

## **CHAPTER ONE**

### **1.0 BACKGROUND OF THE STUDY**

The 1992 constitution of the Republic of Ghana in its Chapter twenty calls for the establishment of a Local Government and Administration system which shall, as far as practical be a decentralized one. It went on to state in Article 241 clause (1) that, for the purpose of decentralization to be achieved, Ghana shall be deemed to be divided into Districts, with a District Assembly serving as the highest political authority of the District. It is for this purpose that the Local Government Act 1993 (Act 462) which was later amended and passed in 2003 and now known as The Local Government Service Act 2003 Act (656) came into being, spelling out the composition of the district assembly, their functions and their mode of operations.

The Local government system consists of a Regional Co-coordinating Council, a four-tier Metropolitan and a three- tier Municipal/ District Assemblies structure. The Metropolitan Assembly has population of over 250,000 people which is assigned the responsibility of totality of government to bring about integration of political, administrative and development support needed to achieve a more equitable allocation of power, wealth and geographically dispersed development in Ghana. The examples of Metropolitan Assembly in Ghana include Kumasi Metropolitan Assembly, Accra Metropolitan Assembly and Secondi- Takoradi Metropolitan Assembly.

The sub body of the Metropolitan Assembly include; the urban, Town and Zonal Area councils and the unit committees. In the performance of its functions, the Metropolitan Assembly works through the executive committee. These include the Social services sub

committee; works sub committee, Finance Administration and Development planning sub committee among others. The above mentioned bodies help in the development of the Metropolis. Some of the developmental achievements are; the formulation and execution of plans, programmes and strategy for mobilization of resources essential for the overall development in the Metropolis, initial programmes for development of basic infrastructure such as roads, hospitals, waste disposal management, rural electrification projects, telecommunications, scholarships to brilliant but needy students through the education common fund, just to mention but few.

Although the Metropolitan Assembly has attained many successes through the decentralization policy in its programmes, policies and projects, there are still problems encountered by the Assembly which undermines its main objective of total development of the area within which its functions are executed, some of the problem faced by the Assembly include; the late release of the common Fund for immediate completion of projects. There is also inadequate and non-efficient man-power for implementation of the Metropolitan policies, ineffective mobilization of resources and dictatorship from the central government.

Fund is the term use to describe both resources available to government, firms and individuals and the proper utilization of these resources. The aim of this study was to find out the effective way of generating resources and its application in the Metropolitan Assembly for the execution of developmental programmes in the Metropolitan, Municipal and District Assemblies. To enable equal distribution of available resources, section 7(a) of the District Assembly Common Fund Act (1993) Act 445 also requires the Administrator of the District Assemblies to propose annually for the approval of parliament, a formula for sharing the common fund for the Assemblies.

Apart from the common fund, the community, Non-governmental organizations (NGOs) and the private sector organization provides funds for project and programs initiated by the people in consultation with the Assembly.

### **1.1 STATEMENT OF THE PROBLEM**

Although the Metropolitan Assemblies have achieved many successes through the decentralization policy in its programs, policies and projects there are still problems within which they operate. Some of these problems that hinder the smooth operations, policies and project of the metropolitan Assembly include the late release of the District Assembly common fund, the late approval of budget of the District Assembly by the Regional Coordinating Council, ineffective revenue generation, mobilization and collection mechanism, mismanagement and misappropriation of fund by the staff of the Assembly and also inadequate motivation of the Assembly staff do not encourage effective and efficient work done.

In recent times there have been a rampant increase in misappropriation of funds by District Assemblies as cited in the Daily Graphic that Bongo DCE was accused of misappropriation of funds and also there was report on Times that Massive Corruption Hit Kwaebibirem District Assembly. These phenomena have informed us to carry out this research.

### **1.2 OBJECTIVES OF THE STUDY**

The broad objective of the study was to assess how local governance could be made financially self-reliant with little dependence on central government transfers. Therefore the specific objectives that will guide the research are as follows:

- To identify the main/major sources and structure of local revenue for the Kumasi Metropolitan Assembly.
- To identify and assess the capacities of the institutions involved in local revenue mobilization for the Assembly.
- To examine the challenges and prospects of revenue generation and mobilization at the Metropolitan and sub-metro levels.
- Assess the local revenue collection and monitoring mechanisms at the metropolitan Assembly level.
- Based on the above, provide recommendations that may help in shaping Ghana's fiscal decentralization process.

### **1.3 RESEARCH QUESTIONS**

The main research questions are:

- What are the sources and structure of local revenue for the Kumasi Metropolitan Assembly?
- Which institutional arrangement(s) are available for the effective mobilization of financial resources for the local development in Kumasi Metropolitan Assembly?
- What are the challenges and prospects for revenue generation and mobilization at the sub-national level?
- What are the collection and monitoring mechanisms for local revenue mobilization for Kumasi Metropolitan Assembly?
- What should be the way forward for effective generation/mobilization of local revenue for development within the Kumasi Metropolitan Assembly?

#### **1.4 SIGNIFICANCE OF THE STUDY**

The study sees the Metropolitan Assembly as a tool assigned with legislative as well as execution functions upon which the people and the entire economy depends on for its growth and source of fund and their disbursement for the purpose of achieving the total developmental projects of the government. This study is of benefit to the government, the Metropolitan Assemblies, the indigenous people, Non-government Agencies and other donors.

The state stands a chance of increasing its income generation capacity. This study would help solve the problems such as misappropriation of funds and misconception by the people in the Metropolis especially in financial wise and the right money or resources was used for the right project and within the specified time. The misconception and misappropriation of funds in the Metropolitan Assembly if not eradicated would be minimized.

#### **1.5 RESEARCH METHOD**

The study was designed in a way that was suitable and to meets any essential that was required for the study. The methodology that was applied for the study has been chosen in order to acquire information and deduce conclusions about the sources of funds and their disbursement in the Metropolitan Assembly. This was done in order to enable anyone who lays hand on it understand and appreciate the efforts put in place. All information that was required in this study was collected through the use of survey research technique where primary and secondary sources of data were collected. The Primary data was collected by the use of questionnaires that was issued out to staff of the assembly for response and semi structured face to face interviews.

The secondary data on the other hand was collected by the use of books in the library and the Internet.

## **1.6 SCOPE OF RESEARCH**

The study was undertaken in the Kumasi Metropolis and data used for this study is from 1st January to 31st December 2010.

## **1.7 ORGANIZATION OF STUDY**

The study consists of five chapters. Chapter one presents the general introduction, background to the study, the statement of the problem, the purpose of the study, the significance of the study, methodology, and limitations of the study and the organization of the study. The second chapter examines the review of the literature. The third chapter deals with the methodology and research methods. The fourth chapter looked at the presentation and analysis of the data. It also comprises of the scope of the study, data collection and the method of data analysis. Chapter five lastly presents the summary, highlights of findings, conclusion, recommendations and the suggestion.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

A series of empirical and theoretical studies have been done on revenue mobilization in the local governance system for metropolitan development. This chapter focuses on the review of relevant literature on the concept and practice of revenue mobilization. Issues raised by the experts in the field of local governance and its effects on the metropolitan development. It also looked at the various schools of thoughts on decentralization and revenue mobilization which presents the conceptual and theoretical basis for the study.

#### **2.1 THE MEANING AND FORMS OF DECENTRALIZATION**

Generally, there are different schools of thought about the concept of decentralization and as such different definitions. Mawhood (1983) defines decentralization as the “sharing of part of governmental power by a central ruling group with other groups, each having authority within a specific area of the state”. Fundamental areas in the decentralization process according to Mawhood are power, authority and responsibility, which start from the centre and are then diffused to the periphery. However, according to Cheema, (1983), decentralization is the transfer of authority or responsibility for decision making, planning, management or resource allocation from the central government to its field units, district administrative units, local government, and regional of functional authorities, semi autonomous public authorities, parietal organizations, private entities and non-governmental organizations.

In the public sector context, Manor (1998) and Ribot (2001) view decentralization as the process by which a central government formally transfers power to actors and institutions at lower levels in a political administrative hierarchy,

Therefore in summation and compounding all the definitions discussed above in its traditional form, decentralization entails the distribution of central government's political, fiscal and administrative power, authority and responsibility to geographical dispersed, legally autonomous and semi autonomous bodies of government. This is done in order to improve efficiency and effectiveness in service delivery at the central and sub national government levels.

In Ghana's decentralization program, local authorities are the administrators of decentralized functions (Ahwoi, 2010).

### **2.1.1 Evolution of Decentralization**

Many scholars attribute the renewed quest for democratic decentralization in the field of social science and politics to various origins: firstly, it stems from the failure of centralized models (Wunsch&Oluwu, 1995; Schmidt 2003). Advancing this argument, they maintain that centralised systems of governments proved inefficient to grapple with the complexity of the development processes. The second factor is accorded to the collapse of the state sponsored services, which due to the effects of the Structural Adjustment Program and the prevailing African economic crisis impelled the state "to retreat" (Schmidt, 2003; Ndegwa, 2002). All the same, another front argues that it was as a result of donor pressures and conditionality's associated with the structural adjustment and other programs imposed from the outside



(World Bank, 2000; Mutizwa- Mangiza 2000, Therkildsen, 2000). Schmidt attributes the third reason to the recent democratization process.

### **2.1.2 Decentralization Policy in Ghana**

There are five main implementation aspects in Ghana's decentralization policy. These are political, administrative, planning and program implementation, management of public/private partnerships and fiscal decentralization. Most of these policy aspects have experienced tremendous strides. This includes the formation of local government institutions that have been empowered to exercise deliberate legislative and executive functions at the sub-national level of governments.

## **2.2 STRUCTURE OF GHANA'S LOCAL GOVERNMENT SYSTEM**

Every state or country in the world has a system of local government. The form it takes depends on the nature of the society in which it is practised and the conception of the people it serves (Ahwoi, 2010). Nevertheless, one principle runs through all the forms namely power is given to a local body to carryout functions which would have been otherwise performed by the central government within the locality. The transfer of power is based on two main considerations.

First of all, that Central government functions are always numerous and heavy and a certain amount of decentralization is necessary. Secondly, that certain services are better carried out at the local level where local initiatives and talents can be tapped in the discharge of local functions. Crook (1994) emphasizes that even services and projects that are provided do not respond directly to popular conceptions of needs and that are barely provided do not respond

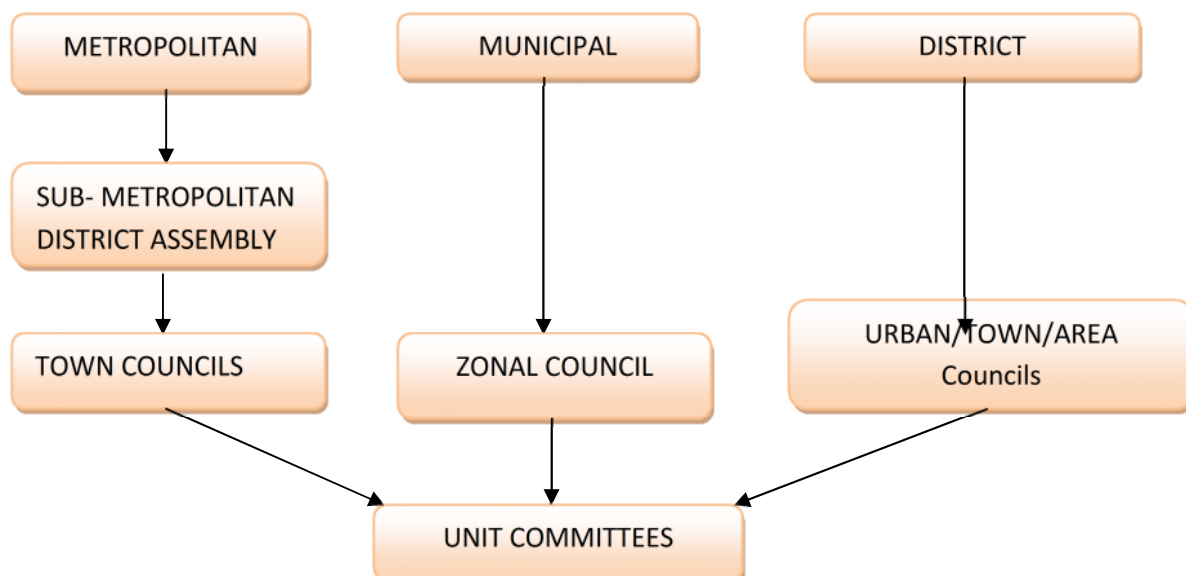
closely to popular conceptions of needs and are therefore not highly valued or in other words appreciated by the people for who the facilities are being provided for.

In Ghana, Article 35 (6) of the 1992 Constitution provides for making “democracy a reality by decentralizing the administrative and financial machinery of government to the region and district”. To give form and meaning to the constitutional provisions relating to decentralization, the government enacted the Local Government Act 1993 (Act 462). Other subsidiary legislation have also been enacted to deepen the range, scope and process of decentralization notably Local Government (Urban, Zonal and Town Councils and Unit Committees) Establishment Instrument of 1994 (LI 1589), Civil Service Law of 1993 (PNDC Law 327), District Assemblies Common Fund Act of 2003 (Act 455), National Development Planning (System) Act of 1994 (Act 480) and the Local Governance Service Act of 2003 (Act 656).

The objectives of the Ghana’s decentralized system can be stated as follows:

- Restructure the allocation of resources and reassign functions and responsibilities into three levels of government (national, regional and district) to promote efficiency of management;
- Integrate central and local government units and functions at the district level into the District Assembly system and
- Improve resource allocation, utilization and management as well as administrative efficiency by providing for flexible adaption of local conditions and circumstances that may affect development efforts and outcomes.

**FIG.1 THE NEW LOCAL GOVERNMENT SYSTEM STRUCTURE**



### **2.3 FISCAL DECENTRALIZATION IN GHANA**

Fiscal decentralization entails entrusting local government units with the authority and capacity to generate, allocate and utilize financial resources to promote socio economic development. According to Kokor and Kroes (2000), the objectives of Ghana's decentralization program is to increase local revenue mobilization, restructure allocation of resources to meet local needs and empower MMDAs to make allocation decisions at the local level over both locally generated funds and those transferred from the central government.

In furtherance of these objectives, the District Assemblies Common Fund was established and has been in operation for over a decade. The allocations to each MMDAs are based on a formula approved by Parliament. Disbursements are made on a quarterly basis and a quarter in arrears. The DACF is available to MMDAs only for investment expenditure. MMDAs have also been mandated under section 245 of the 1992 Constitution and Act 462 to collect fees, fines, rates, tolls and licenses in order to support socio economic development in their

areas. Further to this, several legal instruments have been enacted to ensure transparency and accountability in the use of financial resources at the local level. These include:

- Financial Administration Act, 2003 (Act 654, amendment to FAD, 1979, SMCD 221)
- Financial Administration Regulations, 2004 (LI 1802, revoking the Financial Administration Regulations 1979, LI 1234)
- Public Procurement Act, 2003 (Act 663)
- Ghana Audit Service Act, 2000 (Act 658)
- Internal Audit Agency, 2004 (Act 656)

It has to be acknowledged that some modest gains have been achieved since the process of fiscal decentralization was set in motion in Ghana. According to Kunfaa (2002) despite the many negative stories about misappropriation of funds in MMDAs, a significant number of development projects have been carried out the initiative of almost every MMDA throughout the country, which would have been the case if development projects have been carried out on the initiative of almost every MMDA throughout the country, which would not have been the case if development was initiated from only the central government.

### **2.3.1 Challenges of Fiscal Decentralization**

A number of bottlenecks towards fully institutionalizing fiscal decentralized in Ghana however still remain. These include the following:

- Substantial authority had been given to MMDAs without commensurate resources to fulfil/achieve their mandates;
- Composite budget system has not been fully operationalized;
- MMDAs continue to prepare budget estimates and account for expenditure on sectorial basis at the district and regional levels

- Limited discretionary authority of MMDAs over funds from DACF
- Weak local revenue generation and mobilization capacity of MMDAs

### **2.3.2 Prospects of Fiscal Decentralization**

In order to address the fiscal decentralization challenges, a number of initiatives are being implemented. An inter-governmental fiscal framework that clearly assigns service responsibilities between the central government and the sub-national level has been developed and is being implemented. A Municipal Finance Bill to assist local governments to source funds from the open capital market is being considered by Parliament. In a bid to further strengthen the fiscal capacity of MMDA's, the Ghana government and Development Partners (DPs) have introduced the District Development Facility (DDF). This facility exists to provide additional financial resources to MMDAs through an annual performance assessment to enable them implement programs and projects in their MTDPs. The ministry of Local Government and Rural Development also intends to introduce the concept and practice of "municipal contracts" whereby Metropolitan and Municipal Assemblies would be assessed at the technical/urban, financial and organizational levels with a view to granting them additional financial assistance to implement projects identified in a Priority Investment Program prepared after the assessment.

## **2.4 REVENUE MOBILIZATION BY THE METROPOLITAN MUNICIPAL DISTRICT ASSEMBLY**

The effective administering of Metropolitan Municipal District Assembly is highly reliant on the availability of both financial and other resources; unfortunately, Metropolitan Municipal District Assembly's have always encountered the problem of inadequate resource for development. These problems have been with us since independence. That notwithstanding,

some of these Municipal Metropolitan District Assembly have continued to make appreciable strides in increasing revenue mobilization in their various catchment areas with little results, sometimes these achievements can be attributed to constant sensitization by their various Task Forces for the need of citizens to pay their Taxes and the call for the elimination of leakages in Assemblies revenues. To further entrench the policy of transparency at the district level, the Ministry of Ministry Local Government and Rural Development continues to instil in Metropolitan Municipal District Assembly's(MMDA's) the need for prudent use of resources by constantly auditing the accounts of the Assemblies by external auditors not forgetting the efforts of local government inspectors and the placement of internal auditors in each MMDA and the publication of development projects both completed and on-going ones, this is to educate and convince the populace about the prudent use of their taxes collected from them. In furtherance of the above, the Financial Memorandum, of the Local Governments- Act, Act 54 has been reviewed to indicate how important the issue is to Government and other development partners. (Ghanadistricts.com). According to Zanu (1990 ), the political perspective of in financial matters of the District Assemblies must necessarily be reviewed and that the factors that negatively affect revenue mobilization of Metropolitan Municipal District Assembly's require local, bold and innovative actions by the District Assemblies themselves.

#### **2.4.1 Institutions Responsible For Revenue Mobilization and Their Functions**

There have been calls by authorities of local governance and politicians to MMDAs and Interim Management Committee (IMC) to intensify and modify their revenue collection methods to be able to execute the various development plans of their areas. Nkrabea (2003) hypothetically intimated that, MMDAs relied on the District Assembly Common Fund for development, without making efforts to generate local revenue to augment the funds that

come in from the central government. District Assemblies have been urged to set up revenue generating mechanisms to enable them to generate more funds to meet the numerous demands of their electorates. In furtherance to the above, the Ghana News Agency (GNA, 2004) reported that the administrator of the District Assemblies Common Fund (DACF) expressed concern about the Assemblies overreliance on the DACF and further regrettably noted that most of them (MMDAs) have forgotten that the fund was set up to augment their Internally Generated Funds (IGFs). Tigue et al (1998) indicated that, many governments are experimenting new approaches and ideas to improving collection through the recent use of technology to boost collections. There seemed to be a lot of collusion between revenue collectors and taxpayers which enabled the latter to evade the payment of taxes. This has contributed to the over-reliance of district assemblies on the District Assemblies Common Fund for all development projects (GNA 2003).

#### **2.4.2 Challenges and Prospects of Institutions responsible for Local Revenue Generation.**

Despite the modest structural changes, resource, mobilization at the district level in Ghana is still very weak. This has made the District Assemblies still highly dependent on the central government revenue. It is inferred that the funds released from the central government (including DACF) often fall short of the financial requirements of the District plans and operations. This is evidenced from the persistent deficits that have come about as a result. On the whole, the deficits have averaged between 20% and 30% of the amount budgeted for. This adversely affects the execution of many development projects in the districts in the form of delays, uncompleted projects and diversion of resources to other ends that have not initially been budgeted for.

Alifo (1997) attributed the low revenue base of the District Assemblies to their inability to enforce the regulation on tax evasion because politicians would not want to be unpopular especially in years preceding elections or even election for obvious reasons.

Also District Assemblies access to sources of revenue is controlled by legislations but admits that experience suggests District Assemblies are reluctant to increase their charges and taxes within levels already permitted. Additionally, Das are unable to collect what is due them, preferring to seek relief from revenue problems through the central government transfers. Alifo cited property rates, as the single most important source of revenue for MMDA's but even with that, it was being fully tapped with some property owners owing the assembly monies that run into several thousands of Ghana cedis.

A report by the World Bank (2010) revealed that District Assemblies found it difficult to allocate large portions of their resources to developments projects instead. Capital expenditure accounted for 5 to 20 percent of their total expenditure between the periods 1982-1988 with majority of the Assemblies falling at the low level of the range. This erodes the confidence of the public in the inability of the district assemblies to raise resources for the development of their various localities. The report further revealed that only a few assemblies spent up to 20 percent of their resources on capital development which is nothing to write home about looking at the extent of work done, noting that a greater number of them (MMDA's) spent only 5 per cent of their resources on capital development.

Lack of effective internal and external control measures and the lack of staff within the requisite specialized skills to manage technical services partly accounts for the ineffectiveness of District Assemblies. Dotse (1998) concedes that the problem of revenue



generation in local government units is due to the inelastic nature of rates charged by the Metropolitan Municipal District Assembly.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter takes into consideration the reason behind the choice of Kumasi Metropolitan Assembly and the various methods used in gathering information for this study. The Kumasi Metropolitan Assembly was chosen due to its closeness to the researchers and looking at the time involved in carrying out this research, the researchers thought it will be inappropriate and unwise to pick a location that will make it difficult in gathering information. Moreover, the size of the assembly and the amount of data that the researchers intend using for the analysis of this study and cutting down cost that would be incurred by travelling long distance in gathering data for the study, were all factors considered. It is in this regard that the decision was taken to settle on the Kumasi Metropolitan Assembly.

#### **3.1 POPULATION OF THE STUDY**

The population for the study is made up of twenty officers; four senior officers and sixteen junior officers drawn from the finance department of Kumasi Metropolitan Assembly. The population is mainly classified into two departments namely; the Accounts section and the Revenue section. Two senior officers and eight junior officers were selected from each section.

#### **3.2 SAMPLING PROCEDURE**

From the total of twenty officers, the researchers took eighteen as the sample size. This comprises two senior officers from both the Accounts and Revenue sections and seven junior officers from each section.

The following techniques were used in selecting the sample size;

- Purposive sampling
- Random sampling

In the case of obtaining information from the senior officers in the accounts and revenue sections, the researcher used purposive sampling technique. This is because some important information could only be provided by the senior officers. However in the case of obtaining information from the junior officers, random sampling technique was used to give equal chance of being selected to all the junior staff.

### **3.3 SOURCES OF DATA COLLECTION AND INSTRUMENT**

Both primary and secondary data were employed for the effective and comprehensive analyses, to help answer research questions and meet the objectives as well. The primary data was generated from the semi- structured interviews conducted and the questionnaire given to the Metropolitan Finance officer. Semi-structured interview was selected in order to guarantee that the same issues would be addressed in each interview, but also grant the interviewees sufficient scope to elaborate on issues. The annual financial reports were also requested from the KMA finance office and access was granted without delay. This constituted the secondary source of data for the analysis. Other required data were also sought through formal and informal discussions with executives and officers at the Assembly.

### **3.4 DATA ANALYSIS AND REPORTING**

Data collected was collated under the various objectives of the study for ease of analysis and inferences. Attempts were made to make meaning out of the data so collated. Analysis was done using both qualitative and quantitative methods. Employing quantitative tools (such as

averages, percentages and proportions) and inferential statistical tools, the collated data was analysed.

### **3.5 LIMITATION OF THE STUDY**

The main problem faced had to do with the collection of the data from the organisation chosen. The problem was particularly with the junior officers. The reason being that some of these junior officers thought they would leak official or unauthorised information in the process, thereby exposing the weakness of the employer. As a result, they sometimes felt reluctant to provide answers to some of the questions posed to them.

## **CHAPTER FOUR**

### **ANALYSIS AND INTERPRETATION OF DATA**

#### **4.1 INTRODUCTION**

This chapter focuses on the analysis of the Kumasi Metropolitan Assembly's financial report for the research work. The chapter will discuss data on the financial resource base of the assembly like the internal generated revenue and other forms of sourcing revenue for the assembly for the smooth administration of the Kumasi Metropolitan Assembly. Regarding the internal generated revenues of Metropolitan Municipal District Assembly's (MMDA), data gathered and presented includes the demographic and social characteristics, the perceptions and knowledge of internal generated revenues and the impact that locally generated revenue on the operations of the Kumasi Metropolitan Assembly.

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#### **4.2 KUMASI METROPOLITAN ASSEMBLY IN CONTEXT**

The Kumasi metropolitan assembly was established by Legislation Instrument 1689 of 1986 to be responsible for the overall development of the Metropolis, and shall ensure the preparation and submission through the Regional coordinating council for approval of the plans to the National Development Planning Commission (NDPC) and forwarding of budgets to the Ministry of Finance.

##### **4.2.1 Local Administration**

The Kumasi Metropolitan Assembly is one of the twenty seven (27) Metropolitan Municipal District Assembly's (MMDA) in the Ashanti Region. It is one of the old Administrative Districts in the Country; it dates back in the colonial days when it was called the Kumasi city council with Kumasi always being the District capital. The Kumasi Metropolitan Assembly

has ten operation sub-metros and these are the Oforikrom, Asokwa, Bantama, Nhyiaeso, Kwadaso, Subin, Manhyia, Suame, Old Tafo and Asokwa metros. The KMA shares boundaries with the Kwabre East District Assembly to the north, Bosomtwe and AtwimaKwanwona District Assemblies to the south, Ejisu- Juaben Municipal Assembly to the East and the Atwima Nwabiagya District to the West of the Metropolitan Assembly.

#### **4.2.2 The organizational structure of Kumasi metropolitan assembly**

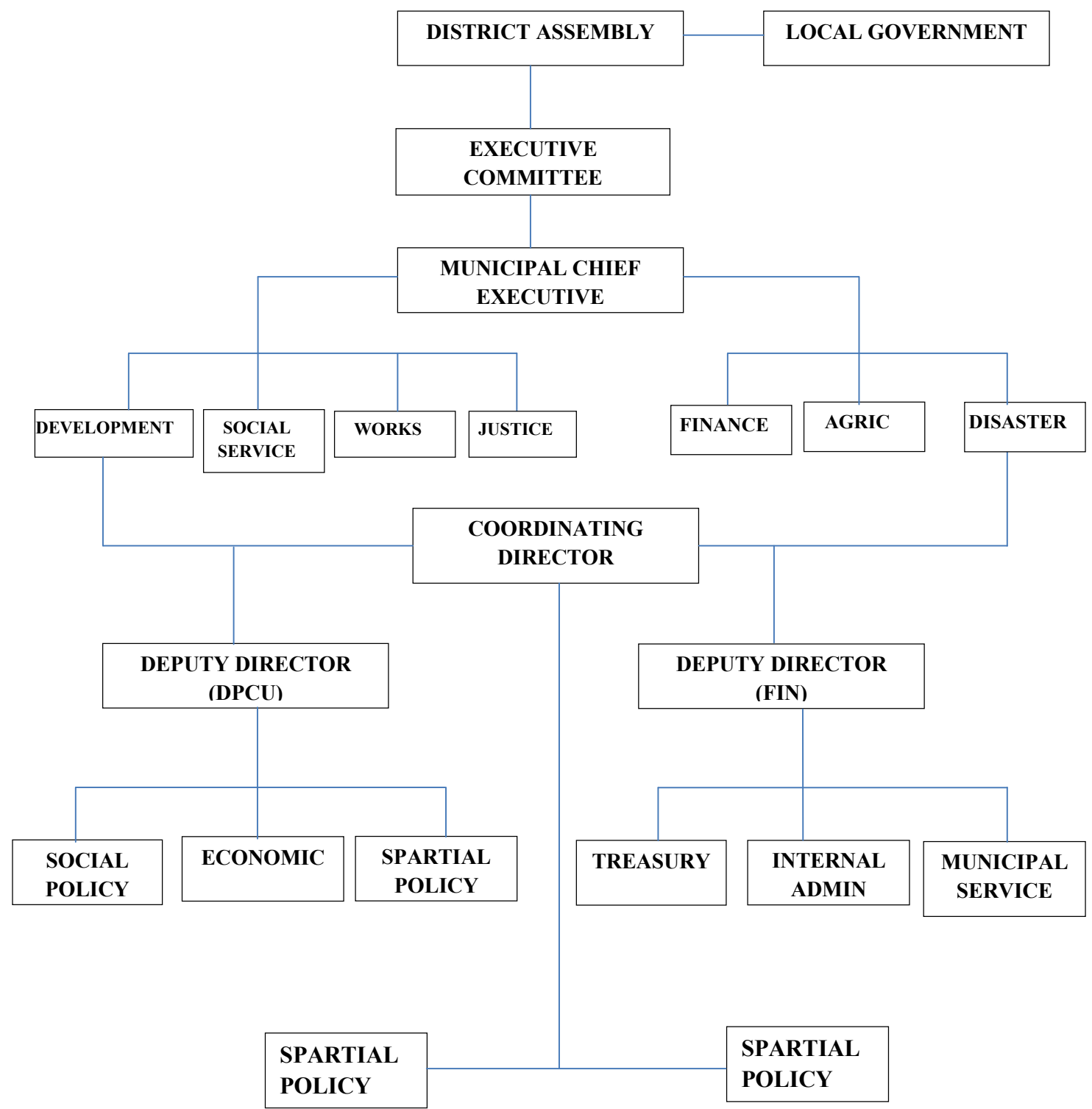
The Structure of the Assembly as presented in figure 4.1 consists of the assembly at the top most part of the highest decision making and legislative body. Below the assembly are the Executive Committee, the Municipal Chief Executive (MCE) and sub- committee in the descending order of authority. Membership of the Executive Committee comprises all chairmen of the seven sub committee, and five other members appointed by the Municipal Chief Executive (MCE) in consultation with Presiding Member.

The sub committees include the Development Planning, Social Services, Works, Justice and security, Finance and Administration, Agriculture, Environment and the Disaster Prevention and Management. At the base of the structure are two (2) Deputy Directors who report to the Municipal Coordinating Director (MCD).

The Kumasi Metropolitan Assembly was established by Legislative Instrument 1689 of 1986 like the Municipal District Assembly's the Kumasi Metropolitan Assembly is expected to perform the following functions among others:

- Be responsible for the overall development of the Metropolis, and shall ensure the preparation and submission through the Regional Coordinating council for approval of the plans to the National Development Planning Commission (NDPC) and forwarding of budgets to the Ministry of Finance.
- Sub – government financing and its challenges
- Formulate, execute plans, programs and strategies for the effective mobilization of resources necessary for the over all development of the Metropolis
- To promote and support the productive activities and social development of the area.
- Initiate programs for the development of basic infrastructure in the Metropolis.
- Be responsible for the development, improvement and management of human settlement and the environment in the metro.

**Fig. 4.1ORGANIZATIONAL STRUCTURE OF KUMASI METROPOLITAN ASSEMBLY**



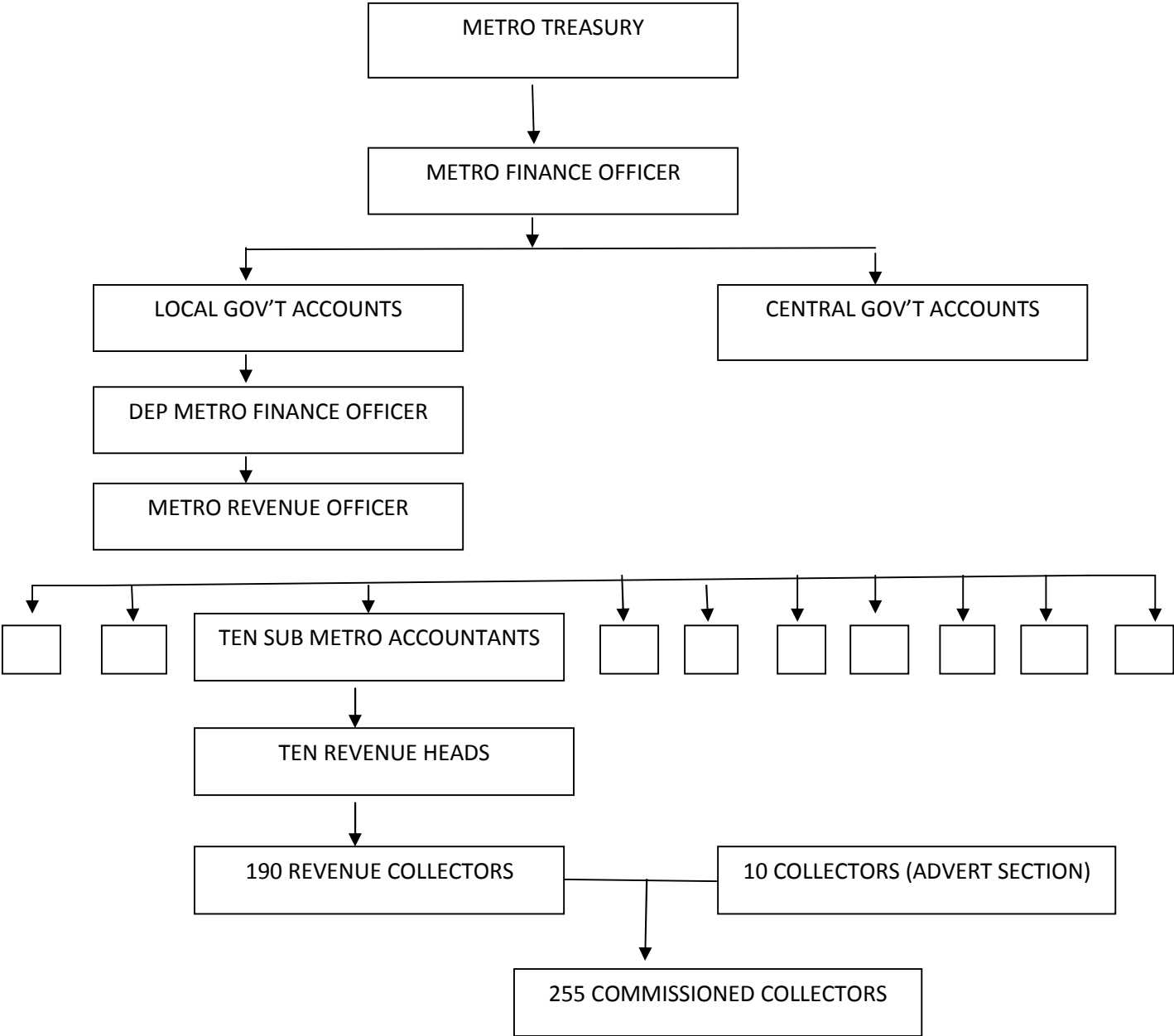
**SOURCE: KMA, 1994**



### **4.3 THE STRUCTURE OF REVENUE MOBILIZATION IN KUMASI METROPOLITAN ASSEMBLY**

The Metro Treasury is the highest office of the revenue collection department of the assembly. The metropolitan finance officer is the head of the accounts unit in charge of all accounting transactions of the assembly. The Local and Central Government account are the next on the chart indicating the hierarchy followed by the deputy Metro Finance officer. The principal revenue superintendent is the head of the revenue unit responsible for revenue station heads and revenue collectors. The revenue collector pay in monies to designated banks of the assembly and present pay- in slips through the revenue heads for relevant receipts. In all there are four hundred and forty five (445) revenue collectors at the assembly. One hundred and ninety (190) are permanent collectors and two hundred and twenty five (255) are commission collectors. The hierarchy includes revenue heads, supervisors and actual collectors.

**FIG 4.2 ORGANIZATIONAL CHART OF THE KMA’S FINANCE DEPARTMENT.**



**SOURCE: KMA 1994**

Out of the 445 revenue officers, 21 are heads, 10 are supervisors and actual collectors are 424 in number. The five sub- district structures of the assembly are responsible for the collection of ceded revenue which are shared equally between them and the central administration. The Internal Auditor of the assembly vets all payment vouchers of the assembly before any

spending or expenditure is incurred. This is ensuring that proper procurement procedure is followed. Source; KMA achieves (2007)

#### **4.4 MAIN SOURCES OF REVENUE FOR THE KUMASI METROPOLITAN ASSEMBLY**

It is by no means erroneous to assert that funding for the local government system in the country leaves much to be desired to say the least. The general sources of revenue mobilization of the assembly are primary through government subventions and local sources (Internal Generated Fund) but these have been inadequate to sustain the development needs of the Kumasi Metropolitan Assembly. The government's response to the poor financial situation of the assemblies has been essentially in two fold.

First to be considered is the mechanism of 'ceded revenue' under which a number of taxes such as advertisement (bill boards) tax, income tax payable on registration of trade, business, professional or vocational, daily transport tax payable by operators of commercial transport and income tax payable by specified categories of self- employed persons in the informal sector have been transferred to the district assemblies. In addition is the payment of property rates by property owners within the area of operation of the metropolis and revenue from Lands, Fees and fines, licenses, rent and investment. The second is the District Assembly Common Fund (DACF) which is a transfer from the central government.

However the District Assembly Common Fund falls under a broad group of the assembly's revenue source called grants.

Below is Kumasi Metropolitan Assembly's revenue performance for 2009-2010

**Table 4.1 REVENUE PERFORMANCE OF KMA**

YEAR	RATES	LANDS	FEES& FINES	LICENCE S	RENT	INVESTMEN T
2009	2,059,274.93	664,875.14	2,303,395.64	542,516.49	369,480.90	384.42
2010	2,245,036.81	732,876.50	2,949,563.79	4,918,968.29	516,759.64	1,385.88
TOTAL	-	1,397,751.64	5,252,959.43	5,461,484.78	886,240.54	1,770.30

YEAR	MISCELLANEOUS	DACF	HIPIC	TOTAL
2009	152,397.63	3,851,368.40	6,069,960.45	16,013,654.00
2010	47,675.83	2,782,583.97	319,283.12	14,514,133.83
TOTAL	200,073.46	6,633,952.37	6,389,243.57	

Source: Annual Financial report of KMA 2009-2010

(All calculations that were done in order to arrive at the percentages were based on the above table)

#### **4.4.1 The Internal Generated Fund (IGF)**

From the analysis of data from the Kumasi Metropolitan Assembly's annual financial reports, it was revealed that the main sources of local revenue for the metropolitan Assembly primarily are the Internal Generated Fund. In reality, the Kumasi Metropolitan Assembly has seven (7) main sources of Internal Generated Fund which include Rates, Lands, Fees and

Fines, Licenses, Rent, Investment, and Miscellaneous (that constitute the ceded revenue) as outlined earlier.

#### **4.4.1.1 Contribution of Rates to the Internal Generated Fund (IGF)**

Rates include basic rates, property rates and arrears of property rates. The total rates revenue is 33.8 % to the total Internal Generated Fund realization of the assembly for 2009 and 19.7% for 2010.

#### **4.4.1.2 Contribution of Lands to the Internal Generated Fund (IGF)**

Revenue from lands is obtained from building plans and permit issuance as well as stool lands royalties. Lands contribute 10.9% to the assembly's total Internal Generated Fund for 2009 and 6.4% for 2010. This was due to the fact in 2009 a lot more building plans and permit were issued and stool land royalties paid were significantly higher than 2010 .

#### **4.4.1.3 Contribution of Fees and Fines**

Fees and fines constituted of 37.8% of the assembly's total Internal Generated Fund in 2009 and 25.8% in 2010. Fees and fines constitute the biggest source of Internal Generated Fund for the Kumasi Metropolitan Assembly for the period. Sources of this revenue included court fines, market tolls, lorry parks tolls, cattle kraal fees, marriage registration fees, burial or cemetery charges, sub-metro management tolls. Others include dislodging charges, tipping charges; street parking and Zip Code Street address charges.

Considering the population of Kumasi and the fact that more litigations, court fines, lorry parks utilisation, on street parking charges, slaughter fees, tipping charges and dustbin clearance under this category of IGF are routinely undertaken in the metropolis, it is then clear that fees and fines contribute immensely to the total IGF of the assembly.

#### **4.4.1.4 Contribution of Licenses to Revenue**

Revenue from licenses comes from hawkers, business service providers, block manufacturers, hotels and guest houses, fuel dealers, hoarding adverts, stores etc. Licenses contribute 8.9% of the assemblies Internal Generated Fund revenue in 2009 and 43.1% in 2010. Rates and licenses are considered to be the second largest income earners for the assembly. On the average they contribute approximately 26 % each to the total Internal Generated Fund of the assembly.

#### **4.4.1.5 Contribution of Rents to Revenue**

Revenue from renting the metropolitan bungalow, North Zongo Estates, market and the Prempeh Assembly Hall constitute rent revenue. Others include rent from open spaces/parks and old slaughter house. This source contributed 6.1% for 2009 and 4.5% for 2010.

#### **4.4.1.6 Contribution of Investment Income**

Investment income is primarily bank interest paid on bank accounts and fixed deposits of the Kumasi Metropolitan Assembly. This is only 0.06% of the total Internal Generated Fund for 2009 and 0.01% for 2010. This is the lowest income earner for the assembly.

#### 4.4.1.7 Contribution of Miscellaneous

Miscellaneous income comes from penalties (towed vehicles), unspecified receipts and donations. Other sources include over payment receipts, refund of cash embezzled and compensations. This contributed 2.5% for 2009 and 0.42% for 2010.

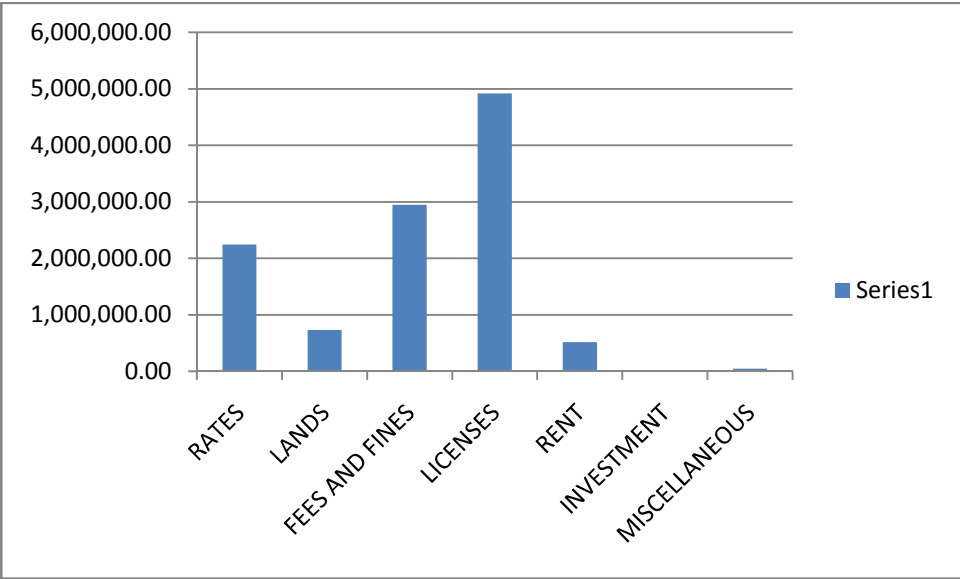
Below is a table and bar chart to show a graphical presentation of internally generated revenue for 2010 financial year.

**Table 4.2**

#### **INTERNAL GENERATED REVENUE FOR 2010**

REVENUES	AMOUNT (BUDGETED)	AMOUNT (ACTUAL)	PERCENTAGE ACHIEVED
RATES	3,286,711.00	2,245,036.81	68%
LANDS	785,732.00	732,876.50	93%
FEES AND FINES	2,650,400.00	2,949,563.79	139%
LICENSES	5,625,009.00	4,918,968.29	87%
RENT	282,465.00	516,759.64	187%
INVESTMENT	15,00.00	1,385.88	9%
MISCELLANEOUS	47,000.00	47,675.83	101%

Chart 4.1



**4.4.2 Contribution of Grants to the Assembly’s Revenue**

The second structure of the revenue is in the form of grants from the central Government and some development partners like the USAID, Department of International Development, German Development Cooperation, Social Investment Fund (SIF) and the District Assembly Common Fund (DACF) fall under this category. The 1992 Constitution directs that not less than 5 percent of the total revenue of Ghana shall be shared among the District Assemblies through a formula that is approved by parliament annually. The formula for sharing is based on modalities that may be agreed by parliament.

Other sources of income for the assembly under the grants are the H.I.P.C Funds. Social Investment Fund (SIF), urban sanitation project fund and government grants for salary wages. In 2010 financial statement of the assembly, grants include funds from urban poverty program (UPP) and the District development fund (DDF). These amounts were significantly greater than the HIPC fund and District Assembly Common Fund when individually considered.



#### **4.4.2.1 Contribution of District Assembly Common Fund(DACF)**

The tremendous impact of the District Assembly Common Fund on the operation of the Metropolitan Municipal District Assembly cannot be over emphasized. Certainly, it is a well known fact that receipts from the District Assembly Common Fund enables the District Assemblies to start and complete new development projects as well as revamp and complete old ones.

However, from the point of view of central –local relations, the District Assemblies common Fund (DACF) has been operating in such a way that it has rather increased central Government control over local authorities, but not reduced it. In addition to the relatively low transfer from the District Assembly Common Fund, which affects the financial resilience of the District Assemblies, there is evidence to suggest that District Assembly officials appropriate the monies transferred to them. In the award of contracts for development projects, some District Chief Executives (DCEs) collude with contractors to inflate the costs of projects (Kwarteng 2009).

#### **4.4.2.2 Contribution of the HIPC fund**

The contribution of the Highly Indebted Poor Countries (HIPC) fund to the assembly's total revenue received was significantly bigger than the District Assembly Common Fund. On the average the HIPC fund contributed to the total grants received by the Kumasi Metropolitan Assembly.

### **4.5 SPENDING AND HOW SPENDING IS PERMITTED**

Below is an outlined of how the assembly permits spending of its revenue;

- The spending of revenue commences with the budget line which has been prepared and approved. The approval of the budget line also depends on the availability of the approved funds.
- Request for release of funds as allocated by budget is initiated by the appropriate department which is sent to the coordinating Director for approval and to the finance office for the release of funds.
- Approval of budget expenditure is done after cross checking of the approved budget.
- Before funds are released, pre-auditing is carried out by the internal auditor to ensure that proforma invoices are attached to the request and the purpose of the funds request is checked.
- After the pre-auditing, funds are therefore released to the appropriate department or the individual requesting for payment.

It is important to note that approval for spending is first given by the general assembly before it gets to the coordinating Director. It should be emphasized that there is a good relationship between revenue officers as they coordinate the efforts of each other in complimentary and collaborative roles with each rank and file performing their own duties as assigned.

#### **4.6 INSTITUTIONAL ARRANGEMENT FOR REVENUE COLLECTION**

Parts of the revenue are collected by the assembly's revenue collectors while others are collected by private firms on commission basis. The Kumasi Metropolitan Assembly has engaged the services of other organizations by outsourcing most of its revenue collection mandate to some external agents. Though this is to ensure efficiency and effectiveness or otherwise of their output, it is to be proven if this objective has been met or can even be met

through this venture. The research was able to establish that the under listed companies are currently engaged to collect certain revenues on behalf of Kumasi Metropolitan Assembly.

- ❖ RESOLV and REFNET- Property rates
- ❖ Skymount – Business Operating permit
- ❖ Gold street Consult- On street packing fees
- ❖ FREKO- Kejetia Lorry Terminal

#### **4.6.1 Monitoring Mechanisms**

The assembly has a rigid monitoring mechanism in place to check pilferage of revenue by both in house collectors and external agent's engaged to carry out these functions on their half. The monitoring system in place is to ensure effective monitoring of activities in order not to create opportunities for malfeasance.

- First the assembly set target for the collectors and external agents contracted.
- Revenue monitoring teams pay unannounced visits to collection spots to observe the process in its execution stage.
- Internal auditors carry out verification checks on fees collected, pay-in-slips.
- External auditors carry out forensic audits periodically.

#### **4.7 CAPACITY FOR LOCAL REVENUE MOBILIZATION**

The Kumasi Metropolitan Assembly has all administrative and institutional structures required for local revenue mobilization. Administratively, all the core staffs of the assembly are at post and sub-districts structures are functional. The assembly has twenty (20) revenue vehicles assigned solely to the ten sub-metro councils and the revenue taskforces to monitor

collection. Revenue station officers are assigned to all the revenue stations of the Metropolis who are responsible for revenue collectors under them.

The assembly has the metro Finance director as the head of the revenue collection team with the revenue monitoring team under him. Under the monitoring team are the revenue head, private collection firms and the revenue taskforce. The monitoring team has oversight responsible over these divisions. There are ten sub- metro Revenue Heads or Managers of satellite markets together with a central market manager, head of licence section and a satellite lorry park overseer falls directly under the supervision of the revenue head.

However there are five (5) market supervisors under the watch of the central market manager who in turn supervise the activities of the revenue collectors. Real official figures on collectors from the assembly indicate that in all there are four hundred and forty four (444) revenue collectors at the assembly. One hundred and eighty nine (189) are permanent collectors and two hundred and fifty five (255) are commission collectors.

From the survey, the number of commission collectors ranged from 30 to about 120 but that finding was factually flawed and misleading compared to official figures on the ground. The survey further established that the numbers of permanent collectors of the assembly are between 100 to 200. From the survey, forty percent (40%) of the finance officers in KMA think that between 100 to 200 collectors are employed at the assembly permanent but 20 percent each considered the number to be between 201 to 300, 301 to 400 and 401 to 500. This funding is supported by available official figures and could be considered as a good information reference source.

However it is very evident that these institutionalized bodies are not able to meet their mandated obligations to the assembly hence, the need for some other options to pursue this problem and solve it.

## **4.8 PROSPECTS AND CHALLENGES OF LOCAL REVENUE MOBILIZATION FOR LOCAL DEVELOPMENT**

There are a number of challenges confronting the assembly to mobilise revenue for the local development and some of the challenges which came to light as in the course of the study are outlined below:

### **4.8.1 Poor Monitoring and supervision**

The local authorities sometimes do not get value for money because of poor monitoring and supervision. Poor supervision of personnel at the metro and sub metro level leads to inability of Kumasi Metropolitan Assembly to achieve its annual set target and hence create opportunity for malfeasance.

### **4.8.2 Misappropriation of Revenue**

Failure by District Finance Officers (DFO's) to supervise and monitor the performance of accounting officers and revenue collectors result in misappropriation of funds by tax collectors and other revenue mobilisation agencies.

### **4.8.3 Lack of proper checks of accounts**

Findings from the study show that, due to inadequate supervision and delayed payments to bank; revenue misappropriation recurred during the period under review.

#### **4.8.4 Non-application of sanctions**

Sometimes either sanction take a long time to be invoked, or they are not invoked at all in cases of involving corruption practices. Sometimes these people are transferred to other districts or not sanction for political reason.

#### **4.8.5 Lack of strict enforcement and compliance with internal regulations**

There are so many regulations and internal control measures that can help reduce corruption in the local authorities in Ghana; however these measures are sometimes not adhered to.

#### **4.8.6 Rate Collection**

Apart from the corporate bodies operating in the Metropolis, most properties are not valued correctly so collection of property rates in particular is quite difficult. Inadequate database on revenue sources of the Assembly is a major setback of its revenue mobilization drive. This challenge, notwithstanding, the assembly has some tourist attractions that could be harnessed to generate revenue. The determination of basic rates still lies with the central government which stands at Ten Ghana Pesewas (GHP 0.10). The cost of collecting the basic rates is more expensive than the monies realized from the collection. Therefore, collections of the rates are not attractive to collectors and the Assembly in general

### **4.9 CHALLENGES MILITATING AGAINST REVENUE MOBILIZATION OF THE ASSEMBLY**

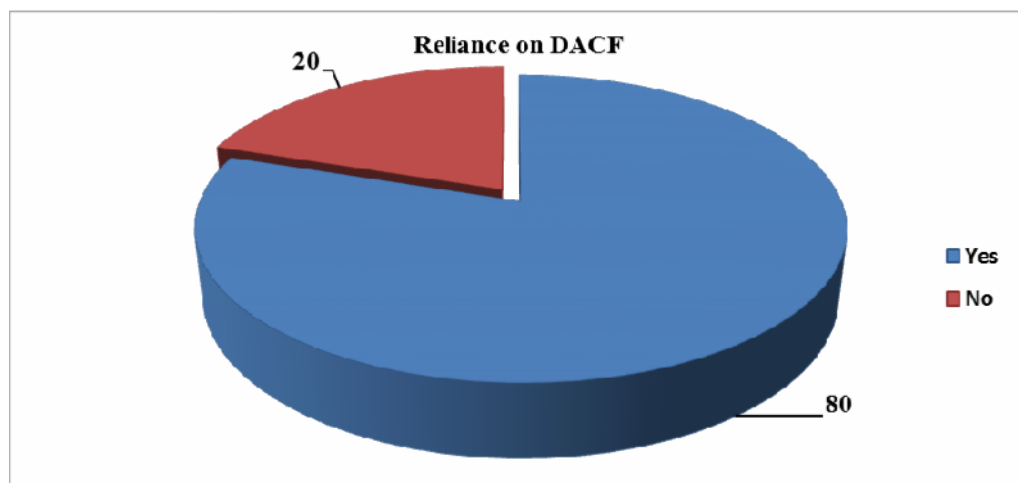
As discovered in this research work, the assembly has been unable to garner enough of their own income for running the local governance mandate as enshrined in the 1992 constitution but has been reliant or even over reliant on external sources for their own operations. Some of these inhibiting factors shall be considered below.

#### 4.9.1 The District Assembly Common Fund Menace

The introduction of the District Assemblies Common Fund (DACF) was a very laudable idea but it seems to have brought in its trail some problems or challenges to the assemblies own mandated revenue mobilization drive. The DACF has made the District Assemblies to over-rely on its proceeds rather than providing a mere anchor to locally mobilized resources. According to a Kwarteng (2010) most District Assemblies have not been able to raise about forty five per cent (45%) of their projected revenue from traditional sources since the introduction of the District Assemblies Common Fund (DACF). This was also confirmed in the survey where all respondents agreed that the assembly is not able to meet its annual targets.

A majority of the 16 of the respondents which constitute eighty per cent (80%) of the eighteen respondents admitted that the Kumasi Metropolitan Assembly is very reliant on the district assembly common fund but just twenty percent (20%) of these respondents did not agree.

Chart 4. 2



#### **4.9.2 The Ceded Revenue Approach**

The ceded revenue approach also did not improve the capacity of the District Assemblies to perform functions assigned to them. The District Assemblies still look up to the central government to provide grants for their development projects, which are not forthcoming. Furthermore, the District Assemblies had only limited success in increasing revenues from rates and other forms of local taxation for a number of reasons. Firstly, most District Assemblies are located in impoverished areas, which limited the total amount of potential resources they can collect.

Secondly, even if resources were there to be mobilised, elected Assembly members naturally hesitated to impose fresh taxes on their constituents since this act may make them unpopular. Thirdly, the long history of the failure of local government in Ghana and the misuse of locally generated resources has made taxpayers cynical about what the District Assemblies may do with local contributions or tax revenues. They are therefore generally unwilling to pay taxes. Evidence from questionnaire dispatched and informal conversations with the Metropolitan Finance Officer (MFO) also make some interesting revelations about some setbacks to the Kumasi Metropolitan Assembly's ability to mobilize revenue locally. For example some of the Metropolitan Finance Officer cited the lack of logistics and lack of qualified personnel manning revenue mobilization matters as the major constraints of the Kumasi Metropolitan Assembly in mobilizing the Internal Generated Fund. He again stated that the system is so much fraught with corruption that leakages alone drain the assembly of most of the meagre revenues generated. The problem though others attribute to over stayed collectors who have found lope holes in the revenue collection system who also lack the requisite training and motivation.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION**

#### **5.0 INTRODUCTION**

This chapter looks at the key findings of the research and recommendations made as to the way forward for future improvement of financial resource mobilization systems for local development. The chapter however ends with conclusions to the study. The major findings are presented below as.

#### **5.1. SUMMARY OF KEY FINDINGS**

##### **5.1.1 Main Sources of Local Revenue**

The findings revealed that, generally, there are two main sources of revenue mobilization of the assembly which are the government subventions and internally generated fund. The government subventions are primary the District Assembly Common Fund (DACF) which is a transfer from the central government and Highly Indebted Poor Countries (HIPC) fund.

The local revenue (Internal Generated Fund) mobilisation have been grouped into seven main sources which include Rates, Lands, Fees and Fines, Licenses, Rent, Investment, and Miscellaneous including taxes such as advertisement (bill boards), income tax payable on registration of trade, business, daily transport tax and income tax payable by specified categories of self-employed persons in the informal sector. However, the grants and the IGF that fund the Kumasi Metropolitan Assembly are very insufficient.

The findings revealed that, the Kumasi Metropolitan Assembly uses its own revenue collectors and other private organisation in its revenue mobilisation and as such part of the revenue collection of the Assembly have been outsourced the firms on commission basis and

the objective is to ensure efficiency and effectiveness or otherwise of their output. These private organisations are RESOLV and REFNET for property rates, Skymount in charge of business operating permit, Goldstreet Consult responsible for on street parking fees and FREKO in charge of the Kejetia Lorry Terminal. The assembly is yet to assess if this objective have been met or can even be met through this venture.

### **5.1.2 Challenges and Prospect of Revenue Mobilisation**

The research revealed that revenue mobilization at the Kumasi Metropolitan Assembly has been plagued with challenges such as incompetence, corruption and embezzlement of proceeds by officials making local government initiative ineffective. Therefore, the grants and the Internal Generated Fund that fund the Kumasi Metropolitan Assembly are very insufficient and that the assembly need to do more to improve upon their revenue generation drive. There is a clear lack of or failure of existing institutions to conduct, check and maximise revenue collection for the assemblies especially the Kumasi Metropolitan Assembly. However in spite of these challenges, prospects in overhauling and revamping the system to make it perpetually effective and sustaining remains high.

Furthermore the findings revealed that there is a clear lack of the strong institutional body to effectively handle the revenue mobilization mandate of the Assembly. The current institutional bodies in charge of this matter have failed in their attempts to conduct, check and maximize revenue collection for the assemblies. Also be drawn that collectors of the revenues are not properly recruited and trained, and also not well motivated. In addition there are no proper monitoring mechanisms of the activities of collectors in place to check leakages, malfeasances and corruption.

Finally the politics and political interference is a serious setback and in part hugely responsible for the financial losses incurred on the Kumasi Metropolitan Assembly and similar bodies.

### **5.1.3 Local Revenue Collection and Monitoring Mechanism**

From this piece of research work and similar works conducted by others so far, it has become abundantly clear that resource collection and monitoring endeavors on the part of the KMA leaves much to be desired. Monitoring and collection of these financial resources which are the backbone of the assembly's local government body is at best non-existent and even if existent it is ineffective. Monitoring and collection needs serious attention if DCEs and their likes will ever be serious in streamlining their operations. According to a research conducted by Kwarteng (2009) on outsourcing of internally generated fund by Kumasi Metropolitan Assembly, respondents varied in opinion though concentrically. Some respondents intimated that the DA's should embark on intensive and comprehensive data collection, expand and equip the revenue department and also give incentives to those directly involved in collection. In addition some indicated that revenue mobilization task force should be allowed to go out and also embark on a rigorous monitoring process. Others suggested that the assembly should have more resources to mobilize revenue. The assembly should expand the revenue base and also strive to summon and or send defaulters to court. Some believed proper structures should be put in place to capture those who do not pay taxes or simply increase the tax base.

Outsourcing collection operations according to some respondents is imperative. While some considered group collection and educating both the rate payers and task force to improve their skills, others cited an increase in revenue rate and widening the scope of operations. Others advocated for the employment of competent and literate staff. Some respondents demanded a

reconstitution, equipping and motivating revenue collection task force or outsourcing revenue collection exercise. In the opinion of a respondent, the existing control system in place should be strengthened; others supported instituting an efficient data base on entities and proper revenue data by using mechanized and computerized methods of collection. One respondent expressed that DA's by-laws should be implemented, loop holes that lead to revenue leakages should also be nipped at the bud (Kwarteng 2009). One of such leakage may be the non-issuance of receipts for money collected.

## **5.2 RECOMMENDATIONS**

The recommendations presented address the objectives of the study, which was to assess the fiscal decentralisation for local development. Below are some of the measures suggested by respondents as strategies for fiscal decentralisation for local development.

Firstly there should be a Public, Private Partnership to Fund Infrastructural Development in the metropolis.

Secondly, Monitoring and Supervision should be improved upon in order to check leakages and embezzlement of the proceeds by officials of the assembly. In addition the assembly should establish and maintain a Good Database system in its efforts to improve their revenue mobilization by collecting data on all economic activities in its catchment area for effective planning and budgeting.

Furthermore, it was established during the research that most of the finance and administration committee members lack basic skills in accounting and finance principles. To ensure checks and balances in the utilization of revenue, it is imperative for the members to be trained so as to be able to play their oversight roles effectively.

To add to the above, the revenue unit of the assembly must be adequately resourced at all times to meet the challenges of revenue collection. The office of the revenue superintendent should be allocated revenue vans and the needed technology to monitor revenue collection activities on daily bases. This will also make it possible for monies collected to be paid into the assembly's account daily since it is not all revenue stations that have designed banks. Other means of transport like motor bikes should be provided to revenue collators, especially those in remote areas to facilitate their work.

Again, the Kumasi Metropolitan Assembly should encourage sub metro councils to initiate their own development projects and programs using their share of the fifty per cent revenue generated. This move would encourage local participation in revenue mobilization. It is also recommended that, government should increase the District Assembly Common Fund to help strengthen or consolidate the nation's quest for effective local governance.

Finally tax education programmes' should be rolled out using the electronic and print media to sensitize the general public on the need to pay rates, levies and taxes.

### **5.3 CONCLUSION**

The general advancement of Ghana depends mostly on the ability of local governments to marshal financial and human resources necessary for the development of their localities. The promotion of financially independence local governments means lessened dependence on fiscal flows from the inner circle and increased self-sustaining financial mobilization efforts from identified and unidentified sources.

This study presented a practical and theoretical context for this research by outlining the significance of the local government system to national development, the structure of the

local government system and the role of the MMDAs in resource mobilization at the local level. It outlines the challenges militating against effective and efficient implementation and establishes prospect of the system. To achieve the objectives of decentralization, it is crucial that local government units are able to identify and harness their potential financial resources and mobilize them for development with a little or no financial transfers from the central government. Also with regards to disbursement, approval of budget expenditure is done after cross checking of the approved budget with pre-auditing being carried out by the internal auditor before funds is being released.

Local government functionaries ought to be more innovative and more business- minded and focuses more on income generating strategies for sustainable revenue for the assemblies. Local officials should instill contemporary management paradigms, innovation and strategic approaches in running the local government business in these challenging competitive times. The workforce must be well educated, properly trained and motivated, source of leakages of revenues must be nipped at the bud and above all high handedness and corruption should be addressed. All these measures are necessary for the mobilization of local financial resources for local level development.

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## **APPENDIX**

### **QUESTIONNAIRE FOR THE METROPOLITAN FINANCE OFFICER SOURCES OF FUNDS AND THEIR DISBURSEMENTS IN THE METROPOLITAN ASSEMBLIES**

#### **(A CASE STUDY OF THE KUMASI METROPOLITAN ASSEMBLY)**

We are final year students of Christian Service University College pursuing a Bachelor's degree in Business Administration (Accounting option).

As a requirement of our program, we are mandated to undertake a research into the activities of an institution on a topic in relation to our programme of study.

The information/data collected would strictly be used for academic purposes.

We count on your usual co-operation.

Current Position Occupied

.....

How many types of revenue are available to the Assembly?

.....  
.....

Please name them

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

Which institutions are responsible for the collection of these revenues?

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

How will you rate these institutions ability to mobilize the assembly's revenues efficiently on a scale of 1- 4?

- 1- Inefficient
- 2- Efficient
- 3- Very efficient
- 4- Highly efficient

Does the Assembly meet its target in terms of revenue mobilization?

Yes /No

If No, what accounts for these shortfalls?

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

What measures is the Assembly putting in place to address the shortfalls?

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

What percentage of assigned target is the Assembly able to achieve, in terms of revenue mobilization?

.....

What are some of the challenges faced by the Assembly with regards to revenue mobilization?

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

How are the revenues generated used to the benefit of the local people?

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

What factors are taken into account when allocating funds generated to the various sub-metros?

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

Are there any means of monitoring the revenue- generation process?

Yes/ No

If yes, what are some of them?

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

If No, how does the Assembly ensure that the actual revenue generated is accounted for?

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

Do you think there could be other sources of generating revenue for the Kumasi Metropolitan Assembly? Please specify.

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

What monitoring mechanisms, in your opinion, should be put in place to ensure effective revenue collection process at the Assembly?

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

Employing the services of external Auditors to conduct thorough auditing of the revenue-generating process will make the Kumasi Metropolitan Assembly more accountable, do you agree? Please explain your stand.

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

What, in your view, are the alternative sources of revenue that the Kumasi Metropolitan Assembly can fall on for development?

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

Please state any other comments/suggestion in relation to the above study.

**SOURCES OF FUNDS AND THEIR DISBURSEMENT IN THE METROPOLITAN  
ASSEMBLY  
(A CASE STUDY OF KUMASI METROPOLITAN ASSEMBLY )**

**OPOKU NTI DENNIS  
ACHIBRAH BRIDGET YAA  
DJIRAKOR SHELTER SITSOFE  
OSEI ADDOWAAH HAGGAH  
TSALI AMENUVEVE KWESI**

**A PROJECT WORK PRESENTED TO THE DEPARTMENT OF BUSINESS  
ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF A BACHELOR OF BUSINESS ADMINISTRATION (BACHELOR OF  
BUSINESS ADMINISTRATION, ACCOUNTING OPTION)**

**JUNE 2013**

## STATEMENT OF AUTHENTICITY

We Have Read The University Regulations Relating To Plagiarism And Certify That This Report Is All Our Own Work And Does Not Contain Any Unacknowledged Work From Any Other Source. We Also Declare That We Have Been Under Supervision For This Report Herein Submitted.

Name	Index Number	Signature	Date
OPOKU NTI DENNIS	10135121	.....	.....
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DJIRAKOR SHELTER SITSOFE	10149098	.....	.....
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### Supervisor's Declaration

I hereby declare that the Preparation and Presentation of the Dissertation Was Supervised In Accordance With the Guidelines on Supervision Laid down by Christian Service University College.

**Supervisor's Name**

**Mr. Frederick Santuoh** .....

**Head of Department's Name**

**Kwaku Ahenkorah (Dr)** .....

## **ABSTRACT**

The creation of the 1988 governance structures for grass root participation has become a very vital developmental issue in many developing countries in Africa and other parts of the world. Local government reforms undertaken in Ghana since 1988 have sought to transfer resources and power from the central government to sub-structures and institutions with the aim of enhancing participatory local development. It was also intended to promote responsive governance and democracy and also improve the standard and quality of life of rural people through institutional reforms, management and good delivery of public goods and services. This has been the focus of the twenty three (23) years of Ghana's implementation of the decentralization program.

The study thus attempts to assess the capacity of Metropolitan Assembly to generate or mobilize local revenue for development. The study examines the structure and sources of revenue generation and mobilization at that level, and also investigates the challenges and prospects of revenue mobilization in the Metropolis.

A case study approach was employed to undertake the study in Kumasi as a comparative case with a population sample of twenty (20). The study recommends that the assembly should take steps to ensure that collectors are properly recruited and trained.

Sensitize the general public on the need to pay rates, levies and taxes, good monitoring mechanisms of the activities of collectors should be put in place to check leakages, malfeasances and corruption and finally the assembly members should desist from playing politics with the assembly's search for solutions to its financial woes.

## **DEDICATIONS**

We dedicate this project work to our parents, future wives and husbands.



## **ACKNOWLEDGEMENTS**

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