

CHRISTIAN SERVICE UNIVERSITY COLLEGE

ANALYSIS OF PERFORMANCE AND IMPACT OF THE INTERNALLY GENERATED
FUND, IN THE DISTRICT ASSEMBLIES WITH PARTICULAR REFERENCE TO
KUMASI METROPOLITAN ASSEMBLY

BY

ISAAC OTENG NYAMAH

KWAME OWUSU DONKOR

MICHAEL ODOI

MERCY BOATEMAA ASIAMAH

JOYCE ODURO

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STATEMENT OF AUTHENTICITY

We have read the university regulation relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

Candidates Names	Signature	Date
Isaac Oteng Nyamah		
Kwame Owusu Donkor		
Michael Odoi		
Mercy Boatemaa Asiamah		
Joyce Oduro		

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by Christian Service University.

Supervisor's Name: Eric Atta Appiagyei

Signature..... Date.....

Head of Department's Name:

Signature..... Date.....

ABSTRACT

The study was undertaken to analyse the performance and impact of Internally Generated Fund in the District Assemblies in general and Kumasi Metropolitan Assembly in particular. The main purpose was to help the Assembly wean itself from over dependence on the Externally Generated Fund and increase efforts in ensuring internal revenue growth.

There have been increased agitations on the Assemblies to improve on their service delivery. Even as the Assemblies struggle to meet the demands of the people, there has been growing concern about their over dependence on transfers from the Central Government (i.e. the EGF). This study is to determine the performance and impact of the Internally Generated Fund on the activities of Kumasi Metropolitan Assembly.

The method used for the study was to collect data on revenue from the relevant departments and to conduct interview of the Technocrats for in-depth knowledge. We used Microsoft Excel to develop tables, graphs and charts to aid our analysis.

The research findings show that the Assembly does not set realistic Budget Estimates because of inadequate database, and therefore, even as the Assembly achieves high percentages of their estimates, the contribution of the Internally Generated Fund to the total financing of the Assembly’s activities is minimal.

From the analysis and results obtained, our research could conclude that the Assembly's overdependence on the Externally Generated Fund is not sustainable, and that it needs to intensify efforts to ensure accelerated growth of the Internally Generated Fund.

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DEDICATION

We would like to dedicate this research work to the cherished families of the researchers, for their moral and spiritual support, for the years that our Business Studies Course covered, and especially during the period when this research work was undertaken.

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CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Background to the Study

The Local Government Act 1961 (Act 54) created the distinction between the central government and the local governments. The country has two different bodies for the administration of public affairs. These are

- I. The Ministries, Department and Agencies MDA's
- II. Local government and authorities, known as Metropolitan, municipal, and District Assemblies (MMDA's)

The Central Government MDA's deal with national issues attracting to themselves qualified personnel with management skill and experience. The central government bodies merely defined powers in terms of local responsibilities. There is a lot of bureaucracy with the administration of Central Government making them unable to respond quickly to problems referred to them by the people in the peripheries.

It is widely acknowledged that the fundamental role of the central government is to mobilise revenue internally so as to provide the basic needs of the people or citizens. The central government cannot provide these basic needs effectively due to the numerous constraints and the peculiarity of the individual districts. One of the central problems facing any government is how to mobilise resources needed to finance its numerous economic, social, and political development programmes and projects.

The Provisional National Defence Council (PNDC) in 1988 promulgated the local government law (PNDC Law 207) that gave birth to the District Assembly concept as a form of decentralisation of fiscal, administrative and political authority across the length and breadth of the country.

All Local Government Acts provide authority to Local Authorities to mobilise and manage revenues to fund their development projects and other operations.

Some of the revenue sources are:

- Annual basic Rates
- Lands
- property Rates
- fees and fines
- licences
- investment income
- possession Tax
- Miscellaneous

a) Annual rate (Basic rate): This is generally rates payable by all people of 18 years and above.

It is a poll tax and broad based by section 8, Act 462 2000 exemptions are given to those who are above the age of 70 years as well as students in educational training without incomes. The tax is regressive.

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

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

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

e) Local Government Act, Act 462 empowers Assemblies to issue licences for various activities. The licences are for control purpose rather than a revenue instrument. These include licences issued to Drinking Bars, Restaurants or Chop Bars and Hotels, etc.

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

g) Possession tax is a tax levied on movable property for example cattle ranch, motor bicycle, tractors, commercial vehicles, etc.

h) Miscellaneous is any other revenue generated outside the above-mentioned sources

1.1.1 History of Kumasi

Kumasi is the capital city of the Ashanti region, a very important centre for traditional culture of Ghana. Tradition is held in Kumasi and blends very well with modernity. There is a wide range of attractions in Kumasi.

The Manhyia Palace, the seat of the king of Ashanti and members of the Royal family is situated in the northern part of the city. The Palace has a courtyard and a courtroom where matters

dealing with the constitution and customs are deliberated upon by the traditional council. Visitors can get a good insight into traditional African democracy, which is still very present in the customs of the people when they visit the courtyard. The meetings are open to the public.

The ancient capital of the Ashanti kingdom, Kumasi is still the heart of Ashanti country and the site of West Africa's largest cultural centre, the palace of the Ashanti king.

The city's major attraction is the National Cultural Centre, a 10 minute walk west of the Central Market. The sprawling encompasses a fascinating museum of Ashanti history, a popular library, an excellent crafts shop and an exhibition hall. Classes in traditional dance and drumming are also available.

The city of Kumasi was founded in the 1680's by King Osei Tutu I to serve as the capital of the Asante State (Fynn, 1971). Given its strategic location and political dominance, Kumasi as a matter of course, developed into a major commercial centre with all major trade routes converging on it (Dickson, 1969).

Kumasi is the second largest city in Ghana and it is the administrative capital of the Asante Region- a rich forest area of the country. However, it came under the influence of the British rule in 1890 (Adu Boahen, 1965). With time the city began to expand and grow thereby making it second only to Accra in terms of land area, population size, social life and economic activity. Its strategic location has also endowed it with the status of the principal transport terminal and has assured its pivotal role in the vast and profitable distribution of goods in the country and beyond. Kumasi is located in the transitional forest zone and is about 270km north of the national capital, Accra. The unique centrality of the city as a traversing point from all parts of the country makes it a special place for many to migrate to.

1.1.2 Kumasi Metropolitan Assembly (The New Charter)

The Kumasi Metropolitan Assembly, which is the second largest in Ghana and the only assembly with a metropolitan status in the Ashanti region, constitutes the highest political authority in the metropolis. It was established by L.I 1614 of 1995 under the local government law 1988, PNDC Law 207, which is now replaced by the local government Act 462, 1993.

The L.I 1604, which was amended as L.I 1805, 2005, guides, directs and supervises all other administrative authority in the metropolis. It also divides the Kumasi Metropolitan Assembly into ten (10) Sub Metropolitan District Councils namely: Asokwa, Subin, Nhyiaeso, Bantama, Manhyia, Kwadaso, Oforikrom, Tafo, Suame and Asawase. As part of its sub structures, the assembly has 24 town councils and 419 unit committees.

The Kumasi Metropolitan Assembly is made up of 161 Membership, namely:

- 1) Elected members - 102
- 2) Members of Parliament - 10
- 3) Municipal Chief Executive - 1
- 4) Government Appointees - 48

The Metropolis shares boundaries with the Bosomtwe District to the south, Ejisu Juaben Municipal Assembly to the East, Kwabre and Afigya Kwabre Districts to the north, Atwima Kwanwoma and Atwima Nwabiagya Districts to the West.

1.1.3 Vision

To develop Kumasi into a safe and vibrant city by improving city management through good governance, local economic development, tourism promotion, improved sanitation, proper environmental and social services as well spatial and infrastructural development.

1.1.4 Mission

The Kumasi Metropolitan Assembly is committed to improving the quality of life of the people of the Metropolis through the provision of essential service and creation of an enabling environment to ensure total and sustainable development of the city by a well motivated staff.

1.1.5 Functions

The functions of the Assembly, as given by the Local Government Act 462, 1993, LI 1614 of the amended (LI 1805), are as follows;

- To facilitate the effective and efficient functioning of Local Government Administration in the Metropolis
- To ensure efficiency and effectiveness in the use of resources of the Assembly and decentralised departments
- To monitor, coordinate and harmonise the implementation of development plans and programs in the Metropolis
- To facilitate the provision of basic social services and economic infrastructure such as schools, markets and health facilities in the Metropolis
- To facilitate community based and private sector development
- To ensuring existence of peace and tranquillity to enable people go about their social and economic activities

- To establish, install, build, maintain and control public latrines, lavatories urinal and wash places
- To improve environmental and sanitation condition through sound waste management practices
- To control haphazard land development and the provision of basic social, physical infrastructure (i.e. Educational and Health facilities)
- To enhance the planning, budgeting and project execution role of the Assembly
- To ensure efficient service delivery, staff orientation, coordination of departmental activities as well as client feedback information on the Assembly's performance
- To provide for building lines and the layout of buildings, to prepare and undertake and otherwise control schemes for improved housing layout and settlement
- To regulate and control markets including the fixing and collection of stall rates and tolls
- To promote civic participation and transparency in local governance and information through the operation of the sub structures of the Assembly and
- To ensure effective and efficient revenue mobilization and management.

1.2 Statement of the Problem

The capacity of the Metropolitan, Municipal and District Assemblies (MMDA's) to mobilize maximum internally generated funds to finance developmental programmes and projects have been a major problem since colonial days. There seems to be no changes in the situation even though several workshops and seminars have been organised to that effect. Analysis of the rates and various taxes that the Metropolitan, Municipal and District Assemblies collect have almost every year been subjected to review, yet they are not able to meet their development investment

targets. The local authorities are development-oriented local institutions which need investment funds.

The Assemblies are often accused of not being able to meet their responsibilities in spite of the huge sums of money they collect. This accusation has of late been on the ascendancy compelling the Assemblies to respond by attributing the cause to increase in population a counter accusation that people don't pay their taxes.

The analysis of the sources of revenue revealed that the MMDA's seem not to have any effective method of checking what revenue collectors account for, and what the taxpayers actually pay. This makes it difficult to determine whether it is the taxpayers that are not paying their taxes or it is the Assemblies that are not doing their best in the collection of revenue. The examination also revealed that the Assemblies do not have credible database and adequate records on the various economic activities in their areas of jurisdiction that are subject to tax, which makes it easier for many people to evade tax. There have been several calls on the Assemblies not to over depend on Externally Generated Fund but to explore other income generating avenues to ensure internal revenue growth.

The above problems have necessitated the conduct of analysis of the various sources of IGF and its impact on the Assemblies with particular reference to KMA. It is expected that this research would identify the strengths and weaknesses of the various sources of the IGF and to suggest what the Assemblies can do to maximize revenue generation. The analysis of the performance of IGF would therefore be based on three thematic areas. These are;

- Analysis of the performance of IGF as a contribution to total revenue
- Analysis of performance of the various sources of IGF
- Analysis of the IGF contribution vis-à-vis external funding of projects

1.3 Purpose of the Study

The purpose of this study is to acquire in-depth knowledge about the various sources of Internally Generated Fund and to clarify our understanding of problems associated with the Assembly's revenue generation.

1.4 Objectives of the Study

The main objectives of the study are;

- To compare the performances of the various sources of IGF.
- To ascertain the level of contribution of IGF to the total revenue of the Assembly.
- To examine the extent of IGF contribution towards project construction
- To examine the accuracy of budget estimates.
- To identify the various activities that could generate revenue for the Assembly.
- To suggest means of improving upon the method of revenue collection

1.5 Research Questions

- To what extent does the Assembly depend on IGF
- What is the level of contribution of the various sources of IGF
- What is the level of accuracy of budget estimates
- Are there other sources of revenue that can potentially increase IGF
- How can the Assembly improve its method of revenue collection

1.6 Significance of the Study

The findings of this study is intended to assist the MMDA's, policy makers and stakeholders of the various Assemblies find ways of funding developmental projects in improving the welfare of the people. The people are likely to receive better services and infrastructure from the assembly, as the assembly is able to improve upon its revenue generation. It will prepare grounds for further studies in this area which has been given little attention.

Finally, other district assemblies will also find the document useful in improving their revenue generation activities. The data would help them to be able to address some of their shortcomings in the collection of the revenue and improve upon internal revenue generation.

1.7 Delimitation of the Study

The study is intended to cover the Budget, Planning, the Internal Audit and the Accounts Departments of the Kumasi Metropolitan Assembly for the purpose of obtaining relevant data to aid our analysis.

Again, the research is limited to analysis of performance of IGF in K.M.A. due to the following:

1. K.M.A always faces the problem of inadequate funds for development project.
2. The inadequacy of funds is attributed to over-dependence on externally generated fund
3. K.M.A. could do better if they adopt positive attitude and intensify efforts in the area of IGF sources.

1.8 Limitations

Though the study would have given us deeper knowledge into the financial challenges facing the District Assemblies in general if the research could cover District Assemblies in the Ashanti Region, it was limited to KMA because adding other Assemblies will bring on board added cost in data collection and analysis which will be far beyond the reach of the researchers. The other difficulties encountered were that, some relevant data, especially certain aspects of the recurrent expenditure could not be accessed to help us carry out a comprehensive analysis.

1.9 Organization of the Study

The study is divided into five chapters. Chapter one covers Introduction to the Study. This consists of the Background to the Study, Statement of the Problem, Purpose of the Study, Objectives of the Study, Significance of the Study, Delimitations of the Study, Limitations and Organization of the Study.

The second chapter reviews the available literature on the study.

The third chapter deals with the Methodology used. This covers the Research Design, Population, Sampling and Sampling Technique, Research Instrument, Data Collection Procedure and Data Analysis.

The fourth chapter covers the Presentation of Findings and Discussions.

The fifth and final chapter covers the Summary of the Research, Conclusions drawn from the Findings and Recommendations made.

CHAPTER TWO

LITERATURE REVIEW

This chapter is concerned with review of literature on the research topic area. This deals precisely with reviewing the existing literature on revenue accrued from the sources of IGF, the challenges and its impact on the activities of the MMDA's.

Mobilizing revenue from the point of view of the District Assemblies can be seen as the constraints or obstacles that would be encountered in gathering income/ revenue in the form of rate and taxes from trading activities, licences, fees and fines, rent or rates and the like. It could be inferred that the subject matter of the research is to analyse the real impact of revenue raised through IGF on the activities of District Assemblies.

2.1.1 The Structure of the New Local Government System

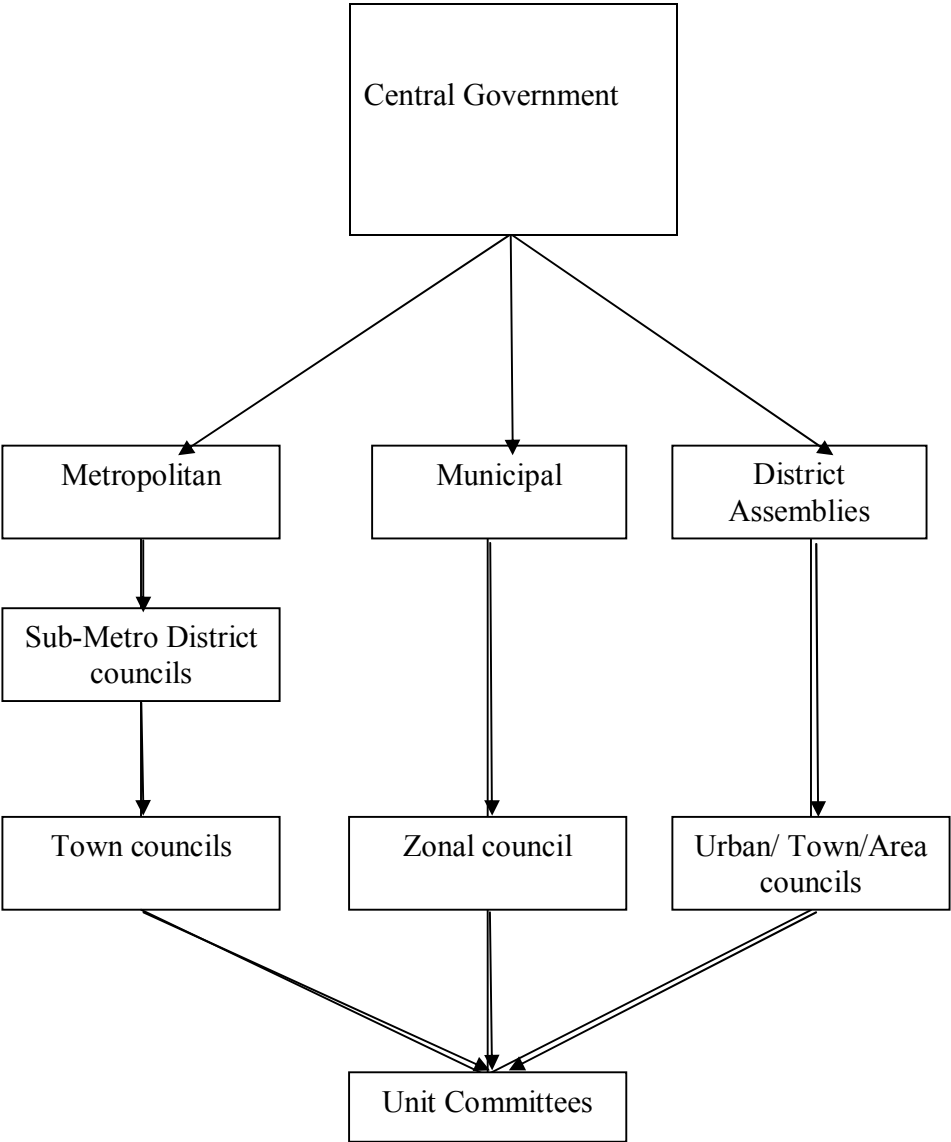
Local Government is a sub-governmental unit established by an Act of Parliament to administer a local area. In Ghana, PNDC Law 207(1983) culminated in the District Assembly System.

The structure of the local government system is made up of a Regional Co-ordinating Council and a four-tier Metropolitan, three-tier Municipal and three tier District Assemblies.

District Assemblies as units of central government in Ghana are made up of; Metropolitan Assembly (with population of over 250,000), Municipal Assembly (population over 95,000) District Assembly (population over 75,000).

Presently, there are six (6) Metropolitan, forty (40) Municipal and one hundred and twenty-four (124) District Assemblies in the country.

Fig. 2.1: The New Local Government Structure



2.1.2 The Structure of a District Assembly

- The General Assembly
- The Executive Committee and Sub-Committees
- The District Coordinating Council and technical departments

The General Assembly

- The General Assembly is responsible for the deliberative and legislative functions of the Assembly
- These functions are performed under the leadership of the Presiding Member

Committees of a District Assembly

In the performance of its functions, the District Assembly works through Committees. The Executive Committee and its sub-committees:

- Development Planning Sub-Committee
- Social Services Sub-Committee
- Works Sub-Committee
- Justice and Security Sub-Committee
- The Public Relations and Complaints Sub-Committee
- Other Committees as necessary

2.1.3 The New Local Government System in Ghana

The new Local Government system makes a District Assembly the highest political authority in the District and, therefore, the centre of management and development decision-making, but the lowest level of financial management structure in Ghana.

An Assembly may also be described as a peripheral structure that is given the responsibility of governance so as to integrate politics and administration for development. Political Administration is a concept needed to achieve equity in the allocation of power, wealth and fair sharing of development projects in Ghana. An Assembly, in this regard, has the authority to make bye- laws and implement them to transform the various communities.

2.1.4 Functions of District Assemblies

Article 245 of the 1992 constitution of Ghana and Section 10 of the Local Government Act 462 (1993), spells out the functions of the Assemblies including Metropolitan and Municipal Assemblies as follows:

- i). A District Assembly shall exercise political and administrative authority in the district, provide guidance, give direction to and supervise all other administrative authorities in the district.
- ii). A District Assembly shall exercise deliberative, legislative and executive functions.
- iii). The Assembly is responsible for the overall development of the District and is to ensure that every year development plans of the District are worked out and sent to Government for approval
- iv). The formulation and execution of plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district.

- v). To promote and support productive activity and social development in the district and remove any obstacles to initiative and development
- vi). The District Assembly shall also co-ordinate, integrate and harmonise the execution of programmes and projects under approved development programmes promoted or carried out by ministries, departments, public corporations and other statutory bodies and non-governmental organisations of the district.
- vii). The Assembly shall be the rating authority and is therefore responsible for levying and collection of taxes, rate, duties and fees in the district. The Assembly shall make and levy sufficient rate (general or special) to provide for that part of total estimated expenditure to be incurred by it during the period in respect of which the rates were levied.

(Source: Republic of Ghana 1992 constitution, Local Government Act, Act 462(1993)

2.1.5 Funding of District Assemblies (Fiscal In-Flow)

The effectiveness of any government depends to a large extent on the resources available to it. This is very true of the District Assembly too. In many Assemblies, the bulk of money for development projects comes from the District Assemblies Common Fund. This is a fund into which 5% of the nation's revenue is put and shared on a formula approved by Parliament. However, collection of rates, fines, fees and other revenue known as Locally Generated Funds contribute to the resources of the assemblies.

Since the Common Fund, as already stated, is strictly for development projects, the bulk of the assembly's activities, including expenditure on the Assembly and sub-committee meetings, are financed through its locally generated Fund (IGFs). Thus, the well endowed Assemblies, whose

revenues are high, are able to use some part to supplement the Common Fund allocation for development projects. It is, therefore, necessary for every Assembly to broaden its tax base and strengthen its tax collection system. It is implied in PNDC Law 207,(1983) that people living in the respective Districts mentions that the Assembly's ability to render their valuable services they need, such as collection of solid and liquid waste, depends to a large extent on the fulfilment of their financial obligations in the form of taxes, rates, fees and licenses to the Assembly.

The inflows of resource into the coffers of District Assemblies come from three major sources;

- Internally Generated Fund (IGF)
- Transfers from Central Government
- Transfer from International sources

Internally Generated Funds

The authority to generate revenues from the Assemblies comes from Local Government Act 462, 1993. For example, section 86 of the Act gives a catalogue of items on which the assembly could impose local taxes and levies. In addition, section 33, 34, 50, 60, 74, 76, 85, 95 and 99 empower the assembly to raise internal revenue.

Interpretation of the Legal Provisions

Based on the legal provisions above, the Assembly developed a fiscal structure, which is the basis for internally generated fund (IGF). The Assembly has therefore identified about 93 revenue items. The significance of the numerous items for revenue generation has been a source of concern because of financial and non-financial implications for revenue generation.

Analysis of performance

The major sources of revenue to the assembly are;

- Annual Basic Rates
- Lands
- Property Rates
- Fees and Fines
- Licences
- Investment Income
- Possession Tax
- Miscellaneous

Fees and fines are ranked first, followed by rates, licence and lands in that order.

Financing recurrent and capital budget

The recurrent budget is financed through IGF, Grants and ceded revenue. It is estimated that IGF finances on the average 65.8% of the total budget. It is further estimated that the total IGF finances on the average about 79% of the recurrent budget. That leaves a gap of 21% points between IGF and recurrent expenditure of the Assembly, which is normally filled by the Central Government. (KMA Annual Reports 2006-2010)

Financial Projects Earmarked for Implementation by KMA

Municipal Bond Financing

KMA intends to overhaul its machinery for revenue mobilization to enable it carry out its mandate as enshrined in the Local Government Act, Act 462, 1993, Legislative Instruments (LI) 1614.

It is implied in PNDC Law 207,(1983) that people living in the respective Districts mentions that the Assembly's ability to render their valuable services they need, such as collection of solid and liquid waste, depends to a large extent on the fulfilment of their financial obligations in the form of taxes, rates, fees and licenses to the Assembly.

Current Challenges

- Under declaration of revenue by collectors
- IGF are quite unstable
- Low level IGF performance to total revenue generation
- Low level of property rate generation
- Low educational background of collectors
- Poor estimation of revenue to be collected
- Low levels of motivation
- Absence of incentive package for hardworking and performing revenue collectors
- Weak management information system (MIS)
- Inability to leverage other sources of funds through private capital
- Low tax base
- High recurrent expenditure
- Weak monitoring system

2.2 Constraints Facing Revenue Mobilization at the District Level

2.2.1 Fiscal Capacity

Fiscal capacity refers to the Legal authority which Local Governments are granted under the Law as a basis for fiscal empowerment. The fiscal capacity is enshrined in the laws and other instrument for raising revenue. Act 462, 1993 spells out the jurisdiction, functions, powers and authority given the district assembly to render services under the new decentralisation. In relation to revenue mobilisation, fiscal capacity could be equated to mean authority to determine the tax base of an assembly. It is the fiscal capacity that gives the potential strengths of the assembly to collect revenue and carry out its fiscal responsibilities.

2.2.2 Fiscal Mobilization

Fiscal (or revenue) mobilization refers to the sum total of fiscal capacity and activities designed to extract revenues from taxable population and taxable activities. Revenue mobilisation requires revenue policy formulation, administration and monitoring.

2.2.3 Revenue Administration

This is the aspect of the revenue mobilization process that deals with liability assessment, collection, recording and verification of taxable amounts. It could also be described as revenue mobilisation policy implementation process. Tax laws, however sophisticated they are formed, cannot on their own achieve the desired result. There is the need to put in place an appropriate structure that ensures that the achievement of the desired objectives of policy makers is attained.

This structure will involve an evolving and efficient collection method, ensuring an up-to-date and reliable assessment data (e.g. valuation), designing an efficient and reliable collection tools, providing materials (such as revenue van, tickets, receipts etc) and creating efficient and dynamic manpower resources. For instance, an efficient and effective collection of property rates by competent collectors is based on the assembly's list of properties compiled and assessed by Valuation Board.

2.2.4 Monitoring

Revenue administration, like any activity has to be closely monitored if it is to achieve its anticipated goal. This is true particularly in our part of the world where there is the high temptation of people looking for opportunities to defraud government. The entire process has to be moulded to suit the realities of the day. Without regular monitoring therefore, changes in the tax environment may not suffice easily for correction. Monitoring can also help identify, for instance, personnel who are receiving wages or salary payment for nothing done, those who in turn go round to collect a tax any day of their choice.

Lack of monitoring has led to situations like collectors recycling tickets twice or thrice, over and under inventory in collecting revenue and continuous retention of collectors who are chronic net liabilities. Much of the corruption and embezzlement rate has almost become part and parcel of people in the district assemblies. (Auditor-General's reports - 1992).

2.2.5 Financial Management

Proper financial management in the Assemblies requires accountants, managers and other personnel who are honest and also well qualified in the financial management process.

Qualified accountants are needed for the implementation of advanced accounting system while auditors of high calibre are required for verifying receipts, invoices, financial records and statement and other related information. This is necessary to uncover falsifications, embezzlements, misappropriations and other corrupt practices associated with financial management in the Assemblies. Proper financial management system should ensure that the taxpayer and rate payers, as the resource contributors, become the ultimate beneficiaries of revenue mobilised and expanded.

The problem is that because of their unattractive conditions of service, District Assemblies have not been able to employ qualified staff who are most likely to observe some ethics that go with their chosen professions and prepared to protect and safeguard Assemblies cash asset.

Also due to poor management, low revenue mobilisation and misappropriation among others, District Assemblies have not been able to provide the needed public service that the constituents expect from them. In situations where assemblies are handicapped by these and a lot of constraints which restrict their ability to undertake development projects like public place of convenience, roads, market place and supply of safe drinking water, majority of the local people tend to look forward to the central government for the provision of local level projects and services. In the circumstance, residents will lose their moral compassion to pay further taxes and rates to District Assemblies.

If District Assemblies are unequivocally confronted by poor fiscal capacity, the policies and strategies needed to overcome this incapacity and ability to raise their revenue will always be weakened. Again if Assemblies have inefficient administration system, they will not be able to raise enough revenue for development projects and also engage the services of qualified personnel to manage their financial operations. Low development effort of Assemblies has a

tendency to lead to low level of tax compliance among the populace. It is therefore quite useful that any look at revenue mobilisation should be linked to Assemblies capacity to provide development projects.

Political executives believe that decentralisation programme in Ghana should take a further step towards securing financial autonomy, and this should go with the launch of the municipal finance and management initiative. Alhaji Aliu Mahama (2007). It will also serve as an alternative source of funding for District Assemblies instead of the prevailing dependence on the District Assembly's common fund (DACF).

(Source: Alhaji Aliu Mahama: DAILY Graphic 7th June 2007 edition)

Financial management will consist of:

1. Budgeting for revenue to be mobilised.
2. Budgeting for expenditure to be incurred out of revenue mobilised.
3. Exercising budgetary controls.
4. Exercising accounting and internal controls over revenue and expenditure.

CHAPTER THREE

METHODOLOGY

This chapter looks at the techniques and procedures used to obtain and analyse our research data.

3.1 Research Design

For this research, we used mostly, quantitative data collection technique and data analysis procedures. Structured interviews were conducted where questionnaires with pre-coded answers were used during interaction with our respondents.

In-depth interviews were also conducted to give the Technocrats the opportunity to talk freely about our area of study.

3.2 Population

The population size available for use in this type of research was the Metropolitan, Municipal and District Assemblies (MMDAs). For the purpose of this study however, the Kumasi Metropolitan Assembly (KMA) was used as our sample size.

3.3 Sampling and Sampling Technique

The Kumasi Metropolitan Assembly was used as sample for this research work. The sampling for this research was purposive and was limited to the Budgetary, Accounting, Internal Audit and Planning Departments of KMA.

3.4 Research Instrument

To help our research, we decided to conduct exploratory study so as to seek new insights, to ask questions and to clarify our understanding of the problems associated with Internally Generated Fund. We used Microsoft Excel to develop tables, graphs and charts from the data collected to aid our analysis. We therefore used the principal ways of Exploratory Research, i.e.

- A search of the relevant literature
- Interviewing the experts in the subject

3.5 Data Collection Procedure

We have two main sources of data, the primary data which consists of data collected specifically for the research project being undertaken. Secondary data is one which is used for a research project that was originally collected for some other purpose. Both sources of data were used for this research. The primary data were obtained through interviews of the Technocrats; the Budget Officer, Accountant, Internal Auditor and the Planning Officer.

3.6 Data Analysis

We used quantitative analysis techniques, to assist us establish statistical relationships between the various sources of revenue. The following were therefore used to generate statistical data;

- Statistical graphs (i.e. Pie Chart, Bar Chart)
- Tables
- Variance analysis

CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISCUSSIONS

4.1 Analysis of Performance of IGF as a Contribution to Total Revenue

Table 4.1 Structure of the Internally Generated Fund

	REVENUE ITEM	NO. OF SUB ITEMS	CONTRIBUTION TO TOTAL REVENUE IN %
1	RATES	2	27.69
2	LANDS	2	8.52
3	FEES & FINES	12	27.15
4	LICENCES	62	29.37
5	RENT	7	5.25
6	INVESTMENT INCOME	2	0.03
7	MISCELLANEOUS	6	1.99
	TOTAL	93	100

Source: KMA provisional revenue and expenditure report as at 31/12/2010

Fig 4.1

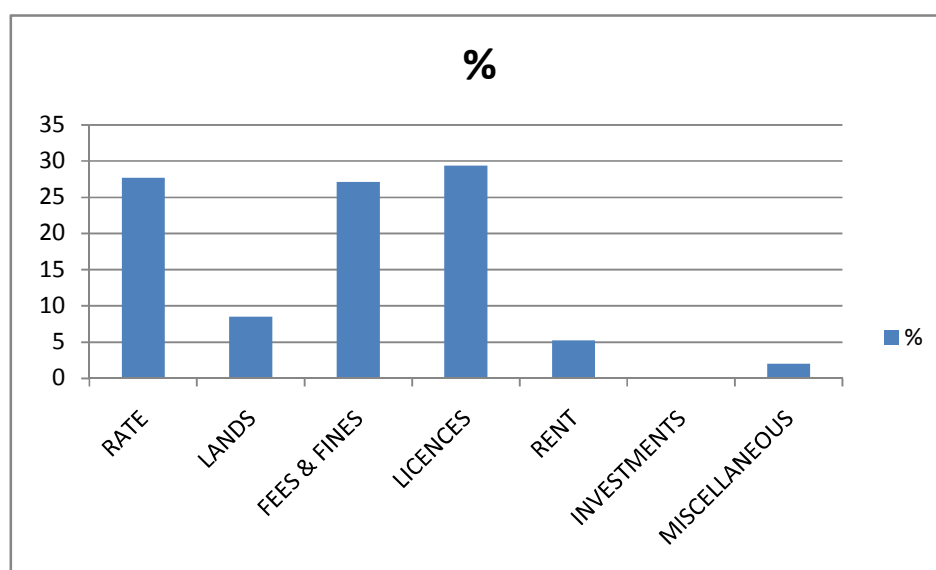


Table 4.1, Fig 4.1 on the preceding page show that, Rates, Fees & Fines and Licences each contributed almost thirty percent of total revenue. This was very encouraging. The question then was, could the efforts be sustained or even improved? And the answer was yes. Two private companies REVSOL and REVNET had been charged to carry out continuous updating of database and to collect Property Rate in the 10 Sub-Metros. Under this pilot programme the revenue collection companies are required to use the prescribed value books (receipt books) to collect revenue, to ensure easy auditing and monitoring. The contribution of the other sources; Lands, Rent and Miscellaneous were all far below ten percent with the Investment Income generating just below one percent. With the Investment Income performing so poorly, it became necessary to find out the cause. Our interaction with the Budget Officer and Chief Internal Auditor, and from the Investment Data made available to us, it was revealed that investment income were only accrued from interest on Deposit and on Bank Accounts. This means that the vast investment avenues in the Metropolis were not being explored.

To a question as to whether or not the KMA had any plans of assessing the financial market, the respondents answered positively. The KMA had commenced preparatory work to enable it enter the financial market by way of Municipal Bond Financing in a bid to leverage capital from the private sector and invest in projects that have multiplier effect and capable of generating funds for a payback. This initiative is being coordinated by MLGRD&E.

4.2 Analysis of Performance of various sources of IGF (Variance Analysis)

The following Tables and the corresponding Bar Charts show the summary of Key IGF Revenue Sources and how they performed over the period under study.

Table 4.2.1 Summary of Key IGF Revenue Sources 2006

HEAD	DESCRIPTION	APPROVED ESTIMATE (GH¢)	ACTUALS (GH¢)	% ACHIEVED (%)
1	RATE	780285.00	443675.34	57
2	LANDS	167080.00	213960.96	128
3	FEES & FINES	847385.32	735502.61	87
4	LICENCES	478717.80	454598.73	95
5	RENT	33220.00	135135.90	407
6	INVESTMENTS	14000.00	14110.85	101
7	MISCELLANEOUS	364200.00	28894.89	8
	TOTAL	2684888.12	2025879.28	75

Fig 4.2

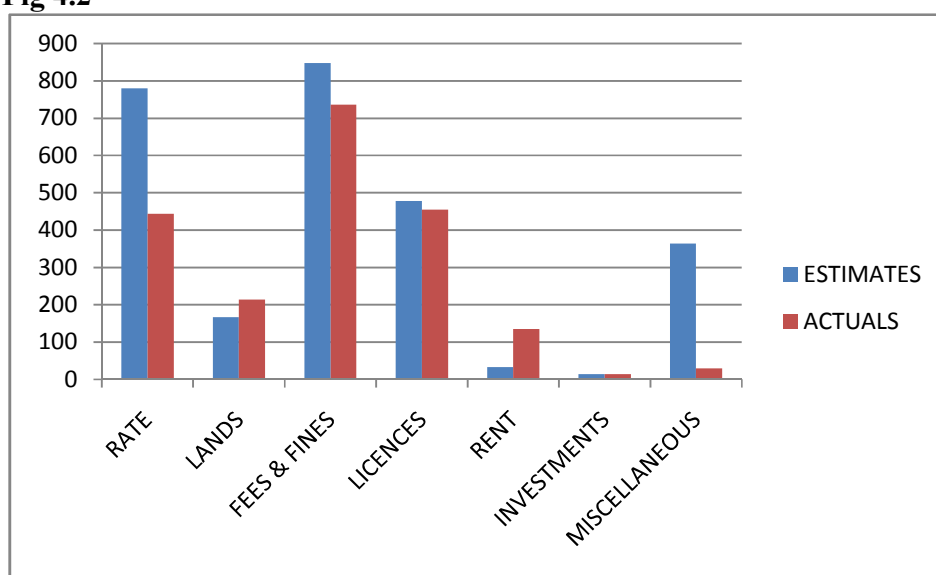


Table 4.2.2 Summary of Key IGF Revenue Sources 2007

HEAD	DESCRIPTION	APPROVED ESTIMATE (GH¢)	ACTUALS (GH¢)	% ACHIEVED (%)
1	RATE	1,097,484.34	584,974.59	53
2	LANDS	303,930.00	221,215.60	73
3	FEES & FINES	1,584,480.00	2,018,432.48	127
4	LICENCES	871,189.10	655,584.02	75
5	RENT	255,530.10	191,752.90	75
6	INVESTMENTS	10,000.00	8,414.09	84
7	MISCELLANEOUS	42,100.00	41,236.28	98
	TOTAL	4,164,713.54	3,721,609.96	89

Fig. 4.3

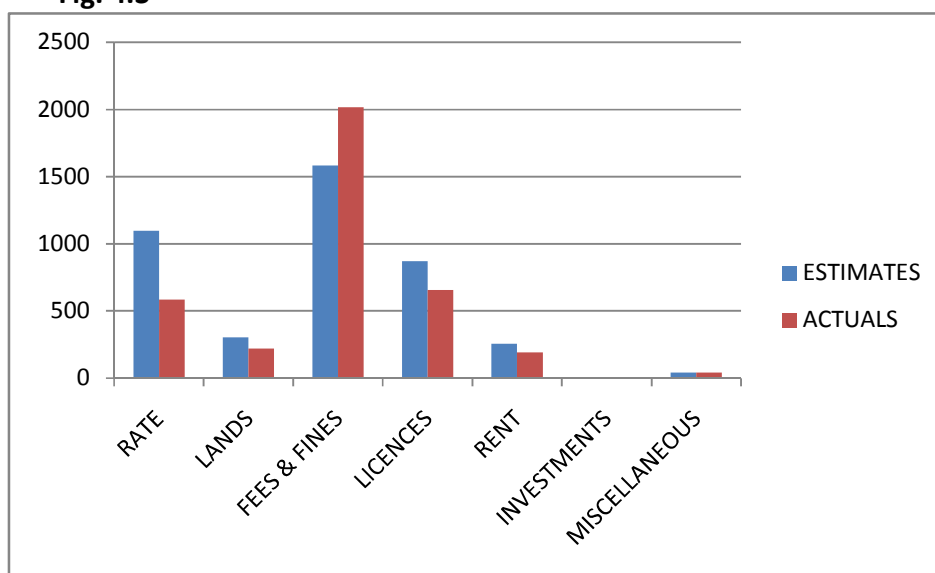


Table 4.2.3 Summary of Key IGF Revenue Sources 2008

HEAD	DESCRIPTION	APPROVED ESTIMATE (GH¢)	ACTUALS (GH¢)	% ACHIEVED (%)
1	RATE	1,885,097.36	1,000,568.57	53
2	LANDS	330,680.00	175,410.00	53
3	FEES & FINES	1,971,060.00	1,842,364.53	93
4	LICENCES	1,734,469.10	1,444,393.23	83
5	RENT	264,868.50	334,609.20	126
6	INVESTMENTS	15,000.00	5,435.38	36
7	MISCELLANEOUS	42,100.00	109,438.55	260
	TOTAL	6,243,274.96	4,912,219.46	79

Fig. 4.4

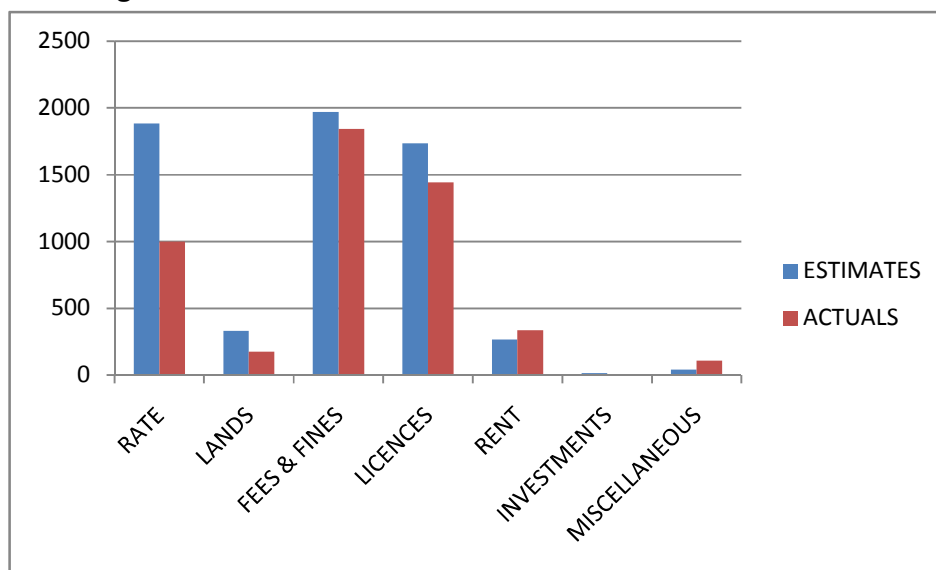


Table 4.2.4

SUMMARY OF KEY IGF REVENUE SOURCE 2009

HEAD	DESCRIPTION	APPROVED ESTIMATE GH¢	ACTUALS (GH¢)	% ACHIEVED (%)
1	RATE	3,186,711.19	2,056,224.93	65%
2	LANDS	705,180.00	599,924.11	85%
3	FEES & FINES	2,201,190.00	1,942,365.64	88%
4	LICENCES	2,297,655.60	2,570,728.98	112%
5	RENT	264,868.50	369,480.90	139%
6	INVESTMENTS	15,000.00	384.42	3%
7	MISCELLANEOUS	42,100.00	140,447.63	334%
	TOTAL	8,712,705.29	7,679,556.61	188%

Fig. 4.5

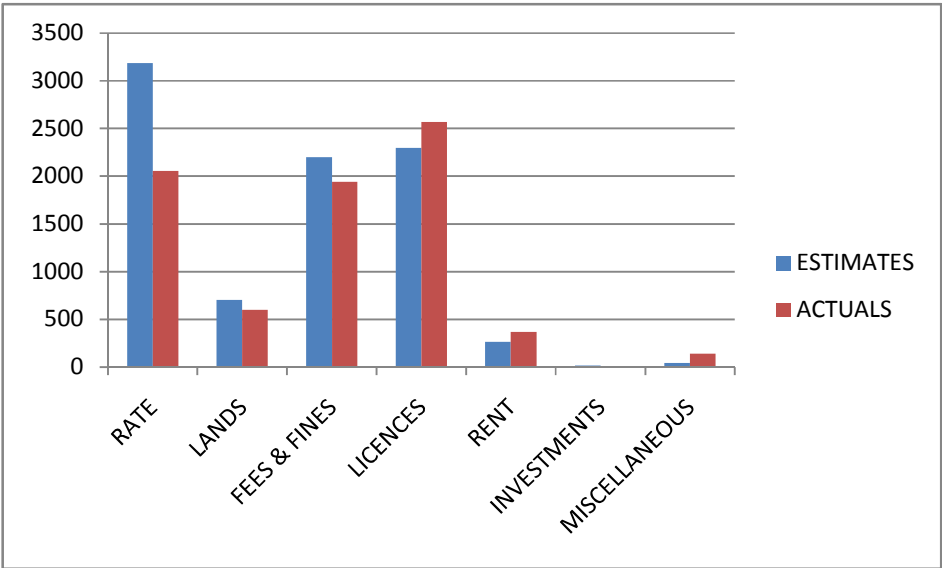
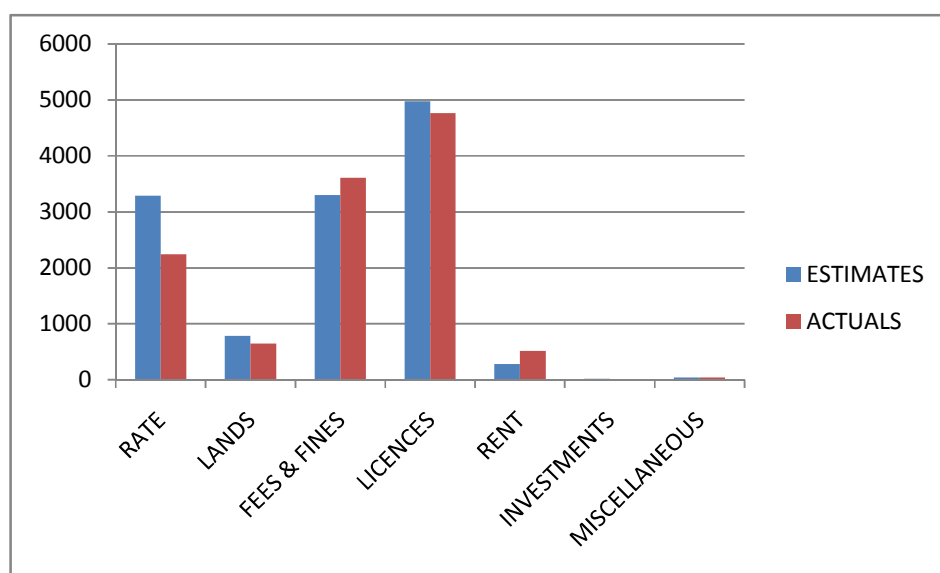


Table 4.2.5 Summary of Key IGF Revenue Source 2010

HEAD	DESCRIPTION	APPROVED ESTIMATE (GH¢)	ACTUALS (GH¢)	% ACHIEVED (%)
1	RATE	3,286,711.19	2,245,040.65	68
2	LANDS	785,100.00	646,421.50	82
3	FEES & FINES	3,300,400.00	3,614,408.79	110
4	LICENCES	4,975,008.60	4,763,140.83	96
5	RENT	282,464.50	516,759.64	183
6	INVESTMENTS	15,000.00	1,382.04	9
7	MISCELLANEOUS	42,100.00	47,675.83	113
	TOTAL	12,686,784.29	11,834,829.28	93

Fig. 4.6



From the Tables and Statistical Graphs provided above, Rates as a unit source of internally generated fund performed quite steadily for the first three years after which it recorded dramatic increases over the last two years. Pragmatic measures had been put in place, through continuous updating of database as part of their revenue mobilization drive. Again, a private company, Revsol Ghana Limited, had been contracted to collect property rate in five of the ten sub-metros, namely; Asokwa, Oforikrom, Subin, Manhyia and Asawase, albeit on pilot basis. Revnet Limited, another revenue collecting company has also been engaged to collect property rates from the remaining five Sub-Metropolitan areas, namely; Bantama, Nhyiaeso, Tafo, Kwadaso and Suame. It is therefore expected that subsequent years could experience higher performance. The information given above also makes some very interesting revelations. All the unit sources of revenue made very significant achievements in terms of meeting the set targets. However, and very importantly, in a tape recorded interview with all the Technocrats, they were all in agreement that budget estimates were below realistic expectations. They attributed this situation to that fact that KMA does not have any reliable database.

(Source: Sessional Address Delivered by the Metropolitan Chief Executive, 5th May 2011)

4.3 Analysis of the IGF performance to developmental Projects

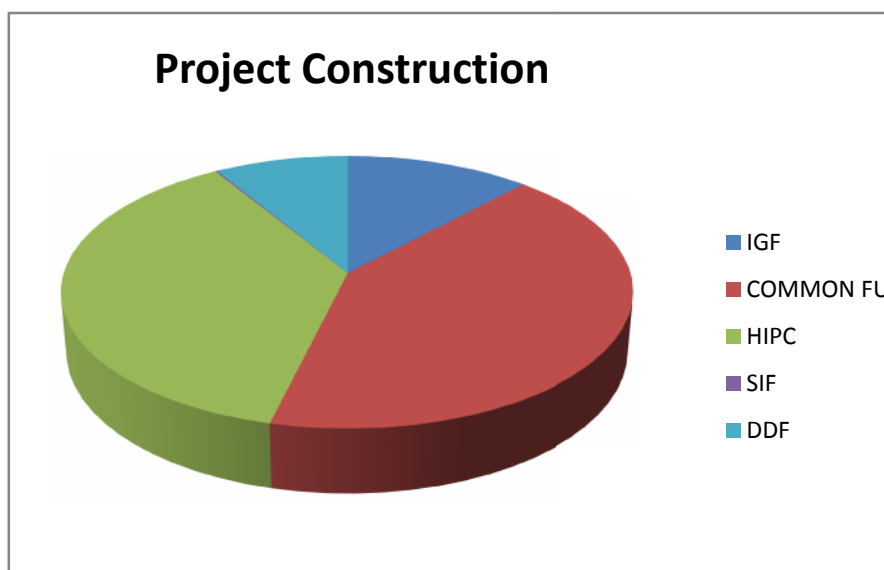
Table 4.3 Contribution from the IGF in Project Constructions carried out by the KMA over the period 2006-2010.

DATE	IGF (GH¢)	COMMON FUND (GH¢)	HIPC (GH¢)	SIF (GH¢)	DDF (GH¢)
2006	13,656.40	3,447,108.52	2,380,647.73	853.50	-
2007	373,970.27	3,711,307.97	2,584,230.87	1,575.00	-
2008	54,463.89	2,809,301.22	3,107,463.40	3,823.00	-
2009	1,426,816.45	3,523,644.31	6,284,740.40	-	-
2010	2,774,958.98	2,840,289.30	238,402.35	49,279.34	3,357,948.74
TOTAL	4,643,865.99	16,331,651.32	14,595,484.75	55,539.84	3,357,948.74

Fig. 4.7

IGF
COMMON FUND
HIPC
SIF
DDF

11.91%
41.90%
37.44%
0.14%
8.61%



Analysis of IGF Performance as Against EGF

The above table reveals an interesting development. Whilst the IGF for year 2009 and 2010 saw a remarkable increase, the DACF and HIPC which had been the major sources of revenue for the Assembly experienced a dramatic downward trend. This justifies the need for an intensification of efforts at generating funds internally.

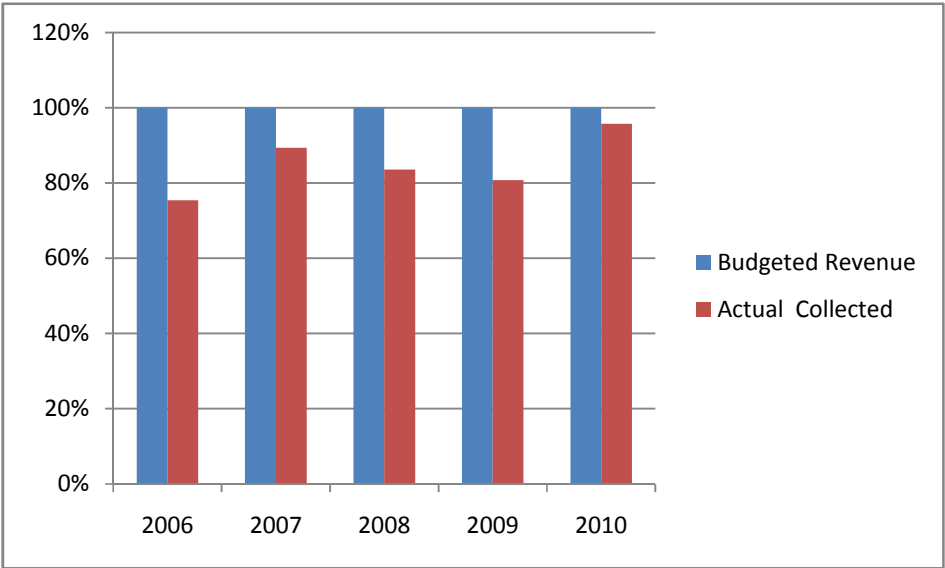
With project construction, the statistical graph reveals that the IGF contributed only 11.91 percent towards developmental projects for the period under review. This is not an encouraging situation considering the fact that external sources of revenue of which the Assembly does not have control, were likely to experience downward adjustment as indicated in the Government's 2011 Budget Statement. It is also important to note that remittances of the District Assembly Common Fund (DACF) from the Central Government are not regular. The following figures confirmed the above assertion. Remittances from the two major sources of revenue, both of which contributed 79.34% reduced substantially. HIPC fund fell from GH¢6,284,740 in (2009) to GH¢238,402 in (2010), and Common fund from GH¢3,523,644 in (2009) to GH¢2,840,289 in 2010. It is therefore incumbent on the Assembly to intensify its internal revenue mobilization drive since the IGF is expected to play a major role in financing Recurrent and Capital Budget.

4.4 The General Overview of the Assembly’s performance in terms of revenue mobilization.

Table 4.4 Revenue Mobilization for the period under study, (2006-2010)

YEAR	BUDGETED REVENUE (GH¢)	ACTUAL REVENUE COLLECTED (GH¢)	% COLLECTED (%)
2006	2,684,888.12	2,025,879.28	75.45
2007	4,164,713.54	3,712,609.95	89.36
2008	6,243,274.98	5,216,508.62	83.55
2009	8,712,705.29	7,036,394.78	80.76
2010	12,691,684.29	12,157,111.70	95.70

Fig. 4.8



The Assembly's performance in revenue mobilization rose from 75.45% in 2006 to an appreciable height of 95.70% in 2010. On the surface, one could draw a reasonable conclusion that the assembly has been performing so well in its prime objective of mobilizing revenue to finance its numerous programs, as aptly depicted in the above table and chart. The analysis of other relevant data as stated elsewhere in this chapter shows that the chunk of revenue raised internally, goes into financing recurrent expenditure and that only 12% goes into capital expenditure financing. It is therefore inferred from the above information that, though the Assembly may be achieving its revenue targets, the amounts raised are not substantially reliable, in terms of delivering developments to communities under its jurisdiction. It must be stated once again that the Assembly achieved a high percentage of their annual budget estimates mainly because they had to contend with low estimates, based on very unreliable database. The Assembly could therefore expand its revenue base by working towards updating its database. Again, It must be noted, that the Metropolitan Chief Executive shared a similar opinion, when in delivering his Sessional Address he identified the weaknesses in the revenue mobilization system and the laid down measures that the Assembly had put in place to address them.

Among the various measures were;

- Establishment of Revenue Technical Committee
- Review of Revenue Collection Contracts
- Revision of bye laws and strengthening of enforcement mechanisms
- Improved Public Relation and Education campaign
- Review of Revenue Mobilization Task Force

(Source: Sessional Address Delivered by the Kumasi Metropolitan Chief Executive, Hon Samuel Sarpong on Thursday, 18th March)

The impact of the IGF even at its present level cannot be overemphasised. The tables below show some of the projects undertaken by the Assembly IGF financing for a 2-year period (2009-2010).

Table 4.5.1 IGF Funded Projects (2009-2010)

NO.	PROJECT TITLE	SECTOR	LOCATION
1	Construction of fence wall around St Benedict School, New Tafo	Education	New Tafo
2	Construction of fence wall around Suame Methodist Primary School, Kumasi	Education	Suame
3	Construction of 1No. 6unit Classroom Blk for Kentinkrono M/A Primary School	Education	Kentinkrono
4	Construction of 1No. 6unit Classroom Blk for Bantama Methodist School	Education	Bantama

5	Reconstruction of Bantama Market lot 1		Bantama
6	Renovation of 8unit Classroom & Kindergarten at Amankwatia	Education	Amakom
7	Construction of footbridge at Bremang-Kronom		Bremang
8	Construction of Metal Gate and gratings at Asafo		Asafo
9	Construction of Buokrom Police Station	Security	Buokrom
10	Construction of 1No. Kitchen for Ohwimase Basic School	Education	Ohwimase
11	Construction of one storey 6unit Classroom Blk for Oti M/A Basic School	Education	Oti

12	Completion of one-storey 6unit Classroom Blk for Sokoban M/A Basic school	Education	Sokoban
13	Completion of one-storey 6unit Classroom Blk for Atonsu M/A Basic school	Education	Atonsu
14	Rehabilitation of Kaasi M/A Primary School at Kaasi	Education	Kaasi
15	Improving of Streetlighting	Security	Metro wide
16	Construction of 20seater W/C Toilet at Adiebeba	Sanitation	Nhyiaeso

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The research has successfully carried out various analysis of the data made available to the researchers. The main objective of determining the performance and impact of the Internally Generated Fund has been met. The research has established that the Assembly over depends on the Externally Generated Fund and needs to improve on its revenue generation efforts to help the Assembly execute its developmental agenda.

5.2 Conclusions

The following are the conclusions made after the careful analysis of data as depicted in chapter four and from the responses received through administration of questionnaires and interviews.

1. This study has attempted to examine the sub units under the various sources of revenue for the IGF and concludes that, Rates, Fees & Fines and licences have provided the bulk of total IGF revenue. It has also been established that Investment Income, which potentially could raise a lot of revenue, has been a grey area. It is however well noted that the Kumasi Metropolitan Assembly (KMA) had taken steps to assess the financial market through Municipal Bond Financing.
2. The research also revealed that, though the budget targets set for the various sources of IGF were achieved, they could be attributed to the fact that, targets are set, based on unreliable database and therefore monies raised may not be realistic.

3. The research study has also established an undeniable fact that;

- Analysis of the income structure of the Assembly for the period 2006-2010 reveal that Transfers (Common Fund, HIPC, SIF, DDF) and IGF accounted for 88% and 12% respectively. By inference, the Assembly over depends on the former for financing its activities.
- The EGF as the main sources of revenue for the Assembly is not sustainable as shown by data well documented in chapter four.
- The Assembly has not done enough to raise substantial revenue through the Internally Generated Fund which remains the bedrock of financing developmental projects for the communities.

5.3 Recommendations

Having carried out the research on the performance of Internally Generated Fund in the general activities of Kumasi Metropolitan Assembly, the following recommendations are being made for consideration by all authorities of the Assembly.

➤ Updating Database

Adequate and accurate data on all businesses as well as rate and taxpayers in the Metropolis must be compiled. This will help the budget section to prepare and come out with a more realistic annual revenue estimate to avoid huge deficit.

➤ Undertake Tax Education

An intensive public education on the need to pay licences, fees, rates and taxes should be carried out by the K.M.A. The education should be aimed at explaining why citizens should pay licences, fees, rates and taxes, what the monies are meant for and the benefit

of paying such moneys to K.M.A. This may encourage taxpayers to pay their licences, fees, rates and taxes more willingly. These are areas that are doing well in accumulating revenue for the IGF.

➤ **Improve upon service delivery**

As service delivery improves, the citizens see the impact of the taxes paid, which in turn acts as incentive to pay. For example, if District Assemblies remove refuse promptly, keep the streets clean, supply desks and tables to schools, and then provide drainage facilities, opposition to payment of taxes will be reduced to the minimum.

➤ **Access the Financial Market**

Though the analysis of the income structure of the Assembly weighed heavily on the side of transfers from the Central Government, this scenario could change if the IGF is improved through a conscious attempt at accelerated revenue growth. The floating of municipal bonds and stocks could also improve the financial status of the Assembly.

➤ **Undertake Further Research**

The Assembly, and in fact all other District Assemblies, must endeavour to undertake further research into the area of identifying other sources of revenue to enhance IGF growth.

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APPENDIX A

QUESTIONNAIRE FOR THE EXPERTS

NAME:.....

SEX: MALE/FEMALE

AGE:.....

MARITAL STATUS.....

QUALIFICATION:.....

INSTRUCTIONS: tick which you consider to be appropriate. Whatever response you give in respect of this questionnaire will be treated with utmost confidentiality.

Do you Prepare Budget at departmental level?	YES	NO
Do you have records on Current and Previous Budget?	YES	NO
Does the Assembly achieve its revenue targets for the year?	YES	NO
Is there any variance in the Previous Budget?	YES	NO
Is the Preceding Budget analysed annually?	YES	NO
Does the Assembly have any committee that discuss the Budget?	YES	NO
Are the Committee’s report implemented?	YES	NO

Does the Assembly engage the services of Consultants in the analysis? YES NO

Is the Internal Audit Unit involved in the analysis? YES NO

Does Management show keen interest in the analysis? YES NO

Do you participate in the fee fixing of the Assembly? YES NO

Are rate payers consulted before rates are fixed? YES NO

Do you know the sources of IGF? YES NO

If yes, list them.....

.....

.....

Does the Assembly normally finance developmental projects from the IGF? YES NO

Do you have challenges with respect to IGF? YES NO

If yes state any.....

.....

How are the challenges being resolved?

Suggest any.....

Do you think the Assembly can explore other sources to generate funds internally? YES NO

APPENDIX B

ABBREVIATIONS

DACF	- District Assembly Common Fund
DDF	- District Development Fund
EGF	- Externally Generated Fund
HIPC	- Highly Indebted Poor Country
KMA	- Kumasi Metropolitan Assembly
IGF	- Internally Generated Fund
MCE	- Metropolitan Chief Executive
MDA's	- Ministries, Departments and Agencies
MMDA's	- Metropolitan, Municipal and District Assemblies
SIF	- Social Investment Fund

