

**LOCAL GOVERNMENT AND DOMESTIC REVENUE MOBILISATION: THE
CASE OF EAST GONJA DISTRICT ASSMBLY IN THE NOTHERN REGION**

BY

MR. AGYAPONG AKWASI (UDS/MDM/0285/2013)

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PHILOSOPHY DEGREE, DEVELOPMENT MANAGEMENT**

OCTOBER, 2017



I hereby declare that this thesis is the outcome of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

.....

Agyapong Akwasi (UDS/MDM/0285/2013)

Student

.....

Date

Supervisor's Declaration

I hereby declare that the preparation and presentation of this thesis was supervised in accordance with the guidelines on supervision of thesis fashioned out by the University for Development Studies.

.....

Dr. Francis Sanyare

Supervisor

.....

Date



ABSTRACT

Financing local government development presents a worrying scenario to many Municipal, Metropolitan, and District Assemblies (MMDAs). While some MMDAs are well endowed with resources, others have less. However, how efficient and effective actors are able to identify, exploit and allocate these resources inform how developed their society may be. It is on this note that this study was conducted to examine the potentials and challenges of internal revenue mobilisation in the East Gonja District Assembly. The main instruments used in the collection of primary data were interviews, questionnaire and observation. Secondary data was also collected from journals, internet and published works. The researcher summarised field work by using frequencies and percentages. Tables and charts were also used to present findings. The study revealed that, despite the mandate of MMDAs to mobilise internal revenue to augment the statutory DACF and donor support, the IGF contributions to the East Gonja District revenue envelop in the years 2011 was three percent, two percent in 2012, and three percent each in 2013 and 2014 and then increase to four percent in 2015. The study further revealed that human factors such as low level of awareness, lack of training, lack of logistics and motivation and low internal control systems negatively affect IGF mobilisation. Environmental factors including inaccurate data and lack of maintenance of tangible IGF sources including markets, toilets and tourist site are disincentive to tax payment. The study identified the alienation of stakeholders and non-promulgation and gazetting of the district byelaws as factors that militates against IGF mobilisation. The study therefore recommends among others three ways of improving IGF performance; capacity building, political will and improvement of IGF sources.



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DEDICATION

I wish to dedicate this work to my Mom; Awari Comfort for your prayers and encouragement through it all.

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LIST OF ACRONYMS/ABBREVIATIONS

CF	Common Fund
CD	Coordinating Director
CSOs	Civil Society Organisations
DACF	District Assembly Common Fund
DFO	District Finance Officer
DDF	District Development Fund
DAO	District Assembly Official
DRS	District Revenue Superintendent
DCD	District Coordinating Director
EGOCSA	East Gonja Civil Society Association
EGDA	East Gonja District Assembly
GSOP	Ghana Social Opportunity Programme
IGR	Internal Generated Revenue
IR	Internal Revenue
IRS	Internal Revenue Service
LEB	Land Evaluation Board
LC	Local Government
MMDAS	Municipal, Metropolitan and District Assemblies
MLGRDE	Ministry for Local Government, Rural Development and Environment
SRWSP	Sustainable Rural Water and Sanitation Project
USAID	United State Agency for Internal Development
UN	United Nation
UNDP	United Nations Development Programme
VAT	Value Added Tax



INTRODUCTION

1.1 Background to the study

The developmental needs of the world, nations and local governments are quite numerous and diverse. It is therefore incumbent on nations and subnational governments all over the globe to mobilise available resources and if possible source external support to provide their territorial needs. As pointed out by Adesoji and Chike (2013), development is associated with funds and much revenue is needed to plan, execute and maintain infrastructures at both the state and local government levels. As such, while some nations and for that matter local governments in developed countries depended mostly on internally generated funds for development, others (especially developing nations) rely greatly on external sources in the form of loans and aid or grants for growth. Agreeably Osei and Quartey (2005) have established that central governments often financed developmental gaps with foreign aid; a situation they say perpetuates the country's aid dependency. Meanwhile Norton (2003) pointed out that, there is a global financial crisis and dwindling levels of aid.

In an attempt to mobilize resources for development, government, multilateral and bilateral institutions serve as the framework within which scarce resources are harnessed. Some legislation instruments grant that, sub-national governments in decentralised societies should mobilize available local resources to design and implement locally fashioned development programmes. Beginning in the 1980s, decentralization and local government reforms have become amongst the most widespread trends in development (World Bank, 2000) which Shah (2004:3) calls a "silent revolution sweeping the globe." Decentralization has gained support from the





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world's leading development agencies including the World Bank, United States Agency for International Development (USAID) and the Asian Development Bank (ADB) among others. These agencies (especially the World Bank) have invested significant resources towards decentralisation programmes over the years, embracing it as one of the major governance reforms on its agenda (World Bank, 2000). Based on these, fiscal, political and administrative responsibilities are decentralised from the central to lower level governments and to the private sector (Dillinger, 1994) to empower citizens to exercise control over local affairs (Nendomachuli, 2011).

One can hardly specifically posit when decentralisation started in Ghana. Across history various guises appeared. Although not formally recognised, historical records speculate 1859, with the promulgation of the Municipal Council Ordinance (Hoffman and meczroth, 2010). This originally commenced when the British Government introduced indirect rule that lasted up to 1951 when Dr. Kwame Nkrumah was made leader of government business. During this period, the colonial administration ruled the people of Ghana indirectly using the chiefs. This they did by giving the chiefs and elders in given districts the powers to perform local government functions (Crawford, 2004). Among such functions includes the collection of poll tax and the promulgation and implementation of customary laws. After independence, successive governments in Ghana considered decentralisation as the tool for socio-economic development and for the achievement of political objectives such as legitimacy (Ayee, 2004). It was also to strengthen and expand local democracy; promote local, social and economic development; increase the choices of the people (MLGRD, 2008), and thereby promoting poverty reduction from the bottom up (Johannes et al, 2004).

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To ensure effectiveness at the local level, financial responsibility was made a core component of decentralization in Ghana based on the recognition that fiscal autonomy of local government is associated with higher output per unit of labour and higher steady state growth (Brueckner, 2006). Smoke (2003) noted that fiscal decentralization is a government system which involves the “assignment of responsibilities” comprising the functions and activities at the various sectors of government as well as the assignment of locally generated revenues to local/sub-national governments.

Legal instruments have established that each local government unit shall have a sound financial base with adequate and reliable sources of revenue. Section 240 (2c) of the Local Government Act, 1993 (Act 462) and the constitution of the Republic of Ghana (1992), Section 245(b) have widely purveyed a set of legitimate powers to sub-national governments to mobilise funds and carry out spending activities within local government laws. The Metropolitan, Municipal and District Assemblies (MMDAs) are enjoined to collect such revenues as levies, basic rates, property rates, market tolls, licenses, capital investments among others as sources of revenue.

Like other MMDAs, the East Gonja District Assembly (EGDA) is making every effort to efficiently create and broaden its revenue stream and collect all available resources to support the statutory District Assemblies Common Fund (DACF) and other donor supports in the provision of infrastructure and other social services to the people of East Gonja.



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Apart from the Internally Generated Revenue (IGR), other revenue sources of the EGDA are the District Assembly Common Fund (DACF), grants, transfers, ceded revenues and external credits (Dick-Sagoe, 2012). The District Assemblies' Common Fund (DACF) is a statutory arrangement backed by the 1992 constitution of the republic of Ghana article 252(1 and 2) and the District Assemblies Common Fund Act, 2003 (Act 455). By this, not less than 7.5 percent of the pool of the national income is set aside and shared among the MMDAs. All these are intended to give financial and expenditure autonomy to MMDAs to design a strategy of growth more adapted to the reality of their territory (Johannes et al 2004). Yet there are so many untapped resources within the East Gonja District that could contribute to the financial basket of the Assembly.

1.2 Problem statement

The increasing demand for infrastructure and other social and economic investment of nations and MMDAs resulting from among other things, increased population and change in consumer taste require the mobilisation of scarce resources to carry out developmental projects to meet these needs. To legalise the effectiveness of the fiscal component of decentralisation, article 245 of the 1992 constitution of Ghana spells out the functions of Municipal, Metropolitan and District Assemblies involving the formulation and execution of plans, programmes, and strategies for the effective mobilisation of resources and the levying and collection of taxes, rates, duties and fees. The Assemblies are entreated by the constitution to be innovative and strategic in raising local revenues. This is to ensure that there are adequate financial resources for MMDAs for effective formulation and execution of locally fashioned development





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projects. Reasons are that no matter how excellent a district development plan may be fashioned; very little progress if any can be achieved with little financial resources.

Despite these constitutional mandates, the Government of Ghana (2014) established that, in 2004, the IGFs of all the regions in Ghana constituted about 16% of the total local government revenue and increase slightly to 18% in 2005. The result of this is high MMDAs dependency on Central Government and donor transfers. The government have made frantic effort to ensure that MMDAs IGF is increase to at least 65 percent, but these have not yielded any positive result (GoG, 2007). All regions have experienced a falling trend in the percentage change in generating IGF.

Major challenges are that, local authorities are unable to raise, retain and manage resources. The absence of structured institution for raising IGF and the unsustainability of identified sources hinder IGF mobilisation (chukwuma, 2010). According to Agyapong (2004), weak administration, coupled with a lack of political will for enforcement, generates a low level of local revenue mobilisation performance. Adedokun (2004) also notes that local government taxes are minimal; hence, limit their ability to raise independent revenues. Some prospective tax payers may seldom show interest in the payment of taxes and other levies because of the assumption that there is misappropriation and under invoicing by tax administrators and collectors. Surprisingly also, some MMDAs including the EGDA have not gazetted their bylaws to guide the behavioural patterns in the district-thus, making the citizenry unbounded and reluctant to pay any levy.

Table 1.1 shows evidence of the performance of IGF in East Gonja District Assembly (EGDA) over a period of five years.

Table 1.1: percentage contribution of IGF to EGDA fund from 20011-2016

Years	2011	2012	2013	2014	2015
DCF (%)	67	18	18	20	59
IGF (%)	3	2	3	3	4
Donor Fund (%)	30	80	78	77	37
Total (%)	100	100	100	100	100

Source: Extracted from East Gonja District Assembly Trial Balance: 2011-2015

Though there are enormous resources at the local government, Korkor (2003) lamented that, financing local government development programmes presents a worrying situation due to the inability of MMDAs to mobilise enough revenue from their area of jurisdiction. This is evident in table 1.1. The EGDA is performing abysmally by way of own revenue mobilisation. The Assembly turn to rely greatly on two variables; central government bursaries (i.e DACF) and donor fund amidst the near collapse of the national economy which has created serious financial stress for the central government and all MMDAs.

Though many have contributed to the on-going debate about whether or not local government are doing well by way of own revenue mobilisation, there is still a gap that suggest that little has been done to assess the potentials and challenges of internal generated funds of district assemblies. It is on this premise that this study assessed the potentials and challenges of internal revenue mobilisation in the East Gonja District Assembly of Ghana by sourcing information that will improve the performance of IGF in the district.



1.3 General Research Question

The principal research question was thus: what are the potentials and challenges of the internal revenue mobilisation of the East Gonja District Assembly of the Northern Region of Ghana.

1.3.1 Specific Research Question

1. What are the revenue streams and their potentials in East Gonja district?
2. What are the institutional strategies employed in revenue mobilisation and how effective are they in East Gonja District Assembly?
3. What are the institutional challenges and the perceptions of tax payers towards revenue mobilisation in East Gonja District?
4. How can the EGDA improve its revenue mobilisation for effective development?

1.4 General Objectives

The main objective of the study was to assess the potentials and challenges of internal revenue mobilisation of the East Gonja District Assembly of the Northern Region of Ghana.

1.4.1 Specific Research Objectives

In achieving this broad mission, the following objectives were set.

1. To examine the revenue streams and their potentials in East Gonja district.
2. To assess the institutional strategies adopted in revenue mobilization and how effective they are in the East Gonja District Assembly.



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3. To assess the institutional challenges and the perception of tax payers towards revenue mobilization in the East Gonja District.
4. To examine ways of improving revenue mobilization in the District.

1.5 Scope of the study

In content, the study limited itself to the discussion of the potentials and challenges of the mobilization of Internal Generated Funds in the East Gonja District of the Northern Region of Ghana. Numerical data, especially those of the amount of IGF components was assessed for a period of four years.

Geographically, the study focused on the East Gonja District. The researcher hoped that the findings of the study are empirical solution to the challenges of internal resource mobilisation in other districts that holds similar characteristic in Ghana.

1.6 Significance of the study

The motivation for selecting this topic and the East Gonja District (EGD) for the study was necessitated by the very low performance of internally generated fund of the East Gonja District Assembly. Coupled with this, is the poor infrastructural development (poor road network, schools and health facility etc.) that exist between the EGDA compared with other districts that are beneficiaries of the Common Fund (CF) as well. The district is not only one of the oldest, but also has the biggest land size in the country, yet it is counted for its low infrastructural development with very low economic activities even though it has a high potential.



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Perceptually, some citizens assume that it is the sole responsibility of the government to provide all their infrastructural and social needs. The result is that some individuals' fail to contribute to any levy. Even though some people might show interest, the involvement and commitment of the citizenry is very abysmal and worrying. Contributors either refuse to pay or pay periodically for the reasons that are revealed in the discussions of the findings in chapter five

Though many individuals have contributed to the on-going debate about whether or not local government are doing well by way of own revenue mobilisation, little has been done to assess the revenue potentials and the challenges of exploiting those potentials; the processes starting from identifying revenue potentials, fee fixing, to the actual mobilisation and utilisation of the IGF of the assembly.

Therefore, the research work is significant among other things because of the important role resources (both human and capital) play in local level development.

The findings of the study would help policy makers to identify the potentials associated with otherwise untapped internal revenue sources. It has also brought to fore the challenges of IGF mobilisation in the East Gonja District Assembly.

Recommendations from the study will contribute to knowledge and apparently help in planning to shape policy making that will subsequently help build a better IGF system.

1.7 Organisation of the Study

The rest of the thesis was organised as follows: Chapter two presented conceptual issues and framework by providing working definitions of the concepts of decentralisation with emphasis on fiscal decentralization, and then provide a brief



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review of the existing literature on these two themes. Chapter three described the profile of the district in perspective, explaining the various indicators of the prospects of IGF sources in the district. Chapter four described the empirical methodology and the data gathered for analysis; while chapter five presented the discussion of results. Finally, chapter six offered the summary, concluding and recommendation remarks.

1.8 Conclusion

Appropriate knowledge about the strength and weaknesses of any institution play a central role and can be described as the wheel that inform policy making. It is on this note that this section discussed the policy intent of fiscal decentralisation and speculated on the problems that confronts the East Gonja District and possibly some MMDAs in her attempt to mobilise internal revenue. The chapter also touched on the objectives and described the scope and significance of the study.



LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature in relation to the concepts of decentralisation (placing much weight on political and fiscal decentralisations); the prospect and the challenges of generating internal revenue and especially the prospects and challenges associated with the mobilisation of the IGF. Literature was collected from available literature such as journals, dailies, books, internet scripts, news bulletins, magazines among others. The purpose of this was to examine the ideas put forward by theorists within the domain of revenue mobilisation by decentralised organisations and district assemblies. It also provided background information for data analysis. The review of in-depth literature allowed the researcher to carry out a comparative study of findings, situating them with other studies worldwide. Appropriately, theories such as the theory of efficiency and participation and government value are discussed. The chapter also developed a theoretical frame that explains the factors that influences IGF performance and pointed out how to build a strong IGF system in the East Gonja District of Ghana.

2.2 Conceptual Issues

2.2.1 The Concept of Decentralisation

Decentralisation is defined and pursued by many countries and development actors. Multilateral and bilateral institutions including the World Bank, USAID and the United Nations (UN) are the major proponents of decentralisation. The UN defined decentralisation as the transfer of authority on a geographic basis either by deconcentration of administrative authority to field units of the same department or level of government or by political devolution of authority to local government units, or





by delegation to special statutory bodies (www.udsspace.uds.edu.gh, GoG, 2006). According to Walker (2002: 63) decentralisation is “the transfer of political power, decision making capacity and resources from central to sub national levels of government”. Inferentially, resources and authority are allocated to the sub-national levels to distribute them to meet area specific needs without any limitation. When power is transferred to a people without the necessary withal to perform, the very essence of decentralisation is lost, since in the view of Walker, resources for development are expected to come from a central point/government. With this some limitation are enshrined in the Walker’s definition. His perspective provided a narrow view to the concept of decentralisation in that, he failed to recognised the area specific revenue potentials of the MMDAs.

Instead, the administrative capacity of the actors in decentralisation should be established with stable own financial resources. This brings us to the concept of decentralisation in the view of Rondinelli (1989) which stayed long in history, yet still remains valid after three decades of practicing the concept in Ghana and many years in other jurisdictions in the west. Rondinelli (1989) defined decentralisation as the transfer of the responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non-governmental or voluntary organisations. Rondinelli’s ideas give a good conceptual explanation of what constitute decentralisation in the context of this research work. Embedded in it is the concept of function of the District Assemblies. The same was regurgitated by Nendomachuli, (2011) when he defined decentralisation to mean: a process by which authority, responsibility, power, resources and accountability are

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transferred from the centre to the periphery or sub national levels. Unlike Walker (2002), the definitions by Rondinelli (1989) and Nendomachuli (2011) pointed to the trust and confidence central governments repost in local government in the context of decentralisation to be resourced and accountable to their subjects in the design and provision of area specific needs. Rondinelli and Nendomachuli's stands are all inclusive where they expose the need for central authorities to transfer or delegation political, administrative and fiscal responsibilities to lower levels of government. Drawing inferences from Rondinelli and Nendomachuli, the very principles of decentralisation is to enlist all inclusive grass root potentials and capabilities to mobilise and appropriate resources from within, with little or no external influence.

Having noted these definitions of decentralisation it can be contextualise in this study as a policy frame in which power is given to sub national governments other than the centre to assume the responsibility of mobilising and allocating local resources. MMDAs within the context of this policy, fashion out sources of resources, resource mobilisation strategies, plan, execute, monitor and evaluate their development agenda.

2.2.2 Reason for Decentralisation

Work (2011) noted that, decentralisation brings decision-making closer to the people and therefore yields programmes and services that better address local needs. "Decentralisation has been pursued with the aim of bringing governance and development decision-making process closer to the ordinary citizen at the sub-national level" (Akudugu, 2012: 22). As a result decentralised governance is increasingly gaining the attention of many governments, including the private sector as the most suitable mode of governance through which poverty reduction interventions can be





www.udsspace.uds.edu.gh conceived, planned, implemented, monitored and evaluated (Kuazya, 2007). It is obvious from the above that, by bringing stakeholders within the communities together to define priorities for projects and programmes, citizenry interest and sense of ownership increases (Work, 2011). This is confirmed by Oates's (1993:240) assertion that "policies formulated for the provision of infrastructure and even human capital that are sensitive to regional or local conditions are likely to be more effective in encouraging economic development than centrally determined policies that ignore these geographical differences". Summarising the views of Akudugu (2012: 22), Oates's (1993:240), and Work (2011), decentralisation is envisaged as a development agenda that centres on enlisting grass root participation in policy formulation, implementation and evaluation for purposes of eliminating alienation and inefficiencies in centrally determined development initiatives that in most cases are not sensitive to the plight of the local people. It is therefore expected that decentralisation will result in better service delivery (Chikulo, 2007; Muriisa, 2008).

In some jurisdiction, the main reasons for decentralization reforms are often considered political (Walker 2002). This consideration is regarded by this study as total disregard for social and economic empowerment. However, governments adopt them as a way to also improve service delivery and local governance ensuring that decisions are generally bottom up (Work 2011). Reasons are that local government officials in collaboration with stakeholders can best fashion out local level development priorities since they are closer to the people. The Local Government Act 462 (1993) outlined the reasons of decentralization (thus, the creation of MMDAs) as follows;

- To transfer real power to local people to enable them handle local priorities;

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- To create a democratic environment and institutions in Ghana for governance and development at the local level, which facilitate the participation of the grassroots in decision making;
- To improve accountability and effectiveness by bringing political and administrative controls over services to the communities where they are delivered;
- To empower local communities and local officials and to free them from constraints imposed by central government;
- To provide a clear link between payment of taxes and service provision;
- To empower District Assemblies to plan, budget, finance and provide services to their residents and
- To mobilize the mass of the people in the area for socio-economic development at the local level.

This offers the true meaning to decentralisation. It spelt out the core mandate of decentralisation to be improvement in service delivery (efficiency, equity, etc.), improved governance (deeper and more inclusive), reduced poverty, improved life/livelihoods, and increased stability/conflict reduction (Brooklyn, 2013).



2.3 Forms of Decentralisation

Development is influenced by the agents of development that power is conferred on and the kind of development policies they work with. Concurrently, the UNDP (1998:19) pointed out that “the type of unit with which authority is shared or to which it is transferred in the decentralisation process is critical for understanding the implications for good governance”. Apparently, the effects of decentralisation on good governance are dependent to a large extent the form and nature of the decentralization

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involved in a particular jurisdiction. To fashion out an appropriately local government system, theorists of decentralisation have clearly unfolded four (4) dimensions of decentralisation. These include political decentralisation, administrative de-concentration, fiscal decentralisation and market decentralisation. The first three types of decentralisation is the pivot on which this study revolves and thus elaborated below.

2.3.1 Political Decentralisation.

This is otherwise known as devolution. As the name implies, it is a form of decentralisation which involves the process of transferring decision-making and implementation powers, functions, responsibilities and resources to local or sub-national governments. This makes local governments autonomous within well-defined jurisdictions of decision-making through constitutional mandates. The purpose of this is to offer the citizens or their representatives more power to formulate and implement policies that would best affect their political jurisdictions. It is also to enlist grassroots participation in decision making to promote the formation of ‘local level’ governments.

According to Vikas (2000-1:2), ‘Political decentralisation often requires constitutional or statutory reforms, the development of pluralistic political parties, strengthening of legislatures, creation of political units and the encouragement of effective public interest groups. He further explained that, national governments are however often reluctant to fully undertake political decentralisation as it implies realignment of power and have to be accompanied by the devolution of financial resources to make political decentralisation work’. Just as Vikas pointed out, some governments in Africa do not give full political powers to the people at the grass root level to make decisions on certain political offices. This is evident in Ghana where the citizenry have no political



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right to decide who should become the District Chief Executive (DCE) of their political units. The central government appoints and superimposed the DCE on the electorates. A situation which makes the DCEs insensitive to local priorities but rather implement policies and programmes dictated from the central government; the result of which is the imposition and abandoning of vital but “unneeded” projects and programmes.

2.3.2 Administrative Decentralisation.

Administrative decentralisation which is also referred to as deconcentration; comprises a set of policy whereby the central government delegate administrative responsibility to agents to work closely with the people at the local/grassroots level in administering and delivering social services such as education, health, social welfare, or housing to sub national governments. It concerns ‘the assignment of responsibilities and authority to lower level administration. Such bureaucratic authority, because it is being assigned within a hitherto centralised governance system, involves the transfer of responsibilities from the central authorities to the field organisations’ (Ahwoi, 2010:134). These require the establishment of regions and districts offices of ministries to carry out the functions that would otherwise have been executed by the central government at sub-national levels.

Administrative decentralisation is being implemented in accordance with the provisions of the Civil Service Law 1993, (PNDC Law 327). Per Act 462, the District Assemblies are mandated to exercise administrative authority in the District over all other administrative authorities. The sub-district structures take their mandates from L.I 1589 to guide their operations.



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The parliament of Ghana passed into law the Local Government Service Law (ACT 656) that established the Secretariat. In 2009, Legislative Instrument 1961 that aimed at establishing departments of the Assemblies, transfer of staff from the Civil Service to Local Government Service, operationalize the composite budget system, and enable decentralised departments to carry out their functions as departments of the District Assemblies was also promulgated.

2.3.3 Fiscal Decentralisation

Philosophical thinking about fiscal decentralisation dates way back in the 17th and 18th Century by philosophers including Rousseau, Mill de Tocqueville, Montesquieu and Madison. Along with “globalisation,” fiscal decentralisation and the desire for local discretion and devolution of power is seen by the World Bank as one of the most important forces shaping governance and development today (World Bank, 2000). According to Kee (undated, p.5), ‘Fiscal decentralisation is the devolution by the central government to local governments (states, regions, municipalities) of specific functions with the administrative authority and fiscal revenue to perform those functions. In the mind of Kee, the central government assigns certain responsibilities not all, to subnational governments to perform and that, resources are also transferred from the centre. Meaning, expenditure decisions are dictated by the central government with little or no attention to local level development priorities. This undermined the potentials that local government entities possess in mobilising own resources.

Unlike Kee (undated), Smoke (2003) noted that fiscal decentralisation is a government arrangement which involves the assignment of responsibilities comprising of the functions and activities at the various sectors of government as well as the assignment of locally generated revenues to local/sub-national governments. Fiscal decentralisation



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is the situation in which local authorities are mandated to decide about expenditures of revenues raised locally or transferred from the central government (Egbenya, 2009). Building on Egbenya's (2009) exposition, Adedokun (2006) established that fiscal decentralisation occurs when lower tiers of government have statutory power to raise taxes and carry out spending activities within specified legal criteria. Contextually, this gives the real meaning to fiscal decentralisation as they show that local governments or administrative units possess the legal authority to impose taxes and determine 'the how' and 'the where' the monies accrued are used (Smoke 2003, Egbenya 2009 and Adedokun 2006). According to Thiessen (2003), in so long as subnational governments better reflect the priorities of taxpayers, it is sufficient for fiscal decentralisation to offer efficiency advantages. Meaning that, local governments are closer to the people and therefore can better allocate resources to match the developmental needs of the people within their jurisdiction.

Putting fiscal decentralisation policies into perspective, analyst posts it into variant institutional types. Thus an increase of transfers from the central government, the creation of new sub-national taxes, and the delegation of tax authority that was previously national are all examples of fiscal decentralisation (Falleti, 2004). Central governments by way of policy can increase its bursaries to the local governments, assist them identify fertile areas of local tax and relinquish some national tax sources to them. These policies, which ever form, grants sub-national governors the opportunity to increase their revenue base by mobilising own revenues such as rates, fines, fees, land and licenses to carry out local level development initiative to fill in the gaps of DACF and donor support. On the contrary, Falleti (2004) was quick to add that, the delegation of taxing authority to subnational units that lack the administrative capacity to collect



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new taxes can set serious constraints on the local budgets, and increase the dependence of the local officials on the transfers from the centre. Meaning that, in practice, there is the need to build well-resourced (both skill and material) tax administration system, backed by a national legislation and at the local level, bylaws that can protect local government officials as well as making tax payment at the local level mandatory. Without these national and local level laws in place, tax collection can suffer serious setbacks.

In this regard, strong administrative capacity, coupled with enough discretion by the MMDAs to determine its revenue streams and the appropriation of funds is the bedrock for progress in any decentralised unit. Smoke (2003:10) argued that “Poorly articulated roles and resource deficiencies can cripple local governments and undermine incentives for local officials and elected representatives to perform effectively”. This situation is made worsened by the inability of some district assemblies to effectively mobilise enough internal funds to carry out local level development initiatives (Akudugu, 2013,). Adedokun (2004) adds to Akudugu’s assertion when he notes that local government taxes are minimal; hence, limit their ability to raise independent revenues, thus making them so dependent on allocation from the federal account. Adedokun emphasis that the juiciest and most reliable tax sources are assigned to the central governments while subnational governments depend on taxes most of which are unreliable. This situation depresses and limits the capacity of the local governments to effectively discharge its developmental role or deliver public services to the local residents with low stock of financial resources available to them. Certainly, no matter how perfect the MMDAs, especially the East Gonja District Assembly development plan may be, its service delivery is largely determined by the stock of financial resource





available to them (www.udsspace.uds.edu.gh, Akudugu, 2013). No or very little progress can be achieved with insufficient financial resources.

Fiscal decentralisation is regarded by many as a tool of enhancing political, institutional and economic development (World Bank, 2008). Against this supposition, some argued that fiscal decentralisation may impact negatively on the distribution of public resources across jurisdictions, since mobility of households and businesses can seriously constrain attempts to redistribute income (Gemmell et al. 2009). Gemmell et al (2009) further indicated that redistributive policies are likely to induce poor individuals to move into the jurisdiction while higher income individuals (who bear a greater tax burden) move out. The ability of taxpayers to move from one jurisdiction to another to take advantage of more attractive spending and taxation policies weakens local government's ability to soak the rich and redistribute to the poor (kee, undated)

The dreams of decentralisation cannot be realized if there is a mismatch between the expenditure responsibilities and the financial resources of local government units as well as the authority to make decisions on expenditures (Fjeldstad and Heggstad, 2012). This point to the fact that fiscal decentralisation involves dual interrelated issues; the division of spending responsibilities and revenue sources between levels of government (national, regional, local etc.) and; the amount of discretion allowed for local governments to determine their expenditures and revenues (both in aggregate and detail) (Davey, 2003). In line with Davey, Dabla-Norris and Wade (2002) argued that fiscal decentralisation is a multidimensional phenomenon, involving not only the assignment of expenditure and revenue responsibilities among different levels of government but also the extent of subnational policymaking autonomy. Dabla-Norris and Wade further explained that transitional governments need to take into

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consideration the decision making autonomy of subnational governments regarding the appropriation of either external grants or internal resources. To ensure efficiency, they proposed that there is the need for clarity, transparency and well-defined rules of the game towards achieving accountability that efficient and sound fiscal decentralisation requires.

Adding to Darvey (2003) and Dabla-Norris and Wade's (2002) position, another school of thought has it that, a successful fiscal decentralisation program should cover four building blocks commonly referred to as the four pillars of fiscal decentralisation: (1) the assignment of expenditures responsibilities, (2) the assignment of revenues sources, (3) the allocation of intergovernmental fiscal transfers or grants and (4) subnational borrowing (Yao, 2006).

Expenditure decisions; this involves the uninterrupted hegemony given to the MMDAs to appropriate resources mobilized either locally or received from the central government to meet the Assembly's developmental priority. On the expenditure side, Dabla-Norris and wade (2002) are of the view that central governments should allow some degree of budget flexibility for MMDAs to decide—within limits—expenditure priorities and the choice of both the output mix and techniques of production.

In some jurisdictions in Latin America where decentralisation principles were first implemented, Local Governments have the autonomy to appropriate funds they accrued (World Bank, 2008). However in Ghana, sub-national governments have little or no autonomy to invest funds. This is because large proportion of its financial resources comes from the central government and other multilateral and bilateral donors which are accompanied with stringent condition of disbursement.



Taxing and revenue – raising powers; Taxation has been described by many schools of thought in varying ways. This study has adopted Adenugba and Ogechi's (2013) definition which describe taxation as a compulsory levy imposed on a subject or upon his property by the government or the District Assemblies having authority over citizenry property through its agencies with the aim of providing, maintaining and improving social facilities in the communities at large and for which the tax payer has no quid pro que. The assignment of revenue power concerns the type of tax and nontax revenue available to local governments.

Dabla-Norris and Wade (2002) emphasis, it is required that subnational governments have the authority to own-finance; to set tax rates and an assignment of at least one significant tax source. The argument is that MMDAs should be assigned at least a regular source of revenue otherwise collected by the state and that some they should be granted some powers to place revenue ceiling and devise strategies of collecting taxes within their jurisdiction. The principle is that local government revenue sources need to be stable and should be easy to administer so as to relate to the benefits received by local residents (Yao, 2006). Local governments tax revenues needs to be clearly defined and consistent to avoid revenue constraints.

Intergovernmental fiscal transfers; this point has been elaborated below.

Sub-national borrowings; concerns the incentive for local governments' to access the financial market. Most developed nations, through efficient data collection and efficient taxation systems and effective enforcement have succeeded in internally generating considerable funds to meet their development needs (Biney, 2010). In these nations, governments resourced and built the capacity of the tax agencies so that they can mobilise adequate funds internally for own development. They also ensure that Tax



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Laws are enforced to the latter to protect both tax agencies and tax payers. Biney (2010) identified that these situation is the opposite in many developing nations where dependence on foreign multi-lateral and bi-lateral support to meet the funding of developmental challenges has become the norm. Biney emphasised that central governments in some less developed countries have not put in place effective measures and laws to generate reasonably enough internal revenues, and since the local governments are the creations of State governments in the sense that localities derive their taxing and spending powers from the State to meet their developmental objectives (O'Sullivan, 2000), they are hindered by inadequate funding in an attempt to meet their developmental needs (Adedokun 2004). In order to be partially independent of central government's bursaries and still be able to meet local development priorities, local governments need to be ingenious in promulgating tax laws and carrying out capital investments that could possibly yield future dividends. The reason is that "the lack of own-source revenues contributes to dependence on the centre, especially for capital investment" (Dickovick 2005: 192).

To remove these financial bottle-necks, the World Bank (2004) in Dick-Sagoe (2012) argues in favour of local governments borrowing with the following points. That local governments' investment expenditure wholly financed from current tax revenue is inappropriate for equity reasons. Equity in that, horizontally, some MMDAs have much developmental needs than others. Some MMDAs are also blessed with enough natural resources that they can exploit to their advantage, while others have few revenue avenues. Dick-Sagoe (2012) added that investment is important for the local governments in the sense that it will bring benefits for future generation. And that, through this, the local governments will be at least partially responsible for their





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spending. The second point is that the ever present mismatch between revenue and expenditure in most developing countries makes it significant for local governments to borrow, and lastly political accountability is evident in the borrowings from local governments (World Bank, 2004 in Dick- Sagoe 2012).

On the contrary, some school of thought argued that, local governments should not borrow because they have poor accounting and disclosure standards and rely heavily on the central government for bail out during debt crises; when there is a conflict of interest between lenders and borrowers (Ter-Minassian, 1996). Conceivably, because of tax leakages, misappropriation and inefficient management systems, local governments are unable to collect enough local taxes that could possibly offset any external debt. Added to this, there is no effective monitoring mechanism to check the efficient investment of borrowed resources; a factor that perhaps creates leakages and misappropriation. The result is a disincentive for local government borrowing.

2.4 The Fundamentals of a Good Fiscal Decentralisation Programme

According to Smoke (2001), there are five key elements that should be integrated in a good fiscal decentralisation programme. These are: an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. All the elements that are relevant to the study have been elaborated above, except the first and third elements.

2.4.1 Adequate and enabling environment

The creation of a legal frame that regulates the financial activities of the central government and MMDAs is the benchmark for efficiency and accountability. By this awareness, developed nations have formulated and enforced effectively tax laws to mobilise enough funds for internal development (Biney, 2010). Consequently, Ghana, a developing nation has also developed a rich diversity of local government fiscal regulatory system after her independence. In retrospect, Ahwoi (2010) noted that, until 2003, there were four pieces of legislation that regulates financial administration and management in Ghana. These are:

1. Financial Administration Decree, 1997, SMCD 221;
2. Financial Administration Regulation, 1979, L. I.1234;
3. Financial Memorandum for Municipal and Urban Councils, 1961
4. Local Government Act, 1993, Act 462

However, the first two have been replaced by the Financial Administration Act, 2003, Act 654 and the Financial Administration Regulations, 2004, L. I. 1802. An Internal Audit Agency Act, 2003, Act 655 and a Public Procurement Act, 2003, Act 663, have also been passed to streamline the country's local government financial administration and management arrangement (Ahwoi, 2010).

Under fiscal decentralisation in Ghana the District Assembly Common Fund Act 1993 (Act 455) plays a major role, but Act 462 maintains a leading role as it gives the District Assemblies the power to generate their own financial resources and the authority to handle the transferred grants such as the Common Fund. The sub-structures (the town and area councils) have revenue retention arrangement by which they retain



up to fifty (50) per cent of revenues collected by them, the other fifty (50) per cent being sent to the District Assembly.

The DACF is a statutory arrangement backed by the 1992 constitution of Ghana in article 252 (1 and 2) and the District Assemblies Common Fund act, 2003 (act 455). Per this, the central government is mandated to transfer not less than seven per cent (7.5%) of the national tax revenue to the local government authorities.

Ghana has done well by creating a legal framework to back fiscal decentralisation in the country. Surprisingly however, some MMDAs have not gazetted their bylaws to guide the behavioural patterns in their jurisdictions. This makes citizenry reluctant and unbounded as they deem it not necessary to pay any levy.

Pointing out the shortfalls in the legal frame of fiscal decentralisation, Adedokun (2004) notes that local government taxes are minimal; hence, limit their ability to raise independent revenues, thus making them so dependent on allocation from the central government. Meaning that, LGs revenue assignments are small and less attractive.

2.5 Sources of fund for MMDAs

The infrastructure investments and other service demands of the East Gonja District Assembly and other MMDAs for that matter are on the increase resulting in large budget deficits (Maeregu 2011). However, Smoke (2003:10) noted “resource deficiencies can cripple local governments and undermine incentives for local officials and elected representatives to perform effectively”. This therefore makes revenue mobilisation an important task of local governments not only in Ghana but all over the



world. This is so because www.udsspace.uds.edu.gh “local governments need money to perform their day-to-day administrative duties as well as deliver services to the local residents” (Akudugu 2013:100).

Though scarce, District Assemblies are expected to raise revenue from own sources to support the district budget and for local development (Akudugu, 2013). Kroes (2008) identified that the pool of the district financial resources in many less developed countries might come from seven main sources: independent revenue sources or own sources assigned to the district, central government financial transfers to the district (which can have different forms), voluntary contributions by community or beneficiary groups, profits from public enterprises or rents from public properties, financial assistance from donor agencies, short and long term loans and other sources like penalties, selling property, etc. Interrogatively, when the citizenry in a particular jurisdiction lacks certain developmental facilities including water, toilet, health facility and market, beneficiaries and consumers might galvanise resources by taxing themselves to carry out those projects. In this regard some degree of constitutional flexibility is required to enable LGs invest in projects to meet area specific priorities with internal receipts. To affirm this, Dabla-Norris (2006) disclosed that the practice in Hungary, Poland, Estonia, Latvia, and the Czech Republic is that, the law grants subnational government greater flexibility in service delivery. In these areas Subnational authorities have the opportunity to embark on locally determined areas of investing with funds accrued either internally or externally. However, in countries including Albania, Moldova, Romania, and Russia the distribution of spending responsibilities remains unclear (Dabla-Norris, 2006). In Russia, for instance, the ambiguity in the assignment of the authority to regulate spending assignments has



www.udsspace.uds.edu.gh compromised subnational budgetary positions (Rodden et al., 2003), a phenomenon that thwart their internal revenue mobilization initiative. Amidst these, Livingstone and Charlton (2001) established that local government authorities often depend on limited sources in mobilising own revenues.

Pointing to Ghana, Korkor (2003) agreed to Livingstone and Charlton (2001) assertion by lamenting that, financing local government development programmes in Ghana by the MMDAs presents a worrying situation due to the inability of the Assemblies to mobilize enough revenue from their area of operation. Most rural districts in Ghana are constrained with limited owned financial resources as some LGs fail to expand and develop local level resource base. This undermines the ability of MMDAs to generate enough resources to finance local level development.

Nendomachuli (2011) established common practice of mobilising resources between Ghana and Uganda. He discovered that District Assemblies in both countries raise their own revenues and source additional funding from other non-governmental organisations or donor agencies through convincing proposals. Though constrained, district assemblies are mandated to create and mobilises all available resources from within. To augment this, the MMDAs also appeal to external individual and multilateral agencies for support with more appealing proposals. Disadvantageously, the fact that MMDAs can, as convention demand, appeal for support from donors weaken their capacity to mobilise own sources of revenue.

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In contravention to the findings made by Nendomachuli (2011) in Ghana and Uganda, Adedokun (2006) established that in Nigeria, Local governments mobilise their funds solely from external sources which include federal and state governments financial transfers like grants, statutory allocations, share of value added tax (VAT), receipts and loans. The federal and central government corroborate to resource the development demands of the sub-nations. It is the responsibility of the local government officials to efficiently and effectively appropriate all the resource accrued to them for the wellbeing of their jurisdictions. The impression is that, reliance on external sources cripples development initiatives and reduces the incentive for subnational government to perform in an effective manner in times Federal and State Government are faced with financial setback. The reason being that, with the conviction that ‘manner will come from above’, local government officials in Nigeria overlook perhaps juicy avenues of enormous owned resource. Rodden (2002) agreed with Adedokun’s assertion when he noted that the dependence on revenue either through shared taxes or money transfers from the central government reduces the incentive for local governments to act in an economically efficient manner. Because resources are grants from the elsewhere, they come with stringent conditionality allowing LGs little or no free will to appropriate funds to meet local development priorities. Meanwhile, according to Fjeldstad and Heggstad, (2012:3) one factor that perpetuates sub-national governments over dependants on central government is the fact that “Governments across the world assign more expenditure functions to local authorities than can be financed from their own revenue sources”. With adequate own financial baskets, LGs cannot finance capital intensive projects that are needed by



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Like other MMDAs, the East Gonja District Assembly mobilizes its revenue from three main sources which are Internally Generated Fund (IGF); transfers from Central Government; and donor support.

The greater percentage of the EGDA financial resources comes from the DACF which “suffers from inefficient sharing arrangements” (Boschmann 2009:6). Some local and foreign bi-lateral and multi-lateral organisations including Ghana Social Opportunity Programme (GSOP), Northern Region Small Town Water System (NORST), SEND Ghana and Choice Ghana are development partners who also either finance or carry out some development projects and programmes in the district. The East Gonja District Assembly mobilises IGF from sources that can be sub-divided into rates, royalties, fees and fines, licenses, rents and investment.

2.5.1 Intergovernmental fiscal transfers

Revenue mobilisation potentials of DAs vary in magnitude (Kazentet, 2011) dependent on the availability of both natural and human capital in specific jurisdictions. Certainly some District Assemblies (DAs) may be able to raise quite enough revenue internally than others. To bridge development gaps and other financial imbalances, it became apparent for the central government to share at least not less than 7.5 percent of the national cake to all MMDAs.

Yao (2006) revealed that there are different forms of grants or transfers used for varied intents ranging from vertical to horizontal fiscal imbalance. And that *Vertical imbalance* occurs when there is a gap between the fiscal need and the resources available to different level of government; whereas *horizontal imbalance* refers to a



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situation where the resources allocation between government units at the same level is not equal. In the case of the MMDAs, the horizontal sharing of government allocation involves the common fund allocations to all MMDAs. These transfers can either be conditional or unconditional, made in a form of a block grant or matching grant. Conditional in that appropriation of the funds are earmarked from the centre while the reverse is true. The intent of these transfers is to support specific sector activities in the districts (Inanga and Osei-Wusu 2004) and to correct horizontal fiscal imbalances.

As noted by Yao (2006) different types of fiscal transfer systems are used worldwide in different circumstances. However, in Ghana, the horizontal transfer systems are in three forms. Thus, District Assembly Common Fund, recurrent expenditure revenue and ceded revenues.

2.5.1.1 The District Assembly Common Fund

In Ghana, the major source of funding for the MMDAs and for that matter the East Gonja District is the DACF. As contain in the 1992 Constitution, the District Assemblies Common Fund Act, Act 455 (1993) and the Local Government Act, Act 462 (1993) made it mandatory for Central Governments to allocate monies from the state fund as District Assemblies Common Fund (DACF) to MMDAs. The fund is distributed to all MMDAs on the basis of a formula approved by Parliament, payable in quarterly instalments and administered by the DACF Administrator (Maeregu 2011). Currently, the DACF operations are funded with not less than 7.5 percent of government total tax revenue quarterly (Ghana, 2012-2013).The intent is to resource local level activities for a sound and efficient fiscal decentralisation.



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However, the discretion of local government officials over the use of the fund is limited (MMDAs Accounting Manual 2011). About half of the fund is earmarked from the centre, mainly for capital projects and recurrent expenses of the central administration of the district assembly (MMDAs Accounting Manual, 2011). This situation is not only peculiar to Ghana but also in South Africa where Dickovick (2005: 196) pointed out that "... Personnel costs which regularly accounts for over half of provincial spending are essentially dictated by the central government". In Bulgaria also, McCullough et al. (2000) established that 90 percent of actual local expenditure in 1999 was not under the control of local authorities. These findings by MMDAs Accounting Manual (2011), Dickovick (2005) and McCullough et al (2000), was confirmed by Dabla-Norris (2006) when he pointed out that central governments in some countries have frequently tried to hold back on transfers and authority to limit the capacity of sub national tiers of government to impose local taxes. The idea is that most of the sub national governments in these countries are rural poor people, with few revenue generation potentials. And so the inability of local governments to spread the tax network to influence the local people to take responsibility of contributing their widows' might limits their financial envelop. The stringent conditions associated with central governments bursaries make local agencies imposed projects that might not necessarily be the demand of the populace.



Contrary to the practice in Ghana, South Africa and Bulgaria, in Hungary, Poland, Estonia, Latvia, and the Czech Republic, the law grants sub national government greater flexibility in service delivery (Dabla-Norris, 2006). Even in those advanced areas, Rodriguez-Pose and Kroijer (2009) maintained that efficiency of service delivery is often compromised due to the excessive fragmentation of municipalities, especially



in countries such as www.udsspace.uds.edu.gh Hungary and the Czech Republic where very small local governments are required to provide a broad range of services. Comparatively, some district assemblies in Ghana are very small, put side by side with the services demands of the populace. A typical example is the EGD that covers a total land area of 8,340.10 square kilometres, occupying about 11.95percent of the landmass of the Northern Region making it the largest district in the country. As a consequence, the source of revenue at the sub national level is very crucial in the design of fiscal decentralisation (Rodriguez-Pose and Kroijer 2009).The reason as noted by Rodriguez-Pose and Kroijer is that, when sub national governments have a greater share of own revenues and are more responsible and accountable for their expenditures, there is a greater likelihood of achieving efficiency.

2.5.2 Recurrent expenditure transfer

Recurrent expenditure according to Jimoh (2007) is the type of expenditure that happens again and again on daily, weekly or even monthly basis. The central governments of the republic of Ghana have assumed responsibilities for payments of pensions and salaries, administrative overhead, maintenance of official vehicles, payment of electricity and telephone bills, water rate and insurance premium among others of district assembly staff since the 1990s. The central governments do this on condition that DA staffs are found within the approved manpower requirements of the assemblies.

2.5.3 Ceded revenue

Some revenue sources including casino revenues, levies on crops; excluding cocoa, coffee and cotton, entertainment duties, betting, gambling, business/profession/trade



www.udsspace.uds.edu.gh registration, transport and advert taxes as well as rates were hitherto the reserve of the central government. However, per Act No. 684, 2005, of the Internal Revenue Act, these revenue sources have now been relinquished to the district assemblies as ceded revenues.

In Ghana, DACFs are allocated using among others, equality factor. It does not take into consideration area specific needs or revenue potentials of the MMDAs. It is just an equal sum per MMDA without consideration of the population and territorial needs of people being served. This practice is a breach of best practices for grant allocation, making it quite imperative for the East Gonja District Assembly to wake up and tap all needed resources to fill in the gaps left by the DACF. Davey (2003) therefore hinted that, this will offer the Assembly more ability to determine its level of expenditure if it obtains a significant proportion of its revenue from local taxes and charges.

2.5.4 MMDAs Internally Generated Fund (IGF)

Contextually, internal generated revenue (IGF) is those revenues that are derived within the state/MMDAs from various internal sources or any source of revenue generation from the activities of the state/district assembly that are not given to the state/district assembly by external agents or central government or any other development partners. Funds generally gotten through levies, tax, tolls of all kinds or special donations by local authorities or beneficiaries of certain interventions are pooled together to form the internally generated funds.

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Globally, governments and other multilateral and bilateral institutions makes every effort to harness scarce local resource for own growth. In Tanzania for instance, Fjeldstad and Semboja (2000) noted a large number of internal revenue sources though, they identified four main sources that cut across almost all councils. These are development levy (head tax), crop and livestock tax, business licenses and market fees. Indeed for the sub national governments to perform credibly, their internally generated revenue streams must be well developed to cover all possible areas of revenue source. Surprisingly however, Adedokun (2007) disclosed that in Nigeria, local governments mobilize their funds solely from external source which include federal and state governments financial transfers like grants, statutory allocations, share of value added tax (VAT), receipts and loans.

Internally generated revenues of the MMDAs in Ghana are basically own-sourced revenues of the Assemblies. Traditionally, the MMDAs sources of revenue are itemised under the Sixth Schedule of Section 86 of the LG Act 462 of 1993 as: basic rates, special rates, property rates; fees; licenses; trading services; royalties; mineral development fund and investment income and other sources. According to the Local Government Act, 1993, Act 462, the internally generated revenues are funds that are to be collected from local or owned source by sub national governments (Local Government Act 462, 1993). The Act stated that ‘subject to such guidelines in respect of the charging of fees as may be prescribed by the Minister by Legislative Instrument, a District Assembly may charge fees for any service or facility provided by the Assembly or for any license or permit issued by, or on behalf of the Assembly’ (Local Government Act 462, 1993). The Minister for Local Government, Rural Development and Environment (MLGRDE) is responsible for making and issuing guidelines for rates



fixing (LG Act.100). Based on the ministries' www.udsspace.uds.edu.gh guidelines, fee-fixing resolutions are promulgated and passed by MMDAs and revenues are mobilised.

The internal revenues are categorized into tax and non-tax revenues. Tax revenues are mandatory payments charged on the earnings of self-employed individuals, businesses and properties. The non-taxable revenues are however payments done out of the volition of individual contributors for the consumption of certain services provided by the East Gonja District Assembly. Beneficiaries of these services make payments for licenses, permits, rates user fees and fines lands and royalties and rent. These sources of revenue, all things being equal are to be maximised under reasonably favourable economic environment to augment the central governments bursaries and donor supports.

2.5.5 Donor agencies and development partners

The East Gonja District Assembly works in collaboration with some quasi-governmental and non-governmental organizations including IBIS (name of a bird in Denmark), SEND Ghana, Choice Ghana and School for Life. These agencies either sponsored or established offices within the district to carry out development programs in consonance with the district development requirement. These agencies also monitor the use of DACF and the IGF. Other interventions are carried out in the areas of social, economic and physical development in the East Gonja District by Northern Regional Small Town (NORST) water systems, Ghana Social Opportunity Program (GSOP) and Sustainable Rural Water and Sanitation Project (SRWSP).



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Donor interventions in the EGD have been quantified in the table below. Available literature revealed that, the DACF served as the main and seemingly most reliable source of revenue for the East Gonja District Assembly for the year 2011 (67%). This fell drastically to 18% in 2012, 18% in 2013, 20% in 2014 and 59% in 2015. This according to the assembly's trail balances was due in part on the financial stress and near collapse of the national economy. Despite the fact that the EGDA rely greatly on the DACF, it is obvious that donor agents perform better by way of financing local level development agenda in the years 2012 (80%), 2013 (78%), 2014 (77%) and 2015 (37%). It is however worth noting that, donor support suffers downward trend in performance. Very important is the fact that the IGF of the district over the last four years has consistently remain less than five percent (5%).

The questions are; what is the Assembly doing? What are the strategies used by the assembly in collecting taxes? What are the untapped revenue sources of the assembly? What are the challenges in mobilising IGF? Obviously, the Assembly has to explore all identifiable opportunities to raise owned revenue to support the irregular DACF and donor interventions.

2.6 Strategies of IGF Mobilisation

In an attempt to mobilise enough resources to meet the infrastructural and social developmental needs such as the construction of roads, schools, health post, bridges among others, Local Governments raise internal revenues using different tactics that suit their environment. The concept strategy has varying definitions dependent on the issue under review. Some theories consider it as either a game plan or a tactics through which the goals and objectives of an organisation is achieved (Adenugbe and Ogechi,



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2013). This study situates itself in the definition given by the World Bank (2008) that clearly described a strategy as ‘the means employed to reach desired objectives, typically comprising such elements as clear policy underpinnings; an action plan based on lessons learned; a monitoring plan; and adequate financial, human, and technical resources for implementation’. This means that based on the vision of fiscal decentralisation, which is, to resource the financial envelopes of the MMDAs, local government officials are to formulate local policies, sketched performance plans and resource its employees to effectively carry out their mandate of mobilising enough resource to enrich its basket. The EGDA have enormous lessons to draw from its past abysmal experiences that can inform its IGF policy formulation for effectiveness and efficiency.

Hofer and Schedal (1978) recommended the following strategies in an attempt to mobilise internal revenue that the World Bank (2008) agreed with:

- Efficient and effective collection of existing taxes.
- Introduction of additional sources of revenue.
- Public explanation and campaign that will educate the tax payer on the importance of prompt payment.
- Providing an incentive for extra efforts of the revenue generation staffs.
- Periodic raiding by officer of the revenue generation.

Interrogatively, Hofer and Schedal and the World Bank maintained that the maintenance of already existing tax sources, innovativeness, and public education of tax responsibilities, motivation and provision of appropriate logistics are the key to efficient revenue mobilisation. Certainly, the ability of the EGDA to be innovative and vigorous in tax education and the provision of effective monitoring systems is the benchmark for efficient internal revenue (IR) mobilisation.



2.6.1 The Case of some African Countries

Fjeldstad et al (2000) disclosed that a common feature of the IGF operations in African is the use of a number of instruments in mobilising local government fund. In some African countries, the central governments either collect the taxes directly or they outsource the collection to a private institution and cede the revenue to the local government. A typical example of this practice is in Tanzania where property tax collection in Dares Salaam is assigned to the Tanzania Revenue Authority (Fjeldstad *et al* 2011). Other revenue sources outsourced for private collection in Tanzania includes: market fees in both rural and urban councils; forestry levies (until 2005) mainly in rural councils; cess on certain agricultural products in rural councils; bus stand; and parking fees (Fjeldstad and Heggstad, 2012).

Rwanda in 2006 also made privatisation of market tax collection an official policy with the aim of improving efficiency and efficacy of the local fiscal administration; mobilising of fiscal revenues; strengthening the private sector; and increase in transparency (Berlin, 2009). Districts in Rwanda also contract private agents to collect market taxes for remuneration based on the percentage of the amount accrued annually. The private agencies so contracted, is independent of the district in all activities regarding tax collection. The agency is paid a percentage according to the total sum collected.

Against this practice, some argued, results in revenue imbalances. An example is the case in Uganda, where Iversen et al (2006) disclosed a gap between local government estimates of revenue yield with actual revenue collected by private agents. Dependent on the revenue sources, the districts made their own projections of total sum the agencies are expected to mobilise. They disclosed that taxes paid by ordinary and rural





folks in Uganda find themselves in private pockets and thus does not get to its destination (the district). These situations result in stagnation and abysmal performance of local governments in the provision of developmental needs of their subjects.

2.6.2 The Case of Ghana

According to Act 2008, the decentralisation process in Ghana granted the District Assemblies the following functions; the formulation and execution of plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district; and the levying and collection of taxes, rates, duties and fees.

Until 2005, some MMDA revenue sources in Ghana have been outsourced. Ceded revenues which made up of entertainment, casino, betting, gambling, business/profession/trade registration, transport and advert taxes, were supposed to be revenue collected by the Ghana Revenue Authority (GRA) on behalf of the MMDA and subsequently shared with the MMDAs. However, according to Act No. 684, 2005, of the Internal Revenue Act, all the significant ceded revenues have been abolished from 2005. These responsibilities are now given to the DAs to tactfully develop, package and mobilise all the ceded revenues to their advantage.

The Assemblies, according to the Lands Commission Act (Act 2008), are to work in collaboration with the Lands Valuation Board (a division of the Lands Commission), on rates collection related to landed properties. The Lands Valuation Board (LVB) is responsible for taking inventory of state acquired Lands; reappraisal of properties within the District Assemblies; and the preparation and maintenance of valuation list

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for rating purposes. The works of LVB then inform the assemblies on the up to date value of landed properties within their jurisdiction, base on which rate ceilings are fixed. The challenge here is that the EGDA has limited data on landed properties.

The MMDAs in Ghana have employed the services of regular and commission revenue collectors. The MMDA Manual (2010) explicitly defined the activities of IGF collector. Like other MMDAs, revenue collectors in East Gonja District Assembly are assigned to specific zones of operation. They are then given working materials including a ledger, a daily report book and identification card. Following this, the tax collectors are instructed to use the appropriate ledger, charge the appropriate fee based on a given ceil and enter the information regarding their daily activities serially. After the day's activity, they report to the senior tax collector whose duty is to check all the entries in the ledger to see whether or not the correct amount has been collected. It is the senior tax collector's duty to review the daily report sheets to fish out ratepayers, defaulters, and other essential requirements spelt out in the ledger. The head of revenue collection then perform a final check on all ledger books and pose them to the appropriate sheet for onward submission to the district finance officer.

2.7 Revenue potentials

Potential is defined as reasonable expectations about the future. It is an expected future for social or financial benefit (Abuodha& Bowles, 2000). Potentials in this study can be seen as the undeveloped opportunities for generating more revenues that have not been explored and exploited. To be able to explore these opportunities, revenue actors need to employ what is call 'organisational learning' (Barrete et al. 2007:337, and Olsen and Peter, 1996:4, cited in Common, 204:37). According to Barrete et al. (2007:337),



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'organisational learning is a cycle/process that facilitates acquisition of knowledge; a process of collective learning through interaction with the environment; a theory of identifying anomalies and correction through restructuring of the theory of action by actors; an enhanced ability to achieve desired result; or an organisation's ability to use experience to maintain and improved its performance'. Braun and Benninghoff (2003) and Osen and Peter (1996:4, cited in Common, 2004:37) pointed out that organisational learning is experiential, and aims at improving the functions of policies and organisations by changing skills, performance, 'improving the problem solving capacity of an organisation and make it better prepared for the future'. These definitions posit that, the prime requirement for realising the revenue potential of a particular jurisdiction is knowledge about the existing resources (both exploited and unexploited) and the various hindrances to their exploitation. The import of this is to convert past weaknesses to bear on reshaping the future. Meaning MMDAs are to galvanise the intellects and expertise of its populace, as well as the financial and material resources of their catchment areas. Subnational governments are to be proactive in identifying environmental, economic and political factors through other means including, accurate data collection, appropriate policy, and explore them to their advantage.

Nwogwugwu and Okoronkwo (2015) identified a number of factors that influences revenue mobilisation. Among others, they pointed out that, a booming commercial nature of a state; state geography (location); and population density provide an added advantage and the leverage for it to generate high volume of taxes internally. A nation or sub-nation that serves as a central hub of all kinds of businesses attracts various buyers and sellers. The implication is that those persons so attracted become potential



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tax payers. That, the ability of the leadership of a state or local government to respond to the residents by executing projects, especially, critical infrastructure elicits a high level of voluntary compliance in tax payment. Corroboratively, Fowler (2014, cited in Nwogwugwu and Okoronkwo, 2015) posited that, proper application of tax money serves as impetus for sustained payment of the tax by tax payers. That is to say the use of tax money in the construction of economic and social infrastructural needs of the people such as schools, market structures, drainage systems, roads, health centres and toilets among other attracts tax payers to pay more. According to Nwogwugwu and Okoronkwo (2015), the creation of internal tax offices at various market centres leads to collaboration with the various traders associations in the market such that the associations facilitate the payment of taxes by their members. Obviously the involvement of local level stakeholders in decision making and planned implementation increases ownership and sustainability of development intervention in an area

Local governments are closer to the grass root people and as a result are well informed about the services and other infrastructural requirements of their areas of operations. Situations where own resources (including human and capital) are harnessed for allocation, implementation and monitoring, the degree of receptiveness and responsibility increases.

2.8 Challenges of Revenue Mobilisation

Against this conception, MMDAs have no adequate record of most businesses and properties within their catchment area. Painter (2005) writes that there is corruption in the registration, valuation, and tax billing/collection process. Meaning that property

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evaluation officers and tax collectors connive with property owners and taxpayers to undervalue or pay less. There are numerous unregistered businesses and properties owned and operating within most MMDAs. Even though Painter (2005), identified property rate as the major source of revenue for MMDAs, revenue collections from property rates showcase low performance because properties have not been properly valued (Painter, 2005, Kazentet, 2011). Certainly, these situations make revenue collection quite challenging, creating revenue gaps and development deficits. Painter was quick to suggest that, it will require political will to overcome these challenges.

According to Chukwuma (2010), the major challenges facing local revenue mobilisation as inability to raise, retain and manage resources. He attributed these to political instability, the absence of structured institution for rising IGF and the unsustainability of identified sources of IGF. Blamed frequent change of local government (in the case of Ghana, MMDCE) which turns to influence local policy direction, low/lack of maintenance of existing sources of revenue as militating against effective revenue mobilisation.

Aside these, Adedokun (2006) is of the view that local governments are bedevilled with shortage of well trained and qualified personnel which is supposed to serve as tool for collection of taxes and rates at the local level, even the few available are not properly trained in efficient budgetary and financial management systems. According to Agyapong (2012:29), though, “policy can be fine-tuned; the primary obstacle to successful local revenue mobilisation is weak administration”. Weak administration, coupled with a lack of political will for enforcement, generates a low level of local revenue mobilisation performance (Agyapong, 2012). This can be the result of the lack



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of logistic/resources to work with, untrained or unqualified personnel, and weak internal control systems. Local interferences in an attempt by the assembly to punish defaulters of any form of tax payment are serious setbacks on the performance of IGF in the EGD. Defaulters are set free by the intervention of religious leaders and party leaders resulting in the dormant interpretations of the assembly's bylaw.

There is a finding that, local government tax administrations are often inefficient and not able to appropriately account for revenues collected (Fjeldstad 2006). Indications are that, there is no proper monitoring of tax collectors and administrators. In some instances, revenue collectors sometimes issue faked receipts to clients and channelled monies accrued to their pockets. Bardhan and Mookherjee, (2002) asserts that a complicated and non-transparent local government revenue system is expensive to administer and hence facilitates corruption and mismanagement. Efficiency and transparency in tax administration promotes development. Individuals within the district seldom show interest in the payment of taxes for the reason that, tax monies are misappropriated by tax administrators and that tax collectors do not remit the exact amount collected (Enahoro and Jayeoro, 2012).



A report by a Joint Government of Ghana and Development Partner on Decentralisation Policy Review (JGGDPDR, 2007) summarised the challenges of IGF as follows:

- There is a great non-utilised potential for increased IGF,
- The legal framework is generally out-dated, particularly regarding the size of the basic rates, the guidelines on property rates etc. There is a strong need to update these procedures;

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- Lack of capacity to utilise the taxes, due to lack of e.g. valuation, data bases, tax collectors, skills and knowledge, lack of organisational strengths,
- Lack of tax payer awareness and understanding from citizens and business sector about the importance of tax payment based on lack of sufficient interactions between the MMDAs and the citizens,
- Lack of linkage between the tax payment and the services provided, as MMDAs have few expenditure assignments and lack interactions with the citizens/private sector,
- Lack of MMDA incentives within the existing transfer system,
- Lack of sufficient capacity building (CB) support from the central government to improve revenue collection systems and practices;
- Lack of options to improve valuation within the area of property tax,
- Lack of control and supervision systems and procedures to avoid leakages and fraud.

Despite these challenges that faced LG revenue mobilisation, Fjeldstad and Heggstad (2012), disclosed that without exception, governments across the world assign more expenditure functions to local authorities than can be financed from their own revenue sources. Confirming Fjeldstad and Heggstad's findings, Ahwoi (2010) noted that, central governments increasingly offload their functions and services provision to local governments without correspondent resources. He therefore maintained that the mobilisation of IGF by MMDAs is very low and very weak for reasons including the following:

- Central government monopolies the juiciest, most flexible and the easiest to collect revenue sources.



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- The tax payers in the local government areas, being mainly the rural poor, are often too poor to be tax.
- Local government tax collectors are often untrained, inefficient and corrupt, leading to a lot of leakages from the system from the system.
- The improper use of the taxes collected makes the taxpayer reluctant to pay the taxes, especially where they cannot see any tangible benefit from the tax that they pay.

Entirely, the above theories are deemed the real situations that are hindering the capacity of the Das to squeeze out the full potentials of their area specific resources. However, this study is yet to establish the facts and situate them into previous findings.

2.9 Theoretical Framework for Fiscal Decentralisation

Theorizing about the need to adopt fiscal decentralisation as a developmental policy was done by the 17th and 18th Century philosophers, including Rousseau, Mill, de Tocqueville, Montesquieu and Madison. However, the contemporary case for decentralised government was analysed by Wolman (in Kee, undated). Wolman debated the idea behind fiscal decentralisation and sub-divided the proponents' arguments under two headings; thus, Efficiency Values and Governance Values.

2.9.1 Efficiency values

Kee (undated) discussed that efficiency is an economic value seen as the “maximisation” of social welfare. Kee argued that, the public sector does not contain the same price signals as the private sector, to regulate supply and demand. Public sector allocation of goods and services are inherently political; however, as nearly as possible tax and service packages should reflect “the aggregate preferences of





community members” (www.udsspace.uds.edu.gh (Wolman 1997, p. 27, in Kee). Notwithstanding this, within any particular political enclave, some people will prefer more, while others, less public services. This results in a “divergence between the preferences of individual community members” (Wolman 1997, p. 27). It is clear that divergence breeds conflict of interest that reduces social welfare. As a result, fiscal decentralisation seeks to minimise divergence in smaller communities (e.g., municipalities and districts) as opposed to larger, more heterogeneous jurisdictions (the nation). Interrogatively, it means that, the smaller a society, the more higher their consensus on priorities, and the larger a community the more varied their developmental needs. Hence the need to delegate and resourced the agencies that power is delegated to.

2.9.2 Governance values

Governance values include responsiveness and accountability, diversity, and political participation (Wolman, 1997). Kee posited that Decentralisation places allocation decision making closer to the people. This fosters greater responsiveness of local officials and greater accountability to citizens they serve. This is because we expect local decision makers to be more knowledgeable about the problems and needs of their local area than centralised decision makers. Further, to the extent that there is accountability through local elections, those elections are more likely driven by issues of local allocation, whereas national elections are seldom focused on local service delivery.

Diversity in public policy is a second governance argument for fiscal decentralisation. It is valued because it offers citizens a greater choice in public service and tax options when they are deciding where to reside (Tiebout, 1956, in Kee). Kee added that, it helps to create “laboratories” for innovation and experimentation, which sometimes

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serve as models for later implementation by the central government or by example to other local governments. While there is no theoretical reason why a central government could not be diverse in its solutions, there is great pressure on the central government towards uniform policies and procedures.

Finally, Kee pointed out that, fiscal decentralisation is thought to enhance political participation at the local level. He maintained that, political participation has the potential of enhancing democratic values and political stability at the local level. It provides a forum for local debate about local priorities, and can be a proving ground for future political leaders. This builds a structure that ensure continuity of a system when leaders are no more.

2.10 Arguments against Fiscal Decentralisation

While the international political movement towards fiscal decentralisation is strong, there have been some recent cautionary notes that need to be considered (Hommes, 1996; Tanzi, 1995; Prud'homme, 1995; Kee, undated). Tanzi summarizes this critique by raising a number of situations or conditions, especially in developing countries, where fiscal decentralisation may lead to less than an optimal result:

1. Taxpayers may have insufficient information or no political power to pressure local policymakers to make resource-efficient decisions.
2. Local politicians may be more corrupt than national politicians or at least find themselves in more corrupting situations.
3. The quality of national bureaucracies is likely to be better than local bureaucracies.



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4. Technological change and increased mobility may reduce the number of services that are truly “local” in nature.
5. Local governments often lack good public expenditure management systems to assist them in their tax and budget choices.
6. Fiscal decentralisation may exacerbate a central government’s ability to deal with structural fiscal imbalances.

In support of Tiebout’s (1956 in Kee) views, some argued that FD may impact negatively on the distribution of public resources across jurisdictions, since mobility of households and businesses can seriously constrain attempts to redistribute income (Gemmell et al. 2009). Gemmell et al (2009) further indicated that redistribution policies are likely to induce poor individuals to move into the jurisdiction while higher income individuals (who bear a greater tax burden) move out. The ability of taxpayers to move from one jurisdiction to another to take advantage of more attractive spending and taxation policies weakens local government’s ability to “soak the rich and redistribute to the poor” (kee, undated).

This hypothesis is a tentative statement of the expectations of the researcher. Research design is ‘a mapping strategy; it is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analysing the evidences and reporting the findings’ (Sigh and Nath 2009, p.154). The study design explains explicitly how the study is going to be carried out. It allows the investigator to translate the conceptual hypothesis into an operational one. Any research design considers two main tasks; what the researcher seeks to establish and the appropriate ways of doing that (Babbie, 2005).



2.11 Organisational Learning Theory

The study considered tax collection system as an institution and therefore adopted the organisational learning theory to explain the need for the whole tax institution of the EGDA to be proactive in identifying historical trend of its weaknesses and strengthening its capacity to fulfil its mandate. The theory maintained a process improvement that can increase efficiency, accuracy, and profit through learning. The theory states that, in order to be competitive in a changing environment, organisations must change their goals. This aims at improving the functions of policies and organisations by changing skills, performance and improving the problem solving capacity of an organisation to make it better prepared for the future (Braun and Benninghoff, 2003 and Osen and Peter 1996:4, cited in Common, 2004:37). That, organisations change actions in response to a change in circumstances and consciously link action to outcome. According to proponents of the theory, the first part of the learning process involves data acquisition. Proponents pointed out that, an institution acquire knowledge of valid action-outcome links, the environmental conditions under which they are valid, the probability of the outcomes, and the uncertainty around that probability. Tax administrators have to continually update their tax collection activities, either through additions of tax information or rejections based on new evidence. Ways of doing this included experimentation, benchmarking, observation and so forth. A critical point is that firm's action will-and must-change in response to changes in the environment. According to the theory, successful firms will have to scan their environment for signs of change, real or anticipated, to determine when change is necessary.



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The second part of the process is interpretation. Organisations continually compare actual to expected results to update or add to their knowledge so as to develop new performance culture. Here all tax actors including tax administrators, tax payers and beneficiaries, chiefs and opinion leaders are all involved in formulating revenue collection and utilisation policies. Possibly, participatory policy making increases commitment, ownership and willingness to implement the plan (Pedler et al, 1997). In this regard, revenue actors are put together to appraise tax performance so that unanticipated results is assessed for causation.

This takes us to the third stage which talks about adaptation/action. This is when the firm takes the interpreted knowledge/result and uses it to select new action appropriate to the new environmental conditions (including internal, external and technological). Possibly, this could be affected to a large extent by the complexity and dynamism the institution (in this regard, MMDAs) experiences.

The import of this is that, MMDAs (especially the EGDA) ought to adopt best internal revenue mobilisation performance practices. These MMDAs can do by evaluating their revenue mobilisation performance as against their IGF mandate. Through appropriate data collection, anomalies that hinder effectiveness and efficiency can be identified and new performance culture developed.

2.12 Conceptual Framework

Base on the above discussions, the study developed a conceptual framework (figure, 2.2). The frame indicates that the revenue basket of the EGDA comes from three sources; the District Assembly Common Fund, Donor funds and the internal generated

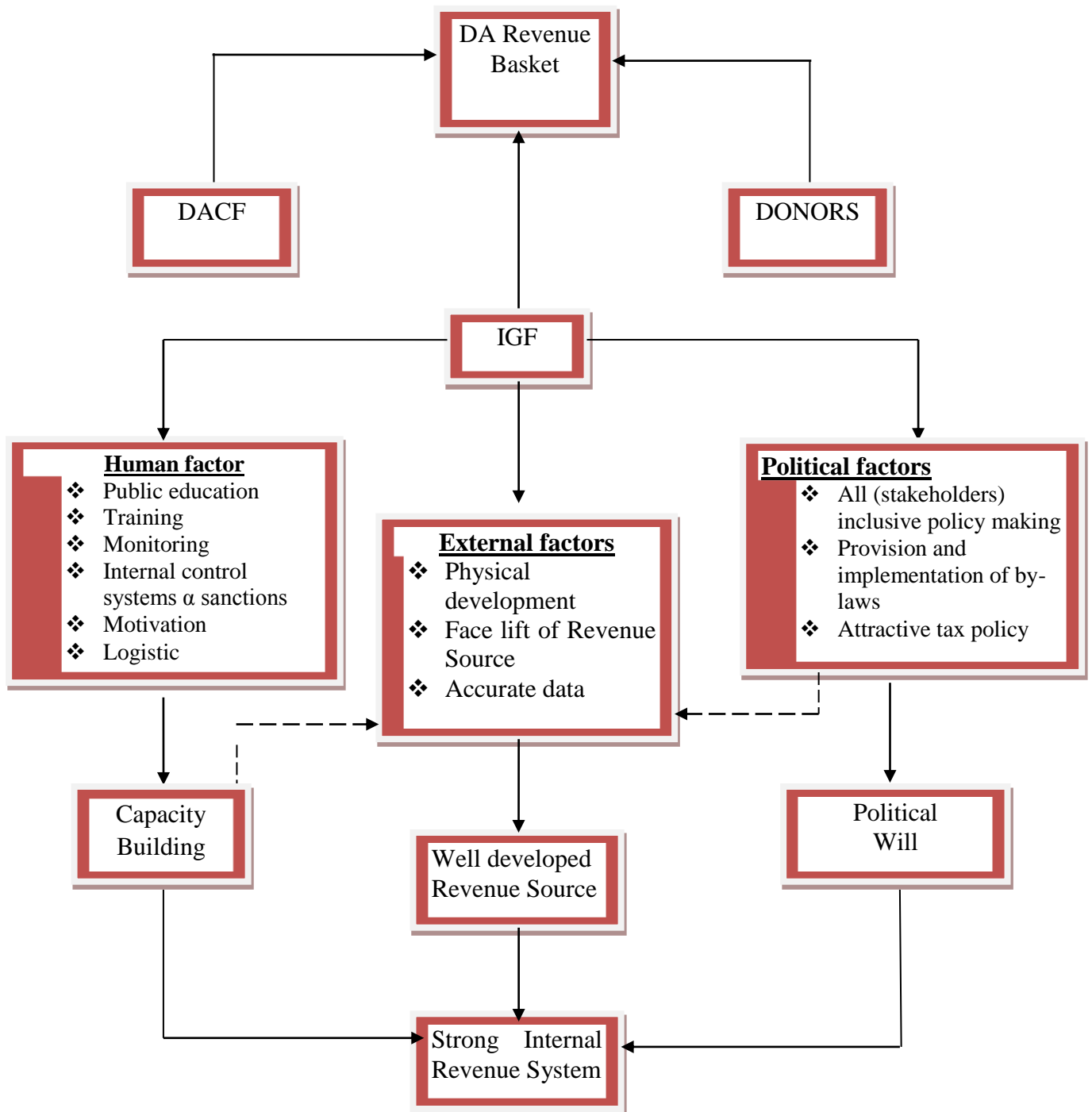


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funds. According to the 1992 Constitution, the District Assemblies Common Fund Act, Act 455 (1993) and the Local Government Act, Act 462 (1993) it is mandatory for Central Governments to allocate monies from the state fund (not less than 7.5 percent of government total tax revenue) as District Assemblies Common Fund (DACF) to MMDAs. The fund is distributed to all MMDAs on the basis of a formula approved by Parliament, payable in quarterly instalments and administered by the DACF Administrator (Maeregu 2011). The framework shows that some local and foreign bi-lateral and multi-lateral organizations also influence the revenue envelope of the EGDA by donating funds for development. Some of these organisations includes; Ghana Social Opportunity Programme (GSOP), Northern Region Small Town Water System (NORST), SEND Ghana, IBIS Ghana and Choice Ghana. These development partners either finance or carry out some development projects and programmes in the district.



Figure 2.1: Conceptual Framework



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Source: Author's Construct, 2015

The Frame indicates that the EGDA raises its own IR to enrich its revenue envelop. According to the frame, the IGF of the district is influenced by environmental, human and political factors. The human factors include; public education, training, motivation, logistic and internal control systems and sanctions. Adedokun (2006) lamented, the



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MMDAs are bedevilled with shortage of well trained and qualified personnel for collection of taxes and rates at the local level. He further revealed that, even the few available are not properly trained in efficient budgetary and financial management systems. On the part of the tax payer, the 2010 census data on literacy on persons 11 years and older revealed that, only 44.5 percent of the citizenry in the District are literate in Ghanaian language and English. Certainly, awareness on tax issues in the district will be very low. The cyclical effect of the lack of citizens and business sector awareness about the importance of tax payment crippled tax collection initiative. Apparently, the training and motivation of tax officials as well as the provision of appropriate logistic and effective internal control systems determines how efficient IGF can perform in the district. When there are efficient working tools; including the means of mobility and summon forms, coupled with an effective internal control and supervision systems and procedures, tax leakages and fraudt can be avoided. The result of this is that, the capacity of both tax collectors and administrators would be built.

The Frame points to environmental factors such as accurate data on all eligible sources of IGF, the face-lift of revenue sources and the appropriation of IGF to the provision of physical infrastructure as determinants of the performance of IGF. Proper data on the entire taxpaying population and their economic activities, businesses, edifices—property (landed) and market stores—and renovation/face-lift of revenue sources such as the Salaga Slave Market, Slave Wells, the Mystical Ndewaran Jakpa Sword and footprint at Lantinkpa and the use of the IGF to build tangible infrastructure such as roads, schools, health centres and markets that reflects the taxes paid will make taxpaying attractive.

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All stakeholders, including the traditional authority, civil society organisations, artisans, beauticians, businessmen and women and the district assembly finance committee are put together to discuss the pros and con of IGF, receptiveness and patronage increases. The frame further indicates that, the provision and implementation of appropriate tax laws that attract investors and encourage the already existing investors as well as being friendly to the poor will enlist the support of all. The result of this according to the frame is a strong political will for implementation of tax by-laws in the district. The broking lines that link political and human factors to the environmental factors mean that these two activities affect the environment. The figure (2.2) shows that the result of capacity building and well developed revenue source coupled with strong political will is a strong Internal Revenue System.

2.13 Conclusion

This segment identified works of authors that are done in relation to three forms of decentralization; thus political, administrative and fiscal decentralisation. It delves into the essence of fiscal decentralisation, juxtaposing the prospects and associated challenges. The chapter further gave contextual meaning to most of the terminologies as they relate to the discussion of decentralisation and revenue mobilisation and developed a conceptual model the explained the behaviour of IR mobilisation in the East Gonja District Assembly. Having reviewed this much literature, information gotten helped the researcher situate his findings in the context of other theorists.



METHODOLOGY

3.1 Introduction

This chapter presents the methods adopted to collect, analyse, interpret and report data in relation to the challenges and prospects of revenue mobilisation in the east Gonja district of northern Ghana. The chapter also discussed other themes including the research design, population under study, sampling and data analysis and presentation of findings. Issues pertaining to ethical considerations and the limitations of the study are also discussed in this chapter.

3.2 Brief Profile of the East Gonja District

3.2.1 Location and Size

The East Gonja District was created by a legislative instrument, LI 1938 in (2007). It is located at the South-eastern section of the Northern Region of Ghana. The district lies within Latitude 8°N & 9.29°N and, Longitude 0.29°E & 1.26°W. It shares boundaries with Mion district and Tamale Metropolitan to the North, Central Gonja District to the West, Nanumba-North, Nanumba-South and Kpandai Districts to the East, and the Brong-Ahafo Regions to the South. The total land area of the district is 8,340.10 square kilometres, occupying about 11.95 percent of the landmass of the Northern Region making it the largest district in the country. The District also have many hard to reach areas as some sections of the district cross the White Volta.



Figure 3.1: Map of the East Gonja District



3.2.2 Political Administration

The East Gonja District Assembly consists of fifty (50) Assembly members eight (8) are women, thirty five (35) elected and fifteen (15) appointed. It is composed of one (1) Town Council i.e. the Salaga town council and five (5) Area Councils namely Makango, Kulaw, Kpariba, Bunjai and Kpembe Area Councils. The district has thirty five (35) Electoral Areas and thirty (35) Unit Committees with 5members in each unit committee. The district is represented by two members of parliament who represents the Salaga North and Salaga South constituencies. The 11 decentralised departments are all present and functional in the district. The administrative capital is located at Salaga.



3.2.3 Economic Activities

The overall development of a country is dependent on the production of goods and services which is also made possible by the human resource of the country. Although all persons, irrespective of age and sex, consume the goods and services, only the section of the total population in employment contribute to the production of these goods and services.

Agriculture is the mainstay of the East Gonja District economy. Agriculture is broken into sub-sectors and includes crops, livestock, fisheries, agro-forestry and non-traditional commodities. Livestock kept includes beehives, cattle, chicken, doves, duck, goat and grass-cutter others are guinea fowl, ostrich, pig, rabbit, sheep and turkey. The common food products cultivated in the district include yam, cassava and cereal. The main cash crop produced is the shear nut which is grown in the wild.

Commercial activities are embarked upon in selected towns where traders congregate ones every week to trade in variety of goods. Towns such as Makango, Salaga, Bunjai, Kafaba, Abrumase and Gyidanturu are trading centres that attract people from within and outside the district. Other individual daily businesses are; provision sellers, dealers in building materials, license chemical sellers, alcohol and soft drink sellers, butchers and second hand clothes.

3.2.4 Taxable Population

Generally, the larger the employed population, the more wealth is created leading to the improved well-being of the population. The East Gonja District has an active labour force of 75,854 out of which 53,198 are gainfully employed. 72.4 percent of persons 15



years and above (75,854) www.udsspace.uds.edu.gh are economically active and the rest (27.6percent) are economically not active.

Of the economic active population, 96.8 percent is employed and 3.2 percent is unemployed. Clearly, this creates a wide tax network for the EGDA. More than nine out of 10 of those employed worked while the rest (3.4 percent) did voluntary work without pay. Amongst those employed, 77.28 percent are employed in agriculture, forestry and fishery related occupation while 11.05percent are into crafts. 2.7 percent are employed in the formal sector and nine percent (9%) are into trading (buying and selling).

3.2.5 Tourism

The East Gonja District is blessed with a number of tourist attractions. Prominent amongst them is the Salaga Slave Market, one of the biggest in Ghana and sub-Saharan Africa. The district also has the highest density of hand-dug wells that were used for the bathing of slaves and the slave raiders. Though slavery is no longer practiced, the wells and other slave artefacts of the slave trade are kept for tourism purposes. Other important yet underdeveloped tourist attractions that can contribute to the revenue basket of the District are: the mysterious Ndewura Jakpa sword and footprints in Salaga and Lantinkpa (a village under Salaga) respectively.

3.2.6 Literacy and Education

Literacy is measured by the ability of one to read and write with understanding. In the census, data on literacy on persons 11 years and older, about a third of persons (32.7percent) in the East Gonja District are literate in any language. Furthermore, the





population literate in English only is 49.1percentwhile those literate in Ghanaian language and English are 44.5percent. Only 6.2 percent are literate in Ghanaian language only. Clearly, enlightenment on developmental issues in the district will be very low. Therefore, the assembly is expected to intensify education on IGF through all available media.

3.3 Research/Study Design

The study used a mixed method approach (used both qualitative and quantitative methods) in the collection and analysing of data. In the views of Johnson et al (2007), mixed method is the type of research in which a researcher combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints in data collection, analysis, and inference techniques) for the purposes of extensiveness and corroboration. Greene (2007) also asserts that mixed method is an approach that actively invites the researcher to dialogue about multiple ways of seeing and hearing, multiple ways of making sense of the social world, and multiple standpoints on what is important and to be valued and cherished. The definition by Greene (2007) espouses the very essence of the use of mixed methods to understand the intricacies of the challenges in revenue mobilisation and the prospects of revenue collection in the East Gonja District of Ghana. Thus, the study resides in the middle of quantitative and qualitative scale. This is because the study incorporated elements of quantitative strand within qualitative approaches in collecting and analysing data (embedded design) so that the two sets of results from these designs (qualitative and quantitative designs) would be reported concurrently. Another reason for adopting this approach was because the strength in one design offset the shortfalls of the other, ensuring reliability and validity of findings.

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The researcher adopted qualitative approach because the study explored descriptive data to develop conceptual modes that either corroborate or challenge theoretical suppositions that existed prior to the data collection (Tagoe, 2009). Despite this, qualitative approach fell short in analysing a large sample of the respondents.

The use of quantitative approach handled the weaknesses of the qualitative approach by enabling the researcher to purposefully sample more respondents who have knowledge in the activities of IGF in the district. Quantitative approach also aided in both descriptive and explanatory analysis.

3.4 Study Population

The study covered the entire population of the East Gonja district. Persons living within the district are either formal or informal sector workers, tax payers or prospective tax payers, tax beneficiaries and tax collectors. The need for revenue mobilisation by the district is therefore a responsibility of all and their views on the potentials and challenges of revenue collection are central to revenue mobilisation.

However, the sampled population for the study were the East Gonja District Assembly officials and tax payers within the district. Others were all the permanently employed and commissioned tax collectors, the leadership of property owners and service providers associations which include hair dressers, transport owners, chop bar operators, carpenters and market sellers in the district. The reason for the choice of this category of population was that they are believed to have pertinent and in-depth knowledge on the issues of fiscal decentralization and internal revenue mobilisation in the district. They are also able to explain the challenges they encounter in the collection



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and payment of tax or were able to express their satisfaction or otherwise on how tax should be mobilised.

3.5 Sampling Method

The study employed purposive sampling method. According to Kumekpor (2002), “in purposive sampling, the units of the sample are selected not by a random procedure, but they are intentionally picked for study because of their characteristics or because they satisfy certain qualities which are not randomly distributed in the universe, but they are typical or they exhibit most of the characteristics of interest to the study” (p.14). Kumar (1999) explains that the main consideration in the adoption of purposive sampling lies with the judgement of the researcher as to who can provide the best information to achieve the objectives of the study. As a consequence, this method was used to sample respondents such as District Assembly Officials ; these officials include the District Assembly Finance Committee Members, District Revenue Officers, District Finance Officer, the District Revenue Collectors irrespective of the area councils they represented (both permanent and commissioned tax collectors), District Coordinating Director, District Budget Officer, the District Chief Executive, District Planning Officers the District Procurement Officer and the Human Resource Officer. Town and area councils executive of Salaga, Bunjai and Mankango were also selected. It is certain that this category of respondents so purposively selected possess unique knowledge about the revenue generation in the district.

Others are the leadership of the various groups including property owners and service providers such as chop bar operators, carpenters, market sellers, tailors, hair dressers, and transport owners who came together to form an umbrella organisation known as the

East Gonja Civil Society Associations (www.udsspace.uds.edu.gh) were also selected purposively. These groups of individuals are selected because they represent the mass of the artisans, chiefs, businessmen and civil society organisations within the district. It is certain that these persons so selected possess in-depth knowledge about how taxes are paid in the district.

The District has eight market centres where people from within and outside gather to trade in variety of goods and services. These are, Salaga, Mankango, Bunjai, Abrumase, Kafaba, Jidanturu, fuu and Kpalbe markets. However, the study purposively sampled highly patronised market centres such as Salaga, Mankango and Bunjai for direct observation on how tax collectors and tax payers react to tax obligations. The reason for choosing these areas is because most tax payers from the hinterland gather at these towns to buy and sell.

3.6 Sampling Unit

The unit of analysis is the main entity to be analysed in the research work. According to Kumakpor (2010), unit of analysis refer to the actual empirical unit, objects, occurrences among others which must be observed measured in other to study a particular phenomenon. The sampling units therefore included, tax payers specifically members of the umbrella association of all the civil society organisation (EGOCSA), all the tax collectors (including the commissioned tax collectors) and the East Gonja District Assembly officials who include, the DFO, the two (2) Coordinating Directors, the three (3) District Planning Officers, the budget officer, the Procurement Officer, the Human Resource Officer the Internal Auditor and the District Assembly Finance Committee members. The study also sampled highly patronised market centres such as



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Salaga, Mankango and Bunjai for observation on how tax collectors and tax payers react to tax obligations.

3.7 Sample Size

The general rule of thumb is to select a sample that is representative of the study population. In this study, 105 respondents were purposively selected. Fifty seven (57) of the respondents represent the district assembly officials (made up of local government employees, Town and Area Council Executive and the District Finance Committee), forty eight (48) of all the leadership of the EGOCSA. The reason for selecting this calibre of respondents is due to the fact that, they possess in-depth insight in the activities of internal revenue mobilisation in the district.

3.8 Data Collection Sources

In gathering the data, triangulation was employed. The need to use triangulation in the collection of data emphasise the need to ensure validity and reliability of data collected (Creswell, 2009). This method required that, data is collected from various sources (Fielding and Fielding, 1986). This enabled the researcher to have access to a variety of information on the same issue in order to avoid the insufficiency of relying on a single method and to achieve a higher degree of validity and reliability (Sarantakos, 1998). Triangulation also allowed the researcher to do comparative study with existing literature by drawing inferences for efficient analysis of data.

As a consequence, the study relied on both primary and secondary sources of data. Primary data was gathered from the field by way of note taking, questionnaire (open-ended and closed-ended), and tape recording. Interview quid and participant observation was also carried out as an auxiliary means to gather first-hand information



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on the dynamics of IGF mobilization in the East Gonja District from three councils; Salaga Town Council, Makango and Bunjai Area Councils.

Secondary data was collected from existing materials such as journals, books, archives and the EGDA trial balance. This provided the researcher succinct description of the reality on the state of IGF in EGDA.

3.9 Data Collection Instruments

3.9.1 Questionnaire

The main data collection instrument employed was an open ended questionnaire and closed-ended questionnaire. Separate questionnaires were administered to tax administrators, tax collectors and tax payers. The intention was to sources information from the perspective of the clusters (thus, tax collectors, tax payers and tax administrators) on one or various variables for purposes of collaboration. The questionnaire was sub-divided into five (5) parts. Part one (1), requested data on the demographics characteristics of participants such as sex, age, and level of education; Part two (2); revenue streams and their potentials in East Gonja District; Part three (3), items on institutional strategies employed in revenue mobilisation and how effective they are in East Gonja District Assembly; Part four (4), gathered information on the institutional challenges and the perception of tax payers towards revenue mobilisation; and Part five (5), collected data on ways of improving IGF base and efficient mobilisation in the district. The three different sets of respondents had different questionnaire to respond to. The questionnaire to tax payers was different from that of the assembly officials and tax collector. However, the import of questions for all, are the similar.



In-depth Interviews

In-depth interview was adapted in this research study in order to collect first hand field data from individuals and institutions connected with the study. In-depth interview was also adopted in order to enrich and improve the data collected and to ascertain some of the issues discovered during the literature review. The interview was applied to the District Chief Executive, District Finance Officer, revenue superintendent, internal auditor and the president, secretary and treasurer of EGOCSA. The rest included the chairman of the district finance committee and the secretaries of the three area councils of Salaga, Makango and Bunjai. During the in-depth interview, an interview guide, made up of already prepared questions was developed and used to guide the process in a manner that did allow the researcher to deviate from the topic under discussion.

3.9.2 Direct Observation

According to Twumasi (2001), direct observation connotes carefully watching and recording of events that concerns a study. Participant observation was used to gather first-hand information on the activities of tax collectors vis-a-vis taxpayers on major market centres (thus Salaga, Mankongo and Bunjai) on three (3) market days. Salaga, Makango and Bunjai were selected because these are the three most patronized markets in the district. The researcher played a dual role (acted as volunteer tax payer and then also acted as a tax collector) in collecting data. The researcher is a resident and a businessman in the study area and therefore a tax payer. As a voluntary tax collector, the researcher followed the assembly revenue collectors on three market days to three different area councils; Makango, Salaga and Bunjai on their market days. This the researcher carried out to observe the logistic and other working materials as well as the kind of monitoring done on tax collectors. The researcher also observed the level of



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awareness of the tax payer alongside the approaches adopted by tax collectors to influence tax payment. Environmental factors that concerns social amenities, the slave museum and slave baths were also observed. Issues of security of tax collectors were also observed. Participating in the collection and payment of tax offered the researcher an opportunity to view reality of revenue collection challenges and fertile but unexploited sources of revenue from the viewpoint of someone inside rather than without. This also aided the researcher to manipulate minor extraneous events for the purpose of collecting reliable data.

To increase the reliability of observational evidence, the researcher also employed the services of two observers who used same procedure with the researcher to observe one variable. Results from the observers were cross-checked and corroborated for variability.

3.10 Data Analysis and Presentation

Data analysis involves preparing the data for analysis, moving deeper and deeper into understanding the data, representing the data, and making an interpretation of the larger meaning of the data (John, 2009). The researcher reviewed the data collected in order to ensure that all questionnaire schedules were completed and accurate.



The analysis examined the revenue potentials, institutional strategies for mobilizing internal revenue, challenges of mobilizing IGF and the ways of mobilising revenue in the East Gonja District. Coding of data was carried out according to the objectives of the study and subsequently inputted in software called Statistical Package for Social Sciences (SPSS, version 20) to process some of the information. Descriptive statistics were then run to understand the import of each data. Information gathered from



personal observation and www.udsspace.uds.edu.gh interviews were also presented and interpreted. Finally, tables, charts and diagrams showing frequencies and percentages were used to present the data.

3.11 Ethical Issues

The researcher adhered to a number of research protocols before, during and after the study as prescribed by social science research. Ethical issues concerning informed consent of respondents, deception, privacy, anonymity and confidentiality of research findings were observed. The study was an institutional and social research. Before engaging the institutional actors, the researcher sought their consent with an introductory letter from his institution (UDS) of study that stated the purpose of the study. To avoid or minimise the negative impact of prolonged observation due to repeated visits on the participants and the market environment, the researcher employed the services of two other observers who used the same criteria to observe a single variable concurrently.

According to Babbie (2005), confidentiality is granted when the researcher can identify a given response with a given respondent, but essentially promises not to do so publicly. The researcher paid heed to this clause by ensuring that the names and other personal background checks of respondents were not disclosed. Hierarchically, responses from all the levels on the assembly's ladder were kept confidential from each other. This was done to avoid witch hunting among the staff of the assembly which might be the result of the various responses. In order not to inflict harm on the respondents, the researcher also made sure that he did not ask sensitive questions that borders on the private lives of respondents.

3.12 Limitations of the Study

The progress of the study was hampered by a number of factors. Among them are limited financial resources, time and the widely dispersed nature of the market centres and area councils. Other impediments include the uneasy means of mobility to and from the hinterland and stakeholders unwillingness to (especially the district assemble officers) demonstrate commitment.

To avoid delay, the researcher limited the study to only three market centres and key informants such as leading members of the District Assembly who have in-depth knowledge about the IGF and the leadership of the EGOCSA. This approach was intended to reduce cost and time without compromising quality. To make mobility easy for co-observers to reach the market centres, the researcher had to buy fuel into borrowed motor.

3.13 Summary of Chapter

The pivot of every study is the research methodology. The section dealt with issues of the profile of the study area, the study design, and the sources from which data was collected and the population of the study. Other variables included the sampling, data collection instrument, data analysis, ethical issues and the limitations of the study. This was done to ensure that validity and reliability protocols were adhered to. This segment ensured that the various methods and protocols are obeyed so as to dismiss the chances of bias.



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Obviously, there are enormous but untapped avenues the district could harness for her development. The concepts discussed above influence the financial performance, especially the internal revenue of the district. For instance, if the tourism sector is well developed, it will attract a great percentage of clients, hence, more money for the District. The more resilient and peaceful the economic atmosphere, the more attractive it becomes to entrepreneurs. The higher the literacy rate, the greater the peoples' understanding of the need to pay their rates and vies versa.



DISCUSSION OF FINDINGS

4.1 Introduction

Chapter five discusses the findings of the study. Findings on the revenue streams and their potentials in East Gonja District, the institutional strategies employed in revenue mobilisation and its effectiveness, the institutional challenges and the perception of tax payers towards revenue mobilisation in East Gonja District and the ways to improve and expand revenue mobilization base in the East Gonja District are represented and discussed.

4.2 Demographic and Tax Collection Details in the EGDA

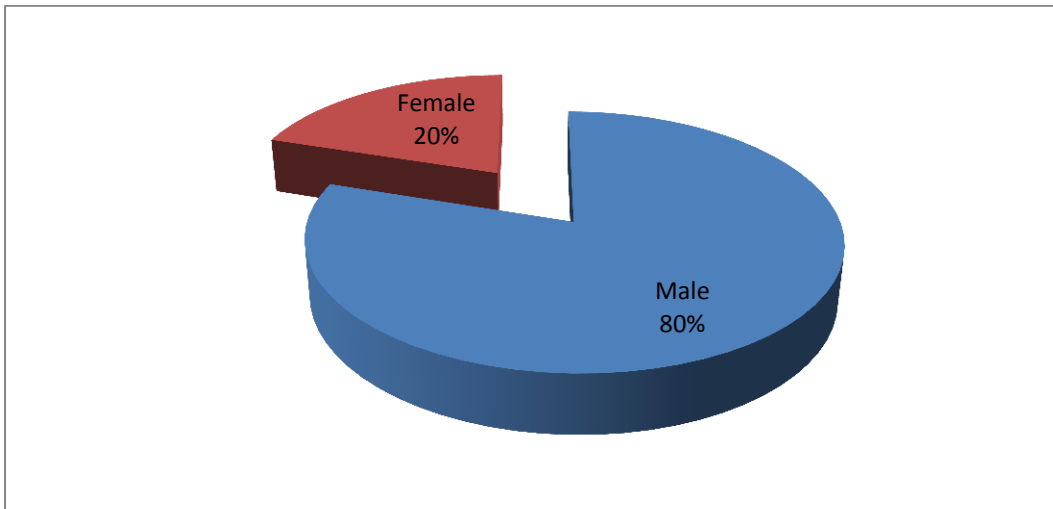
Majority (80%) of the tax payers were men while women formed twenty percent (20%). This is partly due to the fact that most men in the district own property and are into all kinds of trade that attracts tax payments than their women counterparts who are mostly house wives and do not own property. Only a fraction of women in the district have trade doing and own property and pay tax. Observation revealed that, most women engage in small scale economic activities such as petty trading and food vending which are normally not recognised by revenue collectors.

The modal age for the tax payers was between the ages of thirty to thirty nine (30-39) years. This means that most young men below thirty years are still learning trade of all kind and some individuals beyond thirty nine years have either handed over their businesses to their relatives or relocated to suitable places. Possibly, the Assembly's tax net is not also designed to cover certain activities that the aged and young men are into. It was observed that hawkers, who are mostly young and are being sent by their parents



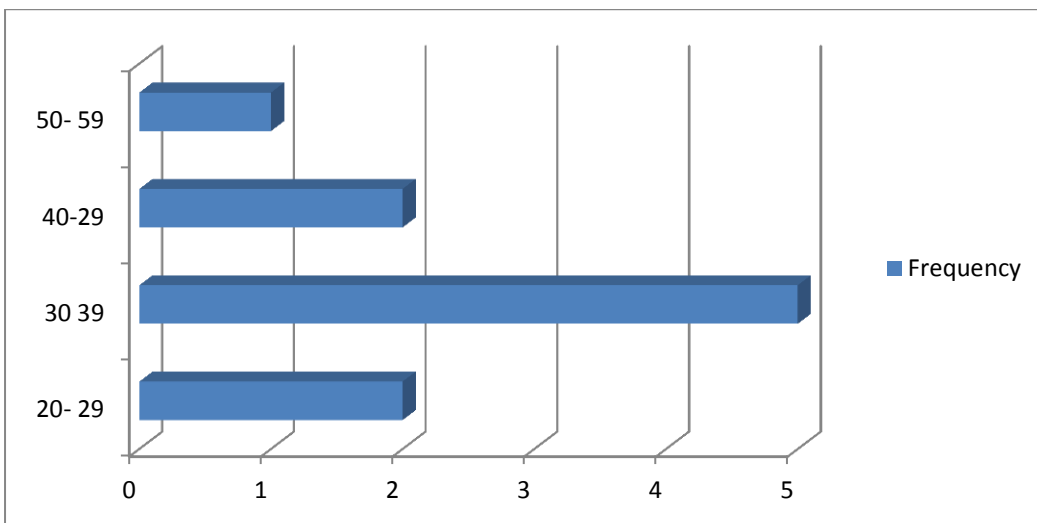
(mostly their female relations), do not pay taxes. As a result, very few people in the district have paid tax for more than thirty years duration .This gives a clue of how abysmal the Ghanaian fiscal decentralisation system has been implemented in the district. (See figures 4.1 and 4.2 for sex and age distribution of respondents.

Figure 4.1: Sex Distributions of Tax Payers



Source: field survey, 2015

Figure 4.2: Age Distribution of Tax Payers



Source: field survey, 2015



4.2.1 Business Licenses

In assessing the frequency of how tax payers generally renew their business certificates; thus, the license to operate, forty three percent (43%) did so annually. Most businessmen (52%) did not have business certificates while 5 percent have not renewed their certificates since the start of their business operations. A businessman who registered with the assembly to sell pesticides, weedicides and other agricultural materials opined that;

Respondent 7;

“I vow never to renew my business registration with the assembly. How can people not be licenced but are allowed to compete with we those who have licence and yet the assembly officials seem unconcerned? They keep worrying us with tax payment because they are aware of our operations, but our counterparts who operate without licensed rarely pay tax yet nothing is being done”

(Respondent 7).

Those businessmen who did not register their businesses claimed they have no knowledge of the need to register their business activities with the assembly. Possibly, this could result in data gaps and tax evasion. This is due in part because of the low level of tax education and the dormant enforcement of tax laws in the district. The researcher observed that, most businessmen are ignorant of the fact that there is a desk officer in charge of the registration of businesses within the district. To affirm this, a council member in Bunjai Area Council asserts that;

Respondent 12;

“There is no single registered business in my area. The utmost reason is that my people are neither aware of any office created to register businesses nor are they aware of the need to have their businesses registered”. (Respondent 12)

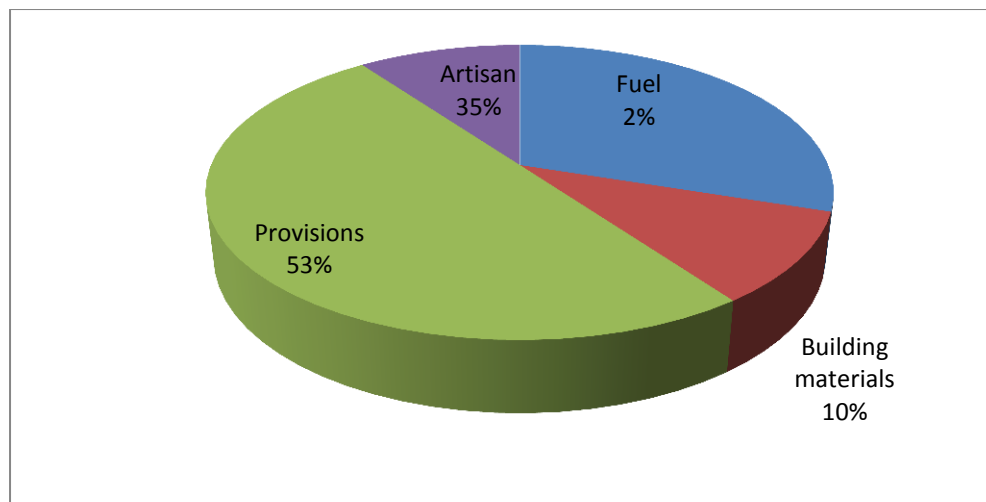


The implication of this is that, it allows for gaps in revenue target setting and monitoring by the assembly.

4.2.2 Business Operations

On the type of business entities in the district by the tax collectors, the responses are depicted in the pie chart below.

Figure 4.3: Type of Business Entities



Source: field survey, 2015

As displayed in the chart, two percent (2%) of businesses in the study area are fuel sellers, ten percent (10%) are into building materials, fifty-three percent (53%) engaged in selling provisions while thirty five percent (35%) are artisans including masons, hairdressers and carpenters. Though these enterprises are small in scope they can allow the assembly to create opportunities to venture into effective data keeping and initiate other revenue collection avenues where tolls can be collected. Through observation, it was revealed that, most items brought to the market centres by rural folks are agricultural produce. They produce various kinds of crops, but the dominant one is

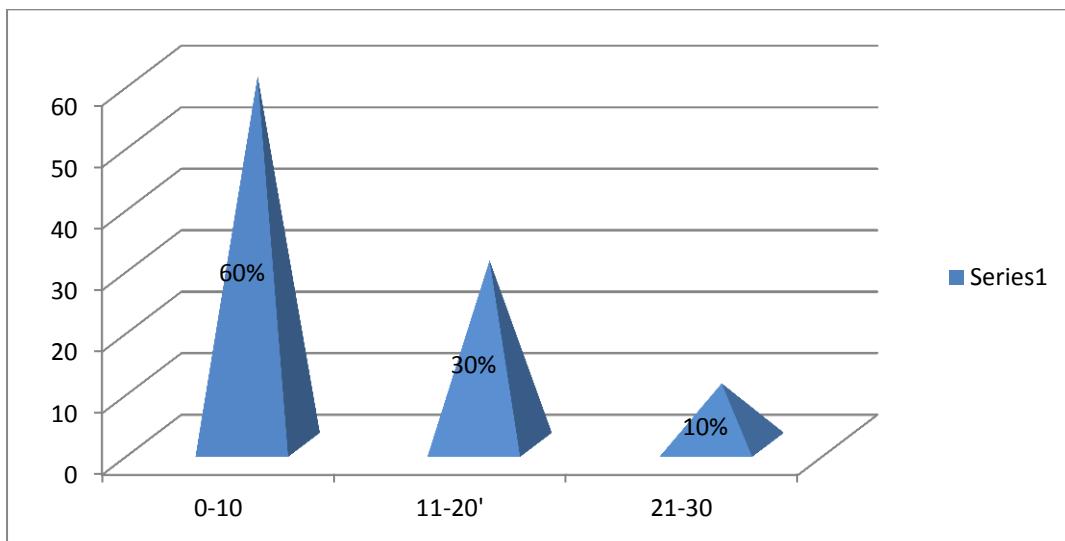


yam. Surprisingly, the study revealed that there is no designated yam market in the district. Most farmers either transport their produce to places like Accra and Kumasi where there are ready buyers or buyers trek from the south to the hinterlands of the East Gonja District to buy yams; depriving the assembly some revenue. In the words of the chairman of the District Finance Committee who doubled as the District Agricultural Extension Officer;

Respondent 3;

“the creation of a yam market will improve the economic lives of the farmers and the revenue purse of the Assembly as tolls can be collected from farmers and prospective buyers” (Respondent 3).

Figure 4.4: Business Duration of Tax Payers



Source: field survey, 2015

As shown in figure 4.4, 60 percent of businesses have being in operation in the district between 1-10 years. Other business entities are within 11-20 - thirty percent (30%) and 21-30 - ten percent (10%) years respectively. This indicates that as businesses climb the age ladder they either fall out of operations or relocate to seemingly favourable places.

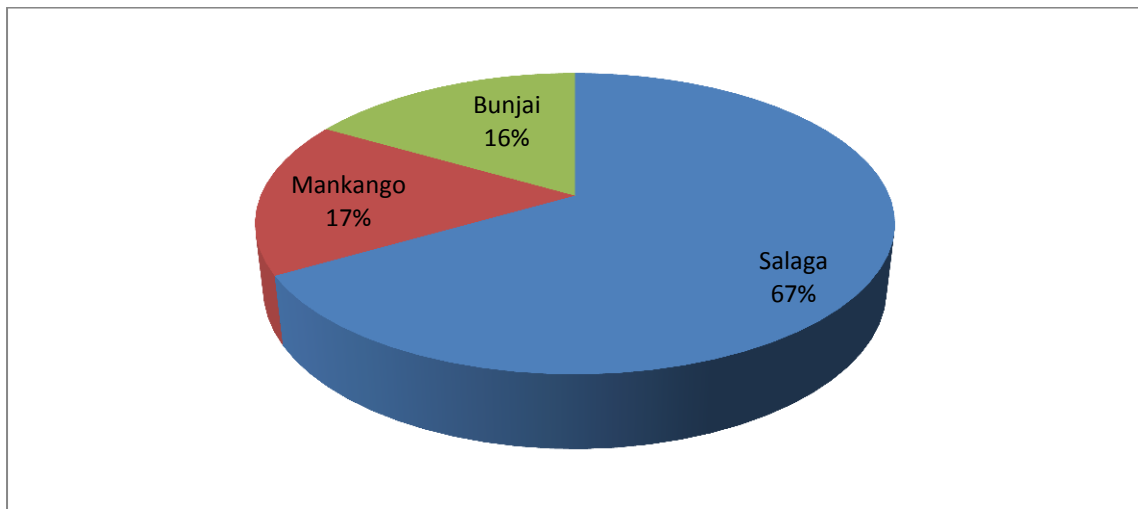


This perhaps can partly be blamed on the inability of the assembly to create favourable atmosphere for businesses to thrive. This event reduces the revenue potentials of the assembly.

4.2.3 Activities of Tax Collectors

Like other MMDAs, the EGDA has employed the services of regular and commission revenue collectors whose responsibilities are explicitly defined by the MMDAs manual (2010). The revenue collectors in EGDA are assigned to specific zones of operation. The figure below shows the percentage of tax collectors that serve the sampled area councils of Bunjai, Mankango and Salaga Town Council.

Figure 4.5 Area Council Served by Tax Collectors



Source: field survey, 2015

As shown in the chart, sixty seven percent (67 %) of tax collectors work under the Salaga town council, sixteen percent (16%) work under Bunjai area council and seventeen percent (17%) work under Mankango area council. The reasons are that, Salaga is the district capital where much of the economic activities are carried out.



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Mankango also serves as a centre of trade in fish and other farm produce that attracts fish mongers and other traders from neighbouring regions. Only 16.7 percent had worked as tax collectors for less than five years with the remaining working more than five years. This means that majority of the tax collectors might have gathered enormous experiences as far as tax collection is concern.

In assessing the number of tax payers each tax collector served, responses showed that all thirteen tax collectors serve more than four hundred tax payers. This confirmed Adedokun's (2006) findings when he discovered that, the MMDAs are devilled with shortage of well trained and qualified personnel which is supposed to serve as a tool for the collection of taxes and rates at the local level. Further probe revealed that, hundred percent (100 %) of the tax collectors did the collection weekly. However, tax collectors were quick to add that some taxes paid by some co-operate institutions including the financial institutions, private entities and churches (property rates) are collected annually and directly by anonymous top officials of the assembly. A tax collector in Salaga Town Council stated that;

Respondent 2;

“Our superiors would not allow us collect taxes from the corporate bodies; they do that themselves. As I speak we do not even know how much they collect from these bodies” Respondent 2).

The meaning of this is that there is lack of transparency and trust between the top tax collection officials and the subordinate tax collectors.



4.3 Revenue Streams and Collection Strategies

Smoke (2003) noted that fiscal decentralisation is a government system which involves the “assignment of responsibilities” comprising of the functions and activities at the various sectors of government as well as the assignment of locally generated revenues to local/sub-national governments. Current sources of revenue to the East Gonja District are minimal compared to the opportunities of the district. For the East Gonja District to be able to mobilise resource and revenue, substantive tax data must be available on the type of business, quality and quantity of business opportunities, number of registered businesses and a determination of other potential sources of revenue aside the conventional means. Surprisingly, it was revealed that only forty five percent (45 %) of the tax payers had their business operations registered by the Assembly. The remaining are businesses operating without license from the District Assembly or the Registrar Generals Department. The operations of this unregistered business are unguided and are therefore defaulting tax payment. According to the EGDA Internal Auditor,

“the Assembly have but minimal opportunity to audit tax payment as many small, medium and large scale businesses or enterprises are unregistered”.

When district assembly officers were asked to name sources of revenue for the assembly, responses covered all aspects of taxes and rates enshrined in the MMDAs Manual.



Table 4.1: Streams of IGF in EGD

Source	Details
Rate	Basic rate and property rate
Lands and Royalties	Registration of plots, building permits and tolls collected from river sand winners.
Rents of land and building	Ground rent, dividends, interest on loan, rent on Assembly building (Junior Staff Quarters, Guest House and transit quarters) and construction machines
Licenses	Fuel dealers, kiosk, pharmacist/chemical sellers, commercial vehicles, bakers, financial institutions, liquor licenses, corn/rice/flour millers, export permit, food vendors, herbalist, bicycle/motorbike, market stalls/stores, District Weekly Lotto and artisans/self-employed.
Fees and fines	Registration of contractors', tractor services, and livestock/kraal/cattle, wood carving, market, entertainment fee, court fine, and lorry park feels and slaughter fees.

Source: Extracted from the EGDA trial balance

According to Smoke (2001), there are five key elements that should be integrated in a good fiscal decentralisation program. These are: an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. The payment of tax in Ghana is a statutory obligation that must be practiced by every citizen. . On whether tax payers in the East Gonja District are aware of their tax obligations, only forty six percent (46 %) of tax payers indicated they are aware while the remaining fifty four percent (54%) stated they are not aware of their tax obligations. This indicates that tax awareness is very low in the district. Out of the forty six percent of persons who were aware of their





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tax obligation to the assembly, forty percent (40 %) reported they got to know through personal investigation while the remaining got the information through some public awareness creation by the Assembly. A respondent who deals in building materials intimated that;

Respondent 11;

“Knowledge on tax obligations is a constitutional responsibility and every citizen up to the age of taxpaying must regard it as a responsibility” (Respondent 11).

4.3.1 Approaches to Revenue Mobilisation

On ways of mobilising taxes, tax collectors (80%) concluded that there are varied tactics for collecting taxes. According to a tax collector, *“one formula cannot be used throughout the district/communities because of the variations in tax payers’ attitude”*.

Tax collectors responded that they employ polite talks to win the commitment of taxpayers. Both tax collectors and the District Assembly Officials said they enlist the support of chiefs, unit committee members and other stakeholders in the collection of taxes. They also maintained that they organise tax collection taskforce periodically in different area councils on different market days. By this system of tax collection, the District Finance Officers team up with the tax collectors, irrespective of their councils so that they move to areas of interest periodically to mobilise fund. They also added that, they mount barriers at vantage points on both ordinary and market days to collect taxes from road users, especially motorist and goods passing through the district.

On the contrary, eighty five percent (85%) of tax payers disagreed with the approaches employed by the assembly in the collection of taxes. In the words of a tax payer;

Respondent 10;

“For me, the District Assembly is almost doing nothing in terms of tax collection. I have never seen any tax collector come to my venture to collect money. I also refuse to be going there (Assembly office) to pay my due because I was there once and they (District Assembly Officers) did not know the one to take the money. They wasted my time and energy. So I said to myself I will never carry money to the district assembly” (Respondent 10)

Another respondent (the secretary to EGOCSA) had this to say;

Respondent 2;

“I do not agree with the tactics employed by the assembly. Tax collectors will mostly come without pre-informing us. They come as and when they feel like coming” (Respondent 2).

Meanwhile a tax collector stipulated that, tax collectors are expected to pre-inform tax payers by issuing a ‘demand note’ to them for a grace period of at least fourteen days before the actual collection date.

For royalties, the study revealed that, the assembly has no percentage in whatever amount the traditional authorities realise. The traditional leaders of the various traditional areas where either sand or timber is harvested directly collect whatever is due them and share it with the divisional chiefs and possibly with paramount chiefs.

The DFO clearly stated that,

Respondent 1:

“the only contribution that comes to the assembly is building permits which land owners pay before they are allowed to build. Attempts to correct these abnormalities proved futile as the traditional authorities would not let go these monies” (Respondent 1).



The implication is that there is possibly a low level collaboration between the traditional authorities and the assembly on matters of tax collection.

In order to determine the potentials of the revenue streams identified in table 4.1 above, the researcher conducted a logistic regression analysis. The regression analyses was measured against the strength, resources and capacity of the EGDA to mobilise revenue. The operationalization of the logistic regression is expressed as;

$$P(Y_i = 1) = P_i = \frac{1}{1 + \exp^{-z}} \quad (1)$$

This can be operationalized as;

$$\begin{aligned} \text{Logit } P(Y_i^*) &= \beta_0 \\ &+ \sum_{i=1}^n \beta_i X_i + \varepsilon_i \end{aligned} \quad (2)$$

Thus, the binary logit regression model was expressed as;

$$\begin{aligned} Y(\text{Adopt} = 1) &= \beta_0 + \beta_1 \cdot \text{sexhh}_i + \beta_2 \cdot \text{cost}_i + \beta_3 \cdot \text{eduhh}_i + \beta_4 \cdot \text{fearamputation}_i + \\ &\beta_5 \cdot \text{efficacy} + \beta_6 \cdot \text{quick recovery}_i + \beta_7 \cdot \text{quickservices}_i + \beta_8 \cdot \text{religion}_i + \\ &\beta_9 \cdot \text{distance/convenience}_i + \beta_{10} \cdot \text{naturejuiry/loc}_i + \varepsilon_i \dots\dots\dots (3) \end{aligned}$$

Y_i^* = a latent variable representing the propensity of a person/respondent i to adopt traditional bone setting (1 if person/respondent adopt, and 2 otherwise).

β_0 = a constant term

$X_i = K$ = the vector of person/respondents characteristics variable that influence adoption decision (Set of variables explaining the adoption decision including respondent's choice of traditional bone setting)

β_i = parameters to be estimated.



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$\text{Exp}(\beta_i)$ indicates the odd ratio for a person/respondent having characteristics i versus not having i

ε_i = error term of the i th person/respondent

$i = 1, 2, 3 \dots n$ person/respondent.

The results of the logistic regression are presented in table 4.2 below. The study revealed that rates on property and basic rates was the most significant revenue stream in the district at $p \leq 0.00$. Rates on property and basic rates included rates on livestock, motor bikes, trucks and bicycles among others. Fees paid on lands and royalties was also very significant and these included building permits, sand winning, timber logging among others. Licenses and business permits on fuel dealers, kiosk, pharmacist/chemical sellers, commercial vehicles, bakers, financial institutions among others. Fees and fines and rents did not have any significant relationship thus their potential for revenue generation is weak at $p > .09$ and at $p > .265$ respectively.

The results from the logistic regression illustrates that in order to collect more revenue, the EGDA must concentrate more on rates, land/royalties and licenses since they have the greatest potential to raise more revenue. Since, fees and fines and rents contribute less to the district revenue, strategies must be employed to explore opportunities to make such revenue streams more viable to contribute more.



Table 4.2: Logistic Regression for Potentials of Revenue Streams

<i>Revenue Streams</i>	<i>Co-efficient</i>	<i>Std. Err.</i>	<i>Wald</i>	<i>df</i>	<i>p – value</i>	<i>Odds-Ratio</i>	<i>95% C.I</i>	
Fees and fines	1.767	.673	6.891	1	.09	5.850	1.564	21.878
Land/Royalties	4.221	.942	20.064	1	.000	68.083***	10.739	431.628
Rates	4.584	.842	29.641	1	.000	97.946***	18.803	510.195
Rents	1.125	1.009	1.242	1	.265	3.079	.426	22.261
Licenses	3.517	.801	19.278	1	.000	33.687***	7.008	161.926
Constant	- 23.492	4.885	23.124	1	.000	.000***		

Omnibus Tests of Model Coefficients: where $df = 10$ and probability < 0.001 (0.00)

Total number of respondents = 105 * significant ($0.01 < p \leq 0.05$) ** highly significant ($p \leq 0.01$) *** very highly significant ($p \leq 0.00$).

4.4 Strategies Adopted to Ensure Efficiency in Revenue Mobilisation.

District Assemblies are expected to use available legal means to generate funds for local governance and development of their respected catchment areas. It was obvious for the Assembly to distinguish the most reliable sources of income from the less reliable sources so as to be able to plan effectively on the means of harnessing their chances. Interestingly, very pertinent to these findings is the fact that assembly officials were divided on the most reliable source of funding for the District Assembly. Some of the DAOs mentioned donor agencies funds as the most reliable source of income. The reason they cited was that donor funds come as scheduled. Others also point to the Common Fund (CF) because it is a constitutional mandate. According to the 1992 Constitution, the District Assemblies Common Fund Act, Act 455 (1993) and the Local Government Act, Act 462 (1993) it is mandatory for the Central Governments to allocate monies from the state fund as District Assemblies Common Fund (DACF) to





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MMDAs. The fund is then distributed to all MMDAs on the basis of a formula approved by parliament, payable in quarterly instalments and administered by the DACF Administrator (Maeregu 2011). About half of the fund is earmarked mainly for capital projects and recurrent expenses of central administration of the district assembly (Manual, 2003). However, some respondents are of the view that the CF is unreliable because the central government delay in releasing the funds.

On the other hand, forty (40%) percent of respondents indicated that IGF is the most reliable source of income for the district. In an indoor interview with the DFO, he maintained that;

Respondent 1;

“with IGF, revenue is generated daily, weekly, monthly, quarterly and yearly and that such funds are regular and continue to flow” (Respondent 1).

IGF sources including basic rates, bicycle and motor cycle, sand winning, lands and market tolls were considered as the most reliable. The reasons cited included, taxes from these areas are easily accessible by tax collectors. That market sellers are always located at their various shops and sheds. Motorist and sand winners are also intercepted at vantage barriers mounted by tax collector. Cattle owners except the Fulani nomads from neighbouring countries, who do not leave sedentary lives, are also visited at their various locations for tax collector. In support of why rates are the most reliable sources of revenue for the Assembly, the DFO indicated that

Respondent 1;

“rates are easy to collect and that at each point in time rate money can be collected and used for the day to day administration of the district” (Respondent 1).

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On less reliable source of IGF funds, DAOs mentioned cattle rates and investments because cattle especially the nomadic Fulani are migratory and remain unpredictable while investment is generally having low chance of returns in unfavourable economic environment. Respondents also indicated that, the assembly have but less capital investments where they can raise revenue. Further probe in an interview with the District Revenue Superintendent (DRS) revealed that there is no proper documentation and registration of landed properties. He further revealed that people who inherited landed properties are less willing to pay their due.

On whether the tax collectors were given targets, hundred percent (100%) of the responses were to the affirmative. It was revealed that 45percent of the tax collectors meet given targets. The researcher also identified if the tax collectors are motivated to meet their tax collection targets for a particular period of time. Responses from revenue collectors were divided. While some (33.3%) indicated they do get motivation, others (66.7) think otherwise. Motivation, respondents say “*come in praise and sometimes monetary*”. The commissioned workers indicated that increase in commission is based on the amount of tax collected. Meanwhile the permanent tax collectors intimated that they are not given any incentives for meeting tax targets. A respondent from Kpambe Area Council asserts that;

Respondent 9;

“the district does not motivate us to work; no security for tax collectors (bylaws), no means of transport/fuel for tax collectors, and no demand note and summon form” (Respondent 9).



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The Demand Notice according to him is to announce the intent of tax collection to tax payers for a period of at least two weeks. The payee is then given another one week to pay. After a twenty one days grace period, defaulters are summoned with a summoned note. A duplicate of the summoned note is then given to the District Revenue Superintendent (local government representative) who then serves as the prosecutor who prosecutes the defaulter at the law suit. The court then interprets the fee fixe docket by asking the person to pay twice of the amount defaulted or any amount depending on the offence. Another tax collector from Salaga Town Council also intimated; *“there are no visible or tangible projects embarked on by the assembly by way of using IGF, a concern always raised by tax payers”*. He added that *some tax payers decline payment on these grounds’*.

On the side of the District Assembly Officials, some indicated they do have tax targets for every year and mostly do meet those targets while some indicated they do not meet those targets. Some reasons cited for their inability to meet revenue targets include: Lack of basic implements to work with by the tax collectors and excessive revenue leakages. The chairman of the District Finance Committee maintained that;

Respondent 3;

“the Assembly does not meet revenue targets because sometimes targets are set by the DFO and the DRS without recourse to other stakeholders, making projections unreliable” (Respondent 3).

Agreeably, taxpayers and tax collectors also assert that, the Assembly does not involve other stakeholders in the planning and developing of tax collection strategies. Meanwhile, a fraction of the tax collectors were quick to add that the Assembly is not able to meet targets due to improper data on tax sources and noncompliance by tax





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payers in the district. Apart from the few discrepancies, the DAOs agree that accurate data serve as the basis for setting the targets. It was revealed in all the three market centres (Bunjai, Salaga and Mankango) visited that, most businesses operating in these areas have no license of any kind from the assembly to operate. This means that they are not registered and therefore, the assembly have no record about them.

In terms of sensitisation of tax payers on tax obligations, responses were equally divided between the affirmative and the negative. A good proportion (30percent) of tax payers agreed that sensitisation workshops are organised on the importance of adhering to tax obligations. It was observed from the markets of Bunjai and Mankango that only few persons are informed about their tax obligation to the assembly. Indications are that awareness creation is concentrated in the district capital, leaving the rural people in isolation. To unravel how frequent in-service training of tax collectors are organised in the district, 66.7percent indicated quarterly while the remainder said it was done yearly. This discrepancy is a manifestation that, probably not all tax collectors are usually involved in in-service training schedules. Measuring the participation of other local government actors in the collection of tax in the East Gonja District by the tax collectors, 66.7percent of tax collectors rated it low while for each, 16.7percent and 16.6percent choose very low, and low respectively. The revelation is that apart from the DFO and the CDs the other offices in the assembly seldom show interest in IGF.

To establish whether or not the citizenry in EGD contribute to the IGF, 70percent of the responses were in the affirmative. They indicated they paid all the taxes enshrined by law. All the tax payers in the district specified tax collectors usually come to them to collect the tax. They revealed that the use of mobile tax collectors serve as an incentive

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for tax payers who do not need to travel over a longer distance to pay taxes. On frequency of the tax payment, tax payers indicated daily (20%) weekly (70%), monthly (7%) and annually (3%). Those who pay weekly are tax payers who conduct their businesses weekly at the market. Daily tax payers are those who conduct their businesses and pay taxes daily. It was observed that, tax collectors hardly conduct their duty on daily bases. A situation that leaves out so many supposed tax payer who have their activities out of the focal business centres. Tax collectors and DAOs specified that tax rates in the district are usually reviewed annually. On the reason for revision of rates and taxes, the DAOs said it is to ensure that rates are in conformity with prevailing drifts. That it was also done because new businesses are coming on board and therefore need to be hooked on. Other reasons cited by the DFO and the Coordinating Director for review of tax rates included the *increase in prices of goods and services, prevailing inflation and increase in exchange rates (Respondent 1)*.

In rating the current mechanisms or tactics already employed by the assembly tax collectors believe that the means adopted in the collection of tax is efficient yet the general tax returns in the assembly are low. In this case Agyapong (2012) had a good advice for the district when he said policy can be fine-tuned, the primary impediment to successful local revenue mobilisation is weak administration. He further argued that weak administration, coupled with a lack of political will for enforcement, generates a low level of local revenue mobilisation performance (Agyapong, 2012). A probe of the DAOs revealed that, politicians and other stakeholders who have hiding political interest have failed over the years to enforce/gazette the non-existing tax payment byelaws perhaps because of the fear of losing party sympathisers who might fall victim of tax default.



4.5 Potentials of Internal Revenue Mobilization in EGDA

An interview with the District Assembly officials on the potentials of IFG in the district reveals that the assembly is doing all they can to be proactive and innovative in generating enough funds for their administrative needs aside the traditional tax options. They reported that broadening and increasing the tax and revenue base is the only way they can mobilise enough revenue to meet the very intriguing needs of the communities within the district. Discussing what can be done to increase tax revenue in the Assembly; responses suggest regular consultation with stakeholders, and weekly inspection of books of revenue collectors (ensuring enforcement of the monitoring components of decentralisation). This is in consonance with the findings of Work (2011) when he discovered that bringing stakeholders together to define priorities for projects and programmes increases citizenry interest and sense of ownership increase.

The District Budget and Planning Officers disclosed that, about sixty percent (60%) of the citizenry of EGD declines the payment of taxes and that stakeholders including, chiefs, opinion leaders, informal association leaders, civil society organisations and church leaders can contribute immensely to the decisions that are made on tax payment.

The District Assembly Internal Auditor explicated that close inspection and auditing of tax collectors records keep them interested in the job they do and ensure proper accounting systems are instituted to remove corruption. This research finding is in consonance with the status within the MMDAs manual. Enshrined in the manual is a directive to all district assemblies that: the head of revenue collection perform a final check on all ledger books and forward them to the appropriate sheet for onward submission to the district finance officer (MMDA Manual, 2010) for auditing. The manual spelt out the role of all the tax collection actors. This was to avert the argument



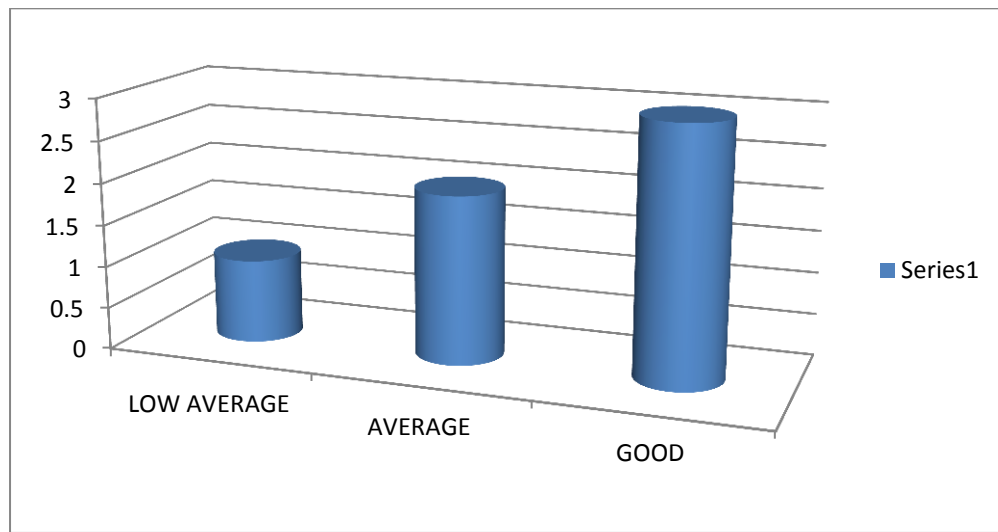
put forward by Smoke (2003) when he said www.udsspace.uds.edu.gh poorly articulated roles can cripple local governments and undermines incentives for local officials to perform effectively.

The study discovered that the laws of the District assembly that are supposed to bind the people of the district are not gazetted by the relevant agencies. In a constitutional democracy, laws serve as the very essential tools for ensuring cohesion and harmony and the passing and gazetting these laws protects and binds on all. All the officials indicate there are no gazetted bye laws in the assembly. In citing reasons for lack of bylaws, the officers made mention of the fact that the processes of gazetting one is frustrating and there are other pressing needs than a gazetted bylaw. They however admitted that, a gazetted bye law in the assembly can promote strict enforcement and adherence to the statutory tax obligations by the citizens. Because the laws of the assembly are not gazetted, 30 per cent of tax collectors rated the overall performance of tax mobilisation as quit appalling. In the words of a tax collector in Salaga Town Council, *tax defaulters go unpunished and we tax collectors feel unprotected as our superiors seemingly are unconcerned*. Meanwhile, 70 per cent of the tax collectors indicated the assembly is doing well in the various strategies they have adopted in ensuring tax compliance. Their responses are depicted in the graph below.



Figure 4.6: Tax collectors assessment of the Assembly's tax collection

performance.



Field data: 2015

Agreeably, the majority of tax collectors rated the assembly's performance by way of IGF mobilisation as good. They mention strategies including the use of tack force and the use of information vans to educate tax payers as good strategies. A greater percentage of tax payers, especially the elite, agreed that they are obliged to pay tax. Reasons cited by the tax payers include proceeds from such is used for developmental projects and the provision of social amenities in the community; a demonstration of understanding the essence of tax payment in the district. They also added that, government subventions alone may not be able to meet the varying developmental requirements of the EGD.

The members of EGOCSA have stipulated that the diagnosis for a better revenue mobilisation lies on proper appropriation and accountability of funds as currently these funds find their ways into obscure ventures. This disclosure is in corroboration with a finding by Fjelstad's (2006) when he lamented that, local government tax



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administrations are often inefficient and not able to appropriately account for revenues collected. Fjeldstad (ibid) further maintains that, there is no proper monitoring of tax collectors and administrators and that money collected sometimes find themselves in the pockets of tax officials. Meanwhile Bardhan and Mookherjee, (2002) asserts that a complicated and non-transparent local government revenue system is expensive to administer and hence facilitates corruption and mismanagement. In the views of the Executive Secretary of EGOCSA;

Respondent 2;

“transparency and accountability in tax administration will promote mass participation by the citizenry of this catchment area and thence development”(

Respondent 2).

In order to determine if tax collectors defraud or under invoice taxes collected, the researcher determined if tax payers receive the same receipt from tax collectors any time or from any person they paid their tax to. On this particular issue, responses were unanimously affirmative. The DAOs indicated monitoring of tax collectors is done by revenue superintendents and followed by internal audit of the finance department to ensure accountability and transparency due to the need for auditing. They also indicated officials move from one point to the other in the district to audit the activities of the revenue collectors by use of the revenue collector’s check book.

In discussing if the assembly should depend solely on central government and donor funds to care for developmental projects, responses were unanimously negative giving real meaning to the essence of political and fiscal decentralisation that is advocated for by local government officials and experts. This revelation is in support of Boschmann’s (2009:6) findings that the greater percentage of the MMDAs financial resources comes





from the DACF which “[suffers from inefficient sharing arrangements](http://www.udsspace.uds.edu.gh)”. In indicating the reasons for not solely relying on central government bursaries, tax payers mentioned that central government have scarce resources (60percent); the assembly must be responsible for local development (10percent); and the others (30percent) indicated the assemblies not being reliant on the national budget gives true meaning to the essence of decentralisation. All the district assembly officers reiterated that the dependency rate of the East Gonja District Assembly on the central government; donor funds and the national budget are generally very high. Some DAO cited reasons as IGF is unreliable due to low patronage and the general impact of corruption, excessive revenue leakages and uncontrolled expenditure due to weak internal control mechanisms. To bridge development gaps and other financial imbalances, it became apparent for the central government to share at least not less than 7.5percent of the national cake to all MMDAs. The intent of these transfers is to support specific sector activities in the districts (Inanga and Osei-Wusu 2004) and to correct vertical fiscal imbalances (Dick-sagoe, 2012).

In an attempt to mobilize enough resources to meet the infrastructural and social developmental needs such as the construction of roads, schools, health post, bridges among others, local governments raise internal revenues using different tactics that suit their environment. Contextually, the study consider it as either a game plan or tactics through which the goals and objectives of an organization is achieved (Adenugbe and Ogechi, 2013). Tax payers have very interesting suggestions that can improve the current tax collection systems. Twenty two percent (22%) of tax payers are of the view that both permanent and commissioned revenue collectors are under performing and that local revenue collection should be outsourced. A respondent (the organiser,



EGOCSA) have this to say. www.udsspace.uds.edu.gh *I think allowing a private individual to value our revenue sources and collect them at a fee is appropriate as this can ensure effectiveness and transparency.* This view is in consonance with the practice in Tanzania where; market fees in both rural and urban councils; forestry levies (until 2005) mainly in rural councils; cess on certain agricultural products in rural councils; bus stand; and parking fees are outsourced (Fjeldstad and Heggstad, 2012). Also, twenty seven percent (27%) maintained that, more tax collectors should be recruited since the few currently doing so are overwhelmed. They explained that few tax collectors are expected to serve large populations over a large geographical land mass. Another twenty three percent (23%) suggested the enhancement of monitoring system to ensure efficient return of the revenue by tax collectors. Yet twenty eight percent (28%) of respondents are of the idea that revenue tax collectors should be rationed at least, periodically, on town and area council basis to avoid familiarity that will eventually build contempt and thwart their mandate.

On the tactics to be employed to yield more tax returns by the tax collectors; a good proportion of the tax collectors (representing 50percent) believe that having good customer care enhance tax collection. About thirty three percent (33.3%) indicated the use and enforcement of the national and assembly bye laws, and 16.7percent proposed that seeking the support and contribution of all stakeholders (including traditional rulers) in the collection of the tax enhances tax returns. Bye laws are important in the fiscal decentralisation process if local government are to function effectively. They protect as well as force tax payers to comply.

4.6 Institutional Challenges in the Mobilization of Revenue by the EGDA

Among the challenges that confront nations in their quest for development is the issue of revenue generation to finance the many developmental projects which are crucial to improve the living conditions of citizens (Stren, 1998). Challenges are conceptually defined using Oduro-Mensah's (undated) definition that asserts that, challenges are impediments, weaknesses, disincentives or difficulties that do hinder the full maximisation of revenue collections internally at the sub-national and local government levels. Both taxpayers and tax collectors agreed that, there are tax leakages and poor monitoring systems. Responses by the DAFC disclosed that, tax leakages can lead to the delivery of valuable income into individual hands. A condition they say can negatively influence the total revenue output of the district significantly. This finding is in support of that which were identified in some African countries like Uganda and Rwanda. Districts in these regions contract private agents to collect market taxes for remuneration based on the percentage of the amount accrued annually (Iversenet al, 2006). They therefore disclosed that such practices results in revenue imbalances. In Uganda for instance, Iversen et al (2006) established that, there is a gap between local government estimates of revenue yield with actual revenue collected by private agents. Meaning that, the private agencies pay less of the total revenue collected to the sub-national government who contracts them.

In content, all eligible tax payers who do not pay tax as required (under pay or fail to pay) are referred to as tax defaulters. On the means of dealing with these tax defaulters, tax payers generally mentioned the enforcement of legal laws to force defaulters to comply. The study revealed that there is a lot of tax evasion in the EGD. In citing the reasons for tax evasion, tax collectors indicated the lack of commitment from the tax



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payers, the lack of security from the district assembly and lack of will-power to prosecute those who invade tax. Tax collectors also indicated that the Fulani nomads in most cases do threaten or attack them in the bush in their attempt to collect taxes from them. This they report to their superiors, but they show no concern. The District Assembly is given much constitutional powers to prosecute anybody who goes contrary to national or local bye laws. The Financial Administration Act, 2003, Act 654 and the Financial Administration Regulations, 2004, L. I. 1802, an Internal Audit Agency Act, 2003, Act 655 and the Public Procurement Act, 2003, Act 663, have also been passed to streamline the country's local government financial administration and management arrangement (Ahwoi, 2010). Surprisingly, it was discovered that the EGDA does not have a gazette byelaw; no demand note; and summon forms to prosecute tax defaulter.

Even though the assembly is expected to have and identify resources that aid efficient mobilisation of tax, the lack of equipment and logistics to work with were identified as major constraints in the collection of tax. On some of the obstacles to tax payment, tax collectors indicated poor or lack of education and lack of collaboration with other stakeholders including chiefs and the security agencies to partner and deliberate on efficient tax collection mechanisms is a serious threat. These corroborative "tax force" is expected to identify, enforce and mandate those who fail to keep to their tax obligations to do so within the dictates of the law. To establish the negative repercussion of the neglect of stakeholders in decision about revenue mobilisation, a commissioned tax collector at the Bunjai Area Council says;



Respondent 8;

“the neglect of stakeholders result in local interferences in an attempt by the assembly to punish defaulters of any form of tax payment. Defaulters are set free by the intervention of religious leaders and party leaders resulting in the weak enforcement of the assembly’s revenue mobilisation strategies” (Respondent 8).

In discussing if the tax collectors were logistically equipped, 83.3percent of tax collectors responded they were not adequately resourced. According to Agyapong (2012:29), though, “policy can be fine-tuned; the primary obstacle to successful local revenue mobilisation is weak administration”. He further elaborated that, weak administration, coupled with a lack of political will for enforcement, generates a low level of local revenue mobilisation performance. A tax collector from Mankango area council articulated that,

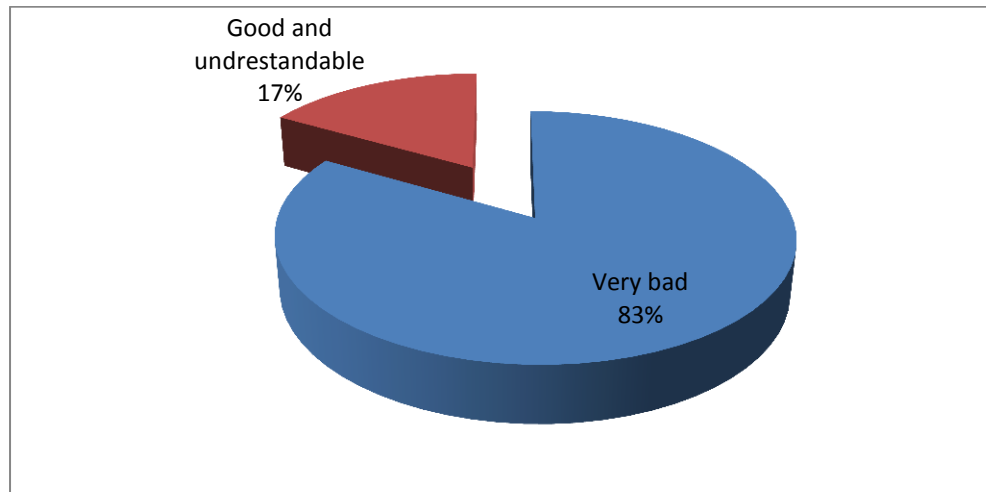
Respondent 6;

“the district assembly does not work as it is supposed to work as an institution of local government. Example, no means of transport for tax officials, no security for us and there are no committed administrators and no transparency. He further states that the assembly is manipulating the traditional authorities on issues of the mobilisation and usage of the IGF because they (the chiefs) are ignorant and that the DFO and other key assembly officers only take interest in revenue mobilisation when they need personal/pocket money to spend in a weekend” (Respondent 6).

A close observation confirmed that the tax officials struggles and at times uses their personal money to transport themselves to places to collect tax. And that those who matter in society sometimes hide from tax collector when entering their communities due to low level collaboration between the assembly and the society. In rating the attitude of tax payers to tax collectors, the responses are depicted in the diagram below.



Figure 4.7: Attitude of tax payers to tax collectors



Source: Field Data, 2015

Majority of the respondents (83%) asserted that the attitude of tax payers to tax collectors can be generally described as bad while the remaining 17% maintained that tax payers' attitude is good and generally understandable. They further explain that the only difficulty with tax payers is the information gap between the tax payer and the assembly. There is therefore the need for effective flow of information between the tax payer and the assembly.

On the question of whether or not the Assembly has records on all revenue sources, a small percentage (27%) of the participants (assembly officials) indicated the assembly has data on all revenue sources while a greater proportion (73 percent) pointed out that the assembly has no data on all the revenue sources in the district. Meanwhile, popular conception has it that, local assemblies have substantial potential for enhancing local revenues—especially from business licenses and property rates (Schroeder, et al., 1998). Against this conception, the East Gonja District Assembly has no adequate record of most businesses and properties within the catchment area. They explain that, individuals carry out capital projects (building projects etc.) without going through the



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due processes. The traditional authorities also map out their lands and sell them out without consulting the assembly. This makes it quit challenging for them to monitor and keep proper record. Observably, there are numerous unregistered businesses and properties owned and operating within the district. In consonance with findings made by Kazentet (2011) in Asutifi North of Ghana, the East Gonja District revenue collections from property rates showcase low performance because properties have not been properly registered and valued.

On the evidence of increase in revenue in the district in the last four years, district assembly officials indicated that yearly new businesses are hook up onto the revenue stream. Other statistical evidence espoused by the district assembly officials generally concerned cattle rates. Cattle rate collected from the period of 2012 to 2013 forms below average. The challenge here has to do with security and the emigrant Fulani Herdsmen. The tax collectors asserted (this was confirmed by the assembly officials) that, *the Fulani Herdsmen, especially the nomadic men from neighbouring countries, resist tax payments and in some cases threatened to attack tax collectors.* A commissioned tax collector in Kpembe area council has this complain to make;

Respondent 2;

“I reported this behaviour of the herdsmen, but our superiors showed no concern and so I will never attempt going into the bush to those herdsmen for tax”

(Respondent 2).

A section of the tax collectors and taxpayers also mentioned poor data and record keeping by tax administrators, use of untrained tax collectors as the reasons for the untapped tax sources in the district.



4.7 Ways of Improving IGF Mobilisation in the District.

Globally, governments and other multi and bilateral institutions make every effort to harness scarce local resources for own growth. Though scarce, there are many untapped owned resources which when mobilised have the potential of advancing social and economic development of the EGDA. Livingstone and Charlton (2001) established that local government authorities often depend on limited sources in mobilizing revenues. According to the DFO, the assembly is making every effort to exploit and expand its revenue sources within the district. Findings from observation reveal that there are so many untapped revenue sources in the district that the assembly can take advantage of. These include the underdeveloped Salaga Slave Market and the slave wells that rarely attract tourist (both foreign and local). Others are the mystical Ndwura Jakpa sword that has been planted so many decades back and cannot be uprooted even by bulldozers and also the footprints of Ndwura Jakpas wife on rocks that cannot be erased. These sites, when properly packaged could play leading role in internal revenue mobilisation. Though well marketed internationally, this huge potential source of revenue asset of the Assembly has been abandoned, leaving most of the slave wells and baths unpreserved. This clearly makes it unattractive to both foreign and local tourist.

The research findings pointed to the proper registration of all businesses within the district and enforcement of tax laws as among the solutions to tax bottlenecks. The tax payers mentioned proper data and record keeping by tax administrators, use of trained and young tax collectors to enhance the already existing tax regime as a panacea to the bottlenecks of tax mobilisation in the district. In analysing if the assembly has exhausted its sources of IGF, 43 percent of the tax collectors were in the affirmative while 57 percent thinks the assembly has not exhausted all its IGF sources. This





generally conforms to Korkor's (2003) worry when he lamented that, financing local government development programmes in Ghana by the MMDAs presents a worrying situation due to the inability of the Assemblies to mobilize enough revenue from their area of operation. To mobilise enough revenue means that all the possible sources are identified and properly packaged for collection.

In seeking solutions to mitigate the obstacles to the payment of tax in the East Gonja district, tax collectors mentioned provision of logistics, provision of social amenities, having central or main tax collection points and adherence to strict rules, regulations and laws. In this regard, Wolman (1997, p.27) argued that the "public sector does not contain the same price signals as the private sector, to regulate supply and demand. Public sector allocation of goods and services are inherently political; however, as nearly as possible tax and service packages should reflect "the aggregate preferences of community members". Meaning that tax paid should be appropriated to reflect the monies collected. The District assembly officials were almost unanimous by stating that untapped source of IGF include property rates land rates and investments. The DAFC chairperson pointed out that there are numerous potent but abandoned edifices that could be refurbished to otherwise generate income for the assembly. These he said included the cassava processing factory and warehouse, agricultural machines (e.g tractors), and investment in transportation (both land and river).

Observation revealed yet another untapped potential internal revenue source for the East Gonja District Assembly. That is the erection of a toll collection barrier at the Ekumde Bridge constructed over the River Dakar. The bridge connects Salaga District to the Kpandai District of the Northern region of Ghana. Mounting a toll collection

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barrier at this area can help generate enough revenue for the assembly. Harnessing all this avenues is not different from that which is reported in Tanzania. In Tanzania for instance, Fjeldstad and Semboja (2000) noted a large number of internal revenue sources though, they identified four main sources that cut across almost all councils. These are development levy (head tax), crop and livestock cess (agricultural cess), and business license and market fees.

The research finding revealed that there is the need to package and make taxes attractive so that it can remain inviting to local business owners. Tax payers maintained that the assembly need to revalue and repackage all possible tax avenues. They trust that a private entity can perform this role better and therefore the need for outsourcing. This approach is in consonance with the practice in some African countries. In those countries, the central governments either collect the taxes directly or they outsource the collection to a private institution and cede the revenue to the local government. A typical example is in Tanzania where property tax collection in Dares Salaam is assigned to the Tanzania Revenue Authority (Fjeldstad *et al*, 2011).

In considered the well packaged sources of revenue, 16.7 per cent of the tax collectors indicated property rates while 33.3 percent mentioned basic rates and the remaining 50 percent indicating none of the tax sources is packaged attractively in the district. A tax collector stipulates that;

Respondent 8

“it is the assembly’s responsibility to use marketing strategies to ensure that tax payment is done by all persons and business entities” (Respondent 8).



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As tax collectors generally indicate that taxes are not well packaged in the district, they believed if the following remedial measures can complement what is already being done. They proposed that, educating the public on tax obligations and providing the requisite working tools (e.g identity cards and a gazetted byelaw) for tax collectors is a prerequisite for effective revenue mobilisation. They also indicated proper documentation of all tax information (tax manual/handbook), provision of social amenities/infrastructure that reflect tax money, and ensuring transparency as the bases of improving tax payment. A tax payer who deals in building materials also opined that;

Respondent 7;

“money collected should be used for intended projects that are physical to the citizens, employing more energetic youth who have good communication skills in the collection of tax and, introducing monitoring and evaluation systems to enhanced tax collection” (Respondent 7).

The assembly over the years has done and is doing much to ensure that they broaden the tax base of the assembly. The DCD clearly outlined some of the measures being employed. According to the DCD the assembly is liaising with the ministry of tourism to give the Salaga slave market a face life. And that they are also to embark on rigorous registration of businesses and properties in the district. Other assembly officials including the DFO, Planner and Budget officer did indicate that the assembly is working hard to gazette its bye laws to provide the requisite legal tool for the enforcement of tax compliance. Still, other opinions generated include the fact that the assembly is strengthening monitoring systems to ensure proper returns by the tax collectors. *The Assembly continues to broaden the tax base annually* said the District Revenue Superintendent. This agreed with Adedokun’s (2006) when he espouses the



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true intent of fiscal decentralisation. He said fiscal decentralisation occurs when lower tiers of government have statutory power to raise taxes and carry out spending activities within specified legal criteria by ensuring that bye laws are highly enforced. District assembly officials indicated that motivating of collectors, recruiting more commissioned tax collectors and demonstrating judicious use of the revenue collected give the payee value for their money. Some of the officials also indicated further that proper training of all revenue collectors, gazetting and enforcement of laws is another measure that can promote revenue payment and collection.

4.8 Summary of Chapter

This chapter highlighted the factors that influence revenue mobilisation in the East Gonja District. It further revealed the essence of IGF to the advancement of the EGD and other MMDAs. Another important component of the presentation and discussion of the research findings was the identification of the factors that militate against revenue mobilisation, revenue sources, challenges in harnessing this revenue sources and the prospects of revenue collection in the district. The chapter further highlight factors to be implemented by the district assembly to ensure easy mobilisation and effective usage of revenue or income to the district.



SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Resources (both financial and human) are basic to the development of every society. The richer the resource basket of a society, the higher its level of development. As such societies all over the globe make every effort to mobilise available resources (both internal and external resources) to bear on the development of their areas. While some countries rely greatly on owned source for growth, other countries, especially the less developed ones depend mostly on external sources for development. Even internally, sub-national governments in well-developed jurisdictions depend wholly on internal revenue sources while others like Nigeria in Africa rely solely on the central government bursaries for development.

This chapter highlights key findings of the study, recommendations and some conclusions that can be drawn from the study findings.

5.2 Summary

5.2.1 Demographic Characteristics of Tax Actors and IGF Information

Majority of the tax payers were male. Among the tax collectors, fuel sellers represented the least (2%) of them with provisions sellers (53%), artisans (35) and dealers in building and construction materials (10) forming the majority. It was however observed that, majority of the rural folks, if not all have farming as their major economic activity. Residents along the rivers and the lake also have farming and fishing as their economic activity. The modal age for the tax payers was between the ages of 30 to 39 years. Few individuals below age thirty pay taxes. Those above the ages of thirty who also pay



taxes are insignificant. Tax collectors were distributed as male and female; with 67 percent working under the Salaga Town Council, 17 and 16 percent each work under Mankango and Bunjai Area Councils respectively. It was established that all the tax collectors serve more than four hundred tax payers.

A total of 60 percent of the respondents did indicate that they have being in business within the period of 0—10 years. Another 30 per cent showed that they have being in business between 11—20 years. Only 10 per cent pointed out that the age duration of their businesses are between 21—30 years. Only 43 percent of the respondents had their business registered and licenses renewed annually. Out of the population of respondents, 52 per cent have not registered their businesses with the district assembly and five per cent (5%) have registered their business entities but did not renew their licenses for more than five years. Knowledge on tax was below average. Only 40 percent of tax payers are aware of their tax obligations.

It was disclosed that the percentage contribution of IGF to the revenue envelop of the East Gonja District Assembly from the year 2011 was 3 per cent. In the year 2012, the figure fell to 2 per cent. These turned again to 3 per cent in 2013 and 2014 respectively.



5.2.2 EGD Revenue Streams and Collection Strategies

Table 5.1: IGF streams of the EGD

Source	Detail
Rate	Basic rate and property rate
Lands and Royalties	Registration of plots, building permits and tolls collected from river sand winners.
Rents of land and building	Ground rent, dividends, interest on loan, rent on Assembly building (Junior Staff Quarters, Guest House and transit quarters)
Licenses	Fuel dealers, kiosk, pharmacist/chemical sellers, commercial vehicles, bakers, financial institutions, liquor licenses, corn/rice/flour millers, export permit, food vendors, herbalist, bicycle/motorbike, market stalls/stores, District Weekly Lotto and artisans/self-employed.
Fees and fines	Registration of contractors', tractor services, and livestock/kraal/cattle, wood carving, market, entertainment fee, court fine, and lorry park feels and slaughter fees.

Source: Derived from EGDA Trial Balance.

Respondents from DAO indicated that undeveloped sources of revenue include rents of lands and buildings (ground rent, dividends, interest on loan, rent on Assembly building) building permits, plot allocation, and tourism. Others are entertainment fees, registration of plots, lorry park fees, timber logging and slaughter fees. They explain that due to high level illiteracy, individuals carry out building projects without going through the due processes. Those that are somehow patronised include basic rates.

The research revealed that the Assembly scarcely conducts in-service training for tax collectors and sensitization of the tax payers. A good proportion (30 percent) of tax payers do not agree with the tactics the assembly employs in mobilising if. They observed that the assembly rarely organised sensitisation workshops on the importance of adhering to tax obligations. Basic rates, cattle rates, bicycle and motor cycle, sand winning, lands, market tolls were identified as the most reliable sources of revenue for the assembly. All tax collectors are given revenue collection targets. However, 83.3



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percent of the tax collectors actually meet the targets given. Tax collectors are motivated to meet their tax targets. Some reasons cited for the assembly's inability to meet revenue targets include: Lack of basic implements to work with by the tax collectors. Sometimes targets are set without the participation of some stakeholders. The Assembly is not able to meet targets due to poor development of revenue sources and noncompliance by registered businesses in the district.

On frequency of the tax payment, tax payers indicated daily, weekly, monthly and annually. Tax collectors, tax payers and district assembly officials all indicated that tax rates in the district are usually reviewed annually. On what can be done to increase tax revenue in the assembly the assembly officials suggested constant consultation with stakeholders, and weekly inspection of books of revenue collectors. Tax collectors usually visit business entities to collect the tax. Rating the overall performance of the assembly in tax collection, tax collectors were full of praise. Tax payers generally agreed that they are obliged to pay tax because proceeds from such are used for developmental projects and the provision of social amenities in the community.

Monitoring of tax collectors is done by revenue superintendents and followed by internal audit of the finance department of the assembly to ensure accountability and transparency.

Respondents enumerated reasons for not solely relying on national funds; government have scarce resources (60 percent), the assembly must be responsible for development (10 percent) and assemblies not been reliant on the national budget give true meaning to the essence of decentralization (30 percent). Other factors include low patronage and unreliable sources of IGF accounts for high reliance on central government funds. Other tactics to be employed in the collection of tax include the recruitment of more tax



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collectors since the few currently doing so are old and are therefore overwhelmed by the increasing revenue sources, and the enhancement of monitoring system to ensure efficient returns. On the tactics to be employed to yield more tax returns by the tax collectors; a good proportion (50 percent) considers that having good customer care will enhance tax collection. Others indicated use and enforcement of the national and assembly byelaws (33.3 percent), and also seeking the support and contribution of all stakeholders in the collection of the tax (16.7 percent) will enhance tax returns respectively.

On the tactics already employed by the assembly, 16.7 percent indicated is not efficient means of tax collection while 83.3 percent showed the methods employed by the assembly are efficient.

5.2.3 Institutional Challenges to Revenue Mobilisation

Control of tax leakages can be done by monitoring tax collectors effectively. Citing the reasons for tax invasion, 6.7 percent indicated they lack support from the district assembly and the lack of will power to prosecute those who invade tax. The lack of equipment and logistics to work with were identified as one of the major constraints in the collection of tax by 16.3 percent of the tax collectors. Obstacles to tax payment, tax collectors indicated poor or lack of education and lack of collaborative and or organised tax collection units that involve all stakeholders including the law enforcement agencies.

Majority of participants indicated the assembly has no data on all revenue sources. Untapped sources of IGF include property rates, basic rates, and land, abundance of structures or edifices that could be refurbished to generate income e.g. cassava

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processing factory and warehouse, agricultural machines, payment of rent by occupants of government bungalows, investment in transportation both land and river.``

5.2.4 Ways of Improving Revenue Mobilisation

To mitigate the obstacles to the payment of tax, respondents mentioned the provision of logistics, provision of social amenities, having central or main tax collection points and adherence to strict rules, regulations and laws. The research also revealed other views such as the use of private sector organisations or non-governmental organisations in the repackaging, collection and development of tourist sites in the district to attract tourists. Yet others are of the view that, collaboration with stakeholders and traditional authorities in the design of the taxes and registration of all business and properties within the district will ensure compliance to tax obligations. To stimulate tax payment in the district, a tax collector maintained that, the assembly need to embark on rigorous education of the public on the need to pay tax and also provide the tax collectors with the requisite tools to be able to execute their work. Sources of unpackaged revenue include rents, building permits, plot allocation and tourism. Mobile money vendors should be made to pay tax.



On how the tax net can be improved, 50 percent of the tax payers indicated enforcement of local and national byelaws on tax, money collected should be used for intended projects that can be seen by citizens, employing more energetic youth in the collection of the tax and monitoring and evaluations systems enhanced. On the other means of improving on the tax sources of the assembly, majority (66.7 percent) thinks the institutionalisation of land rates will increase or improve the assembly sources of tax or income. Others indicated meeting with shareholders and property owners to let

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them understand the essence of tax payment as well as ensuring transparency and collaboration in the collection and execution of public funds and projects. In improving the tax base, tax collectors indicated proper documentation of all tax collected, provision of social amenities, construction of infrastructure and ensuring transparency in the execution of the tax. In order to make tax attractive then there must be motivation of collectors, recruiting of more commissioned collectors and show casing of judicious use of the revenue collected e.g. benefits by payees and value for money. Some of the officials also indicated that another measure is to ensure training of all revenue collectors in the district. Enforcement of laws, prosecute non tax payers or invaders, proper motivation of revenue collectors by also ensuring that all the bye laws are gazetted for enforcement.

5.3 Conclusions

The East Gonja District Assembly has adopted a number of approaches in ensuring that revenue is generated from the day to day activities of the district for the purpose of ensuring financial stability. There is a strong reliance of the assembly on funds from central government budgetary allocations as well as from donor agencies. The activities of non-governmental agencies and private sector organisations also complement the work of the Assembly. Another classical indication is the fact that the district use elderly and sometimes weak commissioned tax collectors, therefore making the general internal generated funds small and unsustainable.

The district as well has adopted a number of strategies in the mobilisation of funds. This study also identified other strategies that if implemented by the assembly will help sustain the total tax net- revenue.



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The district has a lot of prospects it holds. There are a number of ventures that the district is yet to adopt to increase her tax net. When these ventures are used, then there will be a total improvement in the income generated. Inherent in this prospects that are identified in the assembly, there are challenges that mitigate the successful mobilisation of revenue by the powers that may. Instrumental and logical thinking is required to be able to devise means of changing these challenges into opportunities. The study has also given some recommended measures that the assembly and inhabitants can adopt to ensure that the total tax net of the district is improved and internally generated funds are able to do what it is intended for.

5.4 Recommendations

It is imperative that district assemblies mobilize the needed resources to be self-reliant and also to finance pertinent developmental projects within their catchment areas. The districts that have been able to become financially efficient were those who used prudent and innovative financial mobilization strategies. The East Gonja district assembly will be able to do this if they used the right strategies by exploiting all financial resources within their jurisdiction. Key to gaining financial reliance includes:

1. The EGDA should collaborate with other stakeholders and relevant authorities to ensure that the assembly byelaws especially those with regard to tax and tax payment are gazetted to ensure compliance and protection for tax actors.
2. The Assembly should recruit more trained and vibrant young men and women who have knowledge in human relation and other financial management skills. The reasons are that, without effective customer care formalities as well as knowledge on proper accounting and receipt systems, tax collectors will falter.



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3. The Assembly should provide equipment and logics for the tax collection system.
4. It is also recommended that the district should work through other local government actors with the Registrar General Departments and the tax collection authorities to ensure the proper and efficient registration and compilation of all business entities and renewal of business certificate as required by law to ensure effective data collection and record keeping. This will serve as a benchmark for tax policy making and target setting.
5. Since alienation can breed irresponsiveness, the study recommends that local government officials must ensure constant consultation with stakeholders including the traditional rulers, CSO and policy makers to discuss matters affecting IGF and prescribe appropriate strategies of making it attractive and sustainable.
6. It is also recommended that the EGDA should use the Non-governmental Organisations in the collection of the tax since they are more results oriented compared to the local government authorities. Tax proceeds should be used in providing social amenities in the respective communities to reflect the monies collected. this will serve as an incentive for community members to pay more.



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APPENDIX I

UNIVERSITY FOR DEVELOPMENT STUDIES
THE DEPARTMENT OF PLANNING AND MANAGEMENT
FACULTY OF PLANNING AND LAND MANGEMENT, WA

QUISTIONNAIRE FOR MANAGEMENT

CANDIDATES: AGYAPONG AKWASI

SUPERVISOR: DR. SANYARE FRANCIS

ROGRAMME: MPHIL. DEVELOPMENT MANAGEMENT

**TOPIC: THE POTENTIALS AND CHALLENGES OF INTERNALLY
GENERATED FUND SOURCES: THE CASE OF EAST GONJA DISTRICT**

ASSMBLY OF NOTHERN GHANA

Questionnaire for District Assembly Officials

I am a final year student of the University for Development Study (UDS). I am carrying out a study on the potentials and challenges of the internally generated fund (IGF) within the East Gonja District. The purpose of the study is to assess the potentials and challenges of the internally generated fund of the East Gonja District of the northern region of Ghana. This study is being undertaken purely for academic purposes. It would contribute to my studies at the university (UDS) for an Mphil in Development Management. You have being selected to participate in this research owing to your pertinent experience and in-depth knowledge about the working of the District Assembly revenue mobilization and utilization. Your participation is, thus, highly important and greatly appreciated.

Participation is optional but if you do choose to take part, be assured that any information provided would be used for academic purpose, and no part of the report would be directly attributed to you in person unless you so wish. Information obtained as part of this study would be treated as highly confidential in accordance with the world class research protocols.



Please spare me a few minutes of your time to answer the following questions. Thank you very much in advances for your assistance.

Instruction: please read through the questions and endeavour to answer them clearly as possible as you can. Tick [] and feel in the gaps appropriately.

1. What are the sources of revenue for the District Assembly?

.....
.....

2. Which among the sources would you say is more reliable and why?

.....
.....

3. Which of the revenue sources is not reliable and why?

.....
.....

4. How do you measure the dependency rate of the district on external revenue sources?

- a) Low
- b) Average
- c) High
- d) Others.....

5. If your answer to question four is 'c', can you explain why the assembly depends so much on external revenue source?

.....
.....

6. Does the Assembly set targets in its attempt to mobilize internal revenue?

Yes [] No []

7. If yes, does the assembly meet its set targets? Yes [] No []

8. From the above, if no, what are the possible limitations?

.....
.....

9. And on what bases does the Assembly set targets for the mobilization of its internal revenue?





.....
.....
10. How often does the assembly monitor the activities of tax collectors in the district?
.....
.....

11. Are there any motivation for performing tax collectors? Yes [] No []

12. From the above, if your answer is yes, what form does the motivation take?
.....
.....

13. Does the assembly have data on all possible revenue sources (example businesses and property) in the District? Yes [] No []

14. If yes, would you say that there is an increase(s) in revenue source over the period 2011-2014 (please give example/explain)?
.....
.....

15. If no, what are the possible reasons for the lack of data on revenue source for the Assembly?
.....
.....

16. Does the assembly revise its fees, licenses and rates regularly? Yes [] No []

17. If yes, what informs this decision of revising the tax ceiling?
.....
.....

18. If yes to question twelve (16), how regular does the Assembly revised its fees, licenses and rates? Quarterly [] Yearly []
others.....

19. If no, what are the constraints to the revision of the fees, rate and licenses?
.....
.....

20. Are there unpackaged fertile sources of Internally Generated Revenue in the East Gonja District Assembly? Yes [] No []

21. If yes, what are the unpackaged fertile sources of the IGF in the district Assembly?
.....
.....

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22. If no, does that imply that the assembly has exhausted all its possible sources of local tax? Yes [] No []

23. Are there any gazetted bylaw regulating the activities of IGF in the Assembly?

Yes [] No []

24. If yes, what form of punishment does the assembly give to tax vaders take?

.....
.....

25. What do you supposed could be done to make IGF mobilization attractive in the District?

.....
.....

26. Are there any untapped revenue source in the district? Yes [] No []

27. From the above, if yes, which are they?

.....
.....

28. What is the Assembly doing to improve and increase own revenue sources of the district?

.....
.....

Thank you.



UNIVERSITY FOR DEVELOPMENT STUDIES

THE DEPARTMENT OF PLANNING AND MANAGEMENT

FACULTY OF PLANNING AND LAND MANGEMENT, WA

QUISTIONNAIRE FOR MANAGEMENT

CANDIDATES: AGYAPONG AKWASI

SUPERVISOR: DR. SANYARE FRANCIS

ROGRAMME: MPhil. DEVELOPMENT MANAGEMENT

TOPIC: THE POTENTIALS AND CHALLENGES OF INTERNALLY

GENERATED FUND SOURCES: THE CASE OF EAST GONJA DISTRICT

ASSMBLY OF NOTHERN GHANA

Questionnaire for tax payers

I am a final year student of the University for Development Study (UDS). I am carrying out a study on the prospects and challenges of the internally generated fund (IGF) within the East Gonja District. The purpose of the study is to assess the prospects and failures of the internally generated fund of the East Gonja District of the northern region of Ghana. This study is being undertaken purely for academic purposes. It would contribute to my studies at the university (UDS) for an Mphil in Development Management. You have being selected to participate in this research owing to your pertinent experience and in-depth knowledge about the working of the District Assembly revenue mobilization and utilization. Your participation is, thus, highly important and greatly appreciated.

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Please spare me a few minutes of your time to answer the following questions. Thank you very much in advances for your assistance.





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Instruction: please tick [] and feel in the gaps appropriately.

1. Sex: Male [], Female []
2. Age
3. What property/business/work do you do?
.....
.....
4. How long have you been in business/owned the property?
.....
5. Have you registered your business/association/property with the district assembly?
Yes [], No []
6. If yes, how long does it take to renew your business operations with the Assembly?
Quarterly [] Yearly [] Every two years []
Any others.....
7. Do you have any knowledge about your financial obligation in the form of tax to the District Assembly? Yes [], No []
8. If yes, from which source? Friends and relatives [] The Media []
The Assembly [] others if any.....
9. Have the Assembly organized any sensitization workshop regarding internal revenue mobilisation for your community/association? How then do you rate your level of agreement with them? Strongly disagree [] Disagree [] Neutral [] Agree []
Strongly agree []
10. Have you ever contributed to the fund? Yes [], No []
11. How long have you been paying tax?
12. Which form of tax do you pay?
.....
13. Have the Area Council tax officials come to your outfit to collect taxes?
Yes [], No []
14. If yes how often do they call for taxes? Weekly [], monthly []
quarterly [] yearly []
15. Do you deem it an obligation to pay the tax? Yes [], No []
16. Do the tax collectors give uniformed receipts of payments whenever they call?
Yes [] No []

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17. From the above, if your answer is no, how often do they change the receipts and why?

.....
.....

18. Do you think the assembly should depend solely on government and donor bursaries for development? Yes [] No []

19. If yes, why do you think so?

.....
.....

20. Do you agree with the tactics employ by the assembly/tax collector in collecting the tax?

(explain).....

.....
.....

21. From the above, if your answer is a disagreement, which other way can it be done properly?

.....
.....

22. What do you think must be corrected to improve your relationship with the tax collectors?

.....
.....

23. In your view, are there any untapped revenue sources in the district and which are they if any?

.....
.....

24. How can they be properly packaged to attract (both foreign and local) patronage?

.....
.....

25. What do you think the assembly should do right to improve and increase it tax collection

base?.....

.....
.....

Thank you.



UNIVERSITY FOR DEVELOPMENT STUDIES

THE DEPARTMENT OF PLANNING AND MANAGEMENT

FACULTY OF PLANNING AND LAND MANGEMENT, WA

QUISTIONNAIRE FOR MANAGEMENT

CANDIDATES: AGYAPONG AKWASI

SUPERVISOR: DR. SANYARE FRANCIS

ROGRAMME: MPhil. DEVELOPMENT MANAGEMENT

TOPIC: THE POTENTIALS AND CHALLENGES OF INTERNALLY

GENERATED FUND SOURCES: THE CASE OF EAST GONJA DISTRICT

ASSMBLY OF NOTHERN GHANA

Questionnaire for tax collector

I am a final year student of the University for Development Study (UDS). I am carrying out a study on the prospects and challenges of the internally generated fund (IGF) within the East Gonja District. The purpose of the study is to assess the prospects and failures of the internally generated fund of the East Gonja District of the northern region of Ghana. This study is being undertaken purely for academic purposes. It would contribute to my studies at the university (UDS) for an MPhil. in Development Management. You have being selected to participate in this research owing to your pertinent experience and in-depth knowledge about the working of the District Assembly revenue mobilization and utilization. Your participation is, thus, highly important and greatly appreciated.

Participation is optional but if you do choose to take part, be assured that any information provided would be used for academic purpose, and no part of the report would be directly attributed to you in person unless you so wish. Information obtained as part of this study would be treated as highly confidential in accordance with the world class research protocols.

Please spare me a few minutes of your time to answer the following questions. Thank you very much in advances for your assistance.





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Instruction: please tick [] and feel in the gaps appropriately

- 1 Sex: Male [], Female []
2. Age.....
3. Name of area council(s) represented.....
4. For how long have you been working as a tax collector
.....
5. How many registered tax payers do you have in your catchment area?
.....
6. How many times do you go round collecting taxes? Weekly [], Monthly [],
Quarterly [], Yearly []
Others.....
7. Are you given tax collection targets? Yes [] No []
8. Base on the above, if yes do you meet those targets? Yes [] No []
9. Have the district assembly periodically organized in-service training for you? How
many times do they organize such programs for you?
Weekly [] Monthly [] Quarterly [] Yearly []
10. What are the tactics you employ in mobilizing Internally Generated Fund?
.....
.....
11. How do you rate the tactics employ by you and the District Assembly in mobilizing
revenue?
Not efficient [] Very efficient [] others
.....
12. Are you logistically equipped to carry out your mandate? Yes [] No []
13. From the above, if no, what could be the possible constraints?
.....
.....
14. How do you measure the participation of tax payers in fulfilling their tax
obligation?
Very low [], Low [], High [], Very high [],
others.....



15. How is the attitude of tax payers towards you as a tax collector?

.....
.....

16. Are there instances of tax evasion in your area? Yes [] No []

17. From the above, if yes, what do you think influence tax evasion in the district?

.....
.....

18. In looking at the way tax collection is been done in this district, do you think the Assembly is committed to mobilising own revenue? How then do you measure the Assembly's performance? Low average [] Average [] good [] very good [] others.....

19. As a tax officer, do you think the IGF sources of the East Gonja District Assembly are exhausted? Yes [] No []

20. Explain or give examples of the revenue sources that you think are well packaged?

.....
.....

21. Which revenue sources do you think are underdeveloped?

.....
.....

22. Are there any untapped revenue source of the district? What are they?

.....
.....

23. As a tax officer, what do you think are the obstacles to tax collection in the area?

.....
.....

24. What do you think are the possible measures (solutions) to improving tax collection in the district?.....

.....
.....

25. In working with the tax-payers over the years, what do you suggest the assembly can do to stimulate the interest of the tax payers for effectiveness and efficiency?

.....
.....

Thank you.