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SCHOOL OF BUSINESS AND MANAGEMENT STUDIES

(DEPARTMENT OF ACCOUNTING AND FINANCE)

TOPIC:

ASSESSING THE SOURCE OF FUNDING FOR METROPOLITAN, MUNICIPAL AND
DISTRICT ASSEMBLIES (MMDAs)

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STATEMENT OF AUTHENTICITY

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

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We hereby declare that this is our own research toward the award of a degree in bachelor of business administration and it contains no material formally published by neither any other persons or any material which has been accepted for the award of any other degree of the university except where suitable accepted acknowledge has been made in the text.

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DECLARATION

We hereby declare that this is our own research toward the award of a degree in bachelor of business administration and it contains no material formally published by neither any other persons or any material which has been accepted for the award of any other degree of the university except where suitable accepted acknowledge has been made in the text.

DEDICATION

This project is dedicated to our lovely parents for their immense financial support, spiritual warfare, and exceptional parental up-bringing.

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Our greatest gratitude goes to the Almighty God for His unfailing love, favour and protection throughout our years of study.

In fact, we are most grateful to our project supervisor, Mr. Christopher Bright Daboug. He made time out of his busy schedules and provided us with expert and procedural advice, constructive criticisms, useful comments and suggestions. These were to ensure that we came out with this good work.

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ABSTRACT

The study is on District Assembly source of funding specifically within Ashanti Region. Focused MMDAs includes Kumasi Metropolitan Assembly, Ejisu-Juaben Municipal, Offinso South Municipal. Others are Bekwai Municipal, Bosomtwe District, Atwima Kwanwoma District, Afigya District, Atwima Mponua District, Atwima Nwabiagya District and Kwabre-East District, using purposive sampling. It was evident that a major source of revenue for the DACF was 58%. This was generated from 40% of external and 18% of donor fund. The remaining 42% is generated internally. Among the internal, license is the most reliable and greatest source of revenue as compared to the other sources like fees/fines, property tax and specialized funds. It constitutes about 31% reliability and 39% sufficiency. The MMDAs in Ghana, have tendered to over-rely on the District Assembly Common Fund to meet their capital expenditure. Another fact is that, greater part of the MMDAs internally generated funds go into administrative expenditure and that has made them unable to meet their socio – economic and political obligations to the community. It is recommended that MMDAs should increase their involvement in training and upgrading of revenue staff. They should also enhance internal auditing practices and improve accounting practices that can reduce leakages in revenue collection among others.

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ABBREVIATIONS

MMDAs	Metropolitan, Municipal and District Assemblies
DACF	District Assembly Common Fund
IGF	Internal Generated fund
FOAT	Functional Organizational Tool
DDF	District Development Facility
FAI	Financial Autonomy Index
DWAP	District Wide Assistance Programme
SDS	Sub District Structures
LI	Legislative Instrument
PNDC	Peoples National Democratic Congress
GRA	Internal Revenue Service
KMA	Kumasi Metropolitan Assembly

CHAPTER ONE

1.0 Introduction

1.1 Background to Study

Over the years, both the central and local governments have been experiencing budget deficits year on year,(Aryee,2002).In Ghana, the central government, as well as the Metropolitan, Municipal, and District Assemblies (MMDAs) have consistently spent more than they are able to generate as revenue. In the case of central government, the gap is often financed with foreign aid which has perpetuated the country's aid dependency (Osei and Quartey, 2005).

The MMDAs receive a percentage of the common fund as their main source of funding. They also raise revenue from local sources. This is accumulated in a form of rates, tolls, property tax, fees and fines, among others. This helps boost their financial base for the development of their locality. For some years now, the external source of funding being the District Assembly Common Fund (DACF) has not been reliable as previous (MMDAs accounting manual 2011).

In Ghana, Metropolitan, Municipal and District Assemblies (MMDAs) are partners to the central government in the national development. As partners, they are required to generate enough funds internally. This is referred to as Internally Generated Funds.(IGFs).

The funds generated enables them carry out development projects. It is also used to support the statutory District Assemblies Common Fund (DACF) to provide infrastructural development and services to the people. It is the responsibility of

MMDAs to provide municipal and other services as well as maintaining law and order, all which require enough fund. For this reason, revenue mobilization is very paramount.

Local authorities cannot take loans to fill their revenue expenditure gaps. The current financial crisis has created financial difficulties for many MMDAs making them depend mainly on common fund source and other sources of funds, (Fosu, 2011).

1.2 Statement of the Problem

According to Aryee (ibid), statutory grant provisions and other central government financial support notwithstanding, the MMDAs are not able to generate sufficient revenue at the local level for development. They depend heavily on the District Assemblies Common Fund (DACF) ceded from the central government to support their developmental programmes. The low level of revenue mobilization coupled with misapplication of funds by local authorities has been a source of concern especially the central governments, (Aryee, 2009).

Having realized that revenue short-falls constitute a hindrance in development, MMDAs are empowered to adopt several strategies to strengthen local revenue mobilization. The MMDAs have therefore sufficiently been empowered by law to mobilize local revenue for development. Despite their legal backing, local authorities in Ghana are unable to develop effective strategies to mobilize sufficient revenue at the local level. This research therefore seeks to access the various sources, the adequacy, processes, the sustainability and the challenges of the funding.

1.3 Objectives of Study

The main objective of this investigation is to examine the source of funding to MMDAs.

The study therefore seeks to:

1. Examine the sources of funding available to MMDAs.
2. Examine the adequacy of the sources of funding to the MMDAs.
3. Assess the processes involved in the source of funding.
4. Examine the sustainability of each source of fund.
5. Examine the challenges of source of funding

1.4 Research Questions

1. What are the sources of funding available to the MMDAs?
2. Are the sources of fund adequate for the MMDAs?
3. What are the processes involved in sourcing the various funds?
4. Are the sources of funding sustainable?
5. What are the challenges in sourcing funds from the various sources?

1.5 Significance of the study

The purpose of the study is to acquire in-depth knowledge about the various sources of funding and to clarify our understanding of problems associated with the MMDAs sources of funding.

There have been many research works on sources of funding of MMDAs such as 'Tracking of the District Assemblies Common Fund' but it seems little attention has been given in the aspect of transfer from the central government and Internally Generated Fund.

The findings of the study are intended to assist the MMDAs, policymakers and stakeholders of the Assemblies as a guide to sourcing funds. The citizenry are likely to receive better services and infrastructure from the MMDAs when the latter is able to improve upon its revenue generation mechanism.

The study will prepare grounds for further studies in the area of research which has been given little attention. Students and lecturers of high learning institutions such as universities particularly development studies would also benefit from this study.

1.6 Organization of the Study

This study has been organized into five chapters.

Chapter one is devoted to the introduction of the study and it gives the general view of the entire research topic discussed here. It includes background, problem, objectives, significance and research questions of the study.

Chapter two deals with the literature review and various views from different authors were reviewed with regards to the assessment of the Metropolitan, Municipal and District Assemblies internally generated funds and definition of variables.

Chapter three explores the methodology used. It covers issues such as the research design, population and data collection procedure and data analysis.

Chapter four addresses data presentation and results.

Chapter five will focus on summary, conclusion and recommendation. In this chapter, the whole project will be summarized and conclusion will be drawn; upon which appropriate recommendations will be made.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review is in an account of what has been published on a topic by accredited scholars and researchers. Meaningful research can only be conducted by studying the exiting knowledge. Strydon(2002) states that, a literature review is important for the clear formation of problem, as well as the execution of the planning and the actual implementation of an investigation. This chapter looks at the various knowledge exhibited and produced by persons and authorities related to the subject of this study. Literature review discusses or treats some ideas already in books, journals, or website that throw lights on the topic under research.

An attempt is also made to examine carefully some time tested procedures and the conditions under which sources of funding will be effective. The researchers will study works which are similar to the topic and access their findings and recommendations.

2.2 Source of Funds to the MMDAs

In Ghana, MMDAs have many sources of financial resources: Internally Generated Funds, Inter-governmental Fiscal Transfers and other Financial Arrangements, (Kazentet, 2011). The first source is the inter-governmental transfers which include the District Assembly Common Fund, Recurrent Expenditure Transfers and Ceded Revenue. The second source is Internally Generated Fund which comprises own revenues from tax and non-tax source such as rates, lands, licenses, fees, investment, rent and miscellaneous

sources, (Ministry of Local Government and Rural Development And Environment, 2008).

2.2.1 Internally Generated Funds

MMDAs are mandated and allowed per the provision of the constitution of Ghana to mobilize revenue on their own. The internally generated fund comprises user fees/fines, revenue from properties, revenue derived from traders and licenses. Internally generated fund of MMDAs could be grouped into either tax or non-tax source as well. This is derived depending on whether payment is mandatory or not. Tax revenues are revenues that are mandatory. They include income of organizations and others within the district. On the other hand, non-taxable revenues are voluntary payment depending on the service rendered and being charged on, (Yaya,2011).The need for internally generated fund cannot be over emphasized. Internally generated fund has lots of importance for MMDAs and meets its purpose if it is sufficient. It helps to cater for administrative expenses, payment of emolument of Assembly members, maintaining office equipment, funding development activities, among others,(Tampuri, 2011) and (Kesse, K. D., 1995). Despite the introduction of other interventions under grants, the Assembly has not relaxed in the mobilization of revenue from its traditional sources. However, revenue mobilization over the years has been low,(Abbey,2003).

a. Rates

Section 94 of the local Government Act 1993, (Act 462) provides that, “District Assembly shall be the sole authority for the district and subject to any special provision in the Act or any other enactment; no other authority other than the Assembly shall,

notwithstanding any customary law to the contrary have power to make or levy rates in the districts.

Further to the above, section 95 states that, “District Assembly shall levy sufficient rates to meet their estimated expenditure”. Rates may be classified according to section 96 of the Local Government Act, 1993 as general and specific rates. Specific rates are rates levied over specified areas for the purpose of specified project approved by the District Assemblies. The general rates are rates made and levied over the whole district for the purpose of developing the district. Property rate and basic rates are the two major categories under general rates.

b. Property rate

Property rate is a major source of revenue in many urban types of council, (Mikesell, 2002). In the 1990s, property taxes accounted for 40 percent of all sub-national taxes in developing countries (Bird and Slack, 2002), but less in several countries due to outmoded collection methods, (Fjeldstad and Semboja, 2000). This constitutes a substantial part of the total revenue for local assemblies, but the collection of property rates is often not efficient. This is a common problem not only for Ghana, but for many developing countries (Yeboah & Johanson, 2010). The basis for the rate is the resident; adult population and immovable properties. The property rate is levied on immovable property.

c. Fees

This is the amount of money paid for a particular piece of work or for a particular right or service. A fee is defined as an amount of money paid for a particular right or service or piece of work that is in proportion to the cost of distribution of government services

provided to the payer, (Kessey, 1995). The sixth schedule of Act 462 provides a range of items where fees are levied by District Assemblies. Some area items on which fees are levied include slaughter houses, cattle ponds, trading kiosks, market dues, and market tolls.

“110 Public Policy and Administration Review, Vol. 2(1)”, March 2014 Fees, fines and grants, Rents Fees are charges or tolls paid by the users of the services provided by the Assembly. These services include the provision of markets, lorry parks, etc. by the District Assembly mostly from the DACF. Therefore, users of these facilities pay for the usage. Rents are also collected from hiring of market stalls/stores, Assembly quarters etc. Fines include court fines on people who violate the Assembly’s bye-laws.

d. Licenses

These are official documents which give an individual the permission to own, do, or use something usually after money has been paid. Licenses form part of the tax component of the current revenue of government. These are used to finance general expenditure. Licenses are issued for a host of items and activities. These include dog’s licenses, beer and wine sellers, hawker`s license, self-employed artisans and petroleum installation, (6th schedule, Act462).

e. Trading services

Many District Assemblies undertake trading activities which generate revenue for them. However, this is a minor source of revenue to most District Assemblies. It is however beset with numerous challenges. Attempts and efforts should be channelled towards its resolution, (Kessey and Gunter, 1992).

Licenses are based on economic activities in the district. The license serves as the permit for undertaking any such activity in the district. Business operating permits, development permits, among others are form of licenses given to people to allow them carry out some activities in the district. It provides revenue to support local authorities in the performance of their functions, (Yeboah & Johansson, 2010). Whilst some of such licences are paid on annual or quarterly basis, a greater number of them are paid on monthly basis and thus increasing the cost of collection. Report of a study in Malawi concerning revenue mobilization showed that local business license registers contain only information on those few smaller businesses being issued licenses by the assemblies. Information on any larger businesses is contained in the business register at the Ministry of Industry and Commerce. This is denying the local district assemblies huge sums of money, (Kelly et al., 2001).

2.2.2 Funds Transfer from Central Government

Government transfers make up over 8% of revenues of Ghana's MMDAs. This means that local government authorities are able to mobilize close to 20% of revenue with the remaining coming from external source. External revenue source include ceded revenue, the district assembly common fund, recurrent subventions, and other source as donor support and borrowings, etc. (Accounting manual MMDAs, 2011).

2.2.3 District Assembly Common Fund (DACF)

District Assembly Common Fund (DACF) is a central Government transfer instituted in the legal provisions of article 252 of the 1992 constitution of Ghana that; quarterly allocations of not less than five (5%) percentage (now 7.5%) of the total revenues of

Ghana and distributed among all MMDAs by parliament of Ghana on the basis of a formula by parliament and guideline procedures followed, (MMDAs manual,2011).

District common fund, according to Act 455 of the 1992 constitution of Ghana is `total revenue of Ghana`. For this purpose, it means “all revenue collected by or accruing to the central government other than foreign loans, grants, non-tax revenue and revenue already collected by or for District Assembly under any enactment in force”. Also, the fund is the single most significant source of funding for the majority of MMDAs and it is released from the consolidated fund, into which every Ghanaian contributes. It is based on the development agenda of this fund that our study proposes to examine the impact of the District assembly’s common fund on the economic welfare of the local communities.

2.2.4 Special Transfer’s From Government

Special transfers are those funds that are also available to MMDAs from central government. Special funds include revenue from royalties, stool land revenue, etc. (Accounting manual MMDAs (2011)).

2.2.5 Miscellaneous Sources

They are source which are not regular to the MMDAs such as donations, and royalties, rents, property rates, licenses and fees among others. Based on the above theoretical literature review, development of this is sources of funds to the district are Internally Generated Funds and External Sources.

2.3 Adequacy of the Source of Fund

The following criteria are important considerations that the Assemblies factor in deciding on revenue sources in their area of operation in terms of adequacy.

2.3.1 Internally Generated Source of Fund

The assemblies have heavy demand on administrative infrastructure and facilities, funds have never been adequate; this has great impact on service delivery capacity of the assemblies to the extent of expenditure on projects and services from internally generated fund is very minimal. (Miawoe 2012) Adequacy of the source of revenue, the identified revenue source should be capable of yielding substantial revenues. This was because small revenue sources are expensive in terms of expenditure on collection and effort (FOAT/DDF Training, 2010).

2.3.2 Transfer from Central Government

These external inflows are unpredictable and when they come at all, they do not come in good time thereby affecting the timely delivery of development interventions. Central to Ghana's fiscal decentralization is the degree of financial autonomy of District Assemblies versus dependence on central transfers (The Financial Autonomy Index). Other factors to consider in deciding on a funding source are the political acceptability of the revenue source, the economic impact on the propensity of taxpayers to work, save, consume or invest and the tax base coverage.

2.3.3 Miscellaneous Sources

The sources of IGF to the MMDAs include donations royalties, rents, property rates, licenses and fees among others. The MMDAs have sufficient power derived from the national Constitution to raise local tax and non-tax revenues. In addition, most MMDAs rely on sub-national legislations and Assemblies' bye-laws for the management of internally generated revenues. The general trend is that the MMDAs are raising limited revenues from local taxes or licenses for businesses. Given the low mobilisation of

internally generated fund many Assemblies are dependent on external resources such as the District Assembly Common Fund (DACF) and District Wide Assistance Programme (DWAP) to provide services to citizens. Based on this literature review the adequacy of source of funding, low internally generated fund mobilisation by the Assemblies undermines their fiscal autonomy and decision-making systems since it increases their reliance on “external inflows” for development initiatives. These external inflows are unpredictable and when they come at all, they do not come in good time thereby affecting the timely delivery of development interventions.

Central to Ghana’s fiscal decentralization is the degree of financial autonomy of District Assemblies versus dependence on central transfers. The Financial Autonomy Index (which is the ratio of the IGF to total income) of majority of the Assemblies gives a worrying trend. Notwithstanding, many studies have demonstrated that there is, at least, reasonable potential for growth in Assemblies IGF revenues in the medium to long-term using approved mechanisms. Article 251 (2) of the Constitution provides that the emoluments of a Presiding Member and other Assembly Members are determined by the District Assembly, and paid out of the IGF. Again, Section 31 (1) (a) and (b) of Legislative Instrument (LI) 1589 requires MMDAs to give up to 50% of IGFs to the Sub District Structures (SDS) of the Assemblies for their own operations. In addition, locally recruited staffs of the Assemblies are paid from IGF.

Aside salaries of local staff and sitting allowances of Assembly Members, IGF is mainly spent on recurrent expenditure such as communication, fuel, electricity, and stationery among others. This practice is problematic because the utilisation of IGF is left to Assemblies. Indeed the MMDAs consider IGF receipts as windfall revenues and citizens

do not have the right to question public officials at the Assembly about how and what IGF receipts are. Only a limited number of the MMDAs have applied IGF as counterpart funding for most DACF projects. This is characteristic of Assemblies benefiting from Mineral Development Fund. Generally, citizens recognize internally generated funds as Assembly money.

2.4 Processes Involved In the Source of Funding

2.4.1 Transfer from Central Government

The processes involved in the transfer of the DACF to MMDAs at the local level source of funding the focus of this study. Funding is at the heart of intergovernmental matters in all countries with decentralized systems including Ghana. Therefore, any system of local government will be meaningless unless the system provide sufficient financial resources to support responsibilities transferred to the local system (Ayee, 1995). Against this background, the PNDC government, under the Local Government Law of 1988, took a giant step to revolutionize the financial viability of DAs and to accelerate development at the local level. The financial provisions for DAs are contained in Articles 245 and 253 of the 1992 Constitution and Section 34 (part vii, part viii, part ix and part x) of the Local Government Act, 1993, Act 462. Revenues from these sources may be broadly categorised into two, namely central government transfers and locally generated revenues, otherwise known as traditional revenue sources (Ghana Government, 1992; 1993). Central government transfers are revenue transferred from central government to local government units. In Ghana, central government revenue transfers include recurrent expenditure, ceded revenue, the District Assemblies Common Fund (DACF) and the District Development Fund (Zanu, 1996).

2.4.2 Internally Generated Source of Fund

To facilitate the planning and execution of revenue collection, each district was divided into geographical main control areas. The main control areas are in turn divided into sub-control areas. Each sub-control area was represented by a ledger book, or sometimes more than one book in the case of very large sub-control areas, the ledgers are split into more managerial sizes. In distinguishing between each ratable person and tenement in the sub-control area, area code, revenue code and account number are prescribed (MMDAs Manual,2010).

2.5 Sustainability of Each Source of Funding

2.5.1 Internally Generated Funds

MMDAs are mandated and allowed per the provision the constitution of Ghana to mobilize revenue on their own. The IGF: user fees, revenue from properties, revenue derived from traders.IGF of MMDAs could be grouped into either tax or non-tax source as well. This is derived from as to whether payment is mandatory or not. Tax revenue are that revenue that are mandatory , they include income of organizations and others within the district while non-taxable revenues, are voluntary payment depending on the service rendered and being charged on (Yaya 2011). The need for IGF cannot be over emphasize. IGF has lots of importance for MMDAs and its purpose if it is sufficient is enormous. It is used for administrative expenses, payment of emolument of Assembly member, maintaining office equipment, for development activities, among others (Tampuri 2011).

2.5.2 Funds Transfer from Central Government

Government transfers makes up of over 8% of revenues of Ghana's MMDAs. This means that local government authorities are able to mobilize close to 20% of revenue with the remaining coming from external source. External revenue source include ceded revenue, the district assembly common fund, recurrent subventions, and other source as donor support and borrowings etc. (Accounting manual MMDAs 2011). District Assembly Common Fund (DACF) is a central Government transfer instituted in the legal provisions of article 252 of the 1992 constitution of Ghana that; quarterly allocations of not less than five (5%) percentage (now 7.5%) of the total revenues of Ghana and distributed among all MMDAs by parliament of Ghana on the basis of a formula by parliament and guidelines and procedures followed (MMDAs manual,2011). District common fund, according to act 455 of the 1992 constitution of Ghana is total revenue of Ghana for this purpose to mean "all revenue collected by or accruing to the central government other than foreign loans, grants, non-tax revenue and revenue already collected by or for District Assembly under any enactment in force". Special transfer's from government. Special transfers are those funds that are also available to MMDAs from central government. Special funds include revenue from royalties, stool land revenue (Accounting manual MMDAs 2011).

2.6 Challenges of Source of Funding

The decentralization process has devolved a lot of responsibility to the metropolitan, municipal, and district assemblies. As part of their responsibilities, they are supposed to control the total development of their coverage area. As part of the devolution of authority from central government to the assemblies they are also mandated by the 1992

constitution to generate their own incomes known as the internally generated funds to support their developmental agenda. The revenue generating capacities of the assemblies have improved over the years. However, they still do not meet their target due to the following reasons: Attitude towards payment of rates, the people unwillingness to pay basic rates is major challenge confronting several district assemblies. Basic rates form a considerable proportion of the district assemblies internally generated revenue are therefore the evasion of the basic rates, Cripple the assemblies efforts in ensuring sustainable development of the districts.

The enforcement of user fees has resulted in a widespread resistance to pay from the poorer segments of the urban population (Fjeldstad and Semboja, 2000). Apathy on the part of revenue collectors: This phenomenon has become rampant in the district assemblies in Ghana. Revenue collectors fail to render accurate account to the assemblies on the revenue generated. Also, some revenue collectors connive and condone with tax payers not to pay the correct amount. This problem has emanated due to the unqualified nature of revenue collectors. These activities of the revenue collectors adversely affect the progress of district assemblies in Ghana. This affects the district assemblies' capacity and accountability (Osei and Aryee, 2000).

Lack of enforcement of payment of property rates: The Local Government Act, 1993, Act 462 identifies property rate as one of the several ways the district assemblies can employ to raise revenue internally. It is however pathetic to note that several districts assemblies in Ghana do not use this means to augment their revenue. Also, due to the use of antiquated method of collecting property rates, property owners avoid the payment of rates. This has made property rates very costly to administer (Aryee, 2000).

Poor tracking of economic activities: The district assemblies in Ghana are challenged by the failure of some individuals and small-scale enterprises engaged in economic activities to pay tax. Some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction. This has resulted in a situation whereby these enterprises pay less than the expected amount of money (Quartey, 2001).

Poor keeping of records on economic activities within the districts are bedevilling the smooth growth of the districts. District assemblies in Ghana have inadequate data on all economic activities found in the district. For instance, several district assemblies do not keep or have data on the number of hairdressers, tailors, traders, barbers, lotto kiosk among others operating in the district. This therefore militates against attempts to improve internally generated revenue in the districts. These revenues when well administered can provide substantial and reliable revenues for local government (Yaya, 2011).

Effective and efficient local revenue mobilization is a major priority to all district assemblies; MMDAs are mandated and allowed per the provision of the constitution of Ghana to mobilize revenue on their own. The internally generated fund: user fees, revenue from properties, revenue derived from traders. Internally generated fund of MMDAs could be grouped into either tax or non-tax source as well. This is derived depending on whether payment is mandatory or not. Tax revenue are those revenue that are mandatory , they include income of organizations and others within the district whereas non-taxable revenues, are voluntary payment depending on the service rendered and being charged on (Yaya 2011). The need for internally generated fund cannot be over

emphasize. Internally generated fund has lots of importance for MMDAs and its purpose if it is sufficient. It is used for administrative expenses, payment of emolument of Assembly member, maintaining office equipment, for development activities, among others (Tampuri 2011, Kessey, K. D.1995). Despite the introduction of other interventions under Grants, the Assembly has not relaxed in the mobilization of revenue from its traditional sources. However, revenue mobilization over the years has been low (Abbey 2000)

CHAPTER THREE

3.1 Introduction

This chapter presents the profile of the selected MMDAs and the methodology used in the collection of research data.

3.2 Profile of the Selected MMDAs

3.2.1 Kumasi Metropolitan Assembly

Kumasi Metropolitan Assembly is located in the transitional forest zone, about 270km north of the national capital, Accra. It covers a total land area of 254 square kilometer, stretching between latitude 6.35° – 6.40° and longitude 1.30° – 1.35°, an elevation which ranges between 250 – 300 metres above sea level. Kumasi is bounded to the north by Kwabre District, to the east by Ejisu Juabeng District, to the west by Atwima Nwabiagya District and to the south by Bosomtwe-Atwima, Kwanwoma District.

3.2.2 Ejisu-Juaben Municipal Assembly

Ejisu-Juaben Municipal is among the thirty (30) administrative and political districts in the Ashanti Region of Ghana. The Municipal is globally known for its rich cultural heritage and tourists attractions notably the booming kente weaving industry. The Municipal stretches over an area of 637.2 km² constituting about 10% of the entire Ashanti Region and with Ejisu as its capital. Currently it has four urban settlements namely, Ejisu, Juaben, Besease and Bonwire. The Municipal is located in the central part of the Ashanti Region and provides enormous opportunity for creating an inland port for Ghana to serve northern section of the country. It lies within Latitude 1° 15' N and 1° 45' N and Longitude 6° 15'W and 7° 00'W. Ejisu-Juaben Municipal shares boundaries

with six (6) other Districts in the Region. To the North East and North West of the Municipal are Sekyere East and Kwabre East Districts respectively, to the South are Bosomtwe and Asante-Akim South Districts, to the East is the Asante-Akim North Municipal and to the West is the Kumasi Metropolitan.

3.2.3 Bekwai Municipal Assembly

Bekwai Municipal is one of the 30 administrative districts in the Ashanti Region. The Municipal shares boundaries with Amansie West District to the west, Bosomtwe District to the north, Adansi South and North Districts to the south and the Asante Akim South District to the east. In other parts of the Municipality, however, human activities, particularly farming and timber extraction, have reduced the primary forest to secondary forests.

3.2.4 Offinso Municipal Assembly

Offinso Municipal Assembly is one of the 30 District Assemblies in the Ashanti Region and has its capital as Offinso. The district lies between longitudes 10 50 W and 10 45 E and latitudes 70 20 N and 60 50 S. The total land area is about 741 kilometres square. It shares boundaries with the Offinso North District Assembly in the North, the Tano South District and Ahafo Ano South District Assembly in the West. Afigya Sekyere District Assembly in the East, Atwima Nwabiagya District Assembly and Kwabre District Assembly in the South

3.2.5 Kwabre East District Assembly

Kwabre East District, carved out of the former Kwabre Sekyere District in 1988, is located almost in the central portion of the Ashanti region. It is within latitudes 60 44' North and longitudes 10 33' to 1044' West. The District shares common boundaries with Afigya Sekyere District to the North; Kumasi Metropolitan Area to the South; Ejisu Juaben Municipal to the Southeast; Atwima District to the West and Offinso Municipal to the Northwest. The District has a total land area of 246.8 square kilometres constituting about 1.01% of the total land area of Ashanti Region. Kwabre East District is part of the greater Kumasi City region, which is made up of Kumasi Metropolitan Area and the surrounding Districts. The District capital is Mampong.

3.2.6 Atwima Kwanwoma District Assembly

Atwima Kwanwoma District Assembly is one of the thirty (30) and Two Hundred and Sixty (216) Metropolitan /Municipal /District Assemblies in Ashanti Region and Ghana respectively. The district was carved out of the former Bosomtwe Atwima Kwanwoma district with **Atwima Foase** as its District capital. The District is located in the central portion of Ashanti Region, bounded to the North by Kumasi Metropolitan Assembly, South by Amasie West, East by Bosomtwe District and West by Atwima Nwabiagya District. The District is located on Latitude 6024 "N and 43" North and Longitude 10 15" and 10 46" West. The District has a total land size of 340.9 sq.km constituting 1.4% of the total land area of Ashanti region. The District Capital, Foase is approximately 20 kilometres from Kumasi.

3.2.7 Atwima Mponua District

Atwima Mponua District is located in the south-western part of the Ashanti Region covering an area of approximately 894.15 square kilometers with **Nyinahin** as its capital. It lies between longitude 2°00'W and 2°32'W and latitude 6°32'N and 6°75'N. The District shares boundary with eight Districts, principally in the South with the Amansie West District, Ahafo Ano South to the north, Atwima Nwabiagya in the East and Bibiani – Anwhiaso – Bekwai District of the Western Region.

3.2.8 Afigya Kwabre

The location of the district in the central part of Ghana and also, along the highway which runs from the south to the north makes it easily accessible. Its closeness to the second largest city in Ghana, i.e. Kumasi makes it dormitory district as well as high population growth rate and fast growth of settlements. The population of the district according to the 2010 Population and Housing Census stands at 136,140 with 66,350 males and 69,790 females.

3.2.9 Atwima Nwabiagya

Atwima Nwabiagya District is one of the largest districts in the Ashanti Region. The District lies approximately on latitude 6° 75'N and between longitude 10° 45' and 20° 00' West. It is one of the 27 political and administrative Districts in Ashanti Region. It is situated in the Western part of the region and shares common boundaries with AhafoAno South and Atwima Mponua Districts (to the West), Offinso Municipal to the North, Amansie–West and Bosomtwe-Atwima Kwanwoma Districts to the South, Kumasi

Metropolis and Kwabre Districts to the East. It covers an estimated area of 294.84 sq km. The district capital is Nkawie.

3.3.0 Research Methodology

3.3.1 Introduction

This chapter describes the methodology employed in data collection. The major issues of the methodology are the research design, research population, sampling method, research instruments for collection and data and presentation analysis.

3.3.2 Research Population

The populations of the study are the Chief Accountants, Finance Officers, Administrators, Budget Officers from the study areas, Kumasi Metropolitan Assembly, Offinso South Municipal, Bekwai Municipal, Ejisu Juaben Municipal, Bosomtwe District, Atwima Kwanwoma District, Afigya Kwabre District, Kwabre-East District, Atwima Nwabiagya District and Atwima Mponua District.

3.3.3 Sample and Sampling Techniques

There are thirty (30) MMDAs in the Ashanti Region of Ghana; ranging from one (1) Metropolitan Assembly seven (7), Municipals and twenty-two (22), District assemblies. The sample used for the study is 1(10); out of which are one (1) Metropolitan, three (3) Municipal and six (6) Districts. The sampling technique used in this study is purposive. The purposive sampling was adopted because each MMDAs chosen can supply the needed data required for this study.

3.3.4 Sources of Data

Questionnaires and literature were used to gather data from primary and secondary sources.

3.3.5 Primary Source Data

The primary source provided data gathered through interviews, observations, focus groups discussions and questionnaires. The reason for the primary data was to acquire actual information with regards to the current information relating to sourcing of funds of the MMDAs. The advantage of using primary data is that they are more reliable since they come from the original sources and are collected especially for the purpose of the study (Saunders et al 2007).

3.3.6 Secondary Source Data

The secondary sources used were provided from the various publications, reports, documents, records, annual financial statements and annual budgets.

3.3.5 Data Analysis Method

Statistical Package for the Social Science (SPSS) was used for this analysis. Data was presented in tabular form. Bar graph was the descriptive statistical tool used in analyzing the data. Data would be analysed by means of SPSS to present data using graphs, bar and chart in the form as well as tables. This would help in understanding of the data presented. Where data cannot be presented graphically; descriptive analysis presentation would be used.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This is data analysis and presentation chapter.

4.2 Gender of Respondents

From table 4.1, 56% represent males and 44% females. This implies that the males dominate in the assemblies.

Table 4.1: Gender of Respondents.

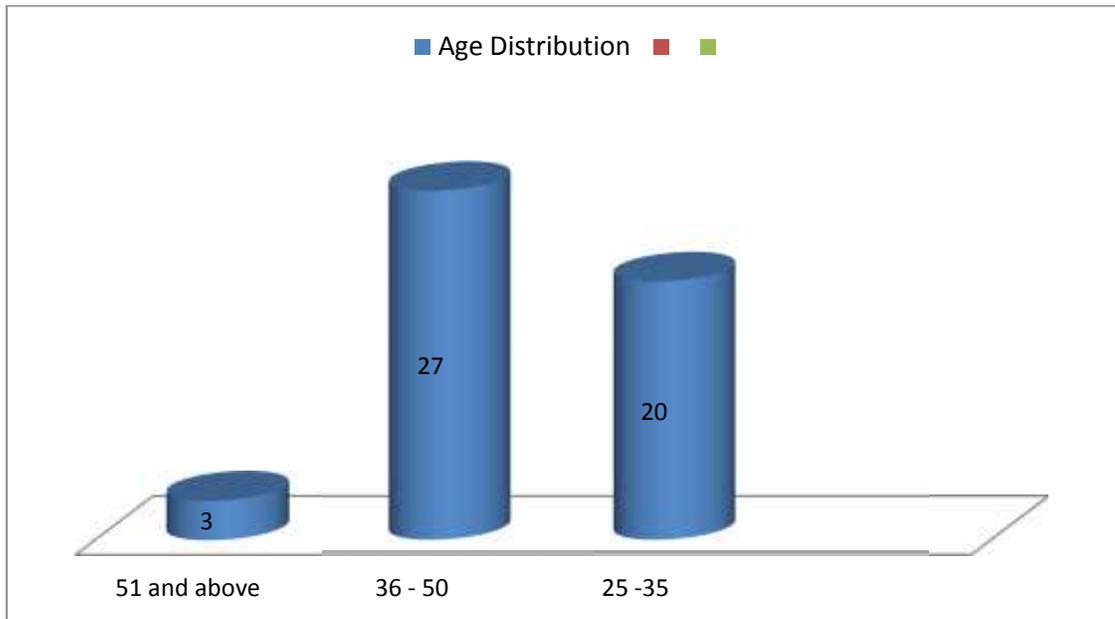
Gender	Frequency	Percent
female	22	44.0
male	28	56.0
Total	50	100.0

Source: Researcher's Fieldwork, June 2015

4.3 Age Distribution

Figure 2 shows that the age range from 51 and above is 3, from 36-50 is 27 and from 25-35 is 20. This shows that, majority of the people are still young and if innovations are accepted, the assemblies will have brighter future.

Figure 1

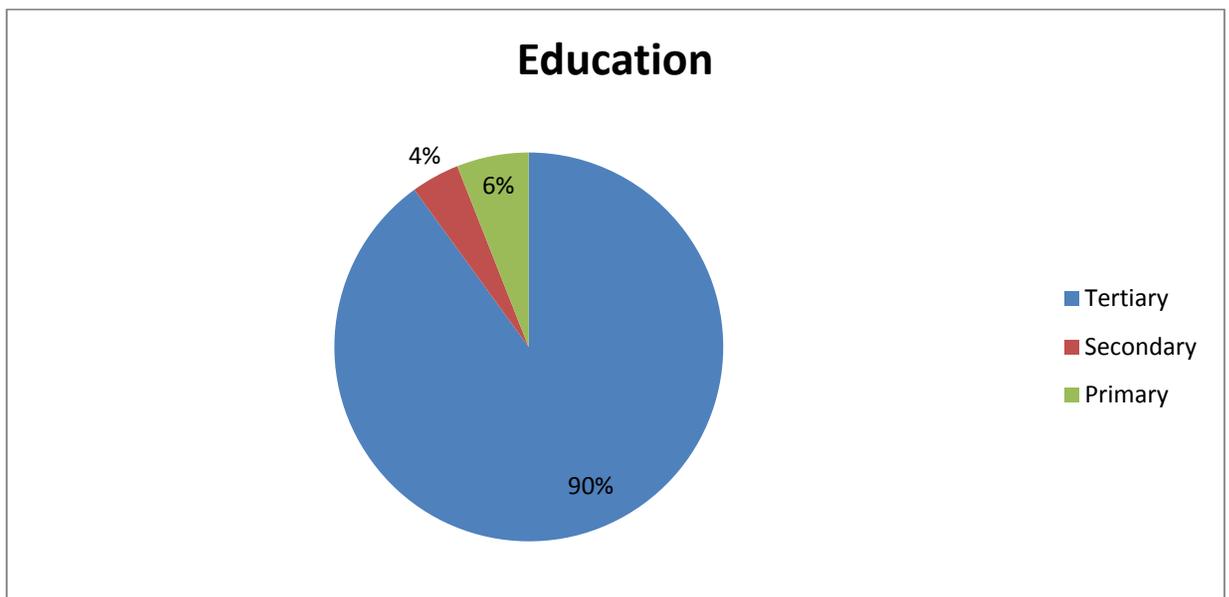


Source: Researcher's Fieldwork, June 2015

4.4 Education and Experience

In terms of education, figure3 shows 90% have tertiary, 4% have secondary whereas 6% have primary education. The high level of literacy made the research easier especially during the data collection. This is because most of the respondents easily understood the idea behind the sourcing for funds of the MMDAs

Figure 2

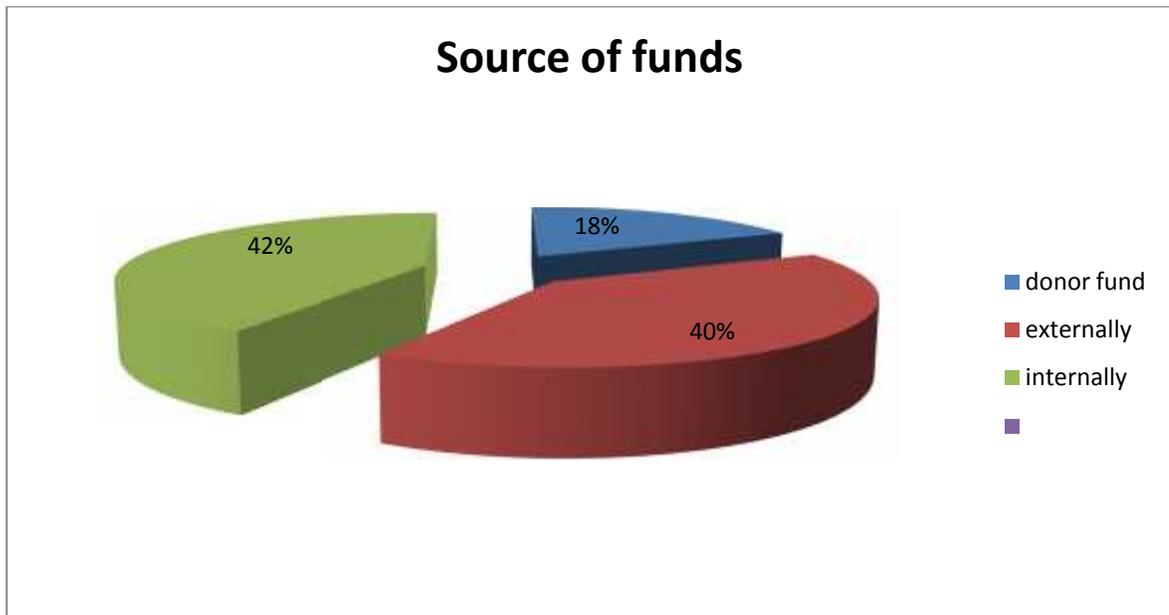


Source: Researcher's Fieldwork, June 2015

4.5 Sources of Funds

From figure 2 below, 18% is obtained from donor funds, 40% from external funds and 42% from internally generated funds. Donor funds are funds receive from benevolent people within and outside the assembly. External funds which are also common fund, comes from the central government whereas internally generated funds are funds that the assembly acquire from its own resources.

Figure 3

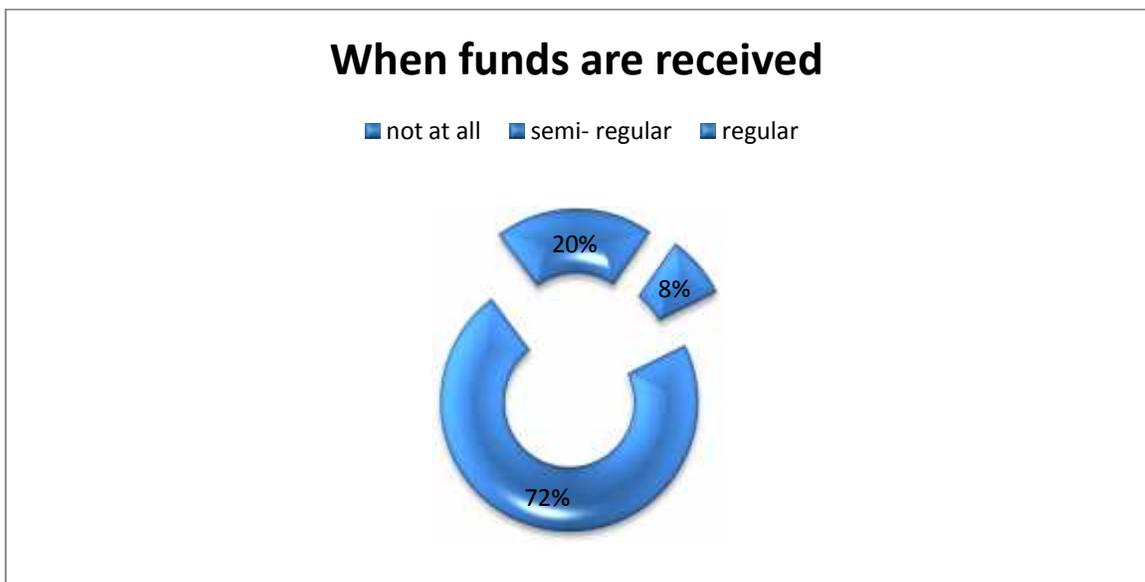


Source: Researcher's Fieldwork, June 2015

4.7 Distribution of Common Fund

Figure 4 indicates that, 20% of the assemblies receive funds semi-regularly, 72% receive regularly and 8% do not receive anything at all. This comes about as a result of the size of the assembly. The period a district receives its fund, depends on pressure the DCE gives to the government.

Figure 4



Source: Researcher's Fieldwork, June 2015

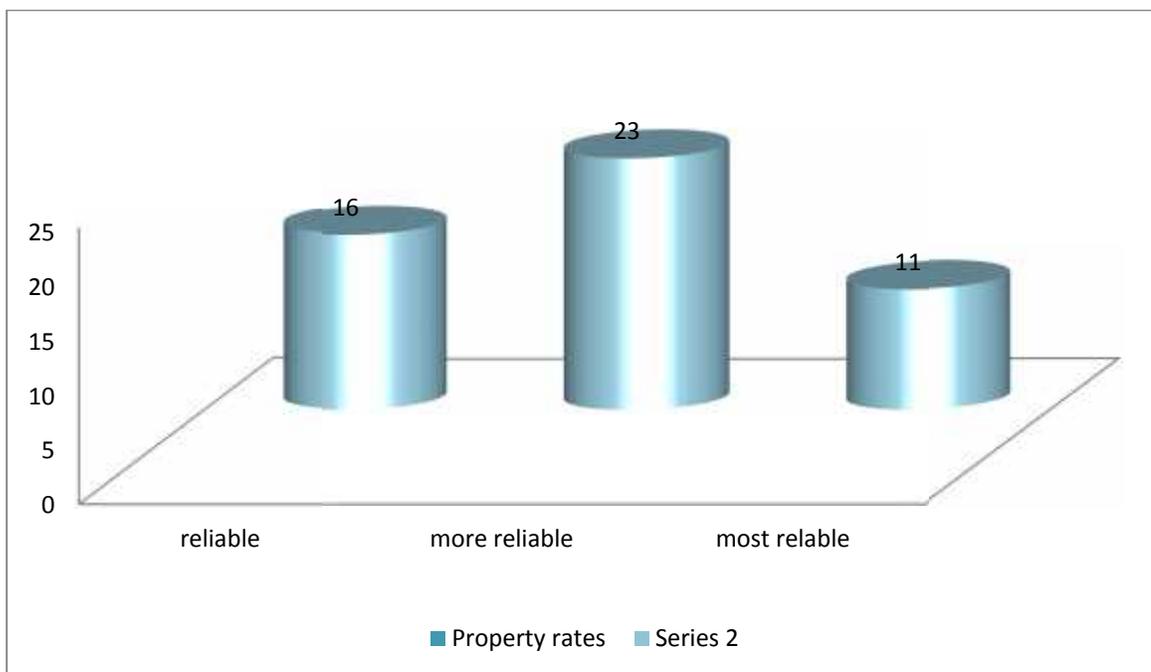
4.8 Forms of Internally Generated Fund

Below are the internal activities undertaken by the MMDAs that enable them to generate funds.

4.8.1 Property Tax

Figure 5 presents 16 of the revenue received from property tax is reliable. 13 is more reliable and 11 is most reliable. This implies that, the assembly can be certain of 11 most reliable funds from property tax when planning their financial budget.

Figure 5

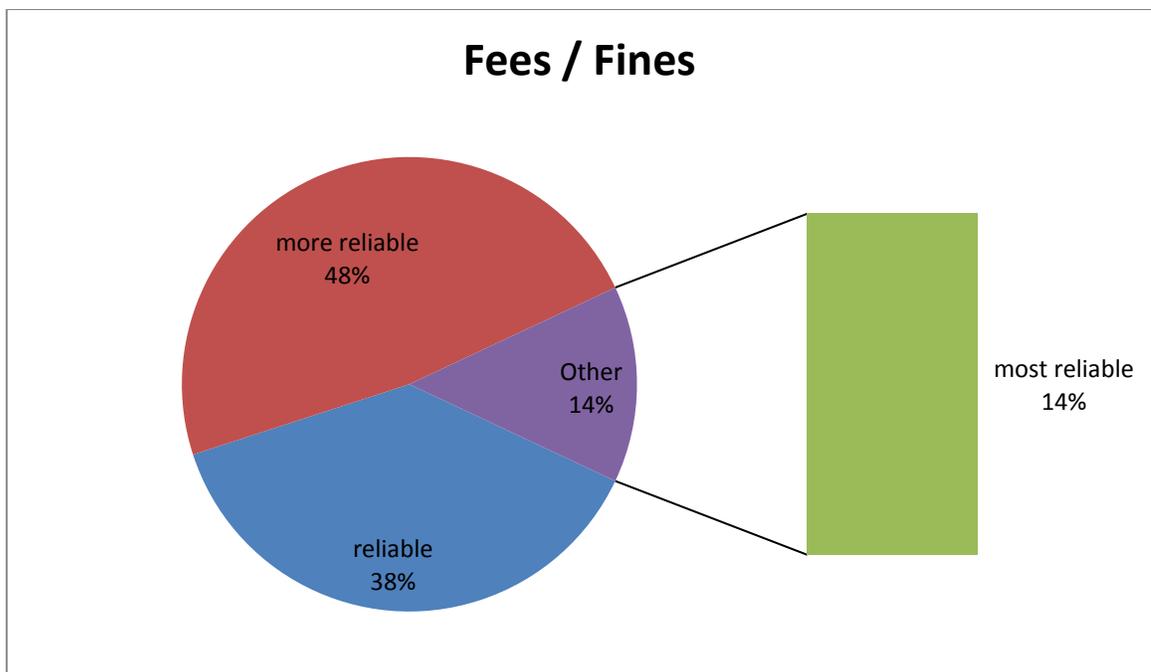


Source: Researcher's Fieldwork, June 2015

4.8.2 Fees/Fines

Figure 6 below, shows revenue from fees/ fines are 36% reliable, 48% more reliable as well as 14% most reliable. This means that, the assemblies have 14% confidence in the revenue gained from fees/fines for its activities.

Figure 6

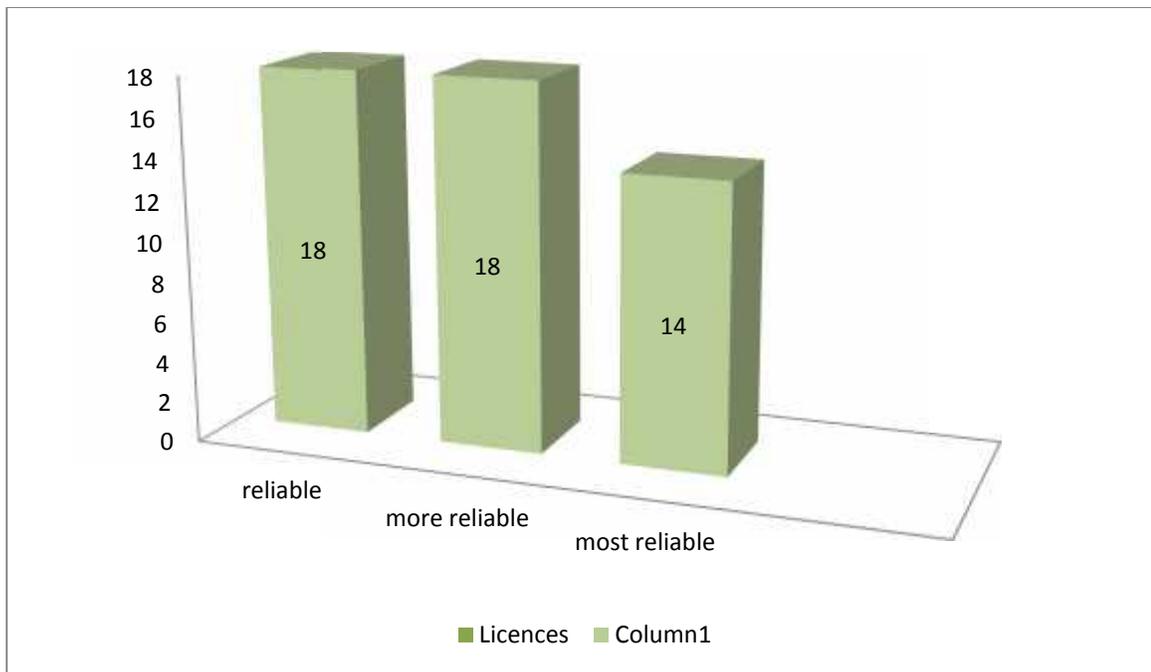


Source: Researcher's Fieldwork, June 2015

4.8.3 Licenses

From figure 7, it shows that 18 of license is reliable as well as more reliable whereas most reliable is 14. This shows that the assurance of revenue from license is as much as 28%.

Figure 7

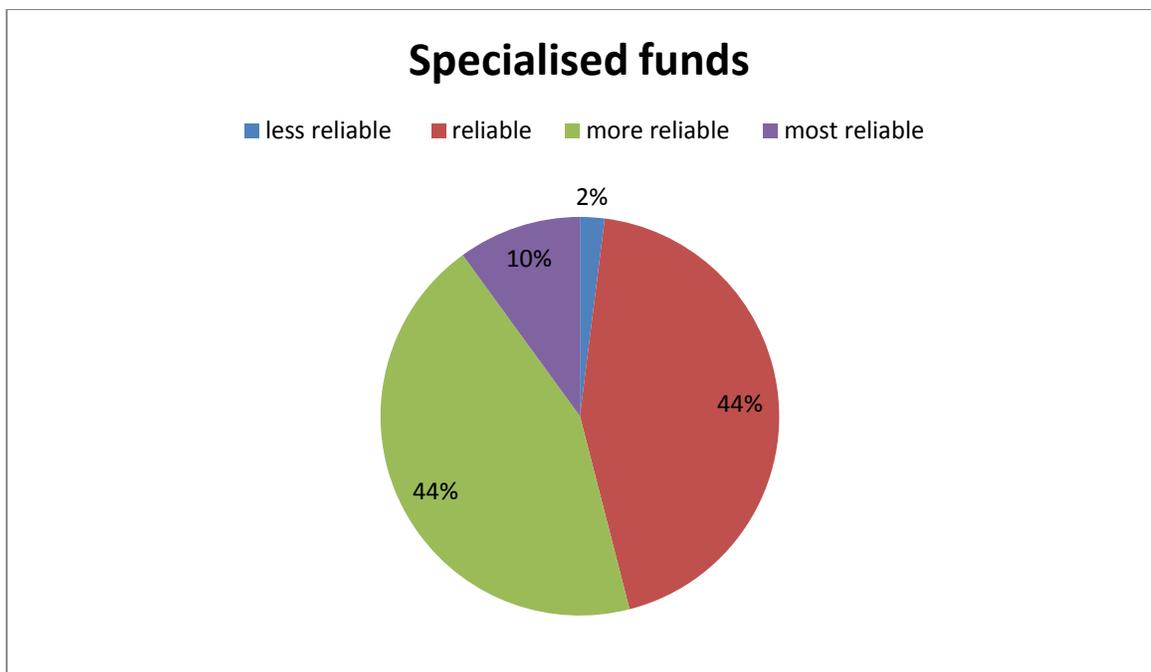


Source: Researcher's Fieldwork, June 2015

4.8.4 Specialised Funds

From figure 8, 2% of specialized funds are less reliable, 44% reliable as well as more reliable. It is also 10% most reliable. This reveals that, there is a 10% certainty of revenue from specialized funds.

Figure 8

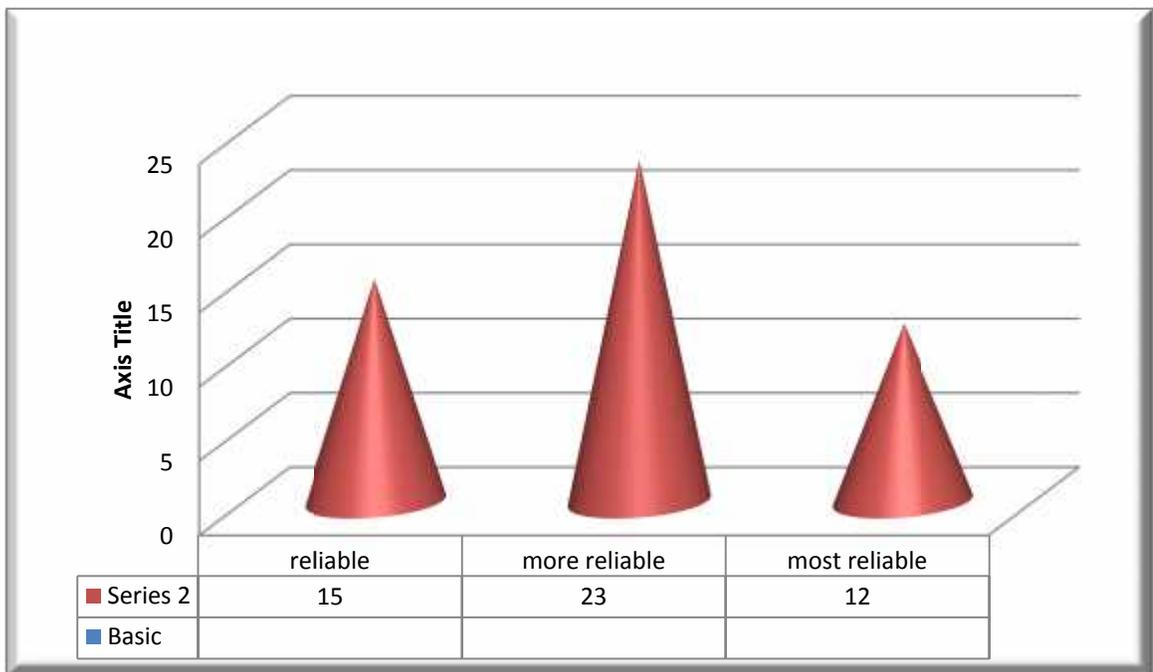


Source: Researcher's Fieldwork, June 2015

4.8.5 Basic

Figure 9 under Basic shows that 15 of revenue is reliable, 23 is more reliable. It is 12, most reliable. This implies that, Basic happens to be the next resourceful fund after licences.

Figure 9



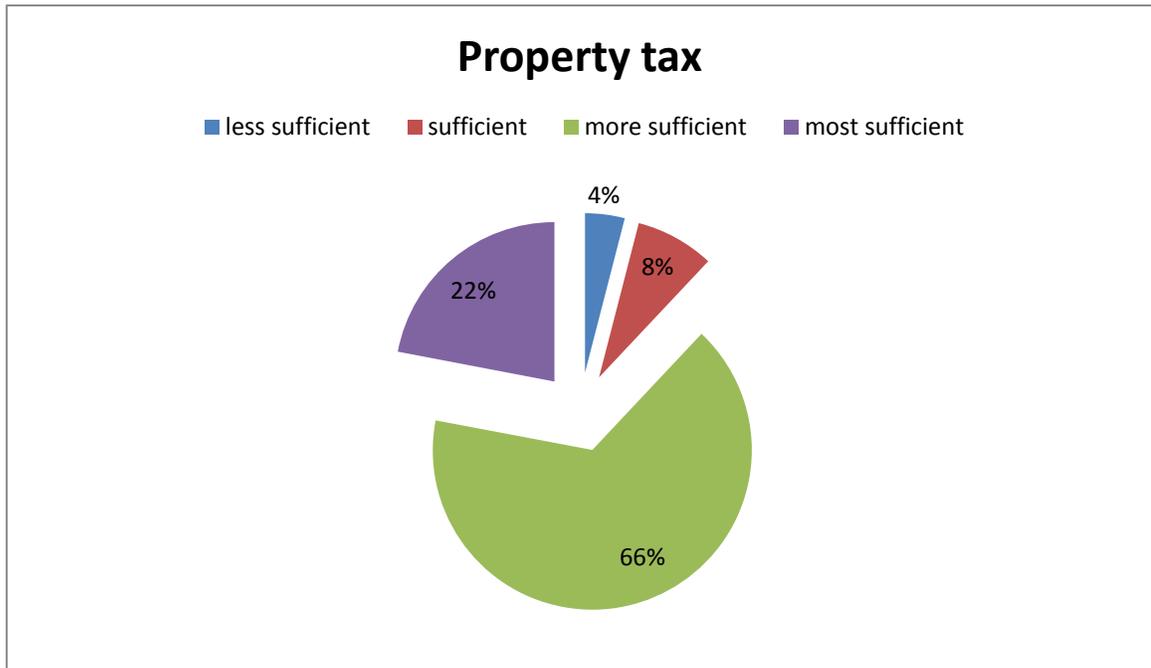
Source: Researcher's Fieldwork, June 2015

4.9.0 Sufficiency of the Internally Generated Fund

4.9.1 Property Tax

Figure 10 indicates that, property rate is 4% less sufficient, 8% sufficient, 66% more sufficient and 22% most sufficient. The chart suggests that, funds received from property tax, is enough for 22% of the total activities undertaken by the assemblies

Figure 10

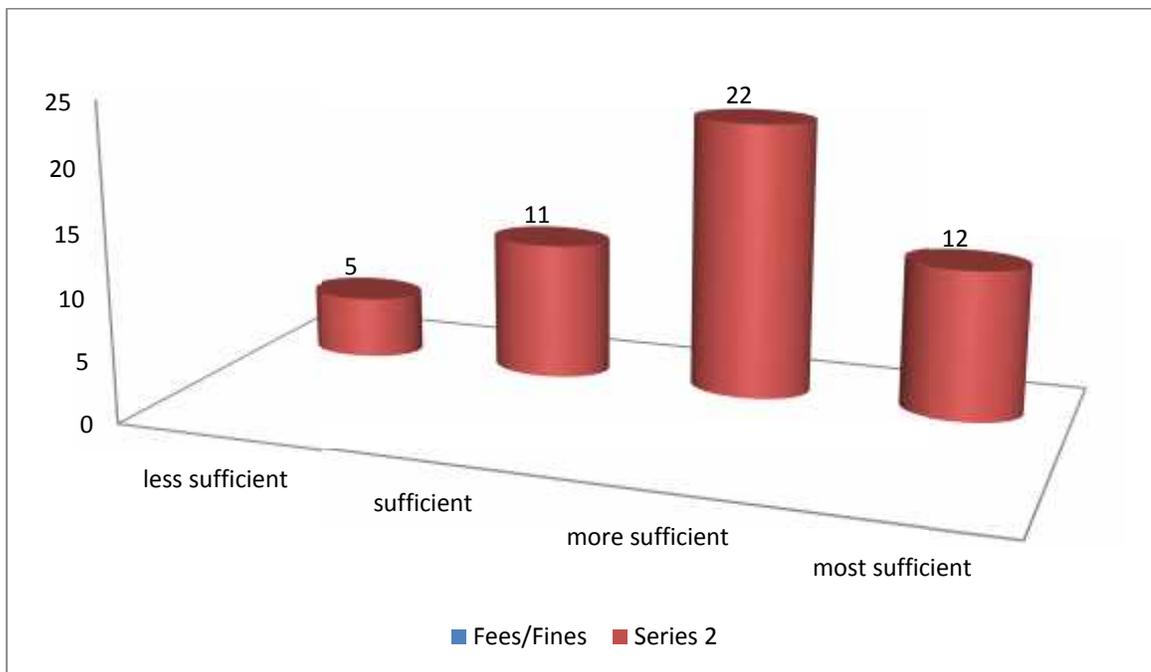


Source: Researcher's Fieldwork, June 2015

4.9.2 Fees/Fines

The figure 11 under fees/ fines indicates that, 10% of the funds received is less sufficient, 22% sufficient, 44% more sufficient and 24% most sufficient. It shows that when fees/fines are compared to property tax, fees/fines will be 2% enough than property tax.

Figure 11

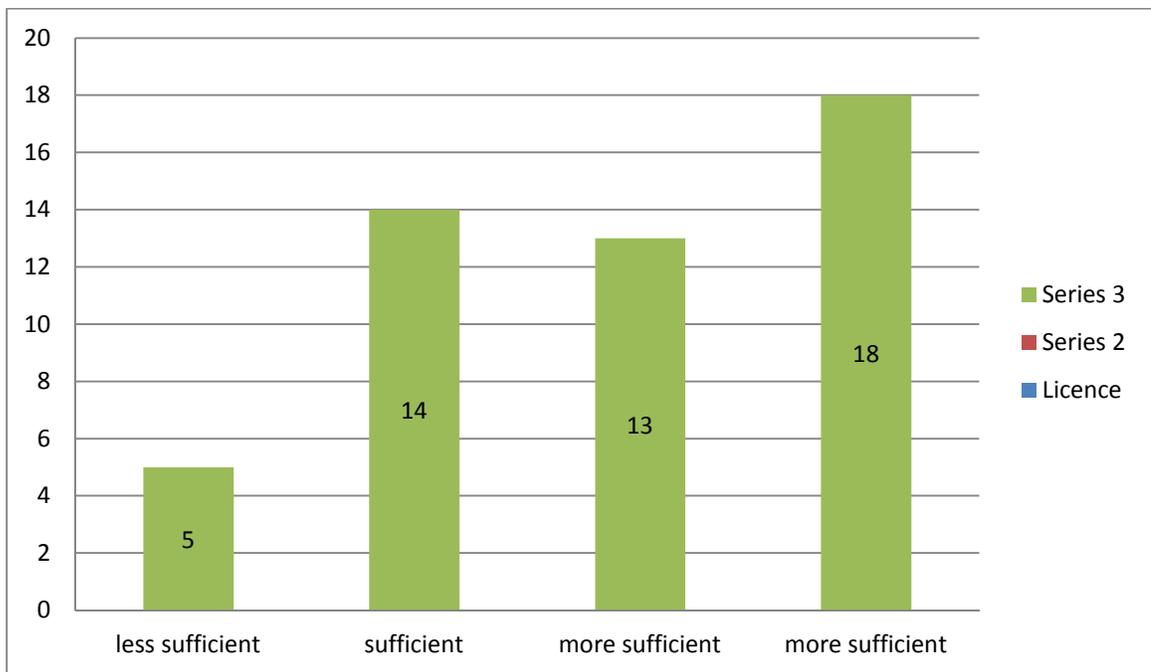


Source: Researcher's Fieldwork, June 2015

4.9.3 Licenses

Figure 12 presents that, licences are 5 less sufficient, 14 sufficient, 13 more sufficient and 18 most sufficient. This explains that, majority of the funds the assemblies obtain from licences is 36% adequate as compared to the other variables

Figure 12

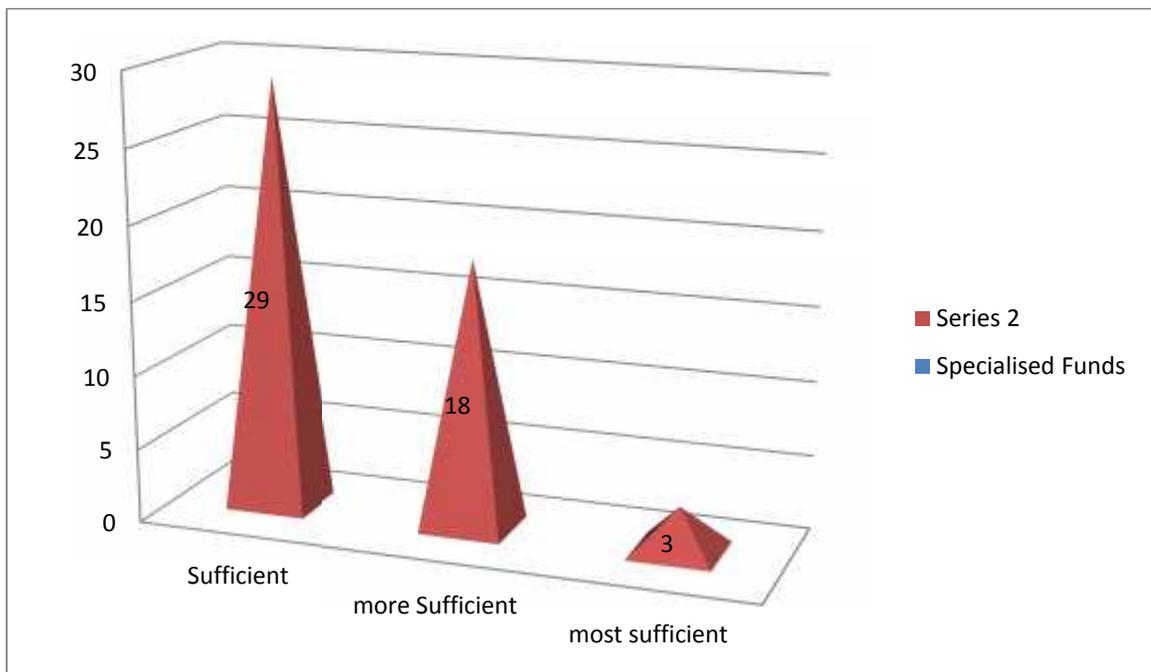


Source: Researcher's Fieldwork, June 2015

4.9.4 Specialised Funds

From figure 13, specialized funds is 29 sufficient, 18 more sufficient and 3 most sufficient. This explains that, specialized funds is only 6% sufficient although the assemblies weigh it to be 10% most reliable

Figure 13

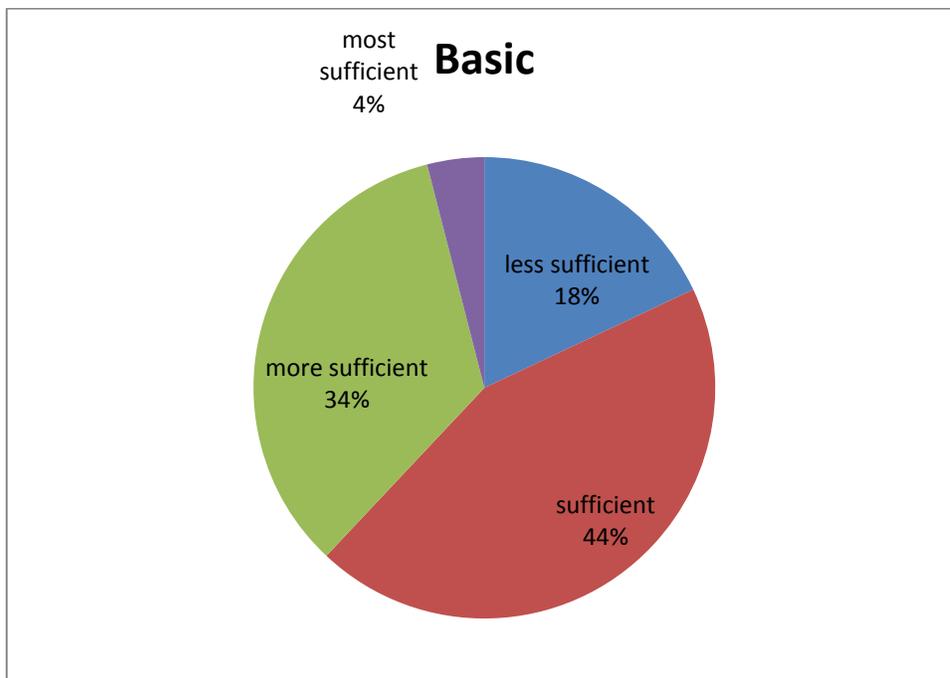


Source: Researcher's Fieldwork, June 2015

4.9.5 Basic

Figure 14 indicates that basic is 18% less sufficient, 44% sufficient. It is as well as 34% more sufficient and 4% most sufficient. This implies that, the basic contributes a small percent of the funds received by the assemblies.

Figure 14

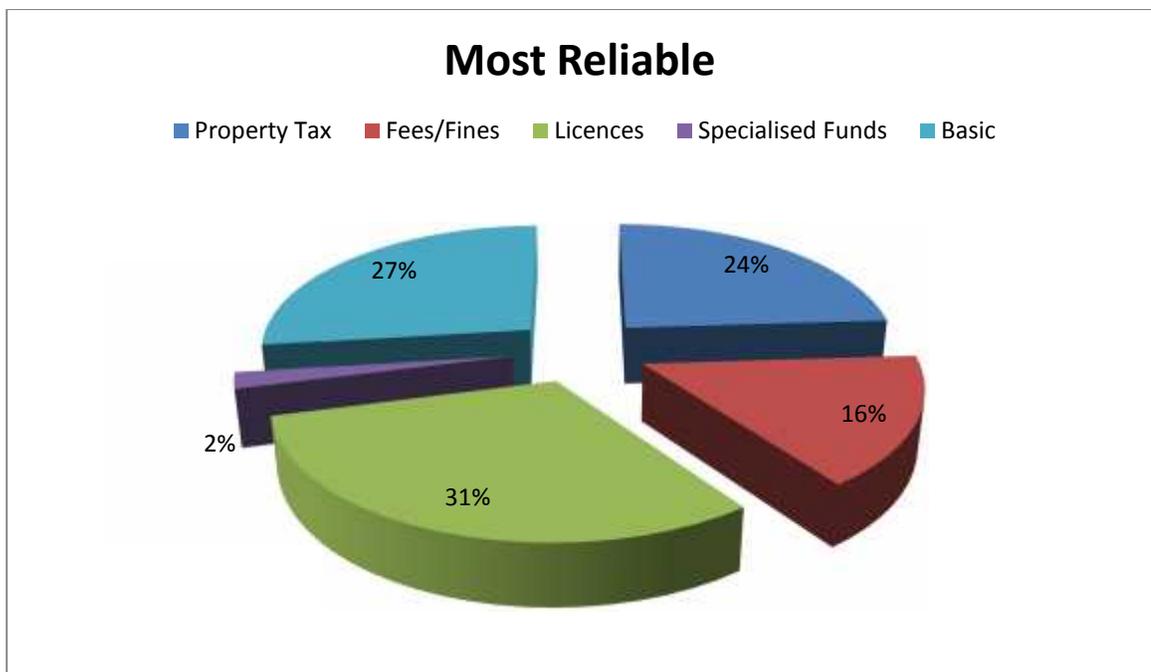


Source: Researcher's Fieldwork, June 2015

4.9.6 Most Reliable

The figure 15 below shows the most reliable of all the variables of the internally generated funds by the assemblies. Property tax is 27%, fees/fines is 16%, license is 31%. Not forgetting specialized fund, 2% and basic 27%. In conclusion, license is the most reliable whereas specialized fund is the least reliable.

Figure 15

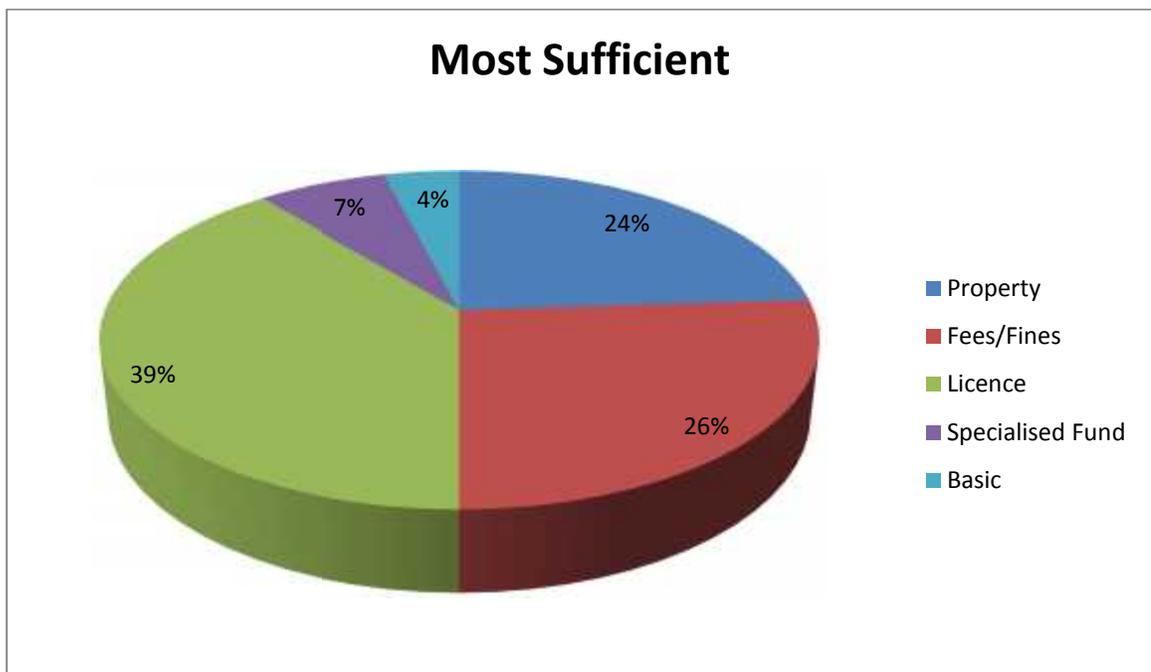


Source: Researcher's Fieldwork, June 2015

4.9.7 Most Sufficient

Figure 16 indicates the most sufficient among the variables. They are used by various assemblies in generating funds internally. Property tax 26%, fees/fines 24%, as well as licences 39%, specialized fund 7% and basic 4%. In conclusion, licences is the most sufficient whereas basic is the least liable

Figure 16



Source: Researcher's Fieldwork, June 2015

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the findings, conclusion and recommendation.

5.1 Findings

The findings are;

MMDAs depend heavily on the common fund as a source of revenue to enable them facilitate their obligations. The majority of the funds 58% received by the assemblies is from external source. The assemblies categorise their funds into external and internal; where the external is funds from government and donor funds. The funds received from government is 40% whereas those from donors are 18%. The assemblies are dominated by 56% males and 90% literacy level. The high level of education made our research easier. 20% of the assemblies receive their funds semi-regularly, 72% receive theirs regularly and others do not receive anything at all. Internally, license is the most reliable and sufficient source of fund for MMDAs as compared to the other sources like property tax, fees/fines and specialized funds. Specialized fund is the least reliable whereas Basic is the least sufficient.

5.2 Conclusion

The research was concluded that;

MMDAs are not sufficiently using fiscal decentralization to empower themselves under Local Government Act, Act 462 (1993) and that has led to the underdevelopment of new and sustainable strategies to improve their performance in revenue mobilization. The MMDAs in Ghana, have tendered to over-rely on the District Assembly Common Fund

to meet their capital expenditure. Another fact is that, greater part of the MMDAs internally generated funds go into administrative expenditure and that has made them unable to meet their socio – economic and political obligations to the community.

5.3 Recommendations

The chapter ends with some recommendations to the management of MMDAs and in particular the MCE, MCD, Presiding Member and Assembly Members on how to source for adequate funds. They should be involved in the training and upgrading of their revenue staff, provide incentives and needed logistics for them. Internal auditing practices and improved accounting practices that can minimise leakages in revenue collection, recording of transactions and increased supervision of revenue collectors. Others are the involvement of substructures and local groups in revenue collection, a database system for the mobilisation of revenue, improve upon the quality of basic service delivery to the public so as to motivate people to pay local levies. Also, establishing of revenue targets and the monitoring of performance, frequent transfer of revenue staff within the district and tax education campaigns

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APPENDIX A

Survey Questionnaire

CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire to Officials of Assembly

We are students of CSUC conducting research into analyzing The Source of funding of the MMDAs. We would be very grateful if you could please assist us in finding response to the following questions. The information provided would be respected and held in strict confidence and also would not be used for any purpose than this study.

Please tick or write out the correct response.

Personality Profile

1. Age

25-35 [] 36-50 [] 51 and above []

2. Gender Male [] Female []

3. Position.....

4. How many years have you worked with the assembly?

1 - 15 [] 16 - 30 [] 31 and above []

5. Education Background

Primary [] Secondary [] Tertiary []

Questions on Sources of Funding:

1. How does the Assembly source for funds for its activities?

Internally externally donor fund

Specify if otherwise

2. Does the MMDAs depend solely on the government?

Yes No

3. When do the MMDAs receive their share of the common fund?

Regularly Semi-regularly Not at all

4. Does the assembly render account?

Yes No

5. How often do they render accounts?

Quarterly Semi- annually yearly

Specify, if any.....

Explanation to the meaning of the numbers under the ‘effectiveness’ column

1= Excellent 2= Very good 3=Good 4= Average 5= Poor

Circle the appropriate number where applicable

Questions	Response	Effectiveness
6. Does External source of funds has a greater impact on development of the MMDAs than the IGF?	Yes/ No	1 2 3 4 5

7. Does the assembly control its funds?	Yes/ No	1 2 3 4 5
8. Are economic activities productive enough to generate funds for the assembly?	Yes/ No	1 2 3 4 5
9. Has the use of internally generated fund improve the economic and social life of the local people?	Yes/ No	1 2 3 4 5
10. Do you have proper systems of control in the administration of revenue collection of the assembly?	Yes/ No	1 2 3 4 5
11. Do you have strategies to facilitate the sourcing of funds for the assembly?	Yes/ No	1 2 3 4 5
12. Do you have annual or medium term of evaluation program on the overall performance on funding?	Yes/ No	1 2 3 4 5
13. Are there laws to mobilise internally sourced funds?	Yes/ No	1 2 3 4 5

14. How often does the assembly borrow to support the activities undertaken by the IGF?

Not at all [] very often [] sometimes []

15. Are there return on services into the IGF from the sectoral utilization of the fund?

Not at all [] sometimes [] very often []

16. Does the assembly have adequate donation to monitor its sourced funds?

Yes [] No [] Not enough []

What are the levels of reliability for the various internally generated funds?

Explanations to the numbers under the analysis column

1= most reliable 2 = more reliable 3= reliable 4= less reliable

Circle the chosen answer

Variables	Analysis
17. Property Rates	1 2 3 4
18. Fees / Services	1 2 3 4
19. Trading Services	1 2 3 4
20. Licenses	1 2 3 4
21. Specialized funds (stool land royalties, timber royalties)	1 2 3 4
22. Basic	1 2 3 4
23. Others	1 2 3 4

How sufficient are the below internally generated funds?

Explanations to the numbers under the analysis column

1= most sufficient 2 = more sufficient 3= sufficient 4= less sufficient

Circle the chosen answer

Variables	Analysis
24. Property Rates	1 2 3 4
25. Fees / Services	1 2 3 4
26. Trading Services	1 2 3 4
27. Licenses	1 2 3 4
28. Specialized funds (stool land royalties, timber royalties)	1 2 3 4
29. Basic	1 2 3 4
30. Others	1 2 3 4

APPENDIX B

BREAKDOWN OF METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES IN ASHANTI REGION

METROPOLITAN	MUNICIPAL	DISTRICT
Kumasi	Bekwai Ejisu Juaben AsokoreMampong Asante Akim Central Mampong Obuasi Offinso South	Adansi North Adansi South Afigya-Kwabre AhafoAno North AhafoAno South Amansie Central Amansie West Asante Akim North Asante Akim South Atwima Kwanwoma Atwima Mponua Atwima Nwabiagya BosomeFreho Bosomtwe EjuraSekyedumase Kwabre East Offinso North SekyereAfram Plains Sekyere Central Sekyere East Sekyere South Kumawu
TOTAL		
1	7	22