key officers of the North Tongu District and Assembly and Unit Committee Members and Revenue Collectors. The secondary sources of data for the study included examination of related official documents and published articles, legislative instruments, internet

sources and academic journals. The analysis of the contents of these two data sources complemented each other in drawing valid conclusions on the findings of the study.

4.5 Target Population and Sample Size

The target population for this study included all the staff of the North Tongu District Assembly, the Assembly Members and Unit Committee Members and the Revenue Collectors. The researcher however, purposively sampled the District Budget Officer, District Finance Officer, District Internal Auditor, District Coordinating Director, District Planning Officer and the District Revenue Superintendents. In addition, ten members each of Assembly, Unit Committee and Revenue Collectors were conveniently sampled for the study due ease of access to the information relevant for the study.

The sample size of the population was thirty six (36). The sample size selection was informed by the key players involved based on their knowledge in the budgeting and revenue generation in the District Assembly. The choice of the officers at the District Administration was informed by the fact that they were directly involved in the processes that led to the setting of the budget processes as well as the management of the revenue generation processes.

On the other hand, the Assembly and Unit Committee Members were chosen in order to determine their roles in the budgetary as well as revenue generation processes since they represented the various electoral areas from which the revenues were generated. In addition, they were in the position to identify the various revenue sources for the Assembly by providing information upon which the Assembly could base its revenue projections within the budget. The revenue collectors were also directly involved in the collection of what was due the Assembly and were therefore able to provide information necessary for both the budgetary and revenue generation processes.

4.6 Sampling Technique

Purposive and Convenient sampling technique was adopted for this research. This approach allowed the researcher to use judgment in selecting the respondents with specific purpose in mind. It was also appropriate when the researcher wanted to identify particular types of cases for in-depth investigation with a less aim of generalizing than gaining a deeper understanding of the phenomenon (Neuman, 2007). It was also useful due to the fact that it was practically impossible to collect data from or examine every element within a sample.

Purposive sampling was used because the principal persons involved in the budgetary and revenue mobilization processes of the District were already known and could be identified. Purposive sampling therefore enabled the researcher to identify the principal respondents with the requisite knowledge on the budgetary and revenue generation processes. Hence the Budget Officer, Finance Officer, Revenue Superintendent, Planning Officer, Internal Auditor, Coordinating Director as well as Revenue Collectors and Assembly and Unit Committee Members were purposively sampled for this study. However, it is also important to note that convenient sampling was used to select the ten Assembly, Unit Committee and Revenue Collectors each. This was based on the ease of access and the readiness to volunteer the information needed for the study.

4.7 Instrumentation and Data Collection Procedure

The study used two main techniques to collect data. These were in-depth interviews (Appendix A) with the principal officers involved in the budgetary and revenue generation at the District Administration and the use of open ended questionnaires for the Assembly Members and Unit Committee Members as well as Revenue Collectors. The questionnaires (Appendix B) were mainly open ended in order to solicit personal responses from the respondents. The use of the

multiple data collection instrument was important based on the fact that lapses identified in one instrument was catered for in the other through the comparison of responses in order to ensure triangulation and accuracy (Yin, 2009). The conduct of interviews which took place in the offices of the respondents enabled the researcher to solicit from the various respondents their multiple views and experiences in relation to the topic under study since the researcher personally interacted with the respondents and probed by asking follow up questions to seek clarifications. Secondly, it enabled the researcher to cross examine the responses given by each of the respondents in order to avoid biases and ensure data accuracy. Thirdly, respondents were able to provide responses to the questions based on their peculiar experiences in relation to the issues involved in revenue generation within their areas of jurisdiction.

The principal officers at the District Administration were mainly questioned on issues that were involved in the budgetary processes towards revenue generation, the challenges that were encountered in these processes, as well as the measures put in place to address them.

The Assembly, Unit Committee and revenue collectors were asked questions on their role in these processes in terms of the identification of revenue sources, setting of revenue targets as well as the enforcement and the collection of these revenues. These questionnaires were administered and received on the same day. In instances where respondents sought clarifications on questions, the researcher was present to read and provide the clarifications needed.

4.8 Data Management and Analysis

The data gathered from the field were collected using the digital audio recorder for the interviews conducted and the questionnaires were retrieved in hard copy format. The audio-recorded field

data were then transcribed and categorized into themes to enable analysis and interpretation to be carried out. In line with best practice the thematic categorization of the data were done to reflect the research objectives. In order to provide considerations for data access and long term data stability and security, the audio data generated from the field were stored on an external hard drive while answered extra copies of the questionnaires were made and backed up.

With regards to data analysis, the study employed qualitative content analysis to generate meaning from the raw data generated from the field. Qualitative content analysis according Patton (2002), is aimed at interpreting the volume of a text data by identifying the important themes and patterns through the researcher's careful examination and constant comparison. This technique was chosen as an analytical tool due to its ability to make reasonable inferences in interpreting the data. The qualitative content analysis technique was adopted and applied through these three approaches; data description, data analysis and data interpretation. The first step was to develop thorough descriptions of the phenomenon under study. The description provided the 'context of action, the intentions of the actor, and the process in which action is embedded. However, the ultimate goal of analysis was not just to describe the data but to interpret, explain and understand the meanings attached to the phenomenon. The adoption of these three techniques in the analysis and the constant comparison with the literature helped to achieve the objectives of the study. It ensured that the various analysis was categorized into the three main objectives of the study for the analysis.

4.9 Ethical Considerations

It was important to observe some ethical principles in order to ensure that the interests of the respondents were protected. In furtherance of this, an introductory letter was sent to the District Assembly with copies to each participant to seek clearance and the permission to conduct the

research. In addition, the introductory section of the interview guide and the questionnaires (appendices A and B) explained the purpose of the study for the participants. The researcher further took time to carefully explain to the respondents the purpose and objectives of the study as well as the potential risk or benefits inherent in the study. Opportunities were also created for the respondents to ask any questions about the study at any stage of the interviews or the administration of the questionnaires.

It was also a fact that the respondents had the tendency to withhold vital information that was relevant to the study due to the fear of being exposed. To address these ethical challenges, the researcher assured the respondents of confidentiality in the information they provided, in addition to seeking informed consent before interviews were conducted or questionnaires administered. To confirm the confidentiality, and to ensure that the researcher did not distort and misrepresent information provided by the respondents a transcribed version of the interviews were sent to the respondents concerned for confirmation.

4.10 Chapter Summary

In summary, this chapter provided the details of the research methods and the ethical considerations used for the study. The study was carried out in the North Tongu District of the Volta Region as a case study. It adopted the interpretive research paradigm to underpin the study. The main respondents included key officials of the District Assembly involved in issues of budget and revenue generation, Assembly and Unit Committee Members as well as Revenue Collectors. Data was gathered using in-depth interviews and open ended questionnaires which were later categorized into themes in relation to the objectives of the study, analyzed and presented in the next chapter of the study.

CHAPTER FIVE

DATA ANALYSIS AND INTERPRETATION

5.0 Introduction

This chapter provides a description of the findings as obtained from the data gathered. Data collected were also triangulated, that is generally using multiple perceptions to clarify the meaning and verify the repeatability of an observation or interpretation (Stake, 2000). The qualitative data collected were analyzed under three major headings with subsequent subheadings according to the ways in which the data instruments were designed.

The first part examined the budgetary processes and revenue mobilization strategies adopted by the North Tongu District Assembly, while the second part discusses the various challenges encountered by the Assembly with their budgetary processes and strategies toward revenue mobilization. The final part discusses ways of managing the budgetary and revenue mobilization processes and strategies for infrastructural development. In doing this, the data was carefully compared with the information discussed in the literature in addition to the conceptual framework and the objectives of the study which also acts as a control for the information that was analyzed for this chapter.

5.1 Budgetary Processes and Strategies toward Revenue Mobilization

Decentralized governments are usually required by law to plan and mobilize their resources and execute those plans to bring further developments to their citizens (LG Act 462, 1993). These development plans are carried out yearly through the development of annual budget which specifies the priority projects to be carried out and how to raise revenue to carry out these projects. These two but inseparable systems go through various processes which are guided by laid down

policy documents in order to achieve the intended purposes. These comprise the engagement of stakeholders at the local level, the identification of the various revenue sources and setting the targets, inclusion of priority expenditure projects, setting into motion a revenue collection strategy as well as putting in place control measures to check and track the usage of these resources. The budget processes discussed below included the inclusion of stakeholders in the budget process, the identification of revenue sources and the revenue collection processes in addition to the training and development of those involved in the revenue generation processes.

5.1.1. The Budget Process and the Inclusion of Stakeholders.

Stakeholder inclusion in the budget process and its effect on the performance of local government abound in literature (Schneider & Baquero, 2006). There is therefore advocacy for the inclusion of all stakeholders to enable effective implementation of the Assembly's programmes. The composite budget process which is currently used by the District Assemblies in Ghana requires the inclusion of stakeholders from the planning to the evaluation stages. The planning stage of the cycle is considered very relevant because it is the stage that determines how much money is available to spend, establish the priorities for the year and also plan ceilings for each department based on the priorities. This requires that the various revenue sources are identified and the priorities set for the year. It is therefore important to involve all stakeholders such as District Planning Coordinating Unit, Development Planning subcommittee and other relevant subcommittees such as the Budget Committee, Unit Committee Members, town and area councils, rate collectors and payers among others. The study was therefore interested in the adherence to these processes and the strategies adopted in relation to these.

Evidence gathered from the data indicated that some of these stakeholders did not understand the entire budget process nor included in the budget process even though the District Budget Officer

(DBO) emphasized that the Assembly engaged in a comprehensive planning process involving all stakeholders using the availing participatory planning tools. He asserted that:

“Before the budget we had a medium term plan so in doing the annual management plan we first of all involved the citizens by forming area council teams and training them. It is a 15 member team headed by a chairman, secretary, treasurer who are permanent staff with traditional council representatives, assembly persons, both elected and appointed, representatives from the various decentralized departments, NGOs, CSOs. We trained them on how to do needs assessment and the entire planning process using participatory planning tools”

(DBO, 05-05-15)

The DBO further indicated that the above processes were carried out to gather data from at least sixty percent of the communities under each area council before further discussions were held with the council members. They identified the needs as well as the resources from these communities and segregated them into sectors such as education, health, agriculture among others and then harmonized it to form community action plans. This process, according to him is carried out every four years to develop the Assembly’s medium term development plan. These action plans are then prioritized into yearly action plans and included in the Assembly’s yearly budget to be implemented.

However, data gathered from Assembly and Unit Committee Members and Revenue Collectors indicated otherwise. Assembly members indicated that they did not fully understood the processes that were involved in developing the Assembly’s budget especially those in relation to revenue generation. This was largely due to the technicalities associated with the budget processes. Responses in relation to involvement in the budget preparation however, indicated that depending on the committee that an Assembly member belonged to, he or she was not likely to be directly involved in the budget preparation process. For instance while some of the Assembly Members indicated that they were part of the Executive Committee which scrutinized the draft budget before

it was presented to the general assembly, others indicated that the entire budget was only presented during general assembly meetings for them to approve without playing any other role. However, majority of the Assembly Members also revealed that they had an input in the kind of expenditure items included in the budget which included health and school facilities needed in their electoral areas.

All the unit committee members on the other hand responded that they had no understanding of the processes used by the Assembly to prepare its budget and that they were not involved in any way nor contacted by any Assembly Official for their views. That is to say their Assembly Members did not contact them to seek their views on issues relating to their units to be presented to the Assembly and for subsequent inclusion into the Assembly's budget.

The revenue collectors who go to the field and interact with the rate or fee payers also responded that they had no understanding of the processes that were used to prepare the Assembly's budget. They further asserted that they were not involved in the budget preparation processes nor given any opportunity to offer their views on issues relating revenue collection even though they were directly involved in revenue collection. The Higher Revenue Inspector (HRI), who is responsible for supervising the revenue collectors however, indicated that he was involved in fixing the rates that were to be charged for the year and included in the budget. The non-involvement of the revenue collectors according to the information gathered from the field revealed that since revenue collectors were headed by the District Senior Revenue Superintendent his views were considered as the views of all the revenue collectors in the budget preparation process.

The implication of this phenomenon which is contrary to relevant literature reviewed for the study as in the Porto Alegre experience has a long run effect on the revenue generated. The effect on the

entire implementation of the Assembly's policies and programmes cannot be overemphasized since the stakeholders involved in the implementation viewed the policies and programmes as an imposition from a higher authority rather than policies and programmes that they own and therefore wanted it to succeed by actively offering their views and participating in its implementation. The importance of stakeholder participation cannot be downplayed in the identification of revenue sources for the Assembly. The process of identifying these revenue sources and the setting of the revenue target is discussed below.

5.1.2 Identification of Revenue Sources and Setting Revenue Targets.

Identification of revenue sources and targets or projections requires thorough processes which involve the development of practical baseline indicators on existing and potential taxpayers, subscribers and (if possible) beneficiaries of the services of local governments. This is one of the key prerequisite to effective revenue generation. It is important that a proper identification and approximation of the actual number of beneficiaries and potential number of tax payers is carried out to enable those concerned to get a clear picture on the true performance of revenue target and enhancement at later stage.

Data gathered from the field indicated that the Assembly had various sources of revenue as rates, lands, fees, fines, licenses, rent, investments and miscellaneous sources and had projected the following amounts of revenue to be collected from 2015 to 2017 as shown in the tables (1,2,3) below;

Table 1- Revenue Projections for 2015.

TABLE SHOWING REVENUE PROJECTIONS FOR 2015													
	REVENUE HEAD	JAN.	FEB	MAR	APRIL	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
1	RATES	19.50	26.00	34.45	46.61	78.00	104.00	130.00	148.20	218.40	427.70	231.40	305.50
2	LANDS	52.00	71.50	78.00	104.00	104.00	117.00	91.00	39.00	52.00	2,431.00	39.00	1,032.20
3	FEES	1,346.80	1,923.35	1,550.90	1,502.15	1,007.50	968.50	1,844.70	1,223.30	772.85	1,482.00	865.48	1,032.20
4	FINES	137.15	143.00	328.90	138.45	104.00	91.00	260.00	286.00	384.80	131.30	156.00	338.00
5	LICENCES	13,819.00	19,268.60	15,213.25	15,225.60	14,345.50	16,170.70	19,492.20	14,145.95	16,359.85	8,203.00	10,390.25	13,091.00
6	RENT	48.10	126.10	109.20	81.90	88.40	59.80	101.40	135.20	130.00	132.60	242.83	131.30
7	INVESTMENT	260.00	247.00	286.00	221.00	104.00	130.00	193.70	156.00	182.00	253.05	253.66	785.72
8	MISCEL	377.36	1,939.25	767.47	29.89	1.89	104.00	692.90	892.45	1,307.80	670.15	2,037.75	753.40
	TOTAL	16,059.91	23,744.80	18,368.17	17,349.59	15,833.29	17,745.00	22,805.90	17,026.10	19,407.70	13,730.80	14,216.36	17,469.32

Source: North Tongu District Assembly.**Table 2- Revenue Projections for 2016.**

TABLE SHOWING REVENUE PROJECTIONS FOR 2016													
	REVENUE HEAD	JAN.	FEB	MAR	APRIL	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
1	RATES	25.35	33.80	44.85	60.91	101.40	135.20	169.00	192.40	283.40	555.10	300.30	396.50
2	LANDS	67.60	92.30	101.40	135.20	135.20	152.10	118.30	50.70	67.60	3,160.30	50.70	1,341.60
3	FEES	1,749.80	2,500.55	2,015.00	1,953.25	1,309.10	1,258.40	2,397.20	1,589.90	1,004.25	1,926.60	1,125.48	1,341.60
4	FINES	178.30	185.90	426.40	180.05	135.20	118.30	338.00	371.80	499.20	170.30	202.80	439.40
5	LICENCES	17,964.70	25,048.40	19,777.23	19,792.50	18,648.50	21,021.00	25,339.60	18,389.74	21,267.35	10,663.90	13,507.65	17,018.30
6	RENT	62.53	163.93	141.96	105.30	114.40	76.70	131.30	175.50	169.00	171.60	315.63	170.30
7	INVESTMENT	338.00	321.10	371.80	287.30	135.20	169.00	250.90	202.80	236.60	328.90	329.06	1,021.02
8	MISCEL	490.46	2,521.03	997.57	39.00	39.00	135.20	899.60	1,160.25	1,699.10	871.65	2,648.75	979.60
	TOTAL	20,876.74	30,867.01	23,876.20	22,553.51	20,618.00	23,065.90	29,643.90	22,133.09	25,226.50	17,848.35	18,480.36	22,708.32

Source: North Tongu District Assembly.

Table 3- Revenue Projections for 2017.

TABLE SHOWING REVENUE PROJECTIONS FOR 2017													
	REVENUE HEAD	JAN.	FEB	MAR	APRIL	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
1	RATES	33.15	43.94	57.85	79.11	131.30	175.50	219.70	323.70	367.90	721.50	390.00	514.80
2	LANDS	87.10	119.99	131.30	175.50	175.50	197.60	153.40	85.41	87.10	4,108.00	65.00	1,743.30
3	FEES	2,273.70	3,250.65	2,619.50	2,539.55	1,701.70	1,635.40	3,116.10	2,683.20	1,305.85	2,503.80	1,463.48	1,743.30
4	FINES	231.60	240.50	553.80	234.65	175.50	153.40	570.70	556.40	648.70	221.00	262.60	570.70
5	LICENCES	23,353.20	32,562.40	25,710.43	25,729.60	24,242.40	27,327.30	42,822.00	23,906.94	27,647.75	13,861.90	17,559.75	22,123.40
6	RENT	80.60	212.03	183.56	136.50	148.20	99.71	221.00	227.50	219.70	222.30	410.53	221.00
7	INVESTMENT	439.40	417.30	482.30	373.10	175.50	219.70	422.50	262.60	306.80	426.40	427.86	1,327.82
8	MISCEL	637.36	3,277.63	1,296.57	50.70	50.70	175.50	1,518.40	1,508.65	2,208.70	1,132.95	3,443.05	1,269.50
	TOTAL	27,136.11	40,124.44	31,035.30	29,318.71	26,800.80	29,984.11	49,043.80	29,554.40	32,792.50	23,197.85	24,022.26	29,513.82

Source: North Tongu District Assembly

Data revealed that the Assembly derived its major internal revenue from sand winning activities along the banks of the Volta Lake especially at Battor and Aveyime areas. This included the licenses issued to those who engage in the sand winning activities and the fees charged on each cube of sand that is loaded. Currently, the Assembly charges between GHC 10.00 to GHC 20.00 per trip of sand. The Assembly however, was not able to charge and collect property rates since the various properties in the District were yet to be valued.

The DFO, indicated that the main factor considered in identifying and setting these revenue targets was the economic potentials that they have identified in the area. His assertion was further supported by the DPO, who asserted that:

“Specifically we examine certain factors including economic potentials and also do cost benefit analysis. So before we finally conclude we would have calculated to see that if you actually put in GHC 10,000.00 at the end of the day we are getting say GHC 15,000.00”

(DPO, 04-05-15)

On the identification of the various revenue sources for the Assembly, it was revealed that when the Assembly was carved out of the old North Tongu District, there was an existing data to begin with. However, there was the need to update the data hence the Planning Unit of the Assembly designed a questionnaire, moved to the various communities, and zoned them in order to collect data on the buildings, businesses and the economic potentials of the area in general. The budget officer reiterated the importance of the data by saying that:

“We have currently used that data for the 2015 budget. However, as at the time of collecting the data, Juapong had a problem and we are yet to update the data from that area. This data helped us to know for instance the number of hairdressers in the area and with this you can multiply that number by the fees to be charged to be able to project your revenue for the year”

(DBO, 05-05-15)

It was revealed that various stakeholders were involved in the identification of these revenue sources. The process was led by the Planning, Finance and the Budget units of the Assembly. The DPO further stressed the role of Assembly Members in this process with the assertion that:

“If there is sand winning going on in Aveyime and we want to tap into that revenue potential, we can’t just go there without involving the Assembly member for that area”

(DPO, 04-05-15)

All the Assembly Members indeed confirmed that they played a role in identifying the revenue sources for the Assembly. One of them asserted that:

“As an Assembly Member for my electoral area I assist the Assembly in capturing businesses in my area towards fee fixing resolution by the General Assembly”

(AM, 31-04-16)

Others also indicated that they attended joint area council meetings and Assembly workshops as well as participated in development subcommittee meetings in order to identify the resource base of the Assembly. While others however, responded that they did not play any role in the exact revenue target to be collected by the Assembly, others however indicated that per the committee they belonged to, they were asked to project the revenue to be collected based on the preceding year's revenue.

The Unit Committee Members on the other hand gave a contrary assertion that they did not play any role in identifying revenue sources for the Assembly. They indicated the fact that they only sat idle and saw revenue collectors of the Assembly come around to collect money from their electoral areas. As to how or what processes the Assembly used to identify these sources, they were not aware of them. They further indicated that once they were not consulted, they did not have any say in what revenue target the Assembly sets to collect.

The view shared by the unit committee members was also echoed by the revenue collectors as well. Apart from the Higher Revenue Inspector (HRI) who indicated that he was involved in identifying the various sources as well as fixing the rates for these sources, the other revenue collectors responded that they did not play any direct role in identifying the various sources of revenue for the Assembly. One of them asserted that;

"I am not involved in identifying the sources apart from the tickets I issue to the Tipper Trucks for carting sand, charcoal dealers, and those who buy animals from the District"

(RC, 22-04-15)

They further indicated that they were not involved in setting the amount of revenue to be collected for the year nor given any specific targets to be collected from each of their zones. The HRI for instance was of the view that they should have been individually involved and given specific

targets to be collected rather than just collecting their normal rates from the various sources. This assertion implies that revenue collectors, some Assembly and Unit Committee members were not usually aware of the revenue targets for the year and what contribution of revenues were expected from their revenue zones in order to achieve that target. Assembly and Unit Committee Members were therefore handicapped in terms of the specific roles they were expected to play in assisting the Assembly to achieve its revenue target for the year. There is a clear disconnect between the various Assembly Members and their Unit Committee members in terms of the roles they perform. This phenomenon may not create the necessary motivation among these key stakeholders to enable them assist the Assembly in the generation of adequate revenue needed to carry out the much needed development the citizens yearn for.

Notwithstanding the challenges of revenue identification and setting the targets however, there was the need to set into motion a strategy to collect revenues identified for the Assembly. Discussed below were the processes and strategies used by the Assembly to collect its revenue.

5.1.3. The Revenue Collection Strategies and Processes

As indicated in the framework adopted for the study (figure 2.0), District Assemblies as lower tier governments are mandated to develop various strategies necessary for the generation of the required revenue for development. In order for the District Assemblies to ensure that there is constant revenue flow for the implementation of its programmes and policies, it must ensure that efficient and effective strategies are put in place to identify and collect the revenues due them. In other words, the main goal of having an integrated revenue management is to ensure that there is sufficient, easy to administer, stable and predictable income sources to finance quality public services in an accountable manner.

The study sought to assess the strategies and processes that the Assembly uses to collect its revenue. Data gathered from the field revealed that the Assembly had divided the District into four main revenue zones. These are Battor, Juapong, Aveyime and Mepe zones. These revenue zones were manned by revenue collectors. These revenue collectors were categorized into three as explained by the District Senior Revenue Superintendent (DSRS):

“We have revenue officers who collect the money. Some are established ones and some are paid from our IGF while some are commissioned collectors. They go round to collect the money. We have divided the District into revenue zones. Currently we are having Battor, Mepe, Juapong and Aveyime zones”

(DSRS, 04-05-16)

They further explained that the established revenue collectors were the ones employed through the Local Government Service, placed on the Government of Ghana payroll and are paid monthly by the Controller and the Accountant General’s Department (CAGD). The second group of revenue collectors were those paid monthly with the Assembly’s internally generated funds. The last group referred to as the commissioned collectors were the ones who are given a percentage of what they collected as revenue. Others too were outsourced to private collectors. For instance the permits for telecommunication masts are not collected by the Assembly but by private companies who take their commission before Assembly’s share was given.

The Assembly adopted the issuance of tickets as the only means of collection at the various revenue points such as lorry parks, markets, and entrance to sand loading points, entry and exit points into the District for those who transport goods such as charcoal, cattle (the District is considered as one of the leading cattle production areas in Ghana) and other farm produce such as rice and pepper. Some groups of the revenue collectors were expected to collect the revenue and deposit it into the Assembly’s bank account with the Amuga Rural Bank Limited which has branches at Battor, the district capital and Juapong. The other group of revenue collectors which also included those in

the markets and the lorry parks however, report to the HRI. He indicated that each of these zones had revenue collectors who reported to him after collecting revenues from their assigned revenue posts. He then collates the various amounts from these individual revenue collectors and pays into the Assembly's account every Thursday. The pay in slips from each of these payments made were then used to render account in the District Office at Battor. The entire revenue team of the Assembly was led by the Senior Revenue Superintendent. It was again revealed that commission revenue collectors were required to pay every amount of money into the Assembly's account without taking their commission but rather wait on the Assembly to later calculate these commission before being paid.

On whether the Assembly has adopted the use of any electronic method of collecting its revenue from the eligible payers, the DFO replied as:

“No, but we have the idea to outsource it to some company who brought that idea”

(DFO, 22-04-15)

On the inability to deploy the system to make revenue collection more efficient and effective, the DPO believes that the automation of the process for now may be a difficult one. He stated his reasons as follows:

“The automation is even one aspect that will need to improve. But for now majority of the activities in the area are done on informal bases but this may be applied in future”

(DPO, 04-05-15)

The DBO also believes that the deployment of the system may be a better idea but there was the need to seek approval from the central government before they could be deployed for use by the Assembly. He averred as follows:

“We are not using it now because those machines are not there and by law before you cannot use any of those machines unless you apply to the CAGD because the revenues we collect are on behalf of the government and the tickets we even issue are printed by the CAGD hence approval must be sought”

(DBO, 05-05-15)

With regards to the above information as gathered from the officials at the District Assembly Office, both Assembly and Unit Committee members responded that they were aware that the Assembly had developed a ticket system and employed revenue collectors who went round to issue out these tickets to market women, tipper trucks, and container shops in addition to issuing building permits. They further indicated that the Assembly had an account into which these monies were paid. The revenue collectors also mentioned that tickets were usually issued to rate payers and money collected. For instance one of the revenue collectors indicated that:

“I issues more than one ticket at this checkpoint. I issue ticket to tipper truck drivers who cart river sand to Tema and Accra as well as to those who transport charcoal and animals such as cattle out of the District. Money collected are later paid into the Assembly’s account at the Amuga Rural Bank and the pay in slip used to render account at the District Assembly Office”

(RC, 25-04-15)

The above system of collection according to the sentiments expressed was not the most efficient and effective way of collecting revenue at the moment. The Assembly believes the system was fraught with some challenges including leakage of revenue hence the inability to realize the set revenue targets for each year. The DPO for instance expressed his views as:

“Revenue collection in North Tongu per my own assessment has a lot of leakages in the system. So recently we have been trying to see if it would be beneficial to privatize revenue collection. After we assess the system we have now and the potentials of engaging a private entity then we will decide. For all you know it may not be prudent but may be once we are able to check the current leakages it may improve hence no need to engage a private entity”

(DPO, 04-05-15)

This phenomenon implied that the Assembly's efforts at improving its revenue generation towards the development of the District may not be realized if the current system of revenue collection persisted. The overdependence on the issuance of tickets as the major means of collecting revenue by the Assembly has been clearly identified as a challenge that may hinder the real amount of revenue to be generated since it has its inherent challenge of being compromised by the revenue collectors. It is therefore prudent to apply other varied strategies toward the collection of revenue.

5.1.4. Training of Revenue Collectors, Assembly and Unit Committee Members

The importance of training and staff development on the performance of employees have often been emphasized by many scholars. For instance Mathis and Jackson (2006) emphasized the need for organizations to constantly train and develop their staff due to the dynamic nature of the both the organizational and the external environments. Employees are able to perform better and adjust to these changes once they receive the required training and development. It is also imperative to ensure that District Assemblies and for that matter Local Government staff receive the necessary training to ensure that they perform better on their jobs.

In view of this the research sought to assess the level and kind of training that were given to the Assembly Staff including the revenue collectors, Assembly and Unit Committee members on issues relating especially to revenue generation. With this the research gathered data which revealed that the Assembly had given some form of training to the revenue collectors. The views expressed as to the specific training given to the revenue collectors were however, varied. The DFO indicated that the revenue collectors they employed were given what he referred to as "on the job training". The District Internal Auditor also averred that in order for the revenue collectors

to perform their jobs better they were given some form of training before being deployed to their revenue points. He expressed this as:

“Yes we take them through training involving basic record keeping and the likely challenges they may face on the field before they are deployed to their areas of work, especially the commission collectors”

(DIA, 30-4-15)

The DPO also revealed that even though they gave some form of basic training to the revenue collectors before they were deployed to perform their task, they realized that the current performance of the various revenue collectors leaves much to be desired hence the need to put in place measures to train them properly in order for them to perform their tasks as required of them.

These measures, he indicated were yet to be implemented. He stated as follows:

“In our last FOAT assessment it came out that our revenue collectors are not actually up to the task so we have actually designed a training programme for them but it is unfortunate we are yet to implement that”

(DPO, 04-05-15)

The need for training the revenue collectors was further stressed upon by the District Senior Revenue Superintendent (DSRS). He indicated that the inability to realize the revenue targets over the years could be largely attributed to the inadequacy of training the revenue collectors received.

He bemoaned the lack of training even for them at the higher level when he stated that:

“We have to do frequent training but since the inception of this Assembly nobody has done any training. Even there has not been any in-service training here for the staff of the Assembly. It is affecting their work because some people were employed as commission collectors we need to engage them in a workshop and train them on how to do the work”

(DSRS, 04-05-15).

The revenue collectors agreed that they were given some form of training before they were sent to the field. When asked about the kind of training they received, they indicated that they were called

and given briefing on how to issue tickets and talk to the payers on why they should pay. They however, intimated that they needed more training in order to broaden their skills on revenue collection. This point was emphasized by the HRI who also indicated that;

“The Assembly has to employ collectors and train them. I have gained a lot of experience over the years as a revenue collector and want to impart these knowledge into the new revenue collectors. I even went to the Director and told him that I will be due for retirement in December 2015 and he complained about the effect of my absence when I retire with all my experiences. The Assembly must make money available for us to train them”

(HRI, 22-04-15)

Both Assembly and Unit Committee Members also indicated that they had not received any form of training in relation to revenue generation even though they would have wished for some form of training on how the entire system of revenue generation was done and the role they had to play in order to assist the revenue collectors and the entire Assembly. Others also revealed that they were not given any orientation when they were elected to the Assembly and therefore did not even understand the entire workings of the Assembly and were unable to contribute meaningfully during debates of the Assembly. The above sentiments were common in the responses gathered when it was realized that it was even important that the revenue collectors were equipped with the necessary skills and given a certain appearance before going to their point of work. The belief was that even the way and manner the revenue collectors appear in terms of the uniform they put on and how they communicate with their clients has a positive effect on the amount of revenue they generate for the Assembly. Respondents believed the training programmes when properly developed and implemented could go a long way to affect the performance of the Assembly in revenue generation. The absence of quality training and the effect this has on revenue staff and their performance cannot be overemphasized. It is therefore important that training is considered an integral part of the revenue generation strategy by the North Tongu District Assembly.

5.1.5. Education and Enforcement of Regulations

Citizen education of the tax system has often been advocated to ensure that citizens understood the need to pay their taxes as a prerequisite for the development of their areas and the services they receive. Fjelstad et al. (2004) postulated that the application of tax education and communication involves the formulation of messages and communication channels that have the most desirable impact on citizens' ability and willingness to pay their taxes. It should also include the collection of questions from citizens and then communicating the answers via appropriate communication channels. The design and distribution of effective medium of communication such as websites, brochures, annual reports and specific project factsheets among others have also been identified as effective means of educating and informing citizens on their tax obligations towards the development of their localities. Citizen education on their tax obligation has a strong linkage with the level of enforcement of tax regulations. Local governments are mandated through the Local Government Act (462) of 1993 to levy rates and enforce its collection as well (sections 97, 98, 101,104,106,108,109).

In view of the above, the research assessed the level of education and sensitization the Assembly had given to the citizens especially the rate or fee payers in addition to the level of enforcement of regulations in relation to revenue generation. Findings from this study revealed that the Assembly in the year 2014 embarked upon an education on the local radio station- Dela FM on Wednesdays. The programme content included the workings of the Assembly and the contributions from the citizens toward the development of the District. The citizens were allowed to phone in to ask questions and offer suggestions as well. In addition, the revenue collectors were also expected as part of their work to educate the citizens when they go on the field. This was expressed by the DPO as:

The revenue superintendents and the collectors are supposed to normally do that when they go to the field. But when we get any opportunity at programmes that we attend, we also do educate them.

(DPO, 04-05-15)

He however, bemoaned the fact that there was the need to deploy information vans to the towns and villages to educate the people on their obligations to the Assembly.

As to the role of Assembly Members in educating the citizens to honour their tax obligations, all the Assembly Members also responded that they were involved in educating citizens of their electoral areas on the need to pay their taxes/rates to the Assembly for development. They responded that they usually performed this duty whenever they met their electorates to discuss and give them feedback from the Assembly. The Unit Committee Members however, responded that they were not involved in educating citizens of their electoral units on the need to pay their taxes/rates to the Assembly for development even though they would have wished to perform such a duty.

On the enforcement of regulations in relation to the charging and collection of revenue, the data revealed that the Assembly had passed its fee fixing resolution which was required to be passed before the 31st of October each year and submitted to the Ministry of Finance and Economic Planning before the year in which it will be enforced. However, when it comes to the actual charging and enforcing what eligible rate/fee payers pay as required by the resolution, there was a challenge. According to the respondents, there had been cases where people defaulted in the payment of fees/rates due them. The DBO explained the procedures that they use to enforce in case there was a default:

“Enforcing is a national problem. There are laid down regulations to be followed but it is not everyone who follows the regulations. For example if there is a landlord who has

defaulted in paying a property rate, you first of all serve a demand notice and give him time to respond. If they are still not paying then you have to meet them and find out why they are not paying and how you can arrange for them to pay. After all these processes have been exhausted then you can take further action to prosecute. As at now we have not been able to prosecute anyone”

(DBO, 5-5-15)

The inability to prosecute defaulters so far was attributed to several reasons as indicated by the DFO as:

“Our bye laws have given us the authority to send them to court. But there has not been any such case of prosecuting offenders because we do not even have the courts yet”

(DFO, 22-04-15)

The DSRS, also attributed the inability to enforce the regulations due to the lack of will on the part of management to enforce the rules. He stated this as:

“We have not yet prosecuted anyone for defaulting in the payment of fees. Management is not enforcing that”

(DSRS, 4-5-15)

In relation to depositing funds appropriately as collected by revenue collectors and rendering accounts appropriately as required by law in order to avoid any likely embezzlement of funds, the DIA stated that there was a strict enforcement of rules in relation to how they ensured that such cases did not occur. He affirmed this as:

“Any money that you receive as a revenue collector you have to bank that money within 24hrs and that is the law. As to whether someone collects and defaults in payment. Yea we are all human beings but I have not seen such a case yet. Especially on a Saturday when the banks do not work then how do you pay? But in such a case, we have the revenue superintendent who goes round to collect the money from the various revenue collectors to be deposited later in a safe till Monday when it has to be paid into the Assembly’s account”

(DIA, 30-04-15)

In the various communities however, the Assembly and Unit Committee Members, indicated that they did not play any role in enforcing regulations on the payment of rates to the Assembly in terms of identifying and reporting any defaulters for the necessary actions to be taken.

The revenue collectors on the other hand agreed that they usually enforce payment in a variety of ways. Those in the markets disclosed that they were often required to cease an item of a trader who refuses to pay a market toll after persuasion. The value of the item ceased must be higher than the value of the ticket being issued to the payer. The ceased item is then deposited at the office of the Higher Revenue Inspector until the owner picks it up after paying a penalty. Another revenue collector in charge of issuing tickets to tipper trucks and animal traders also disclosed that a barrier was mounted at the Aveyime Police Station to check and arrest any driver who defaults in payment.

The system of educating citizens and enforcing regulations on the payment of revenue is clearly fraught with challenges which must be addressed in order that citizens clearly understand the role of the Assembly in carrying out development project and the contribution that is expected from them in order to fulfill that mandate.

5.1.6. Citizens Access to Information

Citizens' access to information on how funds are collected and used is one of the major ways of guaranteeing good governance in relation to transparency and accountability. Access to information in terms of giving feedback to citizens on how government funds are expended to their benefit are often lacking. The effect is therefore the reluctance on the part of citizens in fulfilling their part of the social contract. It is prudent for local government authorities on the need to deploy several measures to give feedback to citizens. This strategies may include setting up a help desk in town halls or strategic locations and train officers to answer citizens' concerns on how they use

their collected taxes, fees and charges including subsidies and unit costs. The overall effect of this is generally a positive effect on the internally generated revenue of the local government.

With the above, the research sought to find out how the Assembly communicates to the citizens in terms of feedback. It was revealed that the Assembly believed in the fact that giving feedback was one sure way of improving revenue collection and that whatever the people give must be used to improve their wellbeing through development projects. The DPO affirmed this when he said:

“The best practice is that whenever you collect revenue there should be that aspect of giving back to those you are collecting the revenue from by using part of the IGF to actually implement some few projects. I believe in giving to especially areas where you can get more revenue. For instance you are collecting revenue from Battor or the Aveyime Market but day in day out the market has not seen any improvement then it means that you are not giving back”

(DPO, 04-05-15)

They however, believed that this was one of the roles the various Town and Area Councils (there is only one functional area council at Battor as at the time of gathering data), Unit Committee and Assembly Members must perform as part of their duties on behalf of the Assembly. Since most of the Assembly Members were already part of the various committees of the Assembly and also attend general assembly meetings, they must relay such information to the citizens. The DBO explained that:

“Sources of communication are there but sometimes we don’t ask. The financial reports are always there. They are presented to the Finance and Administration sub-committee for scrutiny and that includes Assembly Members. The reports are usually presented to the General Assembly and the Assembly Members also have a responsibility to also disseminate these information to their electoral areas”

(DBO, 05-05-15)

Accordingly, it was revealed that citizens were at liberty to walk to the Assembly’s offices at any point in time to demand information on how their funds were used. It was affirmed that the

Assembly's annual audited accounts were often published on its notice boards located in the premises of the Assembly and any citizen could always walk in to examine the accounts and ask questions. The DFO stated this as:

"Yes on the notice board our accounts have been published and anyone can come to the account office to demand that information"

(DFO, 22-04-15)

The DBO however, bemoaned the fact that though citizens often came to the premises of the Assembly, most of them did not often check on what had been posted on the notice boards and were therefore not aware of any information that had been posted. He stated:

"We also publish our financial statements on our notice boards but when people come here usually they don't like to read but rather want to engage directly with the officers. But anyone at all can come to our office to appropriately demand information on how funds are being used"

(DBO, 05-05-15)

Assembly Members indicated that indeed they had access to information on how the revenues of the Assembly were used. They claimed they were often told at the general assembly meetings and at committee level meetings. They mentioned some projects such as an abattoir at Aveyime, classroom blocks at Battor, places of convenience at Mepe as some of the uses to which the monies were used. Unit Committee members however, responded that they were not aware of what the Assembly used its money for. That is, they found it difficult to get easy access to information on the Assembly's expenditure. They also indicated that even though they were aware the Assembly needed money to perform its day to day activities, it would however, be prudent to have easy access to information on what exactly the Assembly does with the funds it collects from its people. Revenue collectors on the field also disclosed that they did not have access to information on how exactly revenues generated were often used. The HRI stated as:

“I have been told the Assembly uses part of the money for administrative purposes and to pay some staff but generally we only collect revenues and pay to the bank but we don’t know how exactly the money is used”

(HRI, 22-04-15)

Others further lamented that very often they were asked by rate payers as to how the Assembly used the funds that they collected. For instance one respondent noted:

“People are always complaining that the Assembly has not been using the money for any development project in town so why should they continue to pay to the Assembly”

(RC, 25-04-15)

For them, it was important that they had easy access to these information on what the Assembly uses its revenue for in order that they could educate people and encourage them to pay easily. It was therefore clear that dissemination of information to citizens had not properly been carried out as the roles of those involved were not clearly defined and implemented as expected. Once citizens were not informed on what their funds were used for, it was difficult to persuade or convince people to perform the duty of contributing their resources to assist the developmental efforts of the Assembly.

5.1.7. Internal Control on Revenue Generation and Usage

Akudugu (2012), argued that it is not the inability of most Local Governments to generate enough revenue to fund their development projects which is the cause of the slow developments but rather the inability to even manage the few funds that are generated through the enforcement of adequate internal controls. He further argued that there is lack of transparency and accountability in the financial issues of the Assemblies as well as lack of interest of Assembly members on financial responsibility charting of most District Assemblies to enable them have an appreciation of the

financial responsibilities of the core staff in order to hold them accountable for their bad actions or inactions.

It is in view of the above that the research sought to examine the internal controls that were put in place to check how the Assembly disbursed its funds, checks issues of revenue leakages and also render accounts on how revenues generated were expended. Data gathered in relation to this revealed that the Assembly had put in place some form of measures internally to ensure that funds disbursed were actually budgeted for and expended accordingly. The Assembly currently is guided by some laws to ensure internal control including the Financial Administration Act, Financial Administration Regulation, Internal Audit Agency Act, Audit Service Act and the Public Procurement Acts. In addition to this, the Assembly gave a monthly statement of account which spelt out the income and expenditure of the Assembly. Copies of this statement were submitted to the Finance and Administration sub-committee of the Assembly as well as the Regional Controller and the Accountant Generals Department, the DACF and DDF Secretariat in the case of those funds. The DBO explained these checks as follows:

“The first internal control is the budget itself. Because the budget tells you how much revenue you want to raise in the year and how that revenue will be spent in the year. We also give a monthly report on how we use the money by preparing a monthly statement of account which is given to the Finance and Administration of the Assembly for scrutiny. This is to ensure that the Assembly is using its revenue for the intended purposes. We also give a monthly report to the CAGD, DACF, and DDF secretariat depending on the funds being reported on.”

(DBO, 05-05-15)

According to him these measures coupled with the internal audit unit which audits every payment voucher before payments were made have provided enough measure in ensuring that funds were used properly. This assertion was confirmed by the DIA who indicated the various processes that

were put in place before funds were released from the Assembly's account. He stated the procedure as follows:

“First one has to raise a memo then it goes for approval from the DCD, then to the budget officer to check if it falls within the Assembly's budget or it has been budgeted for before he prepares a warrant to be approved by the DCE and DCD. It is then forwarded to the finance unit which prepares the payment voucher after which it goes to the audit unit for scrutiny to examine whether the purpose for the expenditure existed in the first place or whether indeed the activity was carried out and all the procedures followed. It is then sent to the accounts department which issues out the cheque to be signed by the DCD and any other signatory. Once it gets to our office and there is doubt about it then it is rejected. This is strictly followed because there is no way that one will not write a memo before a request is made. There is no way that the DCD or DCE will approve without the memo, there is no way that it will not go to the budget officer for warrant and there is no way that the DFO or the accountant will prepare a cheque without the warrant and there is no way we will not see it before the money is disbursed. For instance if it has to come to procurement, it also gets to our office for us to check whether it has gone through all the processes as required by law in addition to checking value for money”

(DIA, 30-04-15)

The DBO further explained that the above processes especially with the use of the budget as one of the major sources of checking for unbudgeted expenditure would be further enhanced with the introduction of the Ghana Integrated Financial Management Information System (GIFMIS). He explained the importance of this system as:

“GIFMIS Platform is also coming to enhance the tracking of the expenditure of the Assembly. With GIFMIS, each expenditure item is given a unique code where every revenue has its corresponding expenditure side that is linking revenue to expenditure. The system is coded such that one cannot expend outside what has been budgeted for”

(DBO, 05-05-15)

In relation to some leakages in the revenue collection system itself and the measures to check them, the DSRS, explained that the revenue collectors were checked per the value of the tickets that were

issued to them. That is if one was issued one hundred tickets with each ticket costing one cedi, then one had to account per the number of tickets issued. He averred that:

“We control them by issuing to them their value books let’s say if it is market ticket then we know how much is given to them and how much they are to account at the end of the day”

(DSRS, 04-05-15)

As to whether the system may be the safest way of checking any leakage that might occur as a result of non-issuance of tickets, he explained that per the number of checks the tipper truck drivers and cattle dealers for instance would have to go through on the way to their destination, it would be prudent for them to insist on receiving tickets after paying their fees and rates. In order to check this, a barrier had been created at the Aveyime Police Station to check the authenticity of tickets issued at the various points of loading before the trucks leave the District. In addition to the above measure, frequent reshuffling of the revenue collectors at their points of collection had also been adopted to check any malfeasance in the system. The DPO explained as follows:

“The first measure we took was to reshuffle some of the revenue collectors. Because it looks as if some of them have been working in some areas for some time now and have established themselves there and know how to go about their thing. So the first step we took was to reshuffle them but we realized that after the reshuffling and after sometime they begin to reestablish themselves there again and you cannot keep on reshuffling them like that so that decision may not be the most efficient but for now that is what we have done”

(DPO, 04-05-15)

The above system of internal control to check revenue collection and usage had its strengths and weaknesses as expressed by the DPO and hence the need to put in place further stringent controls. It was even realized that the number of checkpoints were limited hence the Assembly could not check every entry and exit points. The fact still remains that not all rate/fee payers had to travel in order to get checked for receipts hence the likelihood of fees actually being collected without

receipts being issued. It was therefore necessary to further strengthen the control mechanisms in order to enhance revenues collected.

5.1.8. Infrastructural Development with Internally Generated Funds

Local governments are required to generate funds internally to finance their development projects. The provision of infrastructural development is indeed one of the numerous mandates of many local governments. This provision however, depends on the availability of adequate revenue which must be provided when effective revenue generation measures are put in place. The focus of this research in relation to infrastructure development is defined as the technical structures that support a society, such as roads, bridges, tunnels, water supply, sewers, electrical grids, and telecommunications. These represent the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions (Fulmer, 2009). The purpose was to find out the number of infrastructural projects undertaken solely or partly with the Assembly's internally generated funds.

Data gathered revealed that the Assembly's IGF had mainly been used to cover the operational costs of the Assembly. These included the payment of utility, rent, office equipment, minor repairs, fuel, monitoring of Assembly projects (funded with DACF, DDF, GETFUND etc.) per diem and the emoluments of some categories of Assembly staff.

The obvious reason given for the inability of the Assembly to fund infrastructural projects with the IGF was the inadequacy of the revenues that had been generated. The DBO asserted that:

“Since the inception of the Assembly the IGF has been low and it is not enough to run the operations of the Assembly. There are several unpaid bills to be paid but the IGF is not enough”

(DBO, 05-05-15)

He however, revealed that he had on record that part of the IGF was used to fund the gravelling of the Battor market when it got flooded in 2014 even though the Assembly was yet to fully pay for the cost of undertaking that venture. In addition, the DPO revealed that the Assembly has planned to fund the fencing of the Juapong market in 2015 with the IGF. He stated:

“We are only currently able to fund the fencing of the Juapong market with IGF this year”

(DPO, 04-05-15)

The data revealed that the above project had become possible with the IGF because the Assembly was not initially able to have access to the revenues collected from the Juapong area which is part of the Dusor Traditional Area. This was as a result of the controversies surrounding the creation of the District capital at Battor instead of Dofor Adidome as proposed by the chiefs and people of that traditional area. Since the Assembly was created in 2012 therefore, the traditional authorities prevented the Assembly from having access to the area. The collection of revenues from that traditional area generally and its custody was by the traditional council up to December, 2014. It had to take several meetings and negotiations to agree to the release of the funds and to allow the Assembly have access to the area in order to collect revenue from 2015 and beyond. One of the conditions for the release of the funds collected by the traditional authorities was for it to be used to construct a fence wall for the Juapong market which was the biggest market as well as the most economically vibrant area in the District.

The belief therefore was that, as the Assembly now had access to collect revenue from across the District with the constant exploration of more revenue sources, it would be able to generate enough revenue to fund the ever increasing infrastructural needs of the District rather than solely depending on central government funds which were always in constant delay for such projects.

The discussions above focused on the various strategies and processes the Assembly adopted towards the generation of revenue. The strategies from the budget stage through the training of those involved in the revenue collection process to the actual collection of revenue was clearly fraught with challenges hindering the realization of the Assembly's revenue targets. It is based on this that the next major discussion based on the objectives of this study focused on the challenges facing the Assembly in its revenue mobilization.

5.2 Challenges with Budgetary Processes and Strategies towards Revenue Mobilization

One of the objectives of this study was to identify some of the challenges confronting the generation of revenue right from the budget processes that determine the revenue sources and targets through to the collection of the revenue and its usage for any development project. The findings reveal that the Assembly's revenue generation system is fraught with several challenges. The challenges range from the identification of revenue sources to the collection, monitoring and inadequate logistics. Some of these challenges are discussed into detail below.

5.2.1. Unavailability of Reliable Data for Revenue Collection.

Revenue collection as well as charging realistic rates depends on the availability of reliable data. It is important that District Assemblies develop baseline indicators that shows the revenue potentials of the District. This database include the number of businesses operating within the Assemblies jurisdictions as well as the number of valuable properties among others. Data gathered revealed that, reliable database on which to base the Assembly's revenue charging, collection and projections were not readily available. Even though the Assembly had been able to make some efforts at gathering some data which was used for its fee fixing resolution and revenue projections, it was inadequate based on the fact that it did not cover the entire District. The DBO explained this inadequacy when he intimated that:

“As at the time of collecting the data Juapong had a problem and we are yet to update the data from the Juapong area”

(DBO, 05-05-15)

The non-existence of this data is therefore a major challenge which the Assembly was battling with in order to deal with its revenue collection.

5.2.2. Inadequate Logistics for Revenue Collection

The existence of logistics in terms of vehicles to go round the District especially the hinterlands to collect revenue, identify revenue sources in addition to monitoring other concerns on revenue generation was another major challenge. The DSRS, explained the effect of this challenge when he said:

“Let’s say I have to go to Juapong for inspection and monitoring we don’t have a vehicle to convey us. Sometimes if you write for funds too you don’t get it. At Juapong the people took over the collection of the funds from us but in December they released it to us but since February up to date I have not gone there”

(DSRS, 04-05-15)

The DPO further reiterated this point by stating the real challenge and its effect on revenue generation.

“If DWD people want to go and write “stop work” for not obtaining permits and there is no vehicle then they can’t work. So our greatest challenge now is lack of vehicle. The whole Assembly has only two vehicles. One Ford vehicle for this purpose which is even broken down. The other one is for the DCE apart from that we do things with our private vehicles that’s even for only those who have it. There are lots of businesses and buildings springing up in the area but how will the revenue people get there?”

(DPO, 04-05-15)

The Ford vehicle in question was the official vehicle that was used by the DCE of the former North Tongu now Central Tongu District from 2004 to 2008 and was still in use as part of the fleet of vehicles by the old Assembly up to 2012. It was the only vehicle that was released from the old Assembly to the new Assembly for its use. The result of inadequate maintenance and the cost of

maintaining it now has finally made it unusable. The result of this was the general effect it had on the smooth operations of the Assembly especially on revenue and the sensitization of the people.

5.2.3. Inadequate Sensitization of the People on the Payment of Revenue

The sensitization of the citizens towards the payment of revenue and the general contribution that they were required to make was a major challenge for the revenue mobilization. Ahwoi (2010), opined that, very often the fanfare and high expectations that characterizes the creation of new Districts was often short lived due to the inability of the citizens' expectations to be met. The DBO confirmed this assertion when he affirmed that:

"I think that we didn't educate our people well before accepting democracy. The people are not aware that money must be taken from them in order to run the government so there is a disconnect"

(DBO, 05-05-15)

The effect of the above challenge was that, the attitude of the people towards the payment of revenue became a major challenge for the Assembly since most of the people did not see the need to pay to the Assembly. This was the sentiment expressed by the DFO when he said:

"The main challenge is the attitude of the people to pay because the money is not mostly spent on them directly especially the IGF so they don't see the need to pay except you exert some force"

(DFO, 22-04-15)

In addition, several citizens resisted and often threatened to even beat up revenue officers when they went on duty. The DSRS recounted one of such experiences when he narrated that:

"Even last Wednesday I was attacked when I led a team of revenue collectors to go and collect revenue. A learned person, he took away all my value books and I cannot counter attack him because there is a regulation that you only have to defend yourself, find your way out and take the necessary action. He returned to the office and brought the books that he seized from me and instead of us to deal with him when I called the Director he said I should go to the Police Station and make a report but when I was there to do that he called

me to come back. When I got back I saw him (the culprit) and he started apologizing so there are lot of things that we go through”

(DSRS, 04-05-15)

He further lamented the frequent reports that he received from revenue collectors from the field about the threat from rate payers and how often people even ran away to hide anytime they saw the revenue collectors approaching. This was indeed affecting the amount of revenue the Assembly was able to generate.

5.2.4. Delay in the Release of Funds from Central Government

Respondents sampled also revealed that the delay in the release of funds from the central government in the form of the DACF, DDF and other donor funds was affecting the revenue generation efforts of the Assembly. They opined that if these funds were forth coming as expected on time, the presence of the Assembly would be felt more by the people in their various communities in terms of the number of infrastructural development projects that were undertaken. According to them, the receipt of the funds would also enable the Assembly to acquire several other logistics towards revenue generation. Most of the projects that were planned against the DACF and the DDF were either not started or uncompleted due to the delay in the payment of these statutory funds to the Assembly.

5.2.5. Constant Price Fluctuations

The inadequacy of revenue generated in addition to the huge expenditure that the Assembly incurs in relation to its expenditure for which IGF is not enough to fund could be attributed to the frequent fluctuations in prices. According to the DBO, prices of goods and services often change several times within the year. He explained that the prices of these goods and services were already budgeted for at the beginning of the year. However, the prices keep changing without a

corresponding increases in the rates and fees that were charged at the beginning of the year. This he said affects the quantum of money available to the Assembly for use towards any development project within the year. He stated this as follows:

“For instance people are resistant to any increment in the rates even though prices of goods and services might have changed about three or four times in the year. These changes are not accompanied by a corresponding increase in the fees that are charged. With this, how much can you generate to run the office and engage in any development project? That’s the conundrum in which we find ourselves. We want the best but we are not prepared to sacrifice”

(DBO, 05-05-15)

5.2.6. Inability to Charge and Collect Property Rates

The collection of property rates has been identified as one of the major sources of funding for the District Assemblies. The properties were expected to be valued and the appropriate charges applied per annum. Property owners were therefore required to pay these charges to the Assembly as required of them. The DBO explained the charging of property rate and the challenge as follows:

“Charging of property rates should include the property itself including the fixtures in the building. But charging the rate is becoming a huge challenge due to the inability to properly value the properties and charge the appropriate rate. The assembly is not able to charge realistic rates”

(DBO, 05-05-15)

The Assembly as at the time of this research had not undertaken any property valuation in order to charge and collect any property rate as indicated by the DBO above and this is affecting the amount of revenue the Assembly generates.

5.2.7. Inadequate Monitoring of Revenue Collectors and Additional Revenue Sources.

There was the huge perception that some revenue staff of the Assembly were not properly performing their duties as expected of them. It was believed that some of the revenue collectors

did not go to their post as expected and in addition were not able to properly account for the revenues collected. The DSRS indicated the inadequacies in monitoring by stating that:

“Even though you put somebody there but we have to be monitoring and when you continue monitoring then you can check the leakages and then your presence will be felt there”

(DSRS, 04-05-15)

Again, it was the belief that the Assembly was not able to monitor the several routes that were used by other traders who move in and out of the District. A Unit Committee Member for instance indicated that the Assembly was not properly able to monitor the sand winners and that there were several activities that these people undertook for which they must pay but due to inadequate monitoring by the Assembly, these people were left unchecked.

5.2.8. Inadequate Revenue Collectors

The Assembly currently had two main categories of revenue collectors- those on Government/Assembly payroll and commissioned collectors. The DSRS indicated that, about eighty percent of the Assembly’s revenue collectors were commissioned collectors. It had also been realized that since the Assembly had not been able to cover most part of the District especially the hinterland, there was the need to employ more revenue staff to work in each of these revenue zones in order to generate more revenue. The Assembly was however, torn between the economic value in engaging these revenue collectors. That is, the amount of compensation to be paid to these revenue collectors as against the revenue to be generated from these revenue points. Despite these challenges, the Assembly still believed that there was the need to employ more revenue staff to check the several revenue leakages the Assembly still battles with.

In spite of the above challenges, there was the need to devise some strategies in order to address some of the situation and improve the revenue generation towards infrastructure development. The

objective of this study was to examine some of the strategies the Assembly was currently implementing in order to address the challenges. The next stage of the discussion focused on the details of these strategies.

5.3 Strategies for Improving Revenue Mobilization for Infrastructure Development.

The study assessed the measures that the Assembly adopted to deal with some of the challenges identified in the revenue generation system. Some of these measures according to the Assembly were already being implemented while some were proposals that the Assembly planned to implement in order to deal with the challenges identified. These as discussed below include end of year evaluation, outsourcing of revenue collection, improvement of database for revenue potentials, and frequent engagement of citizens among others.

5.3.1. Evaluation of the System of Revenue Collection

One of the measures the Assembly had put in place was the system of evaluating the entire system of the budget and revenue generation as a whole. The overall purpose of evaluation according to Weiss (1999), is to assist people and organizations to improve their plans policies practices on behalf of citizens. It is also to address challenges identified in the implementation of a programme or policy as well as provide good information in order to advance any future planning and management of an organization.

In order to deal with the current challenges the DIA and the DPO indicated that the Assembly undertook a regular evaluation for instance through FOAT and management meetings of its revenue generation systems in order to improve its performance. One of the results of this process was the mounting of the Aveyime barrier. The DFO also emphasized this when he said:

“Yes we do evaluation because at the beginning of the year we set a target that we are going to achieve A, B, C, D and at the end of the day we realize that we are not able to achieve it so sometimes we review it and put up strict control over revenue collectors that informed us to mount that barrier there to see what are the leakages”

(DFO, 22-04-15)

The efforts at evaluating the system had not been very effective according to the DBO when he stated that the performance of the Assembly’s revenue improvement plan developed before 2014 had not been properly evaluated in order to identify the strengths and weaknesses.

“Some attempt had been made to improve the system. Before 2014 we developed a revenue improvement action plan we are yet to evaluate the performance of that action plan to see the lapses and improve upon it. We want to improve how the revenue collectors perform their work including the way they even appear”

(DBO, 05-05-15)

On the involvement of Assembly, Unit Committee Members and Revenue Collectors in the evaluation process, Assembly members, unlike Unit Committee Members agreed that they were involved in an end of year evaluation. They indicated that they received briefing from various staff of the Assembly and also gave their suggestions on what should be done going forward. They however, indicated that most of these evaluations were done at the committee level. The revenue collectors on the other hand agreed that they were not given any opportunity for any evaluation of the entire budget and the revenue generation processes of the Assembly at the end of the year. The HRI however, disclosed that in the former District where he worked, at least an end of year evaluation was organised to review their performance for the year. He lamented about the absence of evaluation which was affecting their performance for the ensuing year. In response to the concerns of the revenue collectors, the DPO believes that they report to the DSRS who speaks on their behalf and therefore their views were considered as part of the entire evaluation process. In

furtherance of the improving the revenue generation systems is the improvement in the Assembly's database for revenue collection which is discussed below.

5.3.2. Improvement in Database for Revenue Collection.

The Assembly had also engaged in the process of updating its database in order to have a true and fair view of eligible rate/fee payers and for better revenue projection. In addition, since the issues surrounding the Juapong Areas had also been resolved, the data from that area would also be captured in order to assist in revenue collection. The Assembly had so far captured about one thousand five hundred businesses into its database. The DPO stated this fact as follows:

“We have a database now where we have registered close to 1500 businesses. So now the way forward is for us to re-categorize these businesses and apply our fee fixing”

(DPO, 04-05-15)

The belief is that there would be a true and reliable revenue database with which the Assembly would be able to project its revenues in the ensuing years.

5.3.3. Sensitization of Citizens.

One of the ways the Assembly had also outlined as efforts to improve its revenue generation is to engage in sensitization of the citizenry on why they should pay their revenue promptly to the Assembly. The DFO stated that:

“We have planned that we are going to intensify our education on revenue collection to the populace on why they should pay”

(DFO, 22-04-15)

The Assembly believes that once the people understood the need to pay their rates and fees, it would be easier to collect the revenues due it. The main strategies include the use of information vans, radio talk shows and frequent public forum in the communities.

5.3.4. Outsourcing of Revenue Collection.

One other way the Assembly has also outlined as a measure to improve its revenue generation was by outsourcing it to a private firm. The DFO stated this when he said:

“We are also thinking of outsourcing it to a private firm”

(DFO, 22-04-15)

He believed that privatization of the system would make it more efficient and effective than the current system where the Assembly was directly involved in the collection. A careful analysis of the challenges as indicated by other respondents such as the DPO, DBO and the DIA however, shows that the planned outsourcing of revenue collection is rather going to be a long term goal of the Assembly than an immediate action to address the revenue challenges of the Assembly.

5.3.5. Valuation of Properties.

One of the strategies was also the valuation of properties for property rates which was currently not being collected by the Assembly. In order to do this, the DFO stated that:

“We also want to go into areas where we were not going first like property rate. We invited the government agency that is the land valuation board to assess all the buildings”

(DFO, 22-04-15)

Once the process of property valuation was completed, the Assembly believed it would pave the way to charge the necessary rates that applies to each property in order to enhance its revenue. It is however, clear from a careful analysis of the District profile that one major challenge in relation to property valuation is the largely rural nature of the District. This is in view of the fact that majority of the populace are poor and living in the mud houses across the District. The value of those properties as compared to the resources to be committed towards the valuation may be a real challenge that the Assembly may have to deal with.

5.3.6. Enhancement of Street Naming and Addressing System.

One other way the Assembly believes can assist it is the current street naming and addressing system. When the current process is finally properly deployed, the Assembly will be able to identify and map each area within the District and to be able to charge realistic rates for that area. The street naming strategy however feasible must be deployed in such a way that citizens are well informed of the system in such a way that becomes useful to the Assembly. The current system where only signposts are mounted at various junctions without any meaningful benefits to both the Assembly and citizens must be looked at again.

5.3.7. Provision of Vehicles.

In order to improve on monitoring and effective revenue collection, the DPO also revealed that:

“We are currently planning to get a vehicle but that alone is not enough but it is better than none”

(DPO, 04-05-15)

Even though there were several challenges the absence of vehicle is causing, the Assembly was of the view that it must first acquire a vehicle in order to make the revenue collectors access other areas of the District which was currently inaccessible and hence the effect on revenue collection.

5.3.8. Timely Release of Compensation for Revenue Collectors.

One of the challenges identified in this study was the untimely release of the commissions of revenue collectors. The DSRS stated this as:

“Those on commission if I tell you that the commission for February has not been paid even though we are in May. But you are cautioned not to take anything from what you collect. That person is not on salary and he has to drink water and buy food. He has to take something to the house to cook but from February the commission has not yet been paid”

(DSRS, 04-05-15)

One of the measures the Assembly has put in place was to ensure that there was prompt and timely release of the commissions of the revenue collectors in order to motivate them to perform their duties.

5.4 Chapter Summary

In summary, this chapter discussed the actual findings of the revenue generation processes of the North Tongu District from the budget process to actual revenue collection. Among the findings were analyzed on three main themes: the processes involved from the budget stage to the revenue collection; the challenges associated with the process and how to address these challenges. The Assembly has mainly adopted the issuance of tickets as its main method of revenue collection after identifying its revenue sources through stakeholder consultation. However, it was revealed that stakeholder consultation is inadequate coupled with the fact that citizens are not largely educated on their civic responsibilities towards the Assembly. To mitigate these challenges however, there is the need to widely involve all stakeholders, employ and train more revenue collectors as well as outsource revenue collection. This was also done in line with the objectives of the study as well as the elements in the Conceptual Framework. A summary of the key findings, conclusion and recommendation derived from the analysis of the study are provided in the next chapter.

CHAPTER SIX

SUMMARY, RECOMMENDATIONS AND CONCLUSION

6.0 Introduction

The study aims at assessing revenue generation in the District Assemblies for infrastructure development with a focus on the North Tongu District Assembly. The summary is done based on the research questions and the conceptual framework chosen for the study. Conclusions have been drawn based on the findings of the study with workable recommendations for future studies in this research.

6.1. Summary of Key Findings

The findings of the study in relation to the objectives of the study include, poor stakeholder participation, inadequate database on revenue generation, inadequate resources for revenue generation, poor engagement of citizens on issues of the Assembly as well as the inadequacy of training for those involved in the revenue generation process. The summary of these findings are discussed into details below.

6.1.1. Stakeholder Participation in the Budget Process towards Revenue Generation.

Stakeholder participation in the budget process involves the inclusion of those who are most affected by public decisions or have the greatest responsibility for implementing such decisions. It is important therefore that these stakeholders are given the strongest public voice and feedback. In Local Governments, decisions relating to the payment of tax rates and fees, land use policies, and issues of Local Economic Development (LED) in general should actively involve the various stakeholders who these decisions affect. This principle would be particularly important in developing infrastructure where the community or developers bear the primary costs. The goal of stakeholder participation within the budgetary process is to allow local governments to actively

engage its citizens and business community in taking shared responsibility for the development of the region and improving socio-economic wellbeing and the quality of life. These stakeholders include, Assembly and Unit Committee Members, Trade and Residential Associations, Rate Payers, Area and Town Councils, Traditional and Opinion Leaders, the various departments of the Assembly, revenue collectors among others. The budget process of needs assessment, identification of the resource base of the assembly and the setting of rates and fees to be included in the Assembly's medium term development plan and for that matter the Assembly's annual budget should involve all these stakeholders.

The findings from the study, indicate that a section of these stakeholders were not involved in the budget process of the Assembly towards revenue generation. A careful analysis of this phenomenon indicates that the main officials involved usually anticipated that the main issues involved with the budget process are quite technical and hence limit the involvement of some stakeholders. In addition, these processes usually involve time and resources hence the need to limit those involved in the process. For instance some Assembly Members indicated that in the identification of the resource base of their electoral areas, they were not involved. Same can be said of the Unit Committee Members who also indicated that they did not even understand the workings of the Assembly let alone got involved in any activities of the Assembly. There was a clear indication that most Unit Committee Members did not understand their role in the entire decentralization and local governance system. As a result, most of these members did not perform any particular role especially in assisting the Assembly in identifying its resource base and needs assessment as part of the budget process. In addition, revenue collectors who were on the field were also not involved directly in the process. Findings also revealed that it was only one area

council that was functional in the District. The implication was that the participation of those nonfunctional area councils were limited.

The negative effect of broad stakeholder involvement on the performance the Assembly on the budget process and for that matter revenue generation cannot be overstated. The noninvolvement, implies that citizens are alienated when it comes to the functioning of the Assembly and are therefore resistant to the policies of the Assembly. It is vital for a broad stakeholder inclusion in the functioning of Local Governments if its programmes and policies are to be owned by the citizens and be sustained as well.

6.1.2. Identification of Revenue Sources and Reliable Data for Revenue Projection.

It is important that in in order for enhancement in the Assembly's revenue, there is the need to properly identify the various sources of revenue and create a reliable database of those sources. A proper approximation of potential number of tax payers enables those concerned to get a clear picture on the true performance of revenue enhancement at later stage. Frequent update of these databases (registers) of taxpayers and service subscribers either through self-reporting compulsory program (tax census), direct field survey and or third party sources of information will enhance revenue performance. An in-depth analysis of the updated databases on actual and potential collection by services and tax sources will enable the Local Government to identify problems, opportunities and challenges that require actions for improvement, revenue collection efficiency and cash flow stability for efficient administration and infrastructural development.

The findings indicated that even though the Assembly had begun the creation of a database involving about one thousand five hundred businesses, it does not include some part of the district. This implies that the revenue source database is not reliable enough for the Assembly to do a

proper tracking of those sources as well as a proper projection of revenue for the entire District for a particular year. Even though the Assembly had taken some initiatives in updating this database, it is important that the identification of these revenue sources is extensively done in addition to ensuring that these databases are frequently updated in order to enhance efficiency in the revenue generation process.

6.1.3. Involvement of all Stakeholders in the Revenue Collection Process.

The findings from the study indicated that majority of stakeholders such as Assembly Members and Unit Committee Members did not understand the entire revenue collection process of the Assembly. Apart from revenue collectors who went on the field to only issue tickets and thereafter collect money and deposit into the Assembly's account, other Assembly and Unit Committee Members indicated that they did not have any role to play in the collection process. Even though it was important that they understand the system of revenue collection and given a role to play in that revenue collection. The belief was that these stakeholders were located in the various communities where these revenues were collected and must be part of the system of collection. This role may defuse some of the tensions and the confusions that were encountered by the revenue collectors who the community members may regard as total strangers.

6.1.4. Adequate Resources for Revenue Collection.

Resources such as vehicles and enough revenue collectors are also very relevant in the generation of revenue for the Assembly. The study also found that the Assembly currently had no vehicle dedicated for the collection of revenue. The vast nature of the District required that the Assembly dedicate a means of transport at least to cover the entire District towards revenue collection. This would also enhance the monitoring of revenue zones by those concerned. However, the only

vehicle of the Assembly which was used for other general purposes was broken down and hence the entire workings of the Assembly. This implies that there was poor monitoring of the revenue collection processes of the Assembly. Coupled with this was the inadequacy of revenue collectors to cover all the revenue zones of the Assembly. The findings indicated that the Assembly was torn between employing enough revenue collectors and the cost of compensation of these revenue collectors.

The resource inadequacy was negatively affecting the performance of the Assembly in terms of the projected and the actual revenue that is collected by the Assembly.

6.1.5. Adequate Training for Revenue Collectors, Assembly and Unit Committee Members

The importance of training to the performance of employees and for that matter the overall performance of organizations has been extensively discussed in literature. The study found that revenue collectors had not received adequate training before they were deployed to their duty posts. Training contents involving skills of proper bookkeeping in addition how to deal with their clients were required by revenue collectors for them to excel in the performance of their duties. As indicated, the lack of training especially for the commission collectors was negatively affecting the quantum of revenue collected and how to overcome some of the challenges they encountered on the field. The entire revenue performance of the Assembly as a result of the lack of training was affected.

In addition, the absence of training in terms of orientation of both Assembly and Unit Committee Members were either absent or inadequate. Assembly Members as a result were unable to even contribute meaningfully to the debates of the Assembly and its revenue generation efforts.

It is important therefore to enhance the training given to those involved especially in the revenue generation process if the Assembly wants to enhance its revenue.

6.1.6 Frequent Engagement of Citizens and Enforcement of Regulations.

Frequent citizen engagements through forums, town hall meetings, information vans among other forms of citizen engagement tools have proven to be one of the major ways to solicit support of citizens towards the successful implementation of government programmes and policies.

Evidence gathered from the field also indicated that the engagement of the Assembly in terms of sensitization of citizens and their duties towards the Assembly was very low. In addition, the findings indicated that citizens were largely unaware of how the rates collected from them were used. While there was the expectation that Assembly Members will largely serve as the liaison between the Assembly and the citizens, that role was largely neglected. There was therefore a huge gap between what the Assembly does and what the citizens were expected to do in order to enhance the proper functioning of the Assembly. That is to say that citizens were far removed from the Assembly in the performance of its functions. This had generally led to the fierce resistance that most revenue collectors had faced in the process of collecting revenues. There was therefore the need for the Assembly to engage the citizens in such a manner that it will engender goodwill and support towards the Assembly's programmes.

6.1.7 Strict Internal Controls for Transparency and Accountability.

Internal control as a measure of ensuring that funds are adequately used and accounted for has also proven to enhance the performance of Local Governments in the management of Internally Generated Funds. The findings from the study indicated that even though the Assembly had some form of internal mechanisms to check how funds were disbursed from the Assembly's accounts

that of ensuring that revenue collectors properly collect and account for the exact revenues collected was ineffective and fraught with challenges. The processes that were involved from raising a memo through to seeking approval and raising a warrant and ensuring that payment vouchers were audited may be able to track the use of revenue from the Assembly. However, the manual issuance of tickets to revenue collectors as the major means of checking that the exact revenue collected was accounted for could easily be sidestepped. The system therefore was not guaranteed enough to ensure that revenue leakage was avoided.

6.2 Recommendations

The following recommendations are based on the findings of the study in order to improve the system of revenue generation in the District Assemblies. These recommendations also include those suggested by respondents during data gathering. The researcher believes that these recommendations will help to mitigate the challenges facing the generation of revenue in the District Assemblies for the needed developments. The recommendations as discussed below were categorized into three. These are the recommendations to the District Assembly, to the Central Government and to Academia.

6.2.1 Recommendations to the District Assembly

Firstly, there is the need for the Assembly to place some premium on the employment of experienced and competent revenue collectors and revenue superintendents to train and monitor revenue collectors appropriately. The current situation where revenue collectors are not even adequate and are also sent to the field without any proper training is not helping the Assembly in its revenue generation efforts. Revenue collectors are therefore not motivated enough to adequately

perform their tasks satisfactorily. There is also the need to promptly pay their commissions as and when due in order to avoid any sidestepping of the system.

Secondly, the Assembly should be able to consciously design educational programmes that will involve the sensitization of the citizens. This will ensure that the Assembly will become more transparent to citizens on how it uses its revenue so that they can be encouraged to pay. Organizing frequent town hall meetings and public forum to educate citizens on the workings of the Assembly will get the people closer to the Assembly in order for them to contribute their quota towards their own development.

Thirdly, there is the need for the Assembly to consider the formation of a revenue generation taskforce. This taskforce should be based on broad consultation with the various stakeholders in the District. This should specifically include Assembly Members, Unit Committee Members, Revenue Collectors and other influential personalities with the knowledge to persuade citizens in the District. The taskforce should be provided with the needed logistics such as vehicles and powers of enforcement of revenue regulations. As it stands currently, the team of personalities involved in the revenue generation process is devoid of these stakeholders and this is not helping the Assembly in its efforts.

In addition, it is very important that the Assembly seriously implements its plan of outsourcing revenue collection to private firms. The current system per the Assembly's own assessment is ineffective. The Assembly should therefore consider the implementation of this proposal in addition to automating some parts of the revenue collection system in order to check leakage and enhance its revenue.

There is also the need for the Assembly to identify and support small scale farmers, traders and cooperatives to engage in economic activities that can be taxed. The District Agricultural potential is very huge for aquaculture, rice irrigation farming, cattle rearing among other viable tourism potentials. There is the need for the Assembly to develop a scheme that will support these economic activities in order to generate revenues from these activities.

Furthermore, there is also the need for the definition of the role of the both Assembly and Unit Committee members in the revenue generation process. The Assembly should consciously involve the Assembly and Unit Committee members in identifying revenue sources, education of citizens on the payment of rates and fees as well as enforcing regulations on revenue collection. This engagement will help diffuse some of the tensions and generally the enhancement of revenue by the Assembly.

6.2.2 Recommendations to Government

The government of Ghana in its bid to ensure that governance is brought to the doorstep of the citizens has created several District Assemblies. However, most of these Districts are facing several challenges as gathered from this study. There is the need to put in place measures to forestall these challenges.

In the first place it evidenced that majority of the District Assemblies were created based on political considerations rather than the economic viability of the areas to generate enough revenues to support their own development. The effect of this phenomenon is that majority of these District Assemblies are not able to meet the needs and aspirations of the citizens in their various jurisdictions. The hopes that characterize the fanfare during the creation and the inauguration of these Assemblies are therefore short-lived. There is the need for government therefore to ensure

that the economic viability in terms of the Assembly's ability to generate enough revenue to support itself outweighs the political considerations in the creation of these District Assemblies.

Secondly, the payment of statutory funds such as the DACF, DDF and other donor funds should be prompt and timely. It is indeed a fact that the government Ghana must support the District Assemblies to enhance their provision of basic infrastructure in their various jurisdictions. However, the current situations where these statutory funds are not received by the Assemblies has rendered most of them almost nonfunctional. The various projects tied to the receipt of these funds are still left undone. The effect is that the citizens do not feel the presence of the Assembly since these projects are not completed for the citizens to be motivated to assist the Assembly. The government should therefore prioritize the disbursement of these funds to enable the Assemblies to effectively deliver their mandate to the citizens.

6.3 Limitations of the Study and Future Research

The researcher encountered a number of limitations that constrained the full realization of the intended outcomes of this study.

One of the key experiences was the inability to have an in-depth interview with the District Coordinating Director due to time constraints on his part. In addition, there was difficulty in getting access to the Assembly's detailed expenditure in relation to the internally generated funds as contained in the annual financial statement of the Assembly. This was due to the fact that the District Finance Officer was due to go on transfer to another District and was still in the process of putting the data together at the time of the study. Even though assurances were given that it shall be provided, all efforts to receive it proved unsuccessful. This notwithstanding, the researcher upheld that the views of the respondents particularly from the Directorate of the North Tongu

District were adequate in capturing relevant data for the research objectives. This is due to their positions and professional role they play in the budget and revenue generation processes. Agreeing with Theodoulou (1999), the researcher also encountered difficulty in interpreting responses by relying on individual subjective opinions.

In view of these challenges, there is the need however, to conduct further research into areas such as the ideal revenue generation strategies that can be explored by District Assemblies towards their revenue generation. This is in view of the fact despite several research on the challenges facing decentralization in Ghana as a whole, some challenges still persist after more than two decades of the current system. In addition, other case studies can also be explored with variations in the methodology in order to validate the findings of this study.

6.4 Conclusion

The study sought to assess the generation of revenue by the District Assemblies towards the development of infrastructure. It specifically examine the revenue generation process from the budget stage to the challenges facing the system of revenue collection and the measures to mitigate those challenges. The findings from the study indicated that the system of broader stakeholder consultation to the identification of the various sources of revenue coupled with a reliable database for charging revenue are fraught with challenges. The inadequate logistics needed for revenue collection and the availability of adequate revenue collectors and the nonexistence of training for them is largely to blame for the poor revenue performance of the Assembly. To mitigate these challenges there is the need put in place a conscious system of engaging the various stakeholders such as town hall meetings, training sessions in addition to informing citizens on their duties to the Assembly will ensure that revenue is enhanced. Furthermore, there is the need for the Assembly to set up a revenue generation taskforce with a wide mandate of identifying and enforcing revenue

regulations. When all these factors are implemented with the government of Ghana fulfilling its role of resourcing the Assemblies by paying the statutory funds on time, the Assemblies will be able to enhance their revenue potentials for the needed development.

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APPENDICES

APPENDIX A

INTERVIEW GUIDE FOR OFFICIALS OF THE NORTH TONGU DISTRICT ASSEMBLY Introduction

This interview guide is designed to solicit views on Assessing Revenue Generation in the District Assemblies for Infrastructure Development in the North Tongu District. The researcher is a Master of Philosophy (MPhil) student of the University of Ghana. This thesis is being conducted in partial fulfillment of the requirements for the award of a Master of Philosophy Degree in Public Administration. I would be very glad if you could help by supplying information for this study. This is purely for academic purpose and your response will be treated with the strictest confidentiality and anonymity. Thank you for your anticipated cooperation.

Researcher: Elvis Jones Addo

Tel: 0242711113

Email: ejaddo@gmail.com

Interview Questions

A. BUDGETARY PROCESSES TOWARDS REVENUE MOBILIZATION

1. Who are the main stakeholders involved in the budget preparation and revenue determination process?
2. What factors are considered in setting the revenue targets in the budget?
3. Who determines the revenue targets?
4. What are the main sources of revenue considered in the budget?
5. How do you identify these revenue sources?
6. How much did you realize from each of these sources over the period 2012, 2013 and 2014?
7. What expenditure items do you include in the budget to justify your collection of revenue?
8. What institutional arrangements are put in place to collect revenue in the District?
9. How do you identify or determine both existing and illegible tax/rate payers?
10. How are regulations regarding revenue charging and collection enforced?
11. What kinds of training do you give to those involved in the revenue collection processes?
12. Are the revenue collection processes automated?

13. What internal control measures are put in place to ensure that the revenues collected are used for their budgeted purposes?
14. Are the citizens educated on their tax obligations?
15. Do citizens have easy access to information on how their taxes are used?
16. What infrastructural development projects were undertaken with IGF over these periods?

B. CHALLENGES ENCOUNTERED IN BUDGETARY AND REVENUE

MOBILIZATION PROCESSES

17. What are some of the challenges you encounter in the budgetary and revenue mobilization processes?
18. How are you dealing or have dealt with some of these challenges over the years?

C. MANAGING THE BUDGETARY AND REVENUE MOBILIZATION PROCESSES TOWARDS INFRASTRUCTURE DEVELOPMENT

19. What measures are used to evaluate and improve the budgetary and revenue generation processes of the Assembly?
20. What measures do you suggest can be put in place to improve the budgetary and revenue generation processes of the Assembly?

Data/Documents Required:

- a. Details of Revenue from IGF sources 2012, 2013, 2014*

Thank you for your assistance in answering the questions.

APPENDIX B**QUESTIONNAIRE FOR ASSEMBLY, UNIT COMMITTEE MEMBERS AND
REVENUE COLLECTORS****Introduction**

This questionnaire is designed to solicit views on Assessing Revenue Generation in the District Assemblies for Infrastructure Development in the North Tongu District. The researcher is a Master of Philosophy (MPhil) student of the University of Ghana. This thesis is being conducted in partial fulfillment of the requirements for the award of a Master of Philosophy Degree in Public Administration. I would be very glad if you could help by supplying information for this study. This is purely for academic purpose and your response will be treated with the strictest confidentiality and anonymity. Thank you for your anticipated cooperation.

Researcher: Elvis Jones Addo**Tel: 0242711113****Email: ejaddo@gmail.com****PLEASE PROVIDE ANSWERS OR TICK AS APPROPRIATE****A. BUDGETARY PROCESSES TOWARDS REVENUE MOBILIZATION**

1. Do you understand the processes that are involved in preparing the Assembly's budget?

Yes[] No []

2. Are you involved in the budget preparation of the District Assembly? Yes [] No []

3. If yes, what role(s) do you play in the budget preparation?

.....

4. Do you have any input in determining the budget priorities/expenditure? Yes[] No[]

5. If yes, what are some of the priorities/expenditure that are determined?

.....

6. Are you involved in identifying the revenue sources of the Assembly? Yes[] No[]

7. If yes, what is your level of involvement in identifying these sources?

.....

8. Are you also involved in determining the revenue targets of the Assembly? Yes [] No []

9. If yes, what is your level of involvement in determining the revenue targets?

.....

.....

.....

10. Do you know how the Assembly collects its revenues? Yes [] No []

11. If yes, what processes does the Assembly uses to collect its revenues?

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.....

.....

12. Have you received any training on the budgetary and the revenue collection processes of the Assembly? Yes [] No []

13. If yes, what are kinds of training have you received?

.....

.....

.....

14. Do you undertake tax education of citizens as part of your duties? Yes [] No []

15. How about the enforcement of rules on tax/rate collection? Yes [] No []

16. Do you get any feedback on how revenues generated are used? Yes [] No []

17. If yes, what are some the infrastructural developments the Assembly has used the revenues for?

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B. CHALLENGES ENCOUNTERED IN BUDGETARY AND REVENUE MOBILIZATION PROCESSES

18. Are there any challenges encountered by the Assembly in its budgeting and revenue generation? Yes [] No []

19. If yes, what are some of these challenges?

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20. How are you or the Assembly currently dealing with some of these challenges?

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.....

.....

**C. MANAGING THE BUDGETARY AND REVENUE MOBILIZATION
PROCESSES TOWARDS INFRASTRUCTURE DEVELOPMENT**

21. Are you involved in the evaluation of the entire budgetary and revenue mobilization process? Yes [] No []

22. In what ways can the Assembly improve its revenue mobilization?

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.....

Thank you for your assistance in answering the questions.