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**UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE**

**MOBILIZING LOCAL GOVERNMENT REVENUE TOWARDS FINANCING  
LOCAL LEVEL DEVELOPMENT: THE CASE OF WA MUNICIPAL  
ASSEMBLY**

**BY**

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**A THESIS SUMMITTED TO THE DEPARTMENT OF SOCIAL, POLITICAL  
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OF MASTER OF PHILOSOPHY DEGREE IN SOCIAL ADMINISTRATION**

**OCTOBER, 2017**

UNIVERSITY FOR DEVELOPMENT STUDIES



**Student**

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

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**Supervisor**

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

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Date: .....

Dr. Francis Nangbeviel Sanyare



The Local Government Act, Act 462 (1993) mandates the Metropolitan, Municipal and District Assemblies (MMDAs) to mobilize sufficient revenue to supplement allocations from the central government in order to be effective partners in local level development. In Ghana local government authorities are partners to the Central Government, and are mandated to mobilize sufficient revenue in order to be able to pursue their local level developmental agenda. The study aimed to assess how local government revenue mobilization could be strengthened to finance local level development in the Wa Municipality. A descriptive study design and a non-probability sampling technique were used for the study. The study found that rates, lands, fees and fines, licenses, rent, investment, miscellaneous and DACF are the major sources of revenue for the Assembly. The study revealed low level of education on the payment of revenue, small nature of businesses in the municipality, unwillingness of revenue payers to pay the appropriate amount as revenue, dishonesty of revenue collectors and lack of accountability as the major challenges of revenue mobilization in the Municipality. The study concludes that the Wa Municipal Assembly like many local authorities in Ghana had tendered to over-rely on the Central Government Transfers in order to meet its developmental needs due to their inability to generate enough revenue. The study recommends that the Wa Municipal Assembly should use Public, Private Partnership to finance infrastructural development, relationship marketing to reach out to stakeholder through seminars, tax education and sensitization, establish databank on revenue sources, force the bye-laws and prosecute defaulters constantly, invest in hostel accommodation, shuttle transport, mortuary services, funeral services and other profitable ventures in order to increase their revenue to finance local level development in the Municipality.



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**DEDICATION**

This thesis is dedicated to my family and friends.

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**LIST OF ACRONYMS**

AAP	Annual Action Plans
DA	District Assembly
DACF	District Assembly Common Fund
DANIDA	DANish International Development Agency
DDF	District Development Facility
DMTDP	District Medium Term Development Plans
FAD	Financial Administration Decree
FOAT	Functional and Organisational Assessment Tool
IGF	Internal Generated Fund
ILGS	Institute of Local Government Service
L1	Legislative Instrument
MMDAs	Metropolitan, Municipal, and District Assemblies
MTEF	Medium Term Expenditure Framework
SMCD	Supreme Military Council Decree
SPSS	Statistical Package for Social Scientist
WMA	Wa Municipal Assembly



## **INTRODUCTION**

### **1. Background of the Study**

The decentralization policies in many developing countries have been pursued with the main objective of bringing governance and development decision making process much closer to the ordinary citizens at the local levels (Kokor, 2001; Yilmaz *et al.*, 2008; Ahwoi, 2010; Dick-Sago, 2012). The transfer of power, authority and resources to local governments is anticipated to make governance more open to the needs of the people and also to make central governments more responsible to the people at the local level (Dick-Sago and Djimatey, 2015).

Local government authorities are partners to the Central Government. Local government authorities have the mandate to mobilize sufficient local government revenue in order to pursue their local level developmental agenda (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015). They mobilize local government revenue to provide public goods and services to their people. The core responsibility of Metropolitan Municipal and District Assemblies (MMDAs) is to provide public goods and services as well as maintaining law and order. The achievement of this responsibility requires adequate financial resources thereby making local government revenue mobilization very paramount (Olowu & Wunsch, 2003; Yilmaz *et al.*, 2008).

In Ghana, local residents often look up to MMDAs to promote local level development in their respective jurisdictions and this developmental mandate of the MMDAs requires financial resources (Bandie, 2003; Dick-Sago and Djimatey, 2015). Nonetheless the ability of local governments to adequately carry out their



responsibilities is largely [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) dependent on the degree of local government revenue mobilized.

The fiscal decentralization policy in Ghana provides various sources of local government revenue for MMDAs; they are the internal generated fund (IGF), District Assemblies Common Fund (DACF) and ceded revenue (Ayee, 2003; Dick-Sagoe and Djimatey, 2015). The DACF is the primary source of local government revenue providing a constitutionally stipulated minimum amount of the total government revenue, the Central Government has ceded revenue which deals with a number of lesser tax fields that is ceded to the MMDAs (kokor, 2001; Bandie, 2003; Asante *et al.* 2014; Puopiel and Chimsi, 2015). Examples of ceded revenue in Ghana are the entertainment fees, casino revenue, betting tax, advertisement and other revenues by the MMDAs are ceded revenues available to the MMDAs.

Ayee (2003) indicates that MMDAs are empowered by Local Government Act, Act 462 (1993) to mobilize revenue. This statutory provision empowers them to device appropriate strategies to mobilize local government revenue and put in place measures to prevent revenue leakages. This is because MMDAs requires sufficient funds to enable the Assemblies to cope with the numerous local government developmental activities within their jurisdictions. They are strategically located to play instrumental roles in the local level development of the country; hence they are responsible for the governance of a large mass of the population of Ghana.



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The Wa Municipal Assembly (WMA) was established with the responsibility to oversee the local level development of the Wa Municipality. The Assembly is mandated to mobilize revenue to undertake local developmental projects hence the need to enhance local government revenue mobilization (Bandie, 2003; Asante *et al.*, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The Metropolitan, Municipal and District Assemblies (MMDAs) are to mobilize sufficient local government revenue to supplement allocations from the central government in order to be effective partners in local level development.

### **1.2 Problem Statement**

Financing local government developmental programmes in Ghana by MMDAs has become a chronic problem as a result of their inability to mobilize adequate local government revenue from their jurisdictions (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). In spite of the numerous sources of internal generated funds available to local government authorities, most of them are not able to mobilize enough revenue. This compels them rely on the Central Government transfers to finance their developmental programmes (Bandie, 2003; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Most MMDAs in Ghana are not able to generate sufficient revenue for their developmental purposes despite the Central Government financial support. They depend exclusively on the District Assemblies Common Fund (DACF) from the Central Government for local level developmental purposes (Bandie, 2003; Adu-Gyamfi, 2014; Asante *et al.*, 2014; Akorsu, 2015).



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Sanitation situation in most MMDAs in Ghana are poor and gutters are choked due to over floating of waste materials. There are inadequate places of convenience and washrooms for the people. Some schools are held under trees and shanty buildings. Support from the central government and the WMA's internal generated funds are quite low to provide development projects (Bandie, 2003; Dick-Sagoe, 2012; Adu-Gyamfi, 2014; Asante et al. 2014; Akorsu, 2015; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). However the problem of low level of local government revenue mobilization continues to be a problematic issue among MMDAs in Ghana especially the Wa Municipal Assembly.

Literature has shown that more than 60% of revenues for MMDAs in Ghana come from the Central Government (Puopiel and Chimsi, 2015). Osei-Akoto *et al.* (2007) reveal that between 1994 and 2004 internal generated fund (IGF) constituted an average of 31.8% of MMDA revenue, whereas nearly 69.2% came from external sources such as the DACF and the District Development Fund (DDF). Furthermore, the Ministry of Local Government and Rural Development in 2006 indicated that the IGF for MMDAs stood at 18% of total revenue, compared to Central Government transfers of 82% (Appiah-Agyekum *et al.* 2013). The DACF of the WMA constitutes about 92%, 92%, 94%, 95% and 75% in 2010, 2011, 2012, 2013 and 2014 respectively. The corresponding IGFs for the same periods were 8%, 8%, 6%, 5% and 25% in 2010, 2011, 2012, 2013, and 2014 respectively (WMA Financial Statement, 2010, 2011, 2012, 2013, 2014). The internal generated funds for these periods were insignificant because they were all below 30% of the total revenue for the periods. This implies a wide gap between internal generated funds and external generated revenue.



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The Wa Municipal Assembly is no exception as far as short-falls in local revenue government mobilization is concern. This is due to the delay in the release of development funds especially DACF, unwillingness of citizens to honor their revenue obligations, low level of public education of revenue payment, low capacity of some businesses to pay revenues and inadequate database system that will help in revenue mobilization (Bandie, 2003; Wa Municipal Assembly, 2015). The major sources of revenue for most MMDAs especially the Wa Municipal Assembly (WMA) have been central government transfer and internally generated funds (Bandie, 2003).

The Internally Generated Fund (IGF) is expected to make the highest contribution to the district assembly's revenue since the fiscal decentralization concept was for the Assemblies to generate their own revenue to finance their own developmental projects; however it is always the lowest revenue (Bandie, 2003; Alupungu *et al.* 2012; Dick-Sagoe, 2012; Akorsu, 2015; Puopiel and Chimsi, 2015). The WMA is not able to mobilize enough revenue towards the improvement of developmental programmes in the municipality. Despite the fact that WMA has sufficiently been empowered to mobilize revenue and introduce new service products so as to improve the living standard of the people of the municipality; the Assembly is not able to develop new revenue mobilization strategies or even intensify its existing ones. Rather it tends to rely on the DACF which by itself is not regular and also inadequate (Bandie, 2003).

The problem that engages the attention of this study is that though the WMA has sufficiently been empowered to mobilize internal generated fund to improve the living standard of the people of the municipality. The Assembly is not able to develop new



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revenue mobilization strategies or even intensify its existing ones. Rather it tends to rely on the external generated funds like the DACF which by itself is not regular and also inadequate. This study therefore evaluated how local government revenue mobilization could be strengthened towards financing local level development in Wa Municipality.

### **1.3 Research Questions**

#### **1.3.1 Main Research Question**

How could local government revenue mobilization be strengthened to finance local level development in the Wa Municipality?

#### **1.3.2 Specific Research Questions**

The specific research questions of the study are:

1. What are the sources of local government revenue in the Wa Municipality?
2. What are the challenges of mobilizing local government revenue in the Municipality?
3. How could WMA device strategies to strengthen local government revenue mobilization in order to meet its developmental needs?

### **1.4 Objectives of the Study**

#### **1.4.1 Main Objective of the Study**

The main objective of the study is to evaluate how local government revenue could be strengthened to finance local level development in the Wa Municipality.



#### **1.4.2 Specific Objectives of the Study**

The specific objectives that guided the study are as follows:

1. To assess the sources of local government revenue in the Wa Municipality.
2. To examine the challenges of local government revenue mobilization in the Municipality.
3. To explore strategies that would help WMA to strengthen its local government revenue mobilization in order to meet its developmental needs.

#### **1.5 Significance of the Study**

Various studies have been conducted on the success of local government authorities in Ghana in mobilizing local government revenue to undertake local level developmental projects. One such study is that of Dick-Sagoe and Djimatey (2015), they found that the Abura-Asebu-Kwamankese District Assembly did not meet its local government revenue targets partly due to a lack of the required staffing and skills, and partly due to a lack of innovation on the part of the assembly. Puopiel and Chimsi (2015) also found that the local government revenue in Northern could not be used to finance the infrastructure needed in Northern Ghana. The difficulty local authorities' face in mobilizing local government revenue to undertake development projects is not peculiar to Ghana. Adesoji and Chike (2013) found that there is a positive relationship between internally generated revenue and local level development.

The study highlights the causes and ineffectiveness of poor local government revenue mobilization as a result of dishonesty among employees of MMDAs. This is to help the WMA strengthens its revenue monitoring and evaluation. To other researchers



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studying on a related subject, this study can serve as a point of reference which can enhance their work, thus serves as a rich source of literature to other researchers.

### **1.6 Scope of the Research**

The study concentrates on the Wa Municipal Assembly in the Upper West Region. The choice of the WMA is informed by varied reasons. The Assembly is a municipal area located in Ghana which has several local level developmental problems that require the attention of policy makers, development practitioners and partners and researchers. Paramount among these problems is their inability to mobilize adequate local government revenue to finance the local level development programs of the ever increasing population of the Municipality. It is worth pointing out that, as far as local government revenue mobilization and administration is concerned; the problems in the WMA might not be radically different from those of other rural, urban and suburban districts in Ghana and other African countries.

This study did not cover the entire scope of financial activities of MMDAs and for that matter WMA nor their structures, systems, internal controls and internal audit procedures. The study did not also cover all the MMDAs in Ghana even though the recommendations made could be adopted by all MMDAs in Ghana and even beyond.

The reason for the above explanation is that, their financial operations are based on common regulatory memoranda although their revenue bases differ as one picks on individual districts. Contextually the study investigated into the main sources of local revenue, challenges of revenue mobilization and strategies of revenue mobilization.



### **1.7 Limitations of the Research**

A number of limitations were encountered in the collection of the data for the study and it is quite imperative to bring these problems to light. Among them was the public officials' unwillingness to release certain information they considered such pieces of information as classified and would not readily release them. Some of the officers in Assembly were not willing to give out details of their performance in relation to local government revenue mobilization because of confidential issues. Ethical and legal regulations made it quite difficult to access some vital information concerning local government revenue mobilization and utilization due to uncertainty of the use of the information being gathered. Due to lack of implementation of the results of related researches which have been conducted in the past, some officials did not view the importance of this study and as such were not prepared to grant audience.

The study was carried out in only WMA and it was as a result of the limited time period available within the academic calendar to conduct this study. The study is limited to WMA because the Assembly is not using its powers under the Local Government Act, Act 462 (1993) effectively to mobilize enough local government revenue for physical local level development of the municipality.

### **1.8 Organization of the Study**

This study is divided into five chapters and all the chapters are directly linked to each other. Chapter one provides the general introduction to the whole work and as such offers the background to the study, the problem statement, research questions, the research objectives, the significances of the study, scope of the study, the limitations of the study and the organization of the study. Chapter two presents literature on



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fiscal decentralization and the local government revenue mobilization activities of MMDAs. The chapter presents the theoretical framework of the study defining certain basic terms and concepts. The purpose of this review was to develop and articulate more insightful questions about the local authorities as units for developmental action and the concept of local government revenue mobilization for local level development.

Chapter three contains the methodology employed to conduct the research. It explains the methodology used for the collection of data and discussion in the subsequent chapters. It highlights on the research design, sampling procedures, sampling population, methods of data collection, data analysis and presentation. The analysis of results of the field study begins in chapter four which discusses the research findings gathered from the field. It analyses the responses gathered through the questionnaires and interviews and graphically represents these responses. Chapter five is the final chapter of the study and as such presents the summary of findings, conclusions and recommendations of the study.



## **LITERATURE REVIEW**

### **2.0 Introduction**

The study reviews literature on local government revenue and links it to local level developmental concept. This chapter contains the theoretical review, conceptual framework and empirical review of the study.

### **2.1 The Concept of Decentralization**

Decentralization has so many meanings and explanations. As a concept, decentralization is used differently in the literature. Some of the meanings tend to be more general, emphasizing flowing decision making power and authority from central government to local level of governments (Dauda, 2006; Asfaw *et al.*, 2007; Adu-Gyamfi, 2014). Others recommend partial or total delivery of decision making authority and power, and specific functions from central government to the local authorities (Ezeani, 2004; Asante *et al.*, 2014).

According to Rondinelli *et al.* (1989), decentralization is the allocation of planning, decision making or administrative authority from central governments to local government authorities. The term decentralization refers to the transfer of authority on a geographical basis to local government divisions or distinct legislative bodies (Badu, 2007; Akorsu, 2015). Therefore decentralization can defined as the system of entrustment of authority to field divisions of the same department, or the level of government, or by giving of power to local government authorities.



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Fass and Desloovere (2003) viewed the concept of decentralization as the transfer of authorities from the Central Government to local players and establishments at lower levels in a political administrative and local hierarchy. This means that decentralization is the instrument used for bringing government closer to the governed and aid to increase public administration through empowering local authorities to be the planning and decision making bodies hence increasing government capability to realize local involvement (Sanyare, 2013; Adu-Gyamfi, 2014; Asante *et al.*, 2014). Inferring from the above definitions of decentralization, decentralization can be seen as the practice of bringing the governance procedures down to the local people to be in responsible of their developmental programmes through the support of the central government. For the purpose of the study the Sequential Theory of Decentralization was reviewed and integrated into the current study.

### **2.1.1 Sequential Theory of Decentralization**

The Sequential Theory of Decentralization is centered on the work of Fallati (2004). According to Fallati (2004), the Sequential Theory of Decentralization has three main characteristics: it defines decentralization as a process; it takes into account the territorial interests of bargaining actors; and by incorporating policy feedback effects. This means that, the Sequential Theory of Decentralization provides a dynamic account of institutional evolution. Sequential theory of decentralization states that decentralization is a set of state transformations aimed at transferring responsibilities, resources, or authority from higher to lower levels of government (Faleti, 2004).



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Falleti (2004) categorized decentralization procedures as belonging to one of three classifications namely; fiscal decentralization, political decentralization and administrative decentralization depending on the type of authority devolved. Falleti (2004) expected fiscal decentralization can have either a positive or negative impact on the degree of autonomy of the sub-national level. The result will depend largely on the design of the fiscal decentralization policy implemented. Higher levels of automatic transfers increase the autonomy of sub-national officials because they benefit from higher levels of resources without being responsible for the costs of collecting those revenues (Dick-Sagoe, 2012; Akorsu, 2015; Dick-Sagoe and Djimatey, 2015). The delegation of taxing authority to sub-national units that lack the administrative capacity to collect new taxes can set serious constraints on the local budgets, and increase the dependence of the local officials on the transfers from the center (Ayee, 2003). Decentralization can therefore be classified as either fiscal decentralization, political decentralization or administrative decentralization.

### ***Fiscal Decentralization***

It refers to the set of procedures intended to increase the revenues or fiscal independence of local government and fiscal decentralization policies may assume different established forms (Fallati, 2004). Examples of fiscal decentralization are the increase in the transfers of revenue from the central government to local authorities, the creation of new local taxes, and the delegation of revenue authority to local government authorities (Kokor and Kroes, 2000). This means that fiscal decentralization entails the delegation of the power to mobilize local government revenue for the central government to local governments.



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Fiscal decentralization can have either a positive or negative effect on the degree of independence of the local level. The result will be contingent mainly on the policy of the fiscal decentralization procedure instigated (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015). Higher levels of instinctive allocations upsurge the authority of local governments because they benefit from higher levels of funds without being accountable for the costs of accumulating those revenues (Dick-Sagoe, 2012). The allocation of taxing authority to local governments to mobilize revenue can increase their reliance on the transfers from the central government (Adu-Gyamfi, 2014; Dick-Sagoe, 2014; Akorsu, 2015). Fiscal decentralization enables the transfer of authority from the central government to local authorities to mobilize financial resources.

### ***Political Decentralization***

According to Fallati (2004), political decentralization is the set of constitutional amendments and electoral reforms designed to open new or activate existing policies for the demonstration of subnational polities. Political decentralization policies are also designed to devolve electoral capacities to subnational actors. Examples of political decentralization are the popular election of mayors and governors who were previously appointed, the creation of subnational legislative assemblies and constitutional reforms that strengthen the political autonomy of subnational governments. Political decentralization can therefore be defined as the set of statutory amendments and democratic transformations intended to open new or stimulate prevailing ineffective spaces for the representation of local politics. Its policies are intended to transfer electoral capacities to local governments.



### ***Administrative Decentralization***

Administrative decentralization comprises the set of policies that transfer the administration and delivery of social services such as education, health, social welfare, or housing to subnational governments. Administrative decentralization may entail the devolution of decision-making authority over these policies, but this is not a necessary condition (Fallati, 2004). If revenues are transferred from the center to meet the costs of the administration and delivery of social services, administrative decentralization is funded (and coincides with fiscal decentralization). If subnational governments bear the costs of the administration and delivery of transferred services with their own pre-existing revenues, administrative decentralization is not funded. Administrative decentralization describes the transfers of specific decision to peripheral agencies of the same central government institutions, without the transfer of the corresponding authority to make decisions at the destinations of the transfer

Regarding the significances of each type of decentralization, Falleti (2004) predicted administrative decentralization to have both positive and negative effects on the autonomy of local governments. If revenues are relocated from the center to meet the costs of the administration and provision of social services, administrative decentralization is financed and coincides with fiscal decentralization. Political decentralization should always have a positive impact on the degree of autonomy of subnational officials from the center. By unpacking decentralization policies in this way, depending on their institutional design, two of these three types of decentralization can actually decrease the power of subnational officials with regard to the national executive (Fallati, 2004). This is a feature of decentralization that both advocates and critics have failed to take into account. The limitation of the Sequential



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Theory of Decentralization is that it has failed to recognize other forms of decentralization such as the Public Private Partnership (PPP).

Consequently, the form of decentralization that is significant to this research project is fiscal decentralization. Fiscal decentralization focuses on the fundamental problem of allocating expenditure and revenue responsibilities among levels of government. Finance is very vital in every undertaking and it played a key role in decentralization. That partly explains why this research work focuses on fiscal decentralization (Dick-Sageo, 2012). There are two basic interrelated themes under fiscal decentralization (Davey, 2003). The first is about the distribution of revenue mobilization and expenditure responsibility under the decentralization alternatives and the second issue is the degree of financial autonomy of local governments relative to the degree of their dependency on central transfers. The Sequential Theory of Decentralization is useful to provide an understanding into the extent of fiscal decentralization in Ghana, and how local government revenue could be strengthened.



### 2.1.2 Fiscal Decentralization in Ghana

Fiscal decentralization entails allocating local governments with the authority and capacity to mobilize, assign and utilize fiscal means to encourage local level development. Kokor and Kroes (2000) stated the purposes of Ghana's decentralization programme are to upsurge local government revenue mobilization, streamline the allocation of resources to meet local needs and authorize MMDAs to make sharing decisions. MMDAs are authorized to make sharing decisions at the local level over both locally generated funds and those transferred from the central government (Bandie, 2003; Dick-Sago, 2012; Adu-Gyamfi, 2014; Asante et al. 2014; Akorsu, 2015; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015).

The allocation of the District Assemblies Common Fund (DACF) to the MMDA is based on a formula approved by Parliament and disbursements are made on a quarterly basis (Dick-Sago, 2012; Asante *et al.*, 2014; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). In 2008, the proportion of DACF was revised from about 5% to 7.5%. All MMDAs can only receive their portions upon the submission of their Annual Action Plans (AAP) and Annual Budgets to the Administrator of the DACF.

Metropolitan, Municipal and District Assemblies have also been authorized under Act 462 and section 245 of the 1992 Constitution to mobilize revenue through licenses, fees and fines, property rates, road tolls and others in order to support socio economic development in their areas (Asante *et al.*, 2014 Adu-Gyamfi, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). Further to this, several legal mechanisms have been legislated to ensure accountability and transparency in the use of fiscal



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possessions at the local level. These include: Public Procurement Act, 2003 (Act 663), Financial Administration Regulations, 2004 (L.I. 1802, Financial Administration Regulations, 1979, L.I. 1234), Financial Administration Act, 2003 (Act 654, amendment to FAD, 1979, SMCD 221), Internal Audit Agency Act, 2004 (Act 656) and Ghana Audit Service Act, 2000, (Act 658) (Dick-Sagoe, 2012; Adu-Gyamfi, 2014 Akorsu, 2015). It has to be acknowledged that some modest gains have been achieved since the process of fiscal decentralization was set in motion in Ghana. Notwithstanding the misapplication of funds in MMDAs, a significant number of developmental programmes have been reinforced all over the country. These would not have been the circumstance if development was instigated from only the central government.

## **2.2 Local Government Revenue**

The Accounting Manual for MMDAs (2011) defines local government revenue as the earnings of the Assembly within an accounting period. Local government revenue is recognized when cash or service associated with the transaction flow to the Assembly. For cash transactions, the revenue is recognized on receipt of payments. For other transactions, revenue is recognized when it is earned by law that is non-tax revenues or by contract goods or services are supplied by the Assembly (Dick-Sagoe, 2012; Asante *et al.*, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015).

Local government revenue is seen as the fiscal resources received or earned by the local authorities either through internal generated fund and external sources like the DACF and donor support. According to Kazentet (2011) an internally generated fund consists of funds mobilized entirely by or for local governments. Operationally, IGF





is revenue that is directly [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) generated by district assemblies (DAs) within their areas of jurisdiction, and as such is the only revenue over which DAs have absolute control (Adu-Gyamfi, 2014; Dick-Sagoe, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015).

External generated revenue consists of revenue that is not mobilized internally but from other sources like the central government transfer. The Local Government Act, 462 of 1993 provides that the District Assembly shall be the planning authority, responsible for the overall development of the district. All districts are therefore required to prepare District Medium Term Development Plans (DMTDP). These plans were link to the Medium Term Expenditure Framework (MTEF) as a public sector budgeting system (Bandie, 2003). The district budgets show the policy intent of the local government authority and how to finance it. It serves as a tool for allocating financial resources for the implementation of the district plan and as such link to the achievement of the objective of the plan.

Local Government finance provisions are defined in Article 245 and 252 of the 1992 Constitution and Section 34, Part VII and Part VIII of Act 462 (Adu-Gyamfi, 2014; Asante *et al.*, 2014). MMDAs service delivery responsibilities are financed from two main sources namely: internally generated funds such as investments, licenses, fees and fines, property rates among others and external generated funds such as DACF, and donor support.

### 2.2.1 Local Government Revenue Mobilization

Local government revenue mobilization is the process of increasing the financial resources of local authorities through land, licences, fees and fines, permits and others (Bandie, 2003; Akudugu and Oppong-Peprah, 2013; Adu-Gyamfi, 2014). In simple terms, local government revenue is income that MMDAs receives from its either internal generated source or external generated sources. Revenue mobilization is the act of marshaling, assembling, and organizing financial contributions from all incomes accruing from identifiable sources in an economic setting.

According to Olowu and Wunsch, (2003) sound revenue system for local governments is an essential pre-condition for the success of fiscal decentralization. Bandie (2003) adds that local government revenue mobilization has the potential to foster political and administrative accountability by the empowering communities. In several countries, most local governments intends to increase taxes, fees and charges that they are proficient of mobilizing regularly without perturbing extremely about the economic distortions and distributions effects that these instruments may make.

Kessey and Gunter (1992) stipulated that principally internal revenue mobilization is made up of two aspects, which are policy formulation and administration. With regard to policy formulation, it deals with the physical goal determination and formulation of laws and rules for the attainment of such goals. The administration on the other hand deals with the executions of the physical policies formulated. Though equally important in revenue mobilization, policy formulation and administration do not receive equal attention both in theory and practice.



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The concept of internally generated fund is an old concept of local governance. When sub-national and local governments become the agencies that provide services to identifiable recipients up to where the value placed on the last amount of services that the recipients are (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The need for aggressive internal revenue mobilization by sub-national institutions has become very essential in view of the fact that local authorities have the responsibility to provide services to their respective geographical areas (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015). In this case, effective financial planning which requires continual review of how the resources of the local authorities are generated, how they are allocated to services and predicting the benefits gained from those services in addition to efficient revenue mobilization strategies, needs to be put in place.

### **2.2.2 Significance of Local Government Revenue on Local Level Development**

The local government Act 1961 (Act 54) gives authority to the district assemblies to mobilize and manage revenues locally to fund their developmental projects. In support, the Ministry of Local Government and Rural Development indicates that local government revenue is the only funds which the district assemblies have total control over (Puopiel and Chimsi, 2015). The local government revenue is targeted towards the development, yet the ability of the Assemblies to maintain existing, new and on-going infrastructure is difficult (Kokor, 2001; Yilmaz *et al.*, 2008; Ahwoi, 2010; Dick-Sagoe, 2012). This necessitates the need to improve upon local government revenue mobilization in the Wa Municipal Assembly.



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Despite several workshops and seminars organized with the aim of improving the assemblies' local revenue capacity, most MMDAs continue to experience huge gaps between reported and projected local revenues over the years (Akorsu, 2015). Funding has therefore become one of the most crucial factors hampering successful implementation of the decentralization policy in Ghana. This is because the functions allocated to MMDAs do not often correspond to their financial resources (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015).

According to Ziria (2008), the importance of local government revenue to Local Governments are as follows: financing administration costs for instance in Ghana councilors' emoluments and employee costs; financing maintenance costs and thus promoting ownership of projects; permits collection of localized and low yielding revenues; guarantees sustainability of service delivery and autonomy of local governments; regulates businesses and provides important infrastructure and services such as markets and public conveniences at a charge; reduces pressure on central governments and reliance on donors. This makes local government revenue mobilization an important concept of fiscal decentralization being practiced by most developing countries like Ghana.



### 2.2.3 Sources of Local Government Revenue in Ghana

Olowu and Wunsch (2003) state that sound local government revenue for local governments is an essential pre-condition for the success of fiscal decentralization. Puopiel and Chimsi (2015) added that local revenue mobilization has the potential to foster political and administrative accountability by the empowering communities. However, prescriptions deriving from the theory and from good international practice impose huge constraints on the choice of revenue instruments for local governments.

Bandie (2003) classify local government revenue into two main categories for local authorities in Ghana: These are internally generated funds which includes rates, fees and fines, miscellaneous and licenses and transfers from the central government usually in the form of grants and DACF (Dick-Sagoe and Djimatey, 2015). In some countries, municipalities, districts and other local authorities are allowed to borrow money for capital investments in infrastructure. In Ghana, the laws make purchase of equity shares by local government authorities illegal. The sources of local government revenue as spelt out by Adu-Gyamfi (2014); Asante *et al.* (2014); Akorsu (2015), Dick-Sagoe (2015) and Puopiel and Chimsi (2015) are licences, rates, fees and fines, lands, rent, investment, DACF and miscellaneous.

#### ***Rates***

Property rates entail a substantial part of the total revenue for local assemblies, but the collection of property rates is often not efficient. This is a common problem not only for Ghana, but for many developing countries (Adu-Gyamfi, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The basis for the rate is the resident adult



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population and immovable properties and the property rate is levied on immovable property.

### ***Licences***

According to Yeboah and Johansson (2010), licenses are based on economic activities in the district; this license serves as the permit for undertaking any such activity in the district. Business operating permits, development permits etc. are form of licenses given to people to allow them carry out some activities in the district. It provides revenue to support local authorities in the performance of their functions (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015).

A study in Malawi concerning revenue mobilization showed that local business license registers contain only information on those few smaller businesses being issued licenses by the assemblies (Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Information on any larger businesses is contained in the business register at the Ministry of Industry and Commerce. This is denying the local district assemblies huge sums of money.

### ***Fees, Fines and Rents***

Fees are charges or tolls paid by the users of the services provided by the Assembly which include services such as the provision of markets, lorry parks among others by the District Assembly mostly from the DACF (Kelly *et al.*, 2001; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Hence, users of these facilities pay for the usage of these facilities. Rents are also collected from hiring of



market stalls/stores, Assembly quarters and others. Fines include court fines on people who violate the Assembly's bye laws.

### ***District Assemblies' Common Fund***

The District Assemblies Common Fund (DACF) is an additional source to the internal sources of revenue which is embodied in the 1992 constitution of Ghana and implemented for the first time in 1994. It is the largest source of revenue for the Assembly and contributes about 75% of the annual revenue of the Assembly and other funds released to MMDAs from Central Government (Kelly *et al.*, 2001; Bandie, 2003; Adam, 2011 Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The fact emerging from the analysis above is that much of the funding received via central government transfers, including DACF, is earmarked in some way and, as a result, MMDAs have little flexibility over how the funding is spent.

The monies received for salary payments, which is the majority of the funds received by MMDAs is for staff in decentralized departments who report directly to sector ministries. The need for Central Government to financially support local government has been highlighted in the 1992 constitution. The constitution recognized the need to strengthen the financial base of the District Assemblies. The constitution therefore provided for the establishment of the District Assemblies Common Fund (popularly called the Common Fund) under section 252 (Kelly *et al.*, 2001; Institute of Local Government Service (ILGS), 2010).



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Section 252 of the constitution made it mandatory for Parliament to set aside not less than 5% of the national revenue by an Act of 455 to be shared among MMDAs solely for development and ensuring effective discharge of statutory functions. Currently, the fund is 7.5% of the national revenue; about 50% of the total Common Fund is earmarked by the central government for specific MMDA purposes (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015). As this implies, the MMDA's have flexibility over 50% of the amounts allocated to support their local investment needs. Under the devolved form of fiscal decentralization, MMDAs should have the ability to plan and budget for their own local needs.

#### ***District Development Facility***

The District Development Facility (DDF) is a new funding source for MMDAs. Pooled funding from both development partners and Government of Ghana is used to fund the new DDF. The DDF includes performance based criteria to serve as an incentive to enhance financial management practices at the Districts. It is designed in such a way that no MMDAs are punished for actions beyond their control (Bandie, 2003; ILGS, 2010; Adu-Gyamfi, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The District Assemblies who meet the criteria receives additional resources. Assessment is conducted based on the Functional and Organizational Assessment Tool (FOAT). The DDF also provides a more systematic approach to capacity building as capacity building is targeted at those Districts that are not performing adequately based on the FOAT. But the DDF is targeted toward development and capacity building and does not impact recurrent expenditures.



### ***Donor Support***

They are support that most district assemblies benefit from donor grants from development partners such as DANish International Development Agency (DANIDA) and others to carry out certain projects in the assembly. For instance, DANIDA provided water and sanitation facilities to some communities in the Wa Municipality (Dick-Sagoe, 2012; Adu-Gyamfi, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The Wa Municipal Assembly has received support from European Union, World Vision International and other donor organization which are present in the Municipality.

### **2.2.4 Strengths and Weaknesses of Local Government Revenue in Africa**

Opoku *et al.* (2014) state local government revenues have their own strengths and weaknesses which are outlined below.

#### ***Property rate***

Property rate is a major source of revenue in several urban councils. In the 1990s, property rate accounted for 40% of all sub-national taxes in developing countries (Bird and Slack, 2002). It also has the potential to become an important revenue source in semi-urbanized centres in district councils. Literature on revenue mobilization of government authorities argues that few fiscally taxes are more appropriate to local administration than property tax (Mikesell, 2002; Fjeldstad *et al.*, 2004). This is due to the fact that real property is visible, immobile, and a clear indicator of one form of wealth (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and





Chimsi, 2015). Hence, in [principle](http://www.udsspace.uds.edu.gh), property tax is difficult to avoid and if well administered it can represent a no distortional and highly efficient fiscal tool.

Property rate can be mobilized by both local and central governments. When local governments administer the tax, they are responsible for maintaining property and ownership records, determining taxable property values, calculating and distributing property tax bills, managing receipt payment, and applying tax enforcement against non-payers (Mikesell, 2002). In other cases, local governments have a say in the choice of the tax rate, while all parts of the administration of the tax are performed by the national revenue authority.

In some countries, including Malawi, property valuation is done by the central government, while local authorities set rates and handle collection (Adu-Gyamfi, 2014; Akorsu, 2015). According to Brosio (2000), West African French-speaking countries in general rely on the traditional French model, in which the property tax is administered and collected by the central government, whereas East and Southern African countries rely on local administration. This is usually recommended in the literature that stresses that taxes should be administered by the government that is entitled to their revenue. However, mixed results prevail in both cases in Africa. Expert opinion diverges on how to improve property taxation in developing countries. Some experts blame the excessive centralization of property tax policy, which bars setting higher tax rates (Bandie, 2003; Puopiel and Chimsi, 2015). Others blame what they consider the almost total anarchy deriving from local government freedom in this field. There is also dispute over tax administration.



Certainly, property taxes [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) have many attractions as local bases, but they also have some obvious weaknesses that need to be taken into consideration before heavy reliance is placed on them. Often the capability and capacity of the municipality are inadequate to administrate the property tax at a low cost (McCluskey *et al.*, 2003). These administrative weaknesses are manifested in problems of valuation and arbitrariness in tax assessment and enforcement. In theory, assessment of property value and revenue collection are straightforward: conduct a cadastral survey that assesses the market or site value of each plot of land or property, and send a tax bill to each owner.

In practice, however, cadastral surveys are expensive and time-consuming. The task is often beyond the financial and technical capability of many local governments. Tax offices in many sub-Saharan African countries are short on assessors, if they have any at all. In Uganda, for instance, there are eleven certified land and property valuers responsible for valuing three million parcels (McCluskey *et al.*, 2003). The corresponding figures for Tanzania are approximately 100 certified valuers and five million parcels. Thus, it is difficult to conduct and maintain assessments, which are also often eroded by inflation. Particularly when property prices are changing rapidly, it is difficult to administer (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Accordingly, the property tax base is inelastic, despite growth in the physical size or value of property, because old valuations are not updated and new properties not identified. In most cases, the system has been inherited from the colonial era and is poorly suited to present conditions.

**Business licenses**

Local business taxes are generally levied in one of two ways, either as a fixed amount, which usually varies by type, size, or location of the business, or as a percentage of turnover or profits (Devas and Kelly, 2001). Assessing turnover or profitability, however, is difficult both in relation to small businesses, which often do not maintain proper records, and to large businesses with multiple premises across various jurisdictions (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). Thus, local business taxes often use proxies for turnover or profitability, such as the size of premises, type of business, number of employees, installed electricity power among others.

According to Devas and Kelly (2001) in Francophone Africa, local governments levy a tax called the *Patente*, was originally based on the French Tax Professionnelle. In Cote D'Ivoire, the *Patente* was the largest single local revenue source in the 1990s, financing about 17 per cent of the local government budget, and more in the capital Abidjan. The calculation of this tax, however, is quite complex, involving the value of the premises, number of employees, turnover, machinery employed, installed energy capacity, and other size proxies. Moreover, within this formula, rental value of premises is by far the largest factor, so that the tax starts to resemble a property tax.

As point out by Devas and Kelly (2001), in Anglophone Africa, the standard mechanisms for mobilizing revenues from businesses have been through licensing. Although the original intent was regulatory, local business licensing has increasingly become simply a revenue source in most places (Bandie, 2003; Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). Typically, business





licences generate between [5 %](http://www.udsspace.uds.edu.gh) and [30 %](http://www.udsspace.uds.edu.gh) of local government own revenues in urban councils.

In many Anglophone countries, however, the system has been quite unsatisfactory, often quite inequitable. It has imposed huge costs on businesses, while generating relatively little money. A common complaint from Small and Medium-sized Enterprises in most African countries has been that they do not know what to pay, where and to whom. The regulatory aspects of the license system have been largely abandoned. In addition, poor policy design and weak administration mean that license coverage; assessment, collection, and enforcement rates are low, leading to poor revenue generation. Obtaining a license typically involves multiple visits to various offices, sometimes over several days, with associated travel costs. Failure to provide the correct license receipts may result in closure of the premises. Consequently, the system is often riddled with rent seeking and corruption.

Aranjou-Bonjean and Chambas (2003) state that poor administration often means that many businesses are not included in the license system due to lack of proper business registers. Furthermore, weak financial management will often imply that collection and enforcement provisions are rarely enforced. This erodes the tax base and introduces inequities into the system. Thus, many existing business license systems across Africa contain serious defects.

*User fee*

Bahl *et al.* (2003) argue that taxes are not the best mechanism for matching demand and supply of public services. Better links can be achieved through cost-recovery charging systems, which tie the amount paid directly to the amount consumed. Moreover, many African countries have a long tradition of providing basic public services through self-help activities and religious and other locally based organizations, as well as through institutionalized, long-term relationships between state agencies and organized groups of citizens as co-production.

By providing a more direct link between citizens' contributions and service delivery, such mechanisms may become effective means to recover the costs of service provision, and to promote efficiency in the consumption of the service. Most observers like Bahl *et al.* (2003) argue that user fees should play a prominent role in local government finance. Fjeldstad *et al.* (2004) say that the main economic rationale for user charges is not to produce revenue, but to encourage the efficient use of resources within the public sector.

In the view of these authorities when properly designed, user charges provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that what the public sector supplies are valued by citizens (Bandie, 2003; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Free or subsidized services may result in over-consumption of such services. Moreover, it may prove difficult to target the beneficiaries of free services. Adjustments according to Rondinelli *et al.* (1989) can however be made to offset such effects. For instance, user charges can also reflect differences in ability to





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pay by incorporating sliding scales for the type of user or the amount of usage, although this will require adequate administrative capacity.

Bahl and Smoke (2003) make the case that user charges for trading services<sup>4</sup>, including water, electricity, sewage, and solid waste removal, are major sources of revenue in urban municipalities in Southern Africa, especially in Namibia and South Africa. In particular, service charges on water and electricity supply are important. This revenue is generated by a surcharge added to the cost of the utilities that the local authorities typically buy from the utility companies, or, if the authority itself produces the utility, added to the cost of producing it.

According to Bahl *et al.* (2003), around a quarter of the electricity-distributing authorities in South Africa raise substantial revenues from the surpluses earned from their sales. A large share of these revenues is used to cover the cost of providing the service. However, in some municipalities a substantial surplus is left for general local government purposes. Hence, the tax component of the user fee is hidden for ratepayers. The true level of local government taxation therefore is not transparent for citizens. The accountability of the local revenue system is therefore undermined. Moreover, since the consumer price of the service for example, electricity is overstated by the amount of the implicit tax, this may have negative impact on economic efficiency.

Fjeldstad and Sembojo (2000) mention that in Namibia, the majority of town councils are not determining their tariffs in accordance with an approved tariff policy of cost recovery. Hence, several trading services, including water distribution, are operated



with significant losses in a number of local authorities. [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) Bahl and Smoke (2003) confirm this by saying that occurs in municipalities in South Africa. The situation is worsened by an increasing number of outstanding debtors in many local authorities, that is, consumers who do not pay for basic services due to various reasons, including affordability.

Bahl and Smoke (2003) bring experiences from South Africa and Namibia to show that obviously there are a number of constraints on user charges and other means of cost recovery. These arise from equity considerations, that is, ability to pay, collection and billing methods, the quality of the services provided, and persistent resistance to pay. These lessons point to the fact that dealing with the policy problem of revenue enhancement in local authorities requires some understanding of the factors underlying the individual's decision whether to pay or evade paying service charges and taxes (Bandie, 2003; Dick-Sagoe, 2012; Adu-Gyamfi, 2014; Asante et al. 2014; Akorsu, 2015; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015).

Slemrod (2003) highlights an increasing amount of evidence that suggests that the rate of contribution to payment of rates, taxes among others for public good is affected by factors such as citizens' trust in others and the trustworthiness of the local government to deliver quality and timely services. Without trust there is little basis for social co-operation and voluntary compliance with laws and regulations regarding the payment of rates, taxes among others (Bandie, 2003; Adu-Gyamfi, 2014; Opoku *et al.*, 2014; Akorsu, 2015).

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In particular three dimensions of trust seem to affect citizens' compliance with payment regulations and by-laws: trust in the local government to use revenues to provide expected services, trust in local governments to establish fair procedures for revenue collection and trust in other citizens to pay their taxes and rates among others. The larger the fraction of the local population that is observed not paying the right taxes, the lower the perceived risk of being prosecuted is (Kokor, 2001; Olowu and Wunsch, 2003; Adu-Gyamfi, 2014; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). This has an impact on the individual revenue payer's perception of the credibility and trustworthiness of the revenue administration. Moreover, the attitude of local political leaders with respect to collection of revenue seems to be important. For example, they have to legitimize non-payment through their own behaviour. The problems of non-payment should therefore be attacked on several fronts, including service delivery, better administration and payment schemes, and community involvement.

### **2.2.5 Challenges of Local Government Revenue Mobilization in Ghana**

In spite of the modest structural changes, local government revenue mobilization at the local level in Ghana is still very weak. This has made the MMDAs still highly dependent on the central government transfers. It is inferred that the funds released from the Central Government including DACF often fall short of the financial requirements of the MMDAs plans and operations. According to Ayee (2003), factors that account for low revenue mobilization in MMDAs include the following: poor administrative capacity to assess the revenue base and enforce the payment of taxes; explicit and intentional tax evasion and resistance from taxpayers; corruption, including embezzlement of revenues by revenue collectors; external pressure on the



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local finance department to provide optimistic projections in their budgets; political pressure on the local tax administration to relax on revenue collection especially during election periods; and poor budget formulation and implementation.

Adam (2011), Adu-Gyamfi (2014), Asante *et al.* (2014), Puopiel and Chimsi (2015), Akorsu (2015) found local government revenue mobilization capacities of the assemblies have improved over the years; however, they still do not meet their target due to the following reasons:

#### ***Unwillingness of Revenue Payers to Pay the Appropriate Amount***

The unwillingness of revenue payers to pay revenue is one of the major challenges confronting several local authorities in Ghana. Basic rates form a considerable proportion of the district assemblies internally generated revenue therefore the evasion of the basic rates cripple the assemblies efforts in ensuring sustainable development of the districts (Fjeldstad and Semboja, 2000; Bandie, 2003; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The enforcement of user fees has resulted in a widespread resistance to pay from the poorer segments of the urban population.

#### ***Dishonesty on the Part of Revenue Collectors***

This phenomenon has become rampant in the district assemblies in Ghana. Revenue collectors fail to render accurate account to the assemblies on the revenue generated. Also, some revenue collectors connive and condone with tax payers not to pay the correct amount (Fjeldstad and Semboja, 2000; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). This problem has emanated due to the unqualified nature



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of revenue collectors. These activities of the revenue collectors adversely affect the progress of district assemblies in Ghana. This affects the district assemblies' capacity and accountability.

### ***Lack of Enforcement of Payment of Property Rates***

Property rate is a major source of revenue in many urban types of council. In the 1990s, property taxes accounted for 40% of all sub-national taxes in developing countries) but less in several countries due to outmoded collection methods (Brosio, 2000; Fjeldstad and Semboja, 2000; Bird and Slack, 2002; Mikesell, 2002; Adu-Gyamfi, 2014; Akorsu, 2015). It is however pathetic to note that several districts assemblies in Ghana do not use this means to augment their revenue. Also, due to the use of antiquated method of collecting property rates, property owners avoid the payment of rates. Puopiel and Chimsi (2015) observed that the collection of property rate as a method of revenue mobilization in Ghana was ineffective due to weak monitoring and collection mechanisms that existed in the bodies mandated to collect the revenue.

### ***Ineffectiveness of Monitoring Systems***

The district assemblies in Ghana are challenged by the failure of some individuals and small scale enterprises engaged in economic activities to pay tax (Devas and Kelly, 2001; Bandie, 2003; Adu-Gyamfi, 2014; Akorsu, 2015). Some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction. This has resulted in a situation whereby these enterprises pay less than the expected amount of money.



***Low Level of Public Education and Poor Record Keeping***

The low level of public education and poor keeping of records on economic activities within the districts are bedeviling the smooth growth of the districts. District assemblies in Ghana have inadequate data on all economic activities found in the district (McCluskey *et al.* 2003; Adu-Gyamfi, 2014; Akorsu, 2015). For instance, several district assemblies do not keep or have data on the number of hairdressers, tailors, traders, barbers, lotto kiosk among others operating in the district. These problems therefore, militate against attempts to improve the local government revenue in the districts. These revenues when well administered can provide substantial and reliable revenues for local government developmental programmes. Comparing the challenges of local government revenue across African, it can be concluded that almost all African countries face similar challenges in terms of their local government revenue mobilization.



## **2.2.6 Strategies for Improving Local Government Revenue Mobilization in Ghana**

The low level of local government revenue mobilization coupled with misapplication of funds by local authorities has been a source of concern especially the central government (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel and Chimsi, 2015). Having realized that revenue short-falls constitute a hindrance in local level development, MMDAs are empowered to adopt several strategies to strengthen local government revenue mobilization. These strategies include the following: revaluation of landed property rate; fair increase in rate payment levels; formation of effective revenue task force for enforcement on revenue payments; intensification of revenue mobilization campaigns and educations (Ayee, 2003; Bandie, 2003; Akorsu, 2015; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). These strategies when implemented very well would help in the development of the various local authorities.

Kokor (2001) suggests the following strategies to MMDAs; Public education on payment of rates, fees, licenses, and others by corporate bodies, traders, property owners, among others. Revaluation of immoveable properties to reflect the true earns values of such properties, Introduction of new business operating permits, Engagement of private revenue collectors, Use of task force and the police to enforce payment of fees, licenses, and others (Adu-Gyamfi, 2014; Akorsu, 2015). These strategies need to de employed in order be able to mobilize enough revenue to improve on the standard of living of the local people within the various jurisdictions.



Adu-Gyamfi, 2014; Asante *et al.*, (2014); Akorsu (2015); Dick-Sagoe and Djimatey (2015) and Puopiel and Chimsi (2015) also identified these strategies for enhancing local government revenue mobilization in Ghana. They stated that; traditional rulers should be used to help the local government revenue mobilization agencies to improve their revenue base to support the provision of infrastructure like roads, markets, schools and hospitals in the various areas since the traditional rulers easily mobilize their people for various productive activities

The Assemblies should recruit more permanent revenue collectors and motivate them to work harder. The district assembly should employ people who would stay longer to work and motivate them enough to keep them as revenue payers would trust people they are familiar with. Providing transportation logistics to revenue collectors to enable them reach the unreached areas in the Assemblies (Bandie, 2003; Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Revenue collectors need to be provided with transportation logistics to help them reach some areas in the district where they could not reach.

Revenue generated should be used to undertake local level developmental programmes, this will induce more people to honor their revenue obligations because most revenue payers are complaining that they do not see what the tax revenue collected are being used for (Bandie, 2003; Adu-Gyamfi, 2014; Akorsu, 2015). This therefore makes them feel reluctant to pay because they do not see the need to pay when their conditions are still the same. The district assembly should monitor and evaluate the performance of its revenue collectors. There should be periodic evaluation of their performance so that those who are doing well can be motivated.



### 2.2.7 Reforming Local Government Revenue in Africa

Fjeldstad and Sembojo (2000) posit that a widely found characteristic of local authority revenue systems in Africa is the huge number of revenue instruments used for revenue mobilization (kelly *et al.* 2001; McCluskey *et al.* 2003; Adu-Gyamfi, 2014; Asante *et al.*, 2014; Akorsu, 2015). In many countries, local governments seem to raise whatever taxes, fees, and charges they are capable of raising, often without worrying excessively about the economic distortions and distribution effects that these instruments may create.

Bardhan and Mookherjee (2002) argue that a complicated and non-transparent local government revenue system is costly to administer and it facilitates corruption and mismanagement. Moreover, many local taxes have a distorting effect on resource allocation decisions, and, thus, an inhibiting effect on the start-up of new enterprises and the achievement of economic growth. Sander (2003) says these effects occur when effective rates vary greatly between different goods that are traded, and when license fees are set too high for start-up small-scale enterprises to survive.

Fjeldstad and Semboja (2000) observe that the levels and types of local revenue instruments by themselves can result in the tax burden falling more on the poor than on the rich. This is mainly due to the basic design of the local revenue system and the way revenues are collected. Despite the many comprehensive central government tax reforms during the last decade, local government revenue systems in Sub-Saharan Africa have remained largely unchanged until recently. Generally, a fundamental requirement when redesigning local revenue systems is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of





revenue administration, but also the overall costs to the economy, including the compliance costs to taxpayers. In addition, losses through corruption and evasion need to be reduced. Clearly, improved revenue administration cannot compensate for bad revenue design. Thus, reforming the revenue structure should precede the reform of revenue administration since there is not much merit in making a bad revenue system work somewhat better.

According to Fjeldstad and Sembojo (2000), a study conducted in Tanzania reveals a comprehensive reform of its local government revenue system. The main elements of this reform were; abolition of unsatisfactory local revenue instruments which were costly to collect from administrative and political perspectives and improvements to remaining revenue bases by simplifying rate structures and collection procedures. The Tanzanian reforms demonstrate that radical changes of the local government revenue system are possible.

### **2.3 Empirical Review**

Various studies have been conducted on the success of local authorities in Ghana (MMDAs) in mobilizing local government revenue to undertake local level development. One such study is that of Dick-Sagoe (2012) who established that the assembly did not meet its revenue targets partly due to a lack of the required staffing and skills, and partly due to a lack of innovation on the part of the assembly. This situation was not unique to Abura-Asebu-Kwamankese District Assembly, but was also found in Kumasi Metropolitan Assembly, which had been expected to do well in terms of IGF generation because they have a large revenue pool Dick-Sagoe and Djimatey (2015).



Puopiel, and Chimsi (2015) [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) found that most assemblies in Ghana are not able generate enough revenue but rather depend central government transfers. In another study, Alupungu *et al.* (2012) found that IGF for the Kumasi Metropolitan Assembly in the 2011/12 fiscal year constituted just 12% of total local government revenue, implying an even wider gap between IGF and external sources for all MMDAs. This abysmal performance was attributed to citizens' lack of awareness of the need to pay taxes to the assembly, as well as to inadequate logistics and lack of motivation by revenue collectors.

Agyapong (2012) in a study of Kumasi Metropolitan Assembly, further found that revenues mobilized could not finance the infrastructure needed, finding that the shortfall of revenue was mainly due to corruption amongst revenue collectors, officers and assemblymen in the various Sub-Metro Districts. The study concluded that Kumasi was not harnessing fiscal decentralization enough to empower itself under the Local Government Act 1993, with the result that the assembly had not developed new and sustainable strategies to improve its performance in revenue mobilization (Akorsu, 2015; Dick- Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). The assembly like many local authorities in Ghana was over-reliant on the DACF to meet its capital expenditure, while much of its IGF went on administrative costs. The difficulty local authority's face in raising local revenue to undertake development projects is not peculiar to Ghana.

Buettner and Wildasin (2006) found that in the United States an increase in external grants to local governments led to reduced own-revenue generation. In Nigeria, a study by Chukwuma (2010) noted that the most crucial challenge to local authorities

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in Nigeria in mobilizing IGF was their inability to raise, retain and manage revenues. This was attributed to instability within the political system, the absence of structured institutions for raising IGF, and the unsustainability of identified sources of IGF. Nevertheless, there have been a few successes in Nigeria.

Adesoji and Chike (2013) established that IGF had contributed significantly to the infrastructure development in Lagos State. The main strategies employed in mobilizing IGF by Lagos State were enforcement by penalizing non-payers, training of tax personnel, and awareness-raising among the general public and the potential taxpayers about their responsibility to pay (Adu-Gyamfi, 2014; Akorsu, 2015; Puooiel and Chimsi, 2015). In conclusion, the literature suggests that local government mobilization is a problem for local authorities in developing countries generally, and Ghana is no exception. Most Assemblies in Ghana are over-reliant on central government transfers (notably the DACF and external sources to finance development projects).

#### **2.4 Local Level Development**

According to Oyugi (2000) the concept of development is difficult to define in standard terms since it is associated with a wide range of definitions and interpretations. For example, most laissez-faire economists explain development in terms of economic growth and quantifiable indicators like increase in the gross national product or per capita income (Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015).



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In Ghana, development can be viewed as a process of social action in which citizens or local people at the district, area and grassroots levels organize, plan and take action in partnership with government to improve the political and socio-economic conditions of the locality (Sharma, 2008; Adu-Gyamfi, 2014; Akorsu, 2015). Thus the focus is largely placed on the state of social well-being and general quality of the citizens as reflected in the human life or non-economic indicators rather than quantitative aspects of economic growth and the state economy.

In the Ghanaian context, most Ghanaians associate development with modernization, acquisition of services, facilities and infrastructure, including clean and safe water, education, health facilities, roads, and the degree of citizen participation in decision making at the local level (Dick-Sagoe, 2012; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). Hence, there is no agreement on what the term local entails. From these definitions and explanations, the term local for the purposes of this study can be defined as an area made up of fairly cohesive and bounded by social units that are communities, which has some established patterns of communication, economic exchange and social interrelationships, with some perceptions of common interest and some capacity for collective action (Dick-Sagoe, 2012; Adu-Gyamfi, 2014; Akorsu, 2015).

The Metropolitan, Municipal and Districts Assemblies in Ghana are considered as local level space. This is based on the observation that people within the districts have some contact with each other directly or indirectly through intermarriage, trading relations, religious festivals or participation in local government activities. Local level development can therefore be defined as a process of change that enables people in a



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particular locality to take charge of their own destinies so as to realize their full potential. This form of development requires the use of social, economic, technological and institutional process to build in the people the confidence, skills, assets and freedom necessary to achieve their development aspirations (Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). This is considered as development from below, attained principally through the efforts of the people themselves and not as a result of goodwill gestures of those who have excessive monopoly of decision making powers and resources and this form the basis of community involvement.

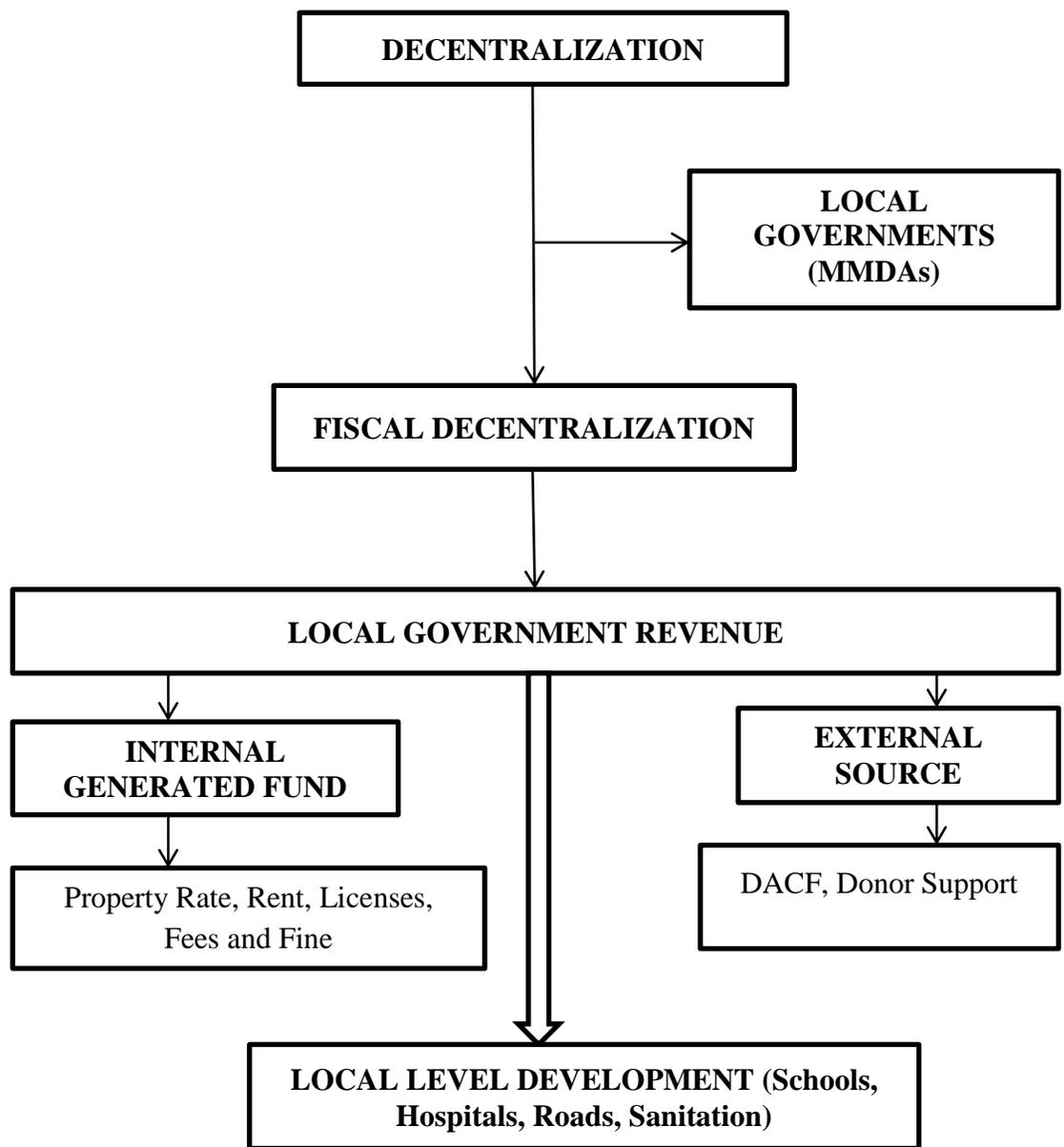
Inherent in this definition is the defining trait of the new development pattern that development must be human focused, coming from within, rather than imposed from outside. Fekade (1994), viewed local level development to be associated with the following attributes. These emanate from within a community or locality, meeting of the basic needs of the population, environmental sustainable, culturally specific, access to resources and opportunity to employ one's energy and accommodates external thus non local intervention in the internally induced process.



## 2.5 Conceptual Framework

This section contains the conceptual framework used for the study. A conceptual framework as used in this study enables the researcher to establish how effective local government revenue mobilization could enhance local level development in the Wa Municipality.

**Figure 2. 1: Conceptual Framework on Local Government Revenue**



Source: Adapted from Dick-Sagoe (2012)



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The above diagram is the conceptual framework on local government revenue concept and how it enhances local level development in Ghana. Decentralization is the shift from central government to local government and has resulted in a shift of focus. Decentralization requirements for achieving the developmental objectives are changing and many countries around the world are now implementing fiscal decentralization reforms (Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). However, the practice of decentralization results in a shift of responsibility and discretion in decision-making from the central government to the local governments.

The issue of responsibility in the hands of the local governments brings up the need for financial resources usually referred to as fiscal decentralization. Ikeanyionwu (2001) and Bandie (2003) support the need for decentralized units to be provided with adequate financial resources for the discharge of their local level developmental programmes. Fiscal decentralization is the transfer of responsibilities to local government authorities to mobilize, allocate and manage financial resources according to local level developmental determined priorities. Fiscal decentralization in Ghana has been considered as one of the main causes of failures of successive local government systems in the country (Asibuo and Nsarkoh, 1994; Bandie, 2003 Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015).

Kokor and Kroes (2000) identifies that in terms of financing, the Central Government has assigned a number of independent local government revenue sources from which revenue could be mobilized by the Metropolitan, Municipal and District Assemblies (MMDAs). However, majority of the local government authorities use the mobilized



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revenue to cover their administrative and other recurrent expenses other than to finance the delivery and running of basic infrastructure and services that directly benefits their jurisdictions (Adom, 2000; King *et al.*, 2003; Nicol, 2005; Puopiel and Chimsi, 2015). Fiscal decentralization which encompasses local government revenue includes externally and internally generated sources of revenues, has therefore become the main issue in the decentralization process in many developing countries.

Through fiscal decentralization, local governments are able to mobilize local government both internally and externally. Internally generated fund can therefore be sub-divided into rates, land, permits, fees and fines, licenses, rents and investment (Dick-Sago, 2012). Mobilization and utilization challenges of local government revenue at the local level has been described by Mensah (2005) as one of the major challenges militating against the smooth implementation of District Medium Term Development Plans at the local level. This problem has affected local level development and led to widespread poverty in most districts in Ghana. The internal sources include fees and fines, licenses, property rates, market tolls, investments and others, whereas the external revenue include the DACF, donor support and others.



Fiscal decentralization has been considered crucial for the effectiveness of the decentralized institutions, without which the local governments cannot achieve the desired developmental goals at the local level (Dick-Sago, 2012; Dick-Sago and Djimatey, 2015; Puopiel and Chimsi, 2015). The absence of local government revenue implies that the decentralized institutions would not have the financial means to implement projects hence their inability to meet their local level developmental objectives. An increase in local government revenue is expected to allow public goods

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and services to be provided at the level and costs desired by local communities and to enhance citizen participation in governance. Local government revenue places the District Assemblies in the heart of service delivery, development and democracy at the local levels hence making the way for local level development.



## **METHODOLOGY**

### **3.0 Introduction**

This chapter presents the profile of the study area, techniques and procedures employed in carrying out the study. The chapter discusses the processes and techniques used in carrying out the study in order to answer the research questions of the study. It provides an outline of the research design and instruments for data collection. The methods adopted in the administration of the research instrument, data collection procedure and data analysis are also looked at in this chapter. This chapter also sources on the research design, research approach, sampling techniques, data collection methods, data analysis method, validity and reliability and a brief summary of the chapter.

### **3.1 Study Area**

The Wa Municipality is the study area. The Wa Municipal Assembly is the only municipality in the Upper West Region and it selected for this study due to the fact that there is a perceived increase level of financial misappropriation at the Assembly. This is coupled with low local government revenue mobilization despite the fact that taxable large scale and medium enterprises are springing fast in the municipality.



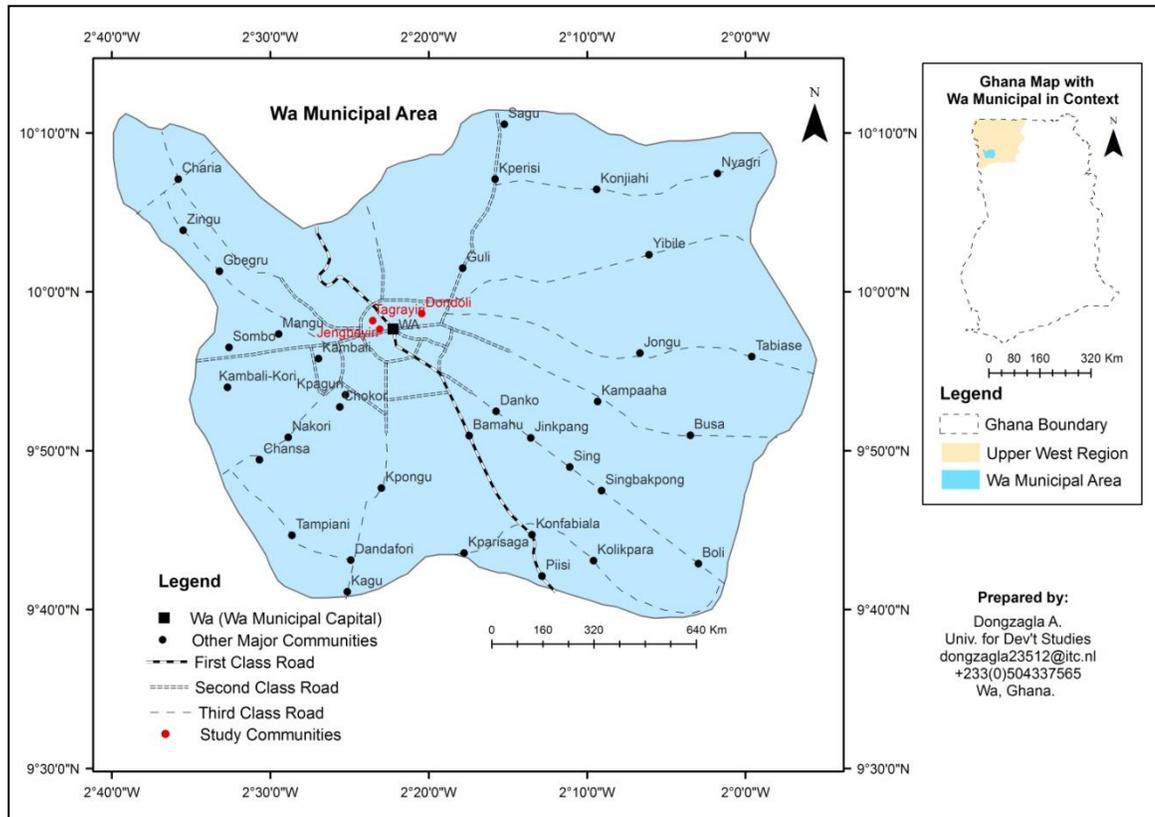
### 3.1.1 Profile of the Wa Municipal Assembly

Wa Municipal Assembly is one of the eleven District/Municipal Assemblies that make up the Upper West Region (UWR) of Ghana. Wa Municipal Assembly was upgraded from the then Wa District in 2004 with Legislative instrument (L1) 1800 in pursuant of the policy of decentralization started in 1988. Under section 10 of the Local Government Act 1993 (Act 426), the Assembly exercises deliberative, legislative and executive functions in the Municipality. The Wa Municipal Assembly shares administrative boundaries with Nadowli District to the North, Wa East District to the East and South and the Wa West District to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W.

Wa Municipal Assembly has its capital as Wa which also serves as the regional capital of Upper West Region. It has a landmass area of approximately 234.74 square (kilo) meters, which is about 6.4% of the region. The Assembly is empowered as the highest political and administrative body charged with the responsibility of facilitating the implementation of national policies. Figure 3.1 presents a map depicting the Wa Municipal boundaries and selected major towns. The implications of the location of the municipality for development include; Enhancing bilateral trade and commerce with the Francophone countries Wa town has the potential to grow and be upgraded into both an industrial and commercial hub for the North – Western corridor of Ghana.



**Figure 3. 1: Map of Wa Municipal Assembly**



Source: Adopted from WMA, 2015.

### 3.1.2 Population of the Wa Municipal Assembly

Total estimated population is 127,284 (Ghana Statistical Service (GSS), 2010) which comprises of 64,914 Females and 62,370 Males. It is the highest Populated local administrative area with the largest affluent population in the region. This is as a result of perceived high growth rate between 2.7% and 4%. By implication business will have a very large market because of the high and wide variety of demand for goods and services. The growing population therefore beacon for investment opportunities. Market and labour is therefore available for production in all sectors (Wa Municipal Assembly, 2015).



### 3.1.3 Composition of the Wa Municipal Assembly

The Municipal Assembly is made up of 44 Assembly Persons. The composition is as follows: The Municipal Chief Executive 31 Elected Members, 1 each from the 42 electoral areas in the Municipality elected by universal adult suffrage. The Member of Parliament for Wa central has no voting right, 13 Appointed Members appointed by the President in consultation with traditional authorities and other interest groups in the Municipality (Wa Municipal Assembly, 2015).



## **3.2 Research Methodology**

### **3.2.1 Research Design**

Descriptive study design was used to conduct the study. This method attempts to identify and explain current circumstances, actions or systems based on the reactions and impressions of the respondents of the research (Creswell, 2009). Descriptive research was employed because it provides an accurate picture of some aspect of the observed persons, events, situations, and environments. Descriptive research is conducted to describe situations and the researcher observes and then describes what was observed (Babbie, 2004). This type of research design is frequently used when a problem is well structured. Hence the researcher used descriptive design to evaluate the how local government revenue could be strengthened to finance local government revenue in the Wa municipality.

### **3.2.2 Research Approach**

The research approach chosen for the study was a case study approach. It looked at how local government revenue could be strengthened to finance local level development in the Wa municipality. A case study approach was selected because it identifies the importance of the circumstance in order to understand and explain the local government revenue concept and its influence on local level development in the Wa Municipality (Robson, 2002; Saunders *et al.*, 2009). The chosen approach helps the researcher to examine the phenomenon in its natural setting, using multiple data collection methods to gather information for the study.



### 3.2.3 Research Strategy

The study used the mixed method to evaluate how local government revenue mobilization could be strengthened to finance local level development in the Wa Municipality. The mixed method was used because the study involves a procedure for collecting and analysing both qualitative and quantitative data within the study in order to understand the research problem more completely (Creswell, 2009). It is advantageous to combine both qualitative and quantitative methods especially when some of the objectives are better assessed using qualitative while others are assessed using quantitative methods.

### 3.2.4 Sampling Procedures

Non-probability sampling techniques were used to select samples for the study. In non-probability sampling, sampling units are chosen not by chance but for a purpose (Maxwell, 2005). For the study, a combination of convenience and purposive sampling techniques were employed in the selection of samples based on how they satisfy certain qualities which are not randomly distributed in a sample population (Kumekpor, 2002). Non-probability sampling techniques were used because they are the simplest among all the sampling techniques.

The Wa Municipal Assembly was purposively selected for the study because it is the only Municipality in the Upper West Region. A purposive sampling technique was also used to select four zonal councils with revenue-raising potentials. Purposive sampling technique was used because the information needed for the study could only be provide by the people in the selected zonal councils in the Wa Municipality.



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In addition, a convenient sampling technique was used to select 70 revenue payers for the study because of its ability to obtain opinions of the target groups easily. Finally, a purposive sampling technique was used to select 25 revenue collectors and 5 Assembly Administrative staff for inclusion. Purposive sampling technique was used to select these respondents because the information needed for the study could only be provide by the identified groups of people in the Wa Municipal Assembly.

### **3.2.5 Sample Population**

Sampling population as used in the study includes all the people with common characteristics that the researcher decided to involve in the study (Best and Kahn, 2003). The sample population for the study includes the assembly members, the Assembly administrative staff, revenue collectors, businesses and other potential revenue payers in the Wa Municipality. The study captured three categories of respondents, all of whom had day-to-day roles in local government revenue mobilization within the Wa Municipal Assembly (Table 3.1). These groups of people include the revenue payers, revenue collectors and Assembly Administrative staff. These groups of people were selected because each member of these groups of people has a contribution in the mobilization of revenue for the Assembly and hence their involvement in the study was very paramount.



**Table 3. 1: Category of Respondents**

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<b>Category of Respondents</b>	
1	Revenue payers (artisans, drivers, traders and owners of properties such as buildings)
2	Revenue collectors
3	Assembly Administrative staff (municipal planning officer, accounts officer, municipal finance officer, municipal budget officer and the municipal co-ordinating director).

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Source: Fieldwork, 2015

### **3.2.6 Sample Size**

The sample size for the study was 100 respondents. It includes 25 revenue collectors, 70 revenue payers and 5 Assembly Administrative staff from the Wa Municipal Assembly. The revenue payers include teachers, students, artisans, drivers, and traders in the Wa Municipality. The Assembly Administrative staffs in the Wa Municipal Assembly include the municipal co-ordinating director, municipal planning officer, accounts officers, municipal finance officer and municipal budget officer. This sample size was considered appropriate based on recommendations of Best and Kahn (2003). They indicated that there is no fixed number or percentage of subjects that determine the size of an adequate sample. Therefore the total sample size for the study was 100 with the breakdown of respondents shown in table 3.2 below.



**Table 3. 2: Distribution of Sample Size**

<b>Category of Respondents</b>	<b>Sample Size</b>
Revenue Payers	70
Revenue Collectors	25
Assembly Administrative Staff	5
<b>Total</b>	<b>100</b>

Source: Fieldwork, 2015

### **3.2.7 Data Collection Methods**

The study employed both primary and secondary sources for data collection. The rationale for this was to enable the researcher provides adequate discussion for the readers to have better understanding about the concept of revenue mobilisation (Malhotra, 2006). Primary data are originated by the researcher for the purpose of addressing the research problem, whereas secondary data were collected for purposes other than the problem at hand.

#### **3.2.7.1 Primary Sources**

First-hand information on the sources of local government revenue mobilization in the Wa Municipality, the challenges of local government revenue mobilization and the strategies for local government revenue mobilization were obtained through the use of structured questionnaire and key informant interviews. It allows the researcher to originally collect data from the target population (Malhotra and Birks, 2007). Questionnaires were developed based on the specific objectives of the study and it helped the researcher to evaluate the local government revenue mobilization of the Assembly. It contained both close and open-ended questions (Saunders *et al.*, 2009).



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Key informant interviews were used to interview the Assembly Administrative staff who appeared to be vested with issues concerning the local government revenue mobilization in the Wa municipality. These personnel were the municipal coordinating director, municipal planning officer, accounts officer, municipal finance officer and the municipal budget office. They were contacted on individual basis for some relevant information on local government revenue mobilization in the Wa municipality.

### 3.2.7.2 Secondary Sources

Secondary data were sourced from the MMDA reports, mainly annual reports and financial statements of the Wa Municipal Assembly. Secondary data were used because it is usually collected at a lower cost and more rapidly than primary data and it used for specific purposes (Saunders *et al.*, 2009). The secondary sources helped to identify relevant information on the conceptual issues, and to identify research gaps to guide the primary data needed.

### 3.2.8 Data Analysis

Data analysis was done using both qualitative data and quantitative data. The findings of this study were based on data obtained from the use of mix instruments. After the interview, the recordings were transcribed for each interview conducted not by verbatim, but by picking the essential points related to the study. After the selective transcriptions were made, the researchers picked the essential themes that run through the various responses. This stage was further enhanced by comparing the responses to the notes made during the interview and referring to the various documentations provided. The quantitative data was collected using a structured questionnaire and the



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Statistical Package for Social Scientist (SPSS) software was used in analysis the data (Leech *et al.*, 2005). SPSS was used because of its transparency in communicating quantitative data among variables in the form of tables, graphs, frequencies, percentages, cross-tabulation and others.

### **3.2.9 Reliability and Validity**

The instruments used for the study fulfilled several conditions and these instruments were valid and reliable. When the questionnaires were received, the researcher checked through all of them to ensure all the questions were answered to ensure validity. The research is also reliable due to the fact that the responses given by the respondents were not ambiguous. There are similarities in the results provided by researcher with other researchers with similar research objectives (Churchill and Iacobucci, 2005). The researcher checked the accuracy of the data by sending the transcripts of the interviews back to the participants for their respective feedbacks.

### **3.2.10 Chapter Summary**

This chapter presented the methodology which details the study area, target population, sample size and sampling techniques, design, data collection procedure and analysis of data. Both quantitative and qualitative data were gathered and analyzed to resolve the research questions. The data for this study were collected from both primary and secondary sources. The study used the mixed method of data analysis. Quantitative data collected were analyzed using the Statistical Package for Social Sciences version 16.0. Descriptive statistics such as frequencies and percentages were computed to answer the research questions and the chapter ended with trustworthiness of the research.





## **DATA ANALYSIS AND DISCUSSIONS**

### **4.0 Introduction**

In this chapter, data that were collected using structural questionnaires and key informant interviews are classified, organized, analyzed and discussed. The chapter includes data on the sources of local government revenue available to Wa Municipal Assembly, the challenges of local government revenue in the Wa Municipal Assembly and strategies that could be adopted by the Wa Municipal Assembly.

### **4.1 Demographic Characteristics of Participants**

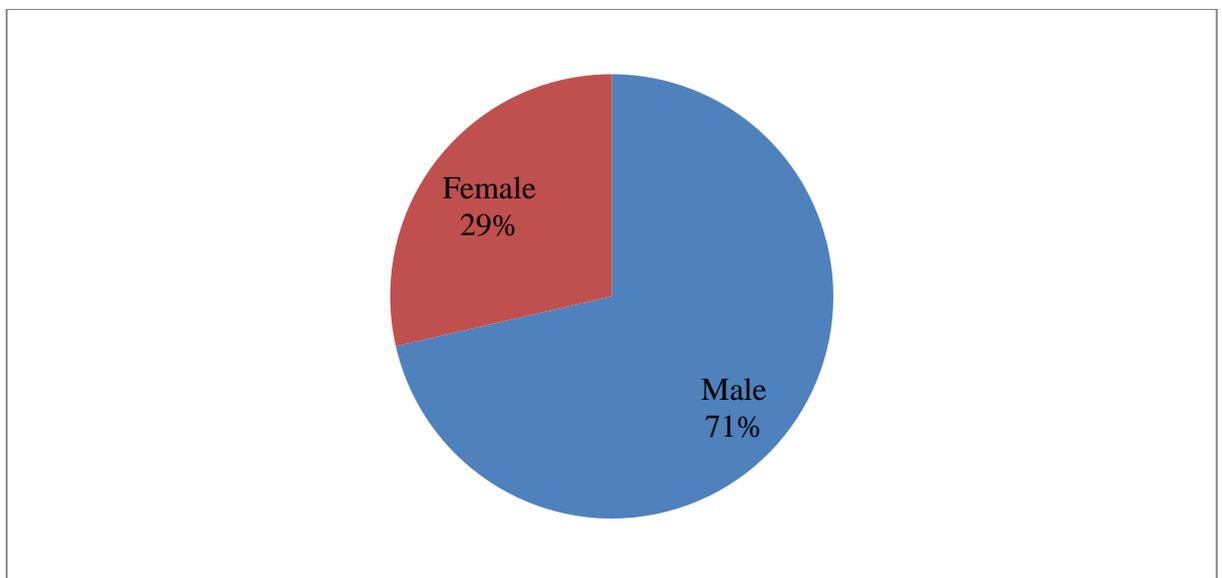
The Laws of Ghana provide every citizen the right to participate in the governance and development of their communities and the nation as a whole. A person is qualified to participate in the activities of the Assembly including elections and payment of tax if he/she is; a citizen of Ghana and is not less than 18 years of age, a registered voter, an ordinary resident and be of sound mind. It is based on this that the study chose its demographic characteristic with the view of obtaining all inclusive responses. The study collected data on the demographics of the respondent. Data were collected on the sex of the respondent, age, marital status, level of education, occupation and position and numbers of years spent with the Assembly in the case of revenue. The aim is to determine how these characteristics influence effective local government revenue mobilization for local level development in the Wa Municipal Assembly.



#### 4.1.1 Sex of Revenue Payers

In the study, males and females working in the Wa Municipal Assembly were sampled and used for the study. The result revealed that 50 respondents representing 71% were males while 20 respondents representing 29% were females. The results showed that majority of the respondents used in the study were males as shown in Figure 4.1.

**Figure 4. 1: Sex of Revenue Payers**



Source: Fieldwork, 2015

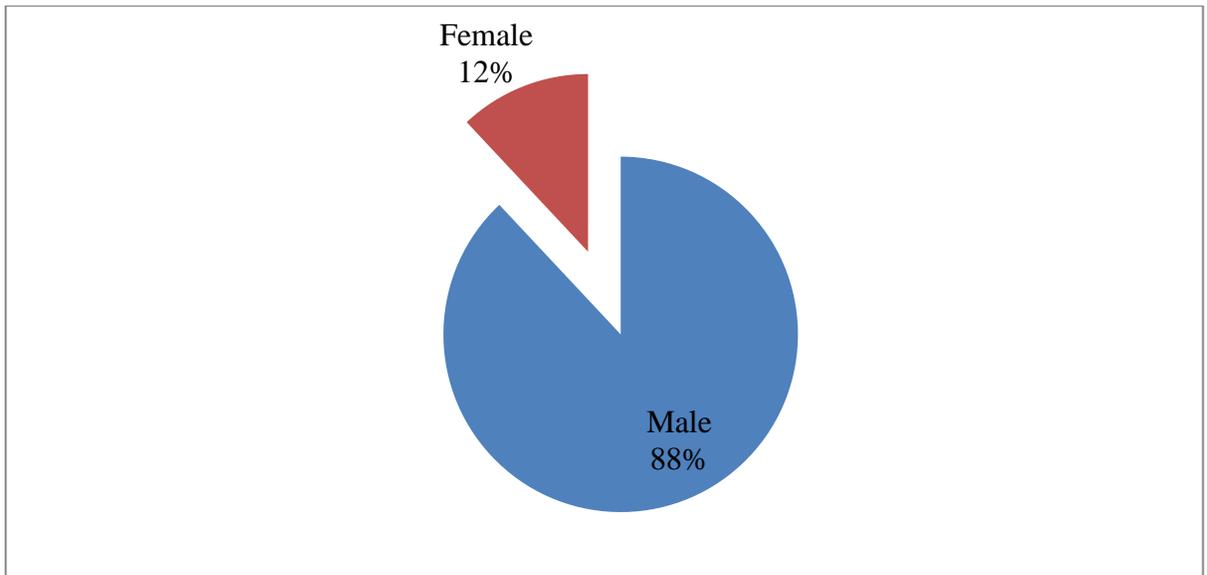
Differences in demographic factors such as sex in the jurisdiction of the local governments have effects on the capacity of local revenue mobilization. Sex of respondents is essential to the study because males and females of certain age groups have preference for some types of livelihood activities. Figure 4.1 reveals that most men in the study area are more involve in commercial activities than women.



#### 4.1.2 Sex of Revenue Collectors

The results revealed that 21 respondents representing 88% were males while 4 respondents representing 12% were females as presented in figure 4.2 below.

**Figure 4. 2: Sex of Revenue Collectors**



Source: Fieldwork, 2015

Differences in demographic data including age have implications for local revenue mobilization. In the study, males and females working in the Wa Municipal Assembly responded to the questionnaires. The result showed that majority of the revenue collectors in the Wa Municipal Assembly are men. This could be due to the nature of work involved in the Assembly for instance revenue mobilization.



#### 4.1.3 Ages of Revenue Payers

Out of the 70 respondents, the minimum age of respondents from the revenue payers is 19 years and maximum is 56 years; whereas the average age is 29.6 years and the standard deviation of the ages is 6.8 years. It indicates that the population deviates from the mean to both sides by 6.8 years. The youngest person in the sample population is 19 years and the oldest person is 56 years.

**Table 4. 1: Descriptive Statistics on the Ages of Revenue Payers**

No. of Respondents	Minimum	Maximum	Mean	Std. Deviation
70	19	56	29.6	6.8

Source: Fieldwork, 2015

From the study, all the respondents fall within the productive age (18-60 years); hence they are capable of undertaking economic activities that enables them to make ends meet. It implies that most people who are involved in active commercial service in the Municipality are above 18 years. This means that the respondents used in the study are within the active working age. The require age for a person to participate in any economic venture in Ghana is 18 years. The implication is that at that age the person who is sound mind should able to differentiate between right and wrong and can exercise all their civic responsibilities in the country. From the study, most the respondents fall within the productive age (18-60 years); hence they are capable of undertaking economic activities that enables them to make ends meet.



#### 4.1.4 Descriptive Statistics on Ages of Revenue Collectors

Out of the 25 revenue collectors from the Wa Municipal Assembly purposively selected for study, the minimum age of revenue collectors from the Wa Municipal Assembly is 25 years and maximum is 67 years, whereas the mean age is 44.1 or 44 years and the standard deviation of the ages is 12.3 years. The youngest person in the sample population is 25 years and the oldest person is 67 years. It implies that the sample population deviates from the mean to both sides by 12.3 years.

**Table 4. 2: Descriptive Statistics on the Ages of Revenue Collectors**

No. of Respondents	Minimum	Maximum	Mean	Std. Deviation
25	25	67	44.12	12.320

Source: Fieldwork, 2015

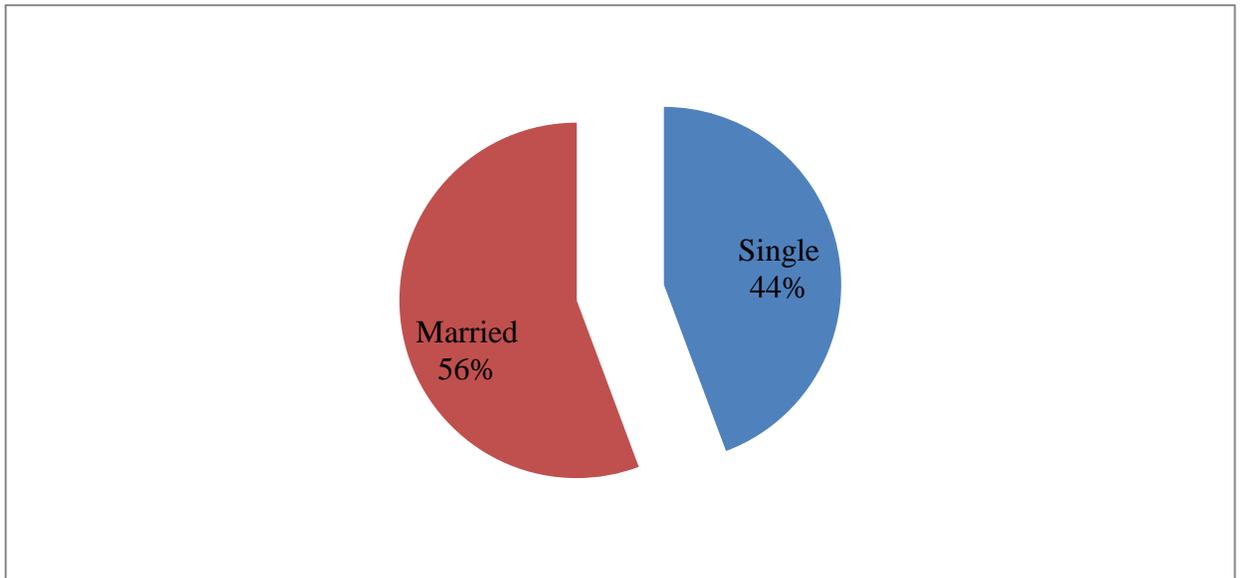
From the study, most of the revenue collectors fall within the productive age (25-67 years) hence they are capable of undertaking economic activities that enables them to make ends meet. This implies that some of people working in the Assembly are above the active working age limited, for instance the revenue collectors. This is due to the fact that most of the revenue collectors are contract workers and this type of engagement does not depend on the age of the person but the ability of the person to mobilize enough revenue for the assembly. However, the inactive nature of some of the revenue collectors do not permit them to perform their work successfully towards increasing the collection of revenue in the municipality, hence the low revenue mobilize by the Assembly toward local level development.



#### 4.1.5 Marital Status of Revenue Payers

Figure 4.3 shows the marital distribution of respondents from the revenue payer's questionnaires. The result indicated that 44% of the respondents were single whereas 56% were also married.

**Figure 4. 3: Marital Status of Revenue Payers**



Source: Fieldwork, 2015

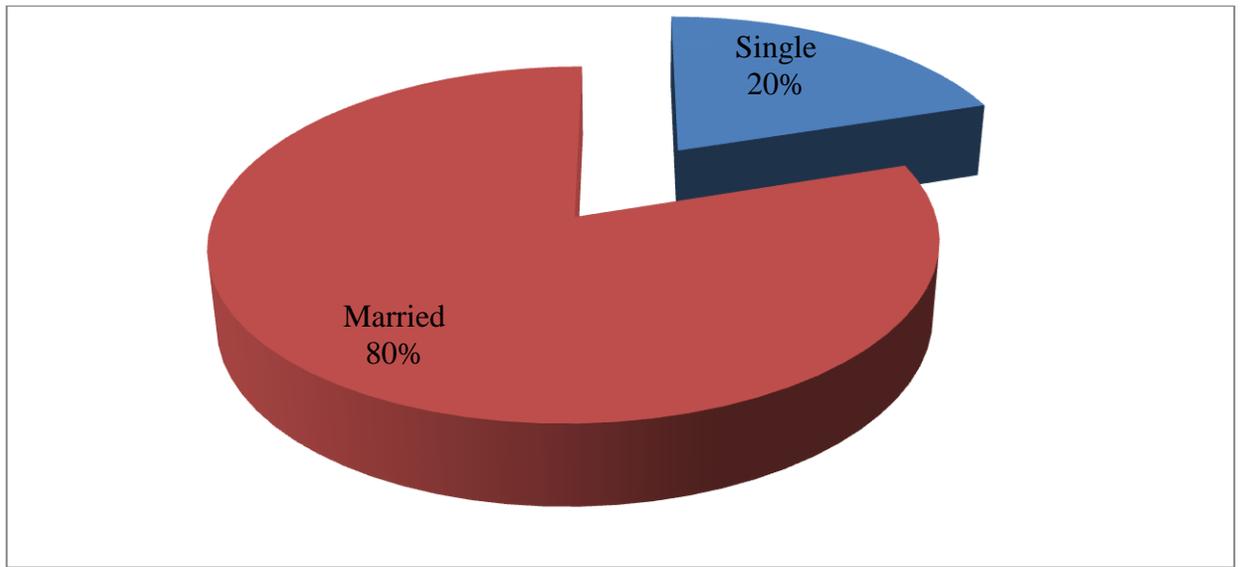
Knowledge on marital status of residents in the Wa municipality will provide critical information for planning, budgeting, policy formulation and implementation regarding revenue estimation and mobilization strategies. Marital status affects the level of local revenue mobilization. The family size of an individual influences his/her ability to pay tax and contribute significantly to the local level development in a country. Most married people may be involved in activities that will enable them to generate income to take care of their families. But some of them may not honor their revenue obligation to the Assembly hence the low level of local government revenue mobilization in the Municipality.



#### 4.1.6 Marital Status of Revenue Collectors

The results indicated that 20% of the revenue collectors from the Assembly were single whereas 80% were also married as presented in figure 4.4 below.

**Figure 4. 4: Marital Status of Revenue Collectors**



Source: Fieldwork, 2015

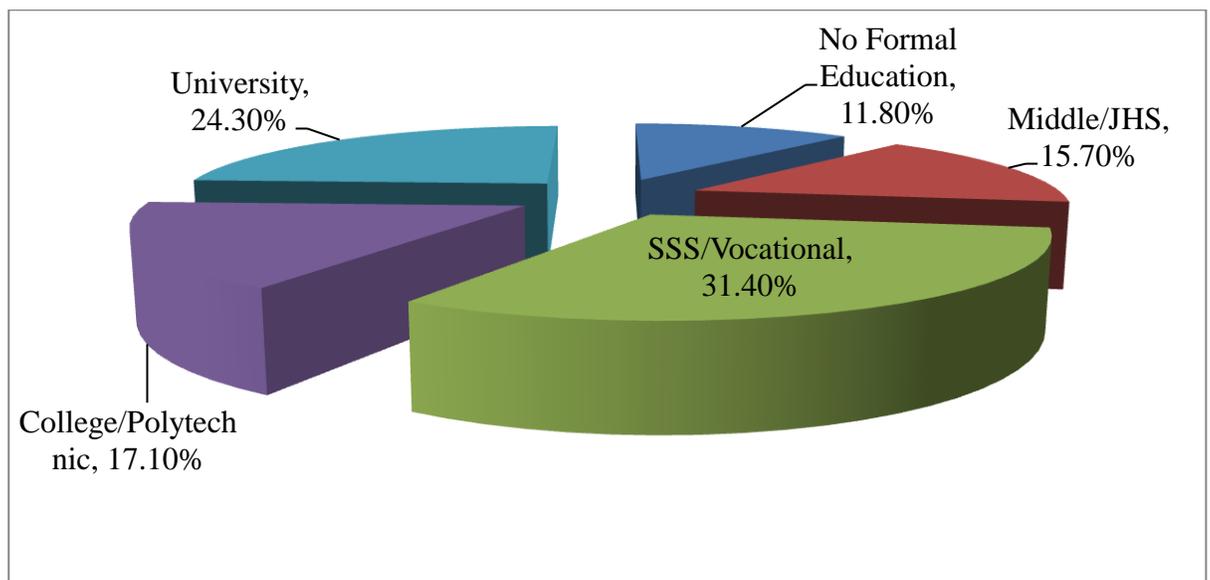
Figure 4.4 shows the marital distribution of revenue collectors from the Wa Municipal Assembly. The family size of an individual influences his/her ability to pay tax and contribute significantly to the economic development of a country. The over burden of family responsibilities on most of the revenue collectors in the Wa Municipal Assembly accounts for the dishonesty in accounting to the Wa Municipal Assembly hence the low level of revenue mobilization in the Assembly.



#### 4.1.7 Level of Education of Revenue Payers

From figure 4.5 below, 31.4% of the respondents constituting the majority, attained SHS and Vocational schools, 17.1% obtained college or polytechnics status where as 15.7% had completed middle school or O' level or JHS. However 24.3% have completed or are still pursuing their first degrees, whilst the remaining 11.8% had no formal education at all. From the above, it can be observed that about 88.2% of the respondents have completed at least JHS education.

**Figure 4. 5: Level of Education of Revenue Payers in the Wa Municipal Assembly**



Source: Fieldwork, 2015

Majority of the revenue payers indicated that they have obtained some level of education. With their level of educational, the revenue payers were able to provide in-depth information regarding revenue mobilization within the Wa Municipal Assembly. The level of education of the revenue payers help them to understand issues of revenue mobilization hence their contribution to this study.



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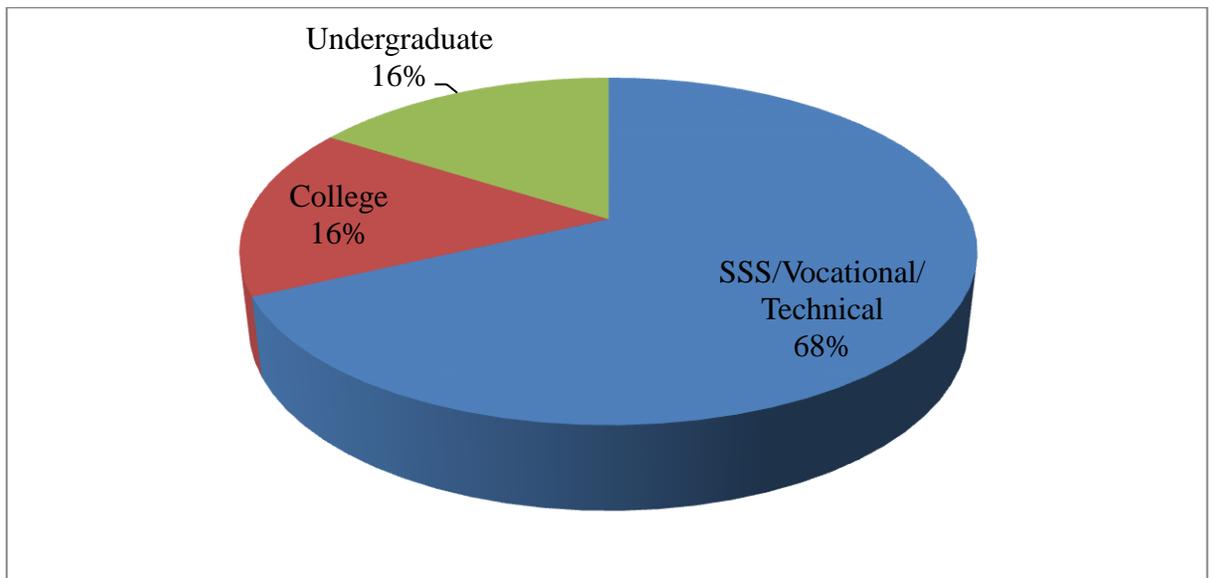
The educational background of revenue payers is significant to this study because it largely determines human capital which enhances their livelihood strategies in order to achieve desired livelihood outcomes as discussed in the livelihood framework. The level of education has an important influence on the quality of households' human capital to present the likelihood of undertaking livelihood strategies. Investments in formal education and skill acquisition increase livelihood alternatives. This assertion is buttressed by the study because the educational background of revenue payers may have an influence on household livelihoods.

#### **4.1.8 Level of Education of Revenue Collectors in the Wa Municipal Assembly**

From the results below, 68% of the revenue collectors constituting the majority attained SHS and Vocational schools, 16% obtained college or polytechnics status where as 16% have completed their first degrees. Majority of the revenue collectors indicated that they have obtained some level of education. The level of education of the revenue collectors in the Wa Municipal Assembly has an effect on the level of revenue mobilization in the Wa Municipal Assembly.



**Figure 4. 6: Level of Education of Revenue Collectors in the Wa Municipal Assembly**



Source: Fieldwork, 2015

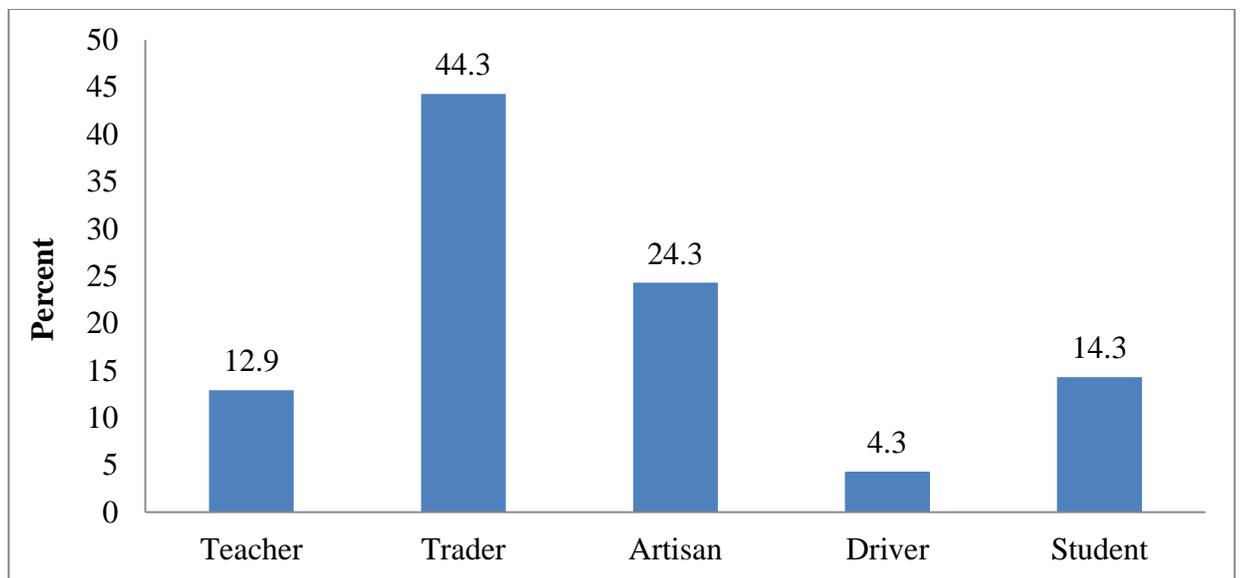
The educational qualification of the revenue collectors in the Wa Municipal Assembly appeared to be inadequate which affect their efficiency in terms of revenue mobilization. The educational level of the revenue collectors is more necessary in a situation where regular training programs are not organized for the staff. Low level of education can hinder their knowledge and skills in human relations, clients' records keeping, basic accounting and organizational procedures. If the revenue collectors have poor human relationship with the revenue payers, it may affect their level of revenue mobilization in the Wa Municipality.



#### 4.1.9 Occupation of Revenue Payers in the Wa Municipal Assembly

Another element important to this study is the occupation of the revenue payers. More than half of the revenue payers constituting of 72.9% were in the informal sector comprising of traders, artisans, drivers and hawkers. 12.9% of them were however in the formal sector comprising of teachers. The remaining 14.3% were students at the colleges, polytechnics and universities as shown in figure 4.7 below.

**Figure 4. 7: Occupation of Revenue Payers**



Source: Fieldwork, 2015

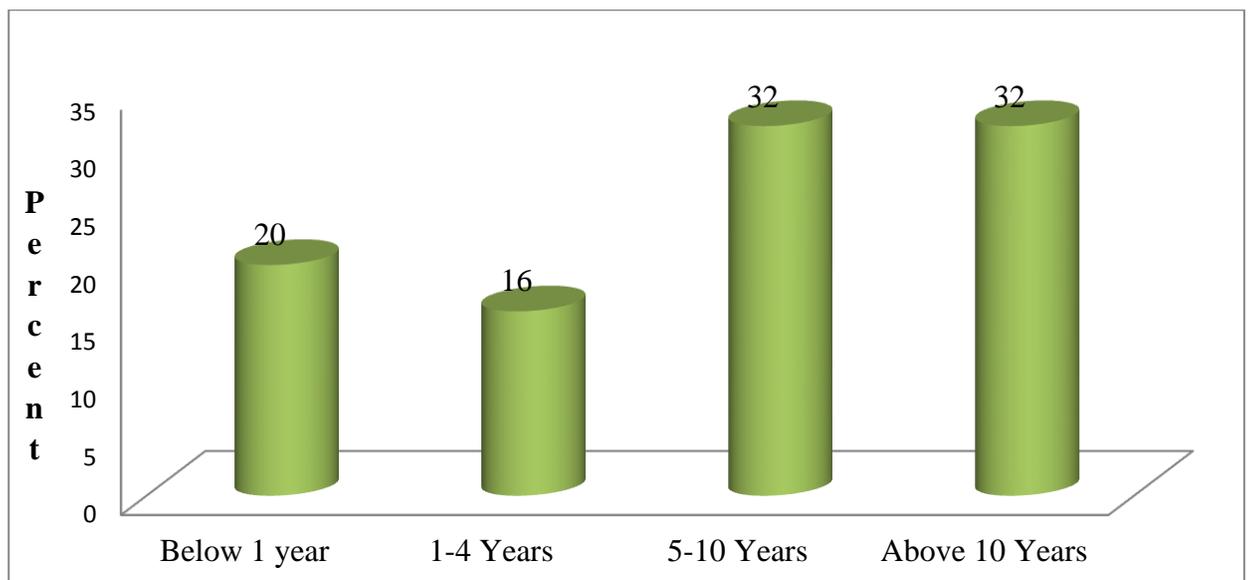
Revenue payers with different occupations were selected for their opinions in terms of local government revenue in the Wa municipality. Among the respondents were teachers, traders, artisans, drivers and students in the Wa municipality. From the study, most of the revenue payers were trader and artisans. Drivers and teachers were the list category of revenue payers for the study.



#### 4.1.10 Working Experience of Revenue Collectors

Figure 4.8 presents the working experience of revenue collectors in the Wa Municipal Assembly. The results revealed that 20% of the revenue collectors have working experience below 1 year, 16% of revenue collectors have working experience from 1-4 years, whereas 32% of the revenue collectors have working experience from 5-10 years. Also 32% of the revenue collectors have worked above 10 years with the Wa Municipal Assembly.

**Figure 4. 8: Working Experience of Revenue Collectors in the Wa Municipal Assembly**



Source: Fieldwork, 2015

From the study most of the revenue collectors have been working with the Wa Municipal Assembly for some number of years. Their working experience in the Wa municipal assembly makes them relevant for the study. This because most of the revenue collectors have fair knowledge with regards to the revenue activities of the Wa Municipal Assembly.



## 4.2 Sources of Local Government Revenue in the Wa Municipal Assembly

The first research objective of the study was to assess the sources of local government revenue in the Wa Municipal Assembly. In Ghana, local government authorities are authorized the Local Government Act 1993 (Act 462) to mobilize revenue towards financing their developmental projects. Local government authorities are given two main sources of revenue. These sources of revenue are the internal generated funds (IGFs) and the external generated revenue (Bandie, 2003; Akorsu, 2015). The sources of local government revenue differ from one local government to the other.

### 4.2.1 Revenue Payers Knowledge on the Wa Municipal Assembly's Mandate to Mobilize Local Government Revenue in the Wa Municipality

In order to establish the sources of revenue available to the Wa Municipality, revenue payers' knowledge on local government mobilization were sourced. Table 4.3 below reveals that 92.9% of the respondents are aware that the Wa Municipal Assembly is legally mandated to collect revenue, whereas an insignificant percentage of 7.1% indicated they do not have knowledge of the legal mandate of the Assembly to collect revenue.

**Table 4. 3: Revenue Payers Knowledge on the Wa Municipal Assembly's Mandate to Mobilize Local Government Revenue in the Wa Municipality**

Responses	Frequency	Percent (%)
Yes	65	92.9
No	5	7.1
<b>Total</b>	<b>70</b>	<b>100</b>

Source: Fieldwork, 2015



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The awareness of revenue payers on local government revenue mobilization is crucial to the mobilization of local government revenue at the local level. Knowledge on revenue mobilization helps revenue payers in the payment of revenue though some individuals may not honor their revenue to the Wa Municipal Assembly. When some of the revenue payers were asked why they were not aware, they indicated that the Assembly did not create any platform for them where they could be made to know what happened in terms of revenue mobilization in the Wa municipality.

Some revenue payers admitted that their awareness could rather help them to understand local government revenue issues and increase the confidence that they might have in local government authorities in the Wa municipality. This means that the little awareness among revenue payers could lead to poor understanding of revenue laws, hence evasion of local government revenue. If the revenue paid is clear to the revenue payer, it becomes easy for them to cooperate. This finding is similar to the findings of Asante *et al.* (2014), they found that most revenue payers will always honor their revenue obligations when they are aware of their responsibility to pay revenue to the Assemblies.



#### 4.2.2 Payment of Revenue by Revenue Payers to the Wa Municipal Assembly

With regards to the payment of revenue to the Wa Municipal Assembly, 85.7% of the respondents indicated that they pay their revenues to the Wa Municipal Assembly and 14.3% indicated that they do not pay tax to the Wa Municipal Assembly.

**Table 4. 4: Payment of Revenue by Revenue Payers to the Wa Municipal Assembly**

Responses	Frequency	Percent (%)
Yes	60	85.7
No	10	14.3
<b>Total</b>	<b>70</b>	<b>100</b>

Source: Fieldwork, 2015

The Revenue payers' level of awareness of how local government revenue decisions are made will help them to cooperate with revenue authorities and subsequently contribute towards revenue payments and obligations. The time of payment, the manner of payment and the amount of revenue to be paid should be clear to the revenue payer as well as to the local authorities (Kelly *et al.*, 2001; Uremadu, 2000). Slemrod (2003) believes that involvement in local government revenue decisions ensures trust and voluntary compliance in revenue payment. Most of revenue payers pay their revenue to the Wa Municipal Assembly because they are aware of their responsibility to pay revenue to the Assembly. This findings is in consistent with the findings of Adu-Gyamfi (2014), he reveals that most revenue payers honor their revenue obligation to the Assemblies when they are aware of local revenue mobilization by the Assemblies.



#### 4.2.3 Cross Tabulation of Knowledge Local Government Revenue Mobilization and Payment of Revenue to the Wa Municipal Assembly

The researcher sought to establish the relationship between awareness of local government revenue mobilization and payment of local government revenue to the Wa Municipal Assembly. From the Table 4.5 below, it was established that out of the 65 revenue payers who indicated their awareness of the Wa Municipal Assembly's mandate to mobilize revenue for local level development, 58 people representing 89.2% actually pay their revenue to the Assembly. Whereas 7 people representing 10.8% do not pay their revenue to the Assembly despite their awareness of the Assembly's mandated to mobilize revenue. Also, 2 people representing 40% who said they are not aware of the Assembly's mandate to mobilize revenue actually pay their revenue to the Assembly though they are not aware of the Assembly's mandate to mobilize local government revenue. However, 3 people representing 60% said they are not aware of the Assembly's mandate to mobilize local government revenue and hence do not pay their revenue to the Assembly.

**Table 4. 5: Cross Tabulation of Knowledge on Local Government Revenue Mobilization and Payment of Revenue to the Wa Municipal Assembly**

Has the Assembly been mandated to mobilize local government revenue?	Have you been paying local government revenue to the Assembly?		
	Yes	No	Total
Yes	58(%89.2)	7(%10.8)	<b>65(%100)</b>
No	2(%40)	3(%60)	<b>5(%100)</b>
<b>Total</b>	<b>60</b>	<b>10</b>	<b>70</b>

Source: Fieldwork, 2015



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Literature had it that people are able to pay the appropriate revenue in time when they know the reasons why they are to pay the revenue, the amount involved as well as the consequences they are likely to face in case of a failure to pay revenue (Journard and Kongsrud, 2003). It is against this backdrop that the researcher assesses the knowledge on revenue mobilization and payment of revenue to the Wa Municipal Assembly. Table 4.5 depicts the responses from the revenue payers on their knowledge about the Wa Municipal Assembly's mandate to mobilize local government revenue and their payments level. The responses revealed that majority of the respondents indicated their awareness of the Wa Municipal Assembly mandate to mobilize revenue and actually pay their revenues to the Assembly.

If the revenue payment is clear to the people, it becomes easy for them to cooperate. Revenue payers' level of awareness of how revenue decisions are made will help them to cooperate with revenue authorities and subsequently contribute towards revenue payments and obligations. Some revenue payers admitted that their level of awareness help them to understand local government revenue issues and increase the confidence that they might have in local government authorities in the municipality. The level of awareness on revenue mobilization is important to the mobilization of local government revenue by the Wa Municipal Assembly. It is clear that the awareness of revenue mobilization helped in the payment of revenue by the revenue payers though some few individuals do not comply with it because of some reasons like the dishonesty of some revenue collectors among others. This finding is in consonance with the findings of Asante *et al.* (2014) and Adu-Gyamfi (2014), they established that most revenue payers will honor their revenue obligations when they are aware of the payment and the importance attached to payment of revenue.



#### 4.2.4 Major Sources of Local Government Revenue in the Wa Municipal Assembly

Table 4.6 presents the major sources of local government revenue in the Wa Municipal Assembly. It provides an item-wise analysis of the local government revenue figures from 2007 to 2014. To assess the sources of the local government revenue, there was the need to study the flow of each sources of local government revenue in the Wa municipality over some period of time.

According to the Municipal Finance Officer during a key informant interview, he reveals that the sources of local government revenue in the Wa Municipal Assembly are classified into two main kinds namely; the internal generated funds and external generated funds. The internal generated funds includes rates, lands, fees and fines, licences, rent, investments and miscellaneous and the external generated funds are the (DACF). The study therefore reveals that rates, lands, fees and fines, rent, licenses, investment, miscellaneous and DACF are the major sources of local government revenue available to the Wa Municipal Assembly.

The results in Table 4.6 indicates that, DACF was the leading revenue source recording GH¢1,540,523 in 2007. There was an increase in DACF in 2008 and a decrease in DACF in 2009 and thereafter an increase from 2010 to 2013 and a decrease in 2014. The DACF is the highest source of revenue throughout the period of assessment. It recorded its lowest of GH¢1,450,994 in 2009 and increased to GH¢9,384,004 in 2013.



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From Table 4.6, fees and fines recorded GH¢ 72,616 in 2007 as the second source of revenue and increase to GH¢79,125 in 2008 and continued to increase in the subsequent years. Investment recorded the least source of revenue in 2007 and recorded zero in 2013 and 2014 fiscal years. There was a sustained increase in the contribution of the grant to the total revenue of the Wa Municipal Assembly over the years from 2010 to 2013; however, the grants recorded low in 2014 hence the lowest revenue for the period of assessment was recorded in 2014. This means the DACF constitute the highest local government revenue in the Assembly total revenue. The other components of the local government revenue such as land, investments, fees and fines, rents among others do not contribute enough revenue to the Assembly hence the over reliance on the central government transfers in the form of DACF.

The study also engages five key informants from the Assembly to discuss the various sources of revenue for the Assembly. They all mentioned property rates, land, fees and fines, rent, licenses, investment, miscellaneous and DACF as the sources of local government revenue for the Wa Municipal Assembly. In a key informant interview with of the Finance Officer, he said:

*“Apart from the DACF which is external generated revenue, rates and fees and fines contribute the highest internal generated revenue mobilized in the Assembly”*

The sources of local government revenue identified by the respondents and the Assembly’s financial statements were similar to those spelt out in the Local Government Act (1993) and those found by other researchers (Adu-Gyamfi, 2014; Asante *et al.*, 2014; Dick-Sagoe and Djimatey, 2015; Puopiel and Chimsi, 2015). They revealed the major sources of local government revenue available to Assemblies are rates, fees and fines, licenses, miscellaneous, investment and the DACF.



The Table below shows the major sources of local government revenue available to the Wa Municipal Assembly from 2007 to 2014 fiscal years.

**Table 4. 6: Source of Local Government Revenue in the Wa Municipal Assembly (GH¢)**

Source	2007	2008	2009	2010	2011	2012	2013	2014
Rates	16,481	17,924	48,812	76,404	64,203	81,398	105,695	73,266
Lands	11,093	4,539	14,998	4,424	20,357	22,473	61,010	49,847
Fees and Fines	72,616	79,127	80,411	95,254	89,252	93,766	192,852	283,946
Licenses	9,991	12,950	25,491	30,115	7,206	45,322	87,784	191,918
Rent	7,191	15,922	20,843	20,145	22,117	20,557	765,767	112,734
Investment	1,306	8,692	14,323	25,054	14,217	21,605	0	0
Miscellaneous	41,947	52,116	5,200	22,915	34,911	43,302	3,920	6,041
DACF	1,540,523	2,308,000	1,450,994	3,337,693	3,007,046	4,732,625	9,384,004	2,169,796
<b>Totals</b>	<b>1,701,148</b>	<b>2,499,270</b>	<b>1,661,072</b>	<b>3,612,004</b>	<b>3,259,309</b>	<b>5,061,048</b>	<b>10,601,032</b>	<b>2,887,548</b>

Source: Wa Municipal Assembly Financial Statements (2007 – 2014)



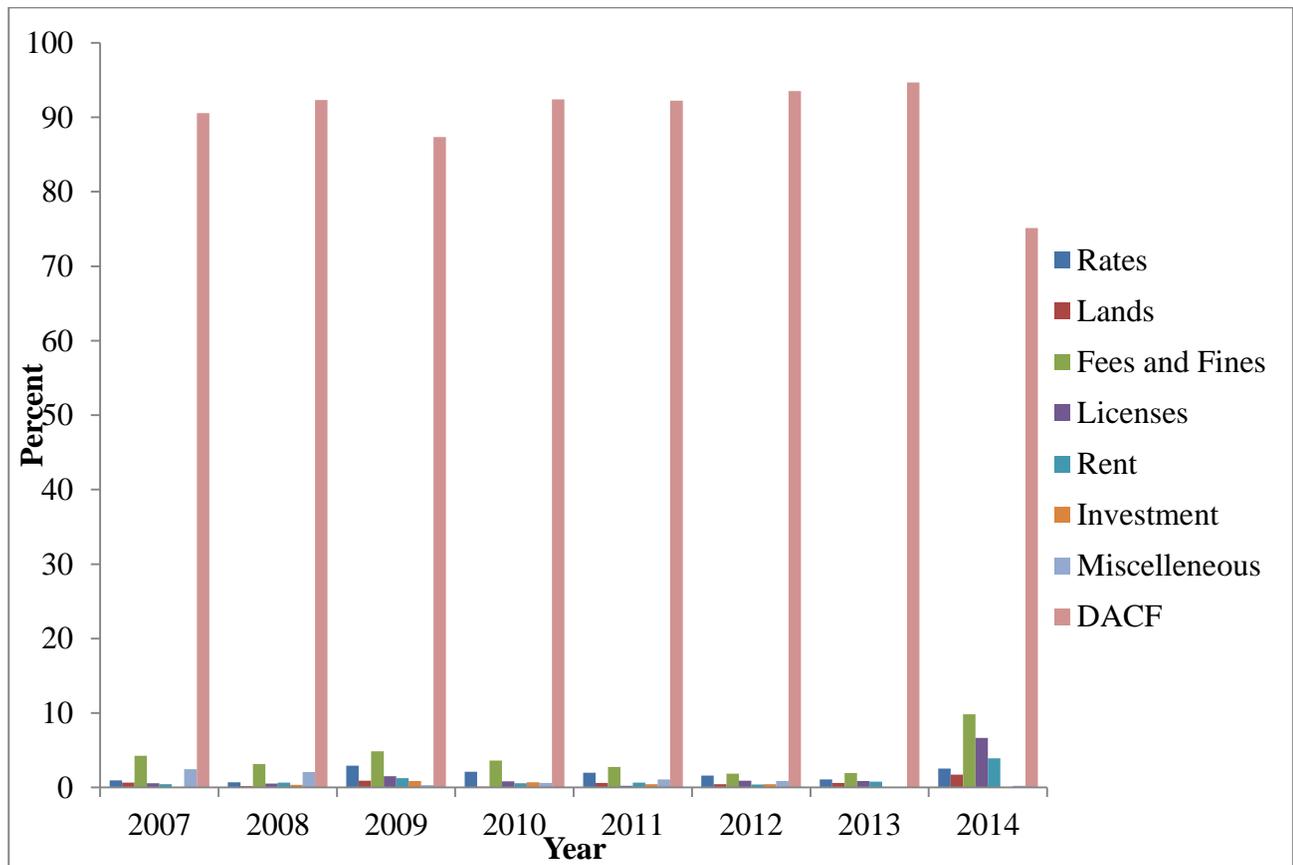
Table 4.7 and Figure 4.9 below show the contribution of the various sources of local government revenue in the Wa Municipal Assembly from 2007 to 2014. The calculations were done based on the revenue figures in Table 4.6 above.

**Table 4. 7: Percentage Contribution of Local Government Revenue Sources in the Wa Municipal Assembly**

Source	2007	2008	2009	2010	2011	2012	2013	2014
Rates	0.969	0.717	2.939	2.115	1.97	1.608	1.066	2.537
Lands	0.652	0.182	0.903	0.122	0.625	0.444	0.616	1.726
Fees and Fines	4.269	3.166	4.841	2.637	2.738	1.853	1.946	9.833
Licenses	0.587	0.518	1.534	0.834	0.221	0.896	0.886	6.646
Rent	0.423	0.637	1.255	0.558	0.679	0.406	0.773	3.904
Investment	0.077	0.348	0.862	0.694	0.436	0.427	0	0
Miscellaneous	2.466	2.085	0.313	0.634	1.071	0.856	0.04	0.209
DACF	90.558	92.347	87.353	92.406	92.26	93.51	94.675	75.143
<b>Total</b>	<b>100</b>							

Source: Wa Municipal Assembly Financial Statement (2007 – 2014)

**Figure 4. 9: Contribution of the Sources of Local Government Revenue in the Wa Municipal Assembly**



Source: Wa Municipal Assembly Financial Statements (2007 - 2014)

#### 4.2.5 Contributions of Local Government Revenue Sources in the Wa Municipal Assembly

Funding for developmental projects often fails to meet the budgeted requirement which means that developmental projects are not completed on schedule or often left uncompleted. It is crucial for MMDAs to mobilize enough local government revenue in order to implement development plans without relying on the central government and development partners. DACF constituted more than 75% of the total revenue whereas less than 25% come from internal generated funds in the Wa Municipal





Assembly. This implies a wide gap between [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) internally generated revenue and external generated revenues.

Table 4.7 and Figure 4.9 report the percentage contribution of each of the sources of local government revenue in the Wa Municipal Assembly's (WMA) from 2007 to 2014. A year by year comparison of local government revenue in the Wa municipality depicted an improvement in DACF from 2011 to 2013 and a decrease in 2014. The DACF is only external generated revenue from the central government available to the Wa Municipal Assembly. The other sources of revenue available to the Wa Municipal Assembly are classified as internal generated funds (IGF). These sources are rates, rents, fees and fines, licenses, lands, miscellaneous, and investments. The IGFs of the Wa Municipal Assembly were not significant over the period of assessment. DACF constituted the major source of revenue for the Assembly.

In 2007, the DACF of Wa Municipal Assembly constituted 90.558% while the other components (IGF) constitutes 9.442% of the total local government revenue. The DACF increased to 92.347 while the IGF reduced to 7.653% in 2008. The DACF reduced to 87.353% while the IGF increased to 12.647% in 2009. The highest contribution of the DACF for the period was recorded in 2013 with 94.675%, while IGF recorded 5.325%. With the IGFs components of the Assembly, fees and fines were the highest performing component in 2007 recording 4.269% and the highest of fees and fines was recorded as 9.833% in 2014. The least performing IGFs component of the Wa Municipal Assembly was investment, it recorded 0.077% in 2007 and recorded zero in both 2013 and 2014 fiscal years. The highest contribution of the DACF was 94.675% of total revenue recorded in 2013 and the lowest contribution of



the DACF was 75.143% in 2014. According to [Smoke \(2001\)](http://www.udsspace.uds.edu.gh), there are low levels of revenue mobilization in most developing countries to perform the enormous development roles given them by the central government. Bird (2010) found that there exists a decline in the overall local government revenues in most developing countries.

All the five key informants were of the view that the Wa Municipal Assembly is not mobilizing adequate revenue from the available sources. According to the Municipal Co-ordinating Director:

*“The poor performance of the local government revenue in Wa Municipality is mainly attributed to poor budget formulation and implementation, tax avoidance, lack of accountability in the mobilization of revenue, dishonesty and revenue leakage by revenue collectors and ineffective strategies for revenue collection”.*

Another key informant conceded that the Assembly’s IGFs of Wa municipal assembly has been poor over the years. In the words of a key informant,

*“Local revenue mobilization in the Wa Municipality has been very abysmal. Most people do not even know why they have to pay revenue to the Assembly in spite of the public education given to them”.*

Some of the revenue payers mentioned the fact that there were many people in the municipality who though engaged in businesses and services did not pay their revenues to the Assembly. Some of the revenue collectors also admitted that other sources of revenue existed in the Wa municipality which the Assembly could capitalize on. They explained further that there were many people in the municipality who were not paying their taxes because they have not yet registered their businesses.

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Other officers of the Assembly explained that other collection zones were yet to be established in vastly dispersed locations in order to rope in more people within the revenue net. The MMDAs' inability to generate substantial internal revenues for development projects is a national problem, but it appears to be particularly acute in the Wa Municipal Assembly. Local government revenue statistics for the past eight years in the Wa Municipal Assembly shows consistent low revenue due to inadequate generation of IGF by the Assembly. Thus, the Wa Municipal Assembly relies heavily on central government transfers (DACF) to finance their development projects. But this reliance typically delays the implementation of their Medium Term Development Plans (MTDPs). The Wa Municipal Assembly is not able to mobilize enough revenue despite the various sources of revenue available to the Assembly.

The study reveals that the local government revenue of the Wa Municipal Assembly in term of the IGFs is inadequate to help in the provision of the developmental projects in the Municipality. This has compelled the Assembly to over rely on the DACF because they are not able to generate enough revenue from their IGFs. This finding is consistent with the study of Ayee (2003); Osei-Akoto *et al.* (2007); Appiah-Agyekum *et al.* (2013); Adu-Gyamfi (2014); Puopiel and Chimsi (2015) and Akorsu (2015), they revealed that most MMDAs are not able to generate sufficient revenue at the local level for developmental purposes from the available sources, hence the over dependence on the DACF.



### **4.3 Challenges of Local Government Revenue Mobilization in the Wa Municipal Assembly**

This section addresses the second research question of this study which is: what are the challenges of local government revenue mobilization in the Wa Municipality? This question is broken down into six questions: major challenges of revenue mobilization, low level of public education on revenue payment, unwillingness of businesses to pay the appropriate amount as revenue, lack of proper accountability, small nature of businesses in the municipality and dishonesty of revenue collectors.

#### **4.3.1 Revenue Collectors Opinions on the Major Challenges of Local Government Revenue Mobilization in the Wa Municipal Assembly**

From Table 4.8 below, 60% of the respondents indicated that the low level of education on revenue payment is the major challenge of local government revenue. 20% said the small nature of some businesses affect their revenue collection capacity, 16% said most businesses are not always willing to pay the appropriate amount and 4% said the lack of accountability of revenue collected on the part of revenue collectors. The above mentioned are identified as the major challenges in local government revenue mobilization by the Wa Municipal Assembly. From the study, the major challenges confronting the Assembly revenue mobilization abilities are the low level of education on revenue payment and the small nature of some businesses in the Wa Municipality.



**Table 4. 8: Revenue Collectors Opinions on the Major Challenges of Local Government Revenue Mobilization in the Wa Municipal Assembly**

<b>Options</b>	<b>Frequency</b>	<b>Percent</b>
Lack of Accountability on Collected Revenue	1	4
Low level of Education on Revenue Payment	15	60
Small Nature of Some Businesses	5	20
Unwillingness to pay the Appropriate Amount	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The researcher sought to find out some of the major challenges that are associated with local government revenue mobilization in the Wa Municipal Assembly. Respondents rated some of the major challenges of local government revenue mobilization and these responses helped the researcher to make valid and reliable conclusions. The study revealed that the low level of education on revenue payment is the major challenge of revenue mobilization, the second was the small nature of businesses followed by the unwillingness of businesses to pay the appropriate amount, and the last was the lack of accountability on revenue collected on the part of revenue collectors.



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The study also engaged five respondents from the Wa Municipal Assembly to discuss the challenges facing revenue mobilization. In an interview with the Chief Revenue Officer he said:

*“My brother our inability to identify some revenue collection points in the municipality, lack of proper training for revenue collectors and low turnout of traders during rainy season are some of the challenges in our revenue mobilization. He also indicated that lack of transportation prevents the revenue collectors from reaching some areas in the Municipality where they could mobilize some revenue”.*

Other challenges mentioned by revenue collectors were poor administrative capacity to assess the revenue base and enforce the payment of taxes; explicit and intentional tax evasion and resistance from taxpayers; corruption, including embezzlement of revenues by revenue collectors; external pressure on the local finance department to provide optimistic projections in their budgets; political pressure on the local tax administration to relax on revenue collection especially during election periods; and poor budget formulation and implementation.



The challenges of local government revenue mobilization in the Wa Municipal Assembly account for the low level of local government revenue mobilization in the Wa Municipal Assembly. These findings confirm the findings of earlier researchers such as Kokor (1991); King *et al.* (2003), Ayee (2003); Nicol (2005) ; Agyapong (2012); Adu-Gyamfi (2014); Asante *et al.* (2014); Akorsu (2015) and Puopiel and Chimsi (2015) who established a number of challenges confronting MMDAs in effectively mobilizing local government revenue.

#### 4.3.2 Revenue Collectors Opinions on the Low Level of Public Educations on Revenue Payment to the Wa Municipal Assembly

Low level of education on revenue mobilization is one of the major challenges of revenue mobilization and as such the need to assess its effects on revenue mobilization. Table 4.9 below shows the respondents' opinions on the low level of education on revenue payment. 92% of the respondents strongly agreed that there is low level of education on revenue payment in the Municipality. 8% of the respondents agreed that there is lack adequate of education on revenue payment in the Municipality.

**Table 4. 9: Revenue Collectors Opinions on the Low Level of Public Educations on Revenue Payment of Revenue to the Wa Municipal Assembly**

Opinion	Frequency	Percent (%)
Strongly agree	23	92
Agree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The low level of public education on revenue payment affects the quantum of revenue mobilized by the Assemblies (McCluskey *et al.* 2003). Though majority of the respondents indicated their awareness of the Assembly's mandate to mobilize local government revenue yet the Assembly has to intensify the education of the public on the payment of revenue and the use of the Assembly's revenue. High level of education will help the Assembly to generate enough local government revenue as shown in Table 4.9.



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One of the revenue collectors from the Assembly said:

*“Some of the tax payers’ are unwillingness to pay the appropriate amount with the reason that they are ignorant about the use of the revenue collected”.*

This supports the findings of Agyepong (2012); Appiah-Agyekum *et al.* (2013) and Adu-Gyamfi (2014).

Atakora (2006) asserts that MMDAs’ local revenue mobilization is low since not all people pay their taxes as expected of them. With regard to why some of the revenue payers had regularly been paying their revenues, one staff from the Assembly explained that the Assembly needs the money to be able to undertake its development projects. Another revenue payer commented they owed it a duty to pay their taxes as required of them. However, other revenue payers identified a number of reasons for the existing situation including low level of development in the municipal and the fact that the Assembly only used the revenue to pay its workers. Others indicated that the revenue collectors in the municipality had not been frequenting their communities.

Puopiel and Chimsi (2015) observed that the level of development projects undertaken at the MMDAs influences people’s attitude towards meeting their tax obligations. The public finance theory indicates that revenues can only be enhanced if the proceeds are put into good use. Beyond this, Atakora (2006) and Ayee (2003) believe that public education given to the local people by the local authorities is low which affects the citizens’ cooperation with the district assemblies.



### 4.3.3 Revenue Collectors Opinions on the Small Nature of Some Businesses in the Wa Municipal Assembly

The small nature of businesses is also another perceived challenge of revenue mobilization. Majority of the respondents representing 72% have bad perception about small nature of businesses not willing to pay the appropriate amount to the revenue collectors used by the assembly. Also, 20% of respondents agree and 8% of the respondents disagree to these statements as shown in Table 4.10 below.

**Table 4. 10: Revenue Collectors Opinions on the Small Nature of Businesses of Some Revenue Payers in the Wa Municipal Assembly**

Opinions	Frequency	Percentage (%)
Strongly agree	18	72
Agree	5	20
Disagree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

Some business owners are not willing to pay basic rates to the Wa Municipal Assembly. Basic rates form a considerable proportion of the district assemblies internally generated revenue therefore the evasion of the basic rates cripple the assemblies efforts in ensuring sustainable development of the districts (Fjeldstad and Semboja, 2000). Most people are not willing to pay any money to the Assembly due to perceived small nature of their businesses.



#### 4.3.4 Revenue Collectors Opinions on the Unwillingness of Revenue Payers to Pay the Appropriate Amount as Local Government Revenue to the Wa Municipal Assembly

Respondents representing 76% strongly agreed that some businesses in town not willing to pay the appropriate amount to the revenue collectors used by the assembly. Also, 24% of the respondents agreed to these statements as shown in Table 4.11 below.

**Table 4. 11: Revenue Collectors Opinions on the Unwillingness of Revenue Payers to Pay the Appropriate Amount as Local Government Revenue to the Wa Municipal Assembly**

Opinion	Frequency	Percent (%)
Strongly agree	19	76
Agree	6	24
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The enforcement of user fees has resulted in a widespread resistance to pay from the poorer segments of the urban population. One of the main challenges revenue collectors encounter during revenue collection is that people do not see the usefulness of paying these levies. In addition, some pay and do not see any activity or project being embarked on by the assembly using these funds hence their refusal to pay any longer. This finding confirms to the findings of Kwesi (2012) who also found that most businesses do not pay revenue to the Assemblies because they think their businesses are small in nature and that they do not generate enough profit to pay tax.



#### 4.3.5 Revenue Collectors Opinions on Accountability in Local Government Revenue Mobilization in the Wa Municipal Assembly

Respondents are of the view that that there is accountability in the local government revenue mobilization. This has been revealed as 52% of respondents agreed that there is accountability in the revenue collection. On the other hand 40% of respondent disagrees that the Assembly render proper accounts to the public or its Assembly members and 8% said they do not know.

**Table 4. 12: Revenue Collectors Opinions on Accountability in Local Government Revenue Mobilization in the Wa Municipal Assembly**

Opinions	Frequency	Percent (%)
Strongly agree	6	24
Agree	7	28
Strongly disagree	4	16
Disagree	6	24
Do not know	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

Though the Assembly revenue collectors are said to be accountable they are not able to generate enough due to other factors like low level of public education on revenue payment and utilization as shown in Table 4.12. Appeah (2003) notes that District Assemblies in Ghana do not have any systematic machinery or format for monitoring revenue collections because the data that will guide the preparation of that format are not available. Revenue collectors account for their collections a week or more after



the collections, a situation that is subject to abuses and many reasons are cited for their inability to render accounts as and when they are expected to do so.

#### 4.3.6 Revenue Payers Opinions on the Dishonesty of Revenue Collectors in Local Government Revenue Mobilization

Majority of the respondents have bad perception about the revenue collectors of the Assembly. 90% of respondents agreed to the statements that revenue collectors used by the Municipal Assembly are dishonest people. 5.6% of the respondents also disagree to these statements and 4.3% of the respondents could not tell.

**Table 4. 13: Revenue Payers Opinions on the Dishonesty of Revenue Collectors in Local Government Revenue Mobilization**

Opinion	Frequency	Percent (%)
Strongly agree	49	70
Agree	14	20
Strongly disagree	2	2.8
Disagree	2	2.8
Do not know	3	4.3
<b>Total</b>	<b>70</b>	<b>100</b>

Source: Fieldwork, 2015

This phenomenon has become rampant in the district assemblies in Ghana. Revenue collectors often fail to render accurate account to the assemblies on the revenue generated. Also, some revenue collectors connive and condone with tax payers not to pay the correct amount. This problem has emanated due to the unqualified nature of



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revenue collectors. These activities of the revenue collectors adversely affect the progress of district assemblies in Ghana (Fjeldstad and Semboja, 2000). This affects the district assemblies' capacity and accountability. The study revealed that most of the revenue collectors used by the Assembly for revenue collections are dishonest as shown in Table 4.13. Appeah (2003) confirms that revenue collections are open to serious abuse and corruption in many developing countries. The leakages, under-declarations and other blatant acts of official misconducts are a great challenge to efforts at increasing internally generated revenues.

#### **4.4 Strategies to Improve Local Government Revenue Mobilization in the Wa Municipal Assembly**

This section addresses the last research question of this study which is: how could WMA device strategies to strengthen local government revenue mobilization in order to meet its developmental needs? This question is broken down into follow up questions: Core Assembly staff opinions on the major strategies for local government revenue mobilization, motivation of revenue collectors, professionalism in revenue collectors, training of revenue collectors, adequacy of monitoring system, effectiveness of monitoring systems and visible projects undertaken by the assembly.

##### **4.4.1 Revenue Collectors Opinions on the Strategies for Local Government Revenue Mobilization in the Wa Municipal Assembly**

The responses gathered from Table 4.14 below shows that 80% of respondent from the Assembly indicated that public education on revenue payment is the best strategy to use for revenue mobilization. 4% of respondents stated that revaluation of immovable properties is the best strategy. The use of task force and the police to



enforce payment is also agreed upon by 8% of the respondents. Introduction of new business operating permits was also stated by some of the respondents representing 4%. The remaining 4% agreed on the engagement of private revenue collectors.

**Table 4. 14: Revenue Collectors Opinions on the Strategies of Local Government Revenue Mobilization in the Wa Municipal Assembly**

<b>Options</b>	<b>Frequency</b>	<b>Percent</b>
Public education on revenue payment	20	80
Revaluation of immovable properties	1	4
Use of task force and the police to enforce payment	2	8
Introduction of new business operating permits	1	4
Engagement of private revenue collectors	1	4
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The last item in this section solicited the views of respondents on the strategies to be adopted to encourage efficient revenue at the Municipal Assembly. The low level of local government revenue mobilization coupled with misapplication of funds by local authorities has been a source of concern especially the central government. Having realized that revenue short-falls constitute a hindrance in local level development, MMDAs are empowered to adopt several strategies to strengthen local government revenue mobilization. These strategies include the following: revaluation of landed property rate; fair increase in rate payment levels; formation of effective revenue task force for enforcement on revenue payments; intensification of revenue mobilization campaigns and educations (Ayee, 2003 and Kokor, 2001). Details of the analysis



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revealed that public education on revenue payment and motivating revenue collection were the strategies most conceded to by the respondents as shown in Table 4.14.

One of the respondents from the Assembly revealed that:

*“Traditional rulers can help the revenue collectors to improve their revenue base in order to support the provision of infrastructure like roads, markets, schools and hospitals in the various areas since they easily mobilize their people for various productive activities”.*

This is an indication that the Assembly are using only traditional mean of revenue collection. The local government revenue mobilization strategies used by the assemblies corroborate with findings by Adesoji and Chike (2013), Adu-Gyamfi (2014). They found that educating people concerning the need and importance to paying taxes to the municipal assembly can help effectively to improve on revenue mobilization within the district.

#### **4.4.2 Revenue Collectors Opinions on the Motivation of Revenue Collectors in the Wa Municipal Assembly**

From Table 4.15 shown below, the findings of the study revealed that revenue collectors are not motivated to do their work as 68% strongly disagree and 12% disagree attested to the fact that revenue collectors are not properly motivated. However, 8% comprising of 4% Strongly Agree and 4% agree however believed that revenue collectors are motivated and 12% do not know whether revenue collectors are motivated or not.



**Table 4. 15: Revenue Collectors Opinions on the Motivation of Revenue Collectors in the Wa Municipal Assembly**

Opinions	Frequency	Percent (%)
Strongly agree	1	4
Agree	1	4
Strongly disagree	17	68
Disagree	3	12
Do not know	3	12
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

Motivation is the rational for behavior and in any competitive society workers are one of the tools for economic progress. Their welfare is taken into serious consideration because without a dedicated workforce an organization crumbles. It is therefore apparent that the issue of adequate motivation of worker has relevance in managerial function and activities that are aimed at directing the productive effort of the workforce toward achieving organizational objectives (Robinson, 2004). The responses revealed that revenue collectors in the Assembly are not properly motivated as shown in Table 4.15. This lack of motivation as indicated by respondents affects revenue mobilization. During an interview with respondents from the Assembly it was revealed that some kind of motivation should be provided by management to revenue collectors for efficient and effective mobilization of revenue.



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These interviewees believed that motivation such as refresher training, revenue mobilization vehicles, allowances, provision of receipt books and uniforms, good and early payment of salaries to collectors, provision of motor bikes for collectors could enhance revenue mobilization. Adu-Gyamfi (2014) found similar findings in his study in Upper Denkyira East Municipal Assembly of Ghana.

#### 4.4.3 Revenue Collectors Opinions on the Professionalism in Revenue Collectors in the Wa Municipal Assembly

Table 4.16 below shows that the revenue collectors are not professionally trained because 36% of the respondents indicated that the revenue collectors are not professionally trained and 40% could not tell. The remaining 24% however, indicated that the revenue collectors are professionally trained.

**Table 4. 16: Revenue Collectors Opinions on the Professionalism in Revenue Collectors in the Wa Municipal Assembly**

Opinion	Frequency	Percent (%)
Yes	6	24
No	9	36
Do not know	10	40
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The respondents have expressed their view that lack of professionalism on the part of revenue collectors usually result in practices that leads to low revenue mobilization of the Assembly. With this, most of them believed that if revenue collectors are





professionals, they will be able to mobilize more revenue for the Assembly as shown in Table 4.16. This finding is in consonance with the findings of other researchers like Agyepong (2012) and Adu-Gyamfi (2014) who found that the low level of local government revenue collection is due to lack of professionalism of the revenue collectors.

#### **4.4.4 Revenue Collectors Opinions on the Training of Revenue Collectors in the Wa Municipal Assembly**

The training of revenue collector activities has been noted to be a factor that can help improve the revenue levels of the Assembly. From the Table 4.17 below, respondent's views shows that revenue collectors are being trained as 40% of them attested to the fact that revenue collectors are trained. However, 20% of respondents opined that revenue collectors are not trained and the remaining 40% do not have any idea with regards to training of revenue collectors.

**Table 4. 17: Revenue Collectors Opinions on the Training of Revenue Collectors in the Wa Municipal Assembly**

<b>Opinion</b>	<b>Frequency</b>	<b>Percent (%)</b>
Yes	10	40
No	5	20
Do not know	10	40
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

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From the results shown in Table 4.17, though trained, respondents still believe that revenue collected is still being stolen by the revenue collectors as the training is not effective. This means that there is no adequate educational training for revenue collectors in the Assembly. This finding is in consonance with the findings of other researchers like Agyepong, 2012 and Adu-Gyamfi, 2014 who concluded that the low level of local government revenue collection is due to lack of adequate training of revenue collectors.

#### **4.4.5 Revenue Collectors Opinions on the Adequacy of Monitoring System in the Wa Municipal Assembly**

The monitoring of revenue collection activities has been noted as a factor that can help improve the revenue levels of the Assembly. From the table 4.18, respondent's views shows that the activities of revenue collectors are being monitored as 44% of them attested to the fact that revenue collectors are monitored. The remaining 28% of respondents opined that revenue collectors are not monitored and 28% do not have any idea with regards to monitoring.

**Table 4. 18: Revenue Collectors Opinions on the Adequacy of Monitoring System in the Wa Municipal Assembly**

<b>Opinion</b>	<b>Frequency</b>	<b>Percent (%)</b>
Yes	11	44
No	7	28
Do not know	7	28
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015



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The district assemblies in Ghana are challenged by the failure of some individuals and small scale enterprises engaged in economic activities to pay tax. Some district assemblies do not have the mechanism to ensure adequate monitoring of economic activities in their area of jurisdiction (Devas and Kelly, 2001). This has resulted in a situation whereby these enterprises pay less than the expected amount of money. Effective monitoring issues on revenue mobilization in this study area were supported by the works of Nicol (2005), and Appeah (2003). Nicol's assertion that supervision and surprise field visitation plays an important role in local revenue mobilization levels. Nicol (2005) further states that without them (supervision and control), intensifies corrupt practices among revenue collectors and finally results in low revenue mobilization. The monitoring of revenue collection activities has been noted to be a factor that can help improve the revenue levels of the Assembly.

From Table 4.18, respondents' views showed that the monitoring mechanisms of revenue collectors are not adequate and attested to the fact that monitoring mechanisms of revenue collectors are not effective. This is an indication that there are no adequate monitoring mechanisms for revenue collectors in the Assembly and the hence the low level of revenue mobilization. The preceding findings mean that, the revenue collectors uses other means of collecting the revenues for the Assembly without accounting for it leading to a lower amount of revenue collection by the Municipal Assembly. This outcome confirms the position of Bardhan and Mookherjee (2002) who were of the view that a complicated and non-transparent local government revenue system is costly to administer and it facilitates corruption and mismanagement. This finding is significant because it is now possible for solution to be provided for the Assembly to have efficient and effective revenue collection team.



#### 4.4.6 Revenue Collectors Opinions on the Effectiveness of Monitoring Systems in the Wa Municipal Assembly

The table below shows the level of effectiveness of monitoring mechanisms used the Wa Municipal Assembly. The results show 28% of respondents opined that monitoring mechanisms of revenue collectors are effective, 16% indicated that the monitoring mechanisms used by the Assembly are not effective and 56% do not have any idea with regards to the monitoring mechanisms. Though monitored, respondents still believe that revenue collected is still being stolen by the collectors as the monitoring system is not effective.

**Table 4. 19: Revenue Collectors Opinions on the Effectiveness of Monitoring System in the Wa Municipal Assembly**

<b>Opinion</b>	<b>Frequency</b>	<b>Percent (%)</b>
Very Effective	4	16
Effective	3	12
Not effective	4	16
Do not know	14	56
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015



#### 4.4.7 Revenue Collectors Opinions on the Visible Projects Undertaken by the Wa Municipal Assembly

The Assembly's ability to use its mobilize revenue to undertake certain developmental projects will help the Assembly to generate more revenue because when the tax payers realize the revenues they pay are used to develop the municipality they will be willing to honor their revenue obligations to the Assembly. Out of the 25 respondents from the Assembly, 64% of the respondents agreed that the Assembly has funded projects with the revenue collected and also that the revenue collected by the municipal assembly over the years have had positive effect on social, economic and infrastructural development in the assembly. 8% said the Assembly has not undertaken any visible project with the local government revenue and 28% said they do not know of any project by the Assembly.

**Table 4. 20: Revenue Collectors Opinions on the Wa Municipal Assembly's Projects**

<b>Opinions</b>	<b>Frequency</b>	<b>Percent (%)</b>
Yes	16	64
No	2	8
Do not know	7	28
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Fieldwork, 2015

The Local Government Act, Act 462 (1993) mandates the MMDAs to mobilize sufficient local government revenue to supplement allocations from the central government in order to be effective partners in local level development. The



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Assembly's ability to use the generated revenue to undertake certain development projects will give trust to the citizens to honor their tax obligations on time. Most of the respondents said the Wa Municipal Assembly has embarked some developmental projects in the Municipality as shown in Table 4.20 in the analysis part.

During the key informant interview with the Municipal Planning Officer he said:

*“We have undertaken some developmental projects such as building of KVIPs, provision of roads, street lights, traffic lights, construction of gutters, provision of potable water, maintenance of roads within the district, construction of markets, building of schools, mounting of additional traffic lights among others”.*

Linking the current findings to the other studies, Fjeldstad and Semboja (2000) suggested that the local government revenue and the way revenues are collected should be an integrated function of which the Assemblies are required to develop strategies which can lead to the efficient mobilization of local government revenue.

#### **4.5 Chapter Summary**

This chapter presented the results of the data and interpreted in line with the research objectives and the research questions. The chapter presents the findings and the discussion for the study in relation to the research objectives. All the research objectives were achieved using the questionnaire and key informant interviews.



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

### **5.0 Introduction**

This chapter presents the summary of major findings of the study, conclusions and recommendations of the study. The study investigated how local government revenue could be strengthened towards financing local level development in the Wa Municipality. The study set out to achieve the following objectives. In first place, the study aimed at assessing the sources of local government revenue available to the Wa Municipal Assembly. Secondly, the study examined the challenges of local government revenue mobilization in the Wa Municipal Assembly. Lastly, this study explored strategies that would help the WMA to improve on its local government revenue mobilization to meet its developmental needs. From the findings some conclusions are drawn about the performance of WMA in meeting the local developmental needs of the Municipality. The chapter ends with some recommendation to the management of WMA and in particular the Municipal Chief Executive, Municipal Chief Director, Presiding Member and Assembly Members on how to enhance local government revenue mobilization for local level development in Ghana.

### **5.1 Summary of Findings**

Based on the analyses of data and empirical literature, this study identified three research questions which guided the researcher in the achievement of the objectives of the study. This section presents a summary of the major findings of the study.



### **5.1.1 Sources of Local Government Revenue in the Wa Municipal Assembly**

The study revealed that two main sources of revenue are available to the Assembly which includes the internally generated funds and central government transfers. The internal generated funds are generated through rates, lands, fees and fines, licenses, rent, investment and miscellaneous. The central government transfer is the form of grants (DACF). However, the revenues that are generated to finance local level development in the Municipality are very insufficient. The performance of the sources of revenue for the Assembly was insignificant hence the over reliance on the DACF to meet the developmental needs of the Municipality.

### **5.1.2 Challenges of Local Government Revenue Mobilization in the Wa Municipal Assembly**

The study established that revenue mobilization at the WMA has been plagued with challenges such as inadequate motivation of revenue collectors, low level of education on the significances of paying revenue, inadequate revenue collectors and lack of adequate revenue data. Furthermore the findings revealed that there is lack of logistics to effectively handle the revenue mobilization mandate of the Assembly. Moreover the study found that revenue collectors do not have adequate training in terms of revenue collection, and also not well motivated. In addition there are no proper monitoring mechanisms of the activities of revenue collectors that are put in place to check leakages, malfeasances and corruption.



### **5.1.3 Local Government Revenue Mobilization Strategies in the Wa Municipal Assembly**

The study revealed that intensive public education on revenue payment should be used to increase public awareness on revenue mobilization. The study established that revenue mobilization task force and police should be used embark on a rigorous revenue collection. The assembly should expand the revenue base and also strive to arrange defaulters to court. Some also believed that proper structures should be put in place to capture those who do not pay taxes in order to increase the revenue base. Outsourcing collection operations according to some respondents is imperative.

While some considered group collection and educating both the rate payers and task force to improve their skills, others cited an increase in revenue rate and widening the scope of operations. Others advocated for the employment of competent and literate staff. Some respondents demanded a reconstitution, equipping and motivating revenue collection task force or outsourcing revenue collection exercise. In the opinion of a respondent, the existing control system in place should be strengthened; others supported instituting an efficient data base on entities and proper revenue data by using mechanized and computerized methods of collection.

### **5.2 Conclusion of the Study**

Based upon the findings of the study the following conclusions are drawn and for which recommendations are also made to the management of WMA.

The source of local government revenue available to the Assembly are rates, lands, fees and fines, licenses, rent, investment, miscellaneous and DACF. The Assembly is able to generate enough to finance the developmental needs of the Municipality.



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The Assembly tends to depend on the District Assembly Common Fund (DACF) to meet its local level development because the DACF is the highest source of revenue for the Assembly.

The Assembly has no adequate education programmes to educate the public on revenue mobilization and the associated benefits. The Assembly also do not have reliable database which gives details about traders, artisans, property owners, corporate bodies doing business in the Municipality. The lack of reliable data base is one of the factors for poor budget formulation and implementation in the WMA. The Assembly is therefore unable to meet its local level developmental needs to consumers of public goods and services in the Municipality and continue to fail to satisfy its consumers so far as it does not develop new strategies to improve its local government revenue mobilization.

The Assembly is not sufficiently using fiscal decentralization to empower itself under Local Government Act, Act 462 (1993) for that matter it has not been able to develop new and sustainable strategies to improve its performance in local government revenue mobilization. The existing strategies are so traditional that they do not improve the revenue of the Assembly; WMA has not experienced any strategy changes in local government revenue mobilization since the last 10 years. The use of police and task force to extract revenue is outmoded. It diminishes the principle that the payment of taxes, rate, among others, should be voluntary and not out of fear. The use of tax education and capacity building rather ginger rate payers as well as revenue collectors to live up to their civic responsibilities.



### 5.3 Recommendations of the Study

The recommendations presented address the objective of the study, which was to examine how local government revenue mobilization could be strengthened towards financing local level development in the Wa Municipality. Following the findings and conclusions of the study, the under listed recommendations have been proposed for practice.

1. The Wa Municipal Assembly in collaboration with the Ministry of Tourism should use the tourist attractions in Municipality to attract more tourists and also to create jobs for more people. The various tourist sites in the Municipality should be harnessed and developed for job creation and revenue mobilization for the Assembly. Tourism is one of the fast growing sectors in the Municipality and awaits a lot of investment. Some of the notable tourists' attractions are: the Wa-Naa Palace, the Centenarian Mosque at Nakori and the Chegli crocodile pond.
2. The available local government revenue of the Assembly should be used to finance developmental projects such as markets, good roads, improved sanitation, and portable water supply. This will help to improve their localities and general well-being of the people. This would go a long way to restore taxpayer confidence in the Assemblies and therefore whip up public support for local government revenue mobilization.
3. The Assembly should go into private public partnership to build outdoor entertainment places which can meet international standards for relaxation, thereby raising some additional revenue to complement traditional local



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government revenue sources. Three of such potential places have been identified by the researcher in the Wa Municipality which could be developed by the WMA to serve the purpose. The development of the 5 acre children's park would serve as a major source of local government revenue to the Assembly, development of a seven (7) acre piece of land near Upland Hotel as an outdoor entertainment grounds. The construction of the car park in the Wa market would help to raising a lot of revenue looking at the huge numbers of vehicles and motor bikes that enter the central business area.

4. The Financer Officer of the WMA should develop and maintain a reliable revenue collection database in order to improve the local government revenue mobilization of the Assembly. This should be done by collecting data on all economic activities in the Municipality catchment area for effective planning and budgeting.
5. Intensive and regular tax education programmes' should be rolled out using the electronic and print media to sensitize the general public on the need to pay rates, levies and taxes. Revenue collectors should be educated on revenue mobilization strategies. The Assembly should provide common platforms where management of the Assembly will meet all stakeholders to discuss common problems related to revenue mobilization and payment of taxes, rates among others. Generate a reliable database of all potential revenue payers and contact them through the electronic media when revenue is due for payment.



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6. The Assembly should use other methods of collecting revenue such as the electronic media (Mobile Money System, E-zwich and bank transactions).
7. To ensure checks and balances in the utilization of revenue, it is imperative for the members to be trained so as to be able to play their oversight roles effectively. The WMA should consider training revenue collectors including local actors and administrators in basic skills of not only revenue collection but also in identification of revenue sources and even communication skills which are all necessary for revenue collection.
8. Good monitoring mechanisms of the activities of revenue collectors should be put in place to check leakages, malfeasances and corruption. The WMA should put in place effective monitoring mechanisms to check the activities of these outsourced vendors and collectors to make sure that siphoning of proceeds on their part and on the part of the revenue collectors are curtailed. The Municipal Assembly should monitor and evaluate the performance of its revenue collectors. There should be periodic evaluation of their performance so that those who are doing well be motivated.
9. WMA should devise new strategies of local government revenue mobilization. The new strategies should include investing in shuttle transport, mortuary services, funeral services, and other profitable joint ventures.
10. WMA should also use relationship marketing to reach out to stakeholder through meetings, seminars, conferences, forums, tax education and sensitization to know the problems of payment of taxes, rates and the



[www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) challenges in revenue collection. This will minimize insults, brutalities and psychological tortures suffered by revenue collectors. It will also avoid tax avoidance; tax connived and tax evasion which drastically reduce WMA's IGFs.

11. The Assembly in collaboration with the lands valuation board should be able to value and revalue all properties for realistic and economic rating. It is hoped that this measure will among other things ensure accurate nominal rolls with which the Assembly could check revenues collected with the estimated. This would reduce the incidence of revenue leakages and increase the volumes of revenue collected. It was established during the research that most of the finance and administration committee members lack basic skills in accounting and finance principles.
12. Providing transportation logistics to revenue collectors to enable them reach the unreached areas in the Municipality. The office of the revenue superintendent should be allocated revenue vans and the needed technology to monitor revenue collection activities on daily bases. This would also make it possible for monies collected to be paid into the Assembly's account daily since it is not all revenue stations that have designed banks. Revenue collectors need to be provided with transportation logistics to help them reach some areas in the Municipality where they could not reach.
13. The assembly should also take steps to ensure that collectors are properly recruited and trained; the Municipal Assembly should recruit more permanent



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revenue collectors and motivate them to work harder. The Assembly should employ people who would stay longer to work and motivate them enough to keep them. Tax payers would trust people they are familiar with. The revenue unit of the assembly must be adequately resourced at all times to meet the challenges of revenue collection.

#### **5.3.4 Area for Further Studies**

The evidence from the study particularly from the literature and the empirical analysis in this study still showed large knowledge gaps in literature. Further study should be carried in out on stakeholders involvement in local government revenue mobilization for local level development in the Wa Municipal Assembly.



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APPENDIX A

UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF GRADUATE STUDIES

FACULTY OF INTEGRATED DEVELOPMENT STUDIES

DEPARTMENT OF SOCIAL, POLITICAL AND HISTORICAL STUDIES

QUESTIONNAIRE FOR THE REVENUE PAYERS THE WA

MUNICIPALITY

Abubakari Mohammed Salisu is my name, a second year Master of Philosophy in Social Administration student in the Department of Social, Political and Historical Studies at the University for Development Studies Wa Campus. As part of the requirements for the award of Master of Philosophy in Social Administration Degree at the University for Development Studies, all students are required to write and defend a thesis during their programme of study. It is in the light of this that I am writing my thesis on the topic “**Mobilizing Local Government Revenue towards Financing Local Level Development: The Case of Wa Municipal Assembly**”. The main objective of the study is to assess how local government revenue could be strengthened to finance local level development in the Wa Municipality. The stakeholders of this thesis include taxpayers and municipal assembly workers and other residents in the municipality. As part of the sampling procedure you have been selected to be a respondent to these questionnaires in order to help me gather the necessary information for my thesis. The research is purposely for academic work and the information given shall be treated with confidentiality. I would therefore be very grateful if you could kindly respond to the questions in order to help me gather the necessary information for my thesis.



**SECTION A**

**DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

1. Sex  
A. Male [ ] B. Female [ ]
2. Age .....
3. Marital status  
A. Single [ ] B. Married [ ] C. Widowed [ ] D. Divorced [ ]
4. What is your level of education?  
A. Middle/JHS [ ] B. SSS/Vocational/Technical [ ] C. College/Polytechnic [ ]  
D. University [ ] E. No formal education [ ] F. Specify others .....
5. What do you do for the living? .....

**SECTION B**

**SOURCES OF LOCAL GOVERNMENT REVENUE**

6. Has the Wa Municipal Assembly been mandated by law to mobilize local government revenue for local level development?  
A. Yes [ ] B. No [ ] C. Do not know [ ]
7. Have you been paying local government revenue to the Wa Municipal Assembly?  
A. Yes [ ] B. No [ ] C. Do not know [ ]
8. Can you please identify some of the sources of local government revenue for the municipality?



**CHALLENGES OF LOCAL GOVERNMENT REVENUE**

**MOBILIZATION IN THE MUNICIPALITY**

Can you please indicate by ticking the appropriate box, the extent to which you agree with the following as they are the reason(s) why some people have not been paying local government revenue to the Wa Municipal Assembly?

9. Some revenue collectors are dishonest in terms of rendering accounts to the Assembly

- A. Strongly agree [ ] B. Agree [ ] C. Strongly disagree [ ] D. Disagree [ ]  
E. Do not know [ ]

**SECTION D**

**STRATEGIES THAT WILL HELP WMA TO IMPROVE ON ITS LOCAL  
GOVERNMENT REVENUE MOBILIZATION TO MEET ITS LOCAL  
DEVELOPMENTAL NEEDS**

10. What strategies can the Assembly adopt to facilitate the efficient and effective mobilization of local government revenue for local level developmental purposes?

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

!!!!!!Thank you for your response!!!!!!



**UNIVERSITY FOR DEVELOPMENT STUDIES**

**SCHOOL OF GRADUATE STUDIES**

**FACULTY OF INTEGRATED DEVELOPMENT STUDIES**

**DEPARTMENT OF SOCIAL, POLITICAL AND HISTORICAL STUDIES**

**QUESTIONNAIRE FOR THE REVENUE COLLECTORS IN THE WA**

**MUNICIPAL ASSEMBLY**

Abubakari Mohammed Salisu is my name, a second year Master of Philosophy in Social Administration student in the Department of Social, Political and Historical Studies at the University for Development Studies Wa Campus. As part of the requirements for the award of Master of Philosophy in Social Administration Degree at the University for Development Studies, all students are required to write and defend a thesis during their programme of study. It is in the light of this that I am writing my thesis on the topic “**Mobilizing Local Government Revenue towards Financing Local Level Development: The Case of Wa Municipal Assembly**”. The main objective of the study is to assess how local government revenue mobilization could be strengthened to finance local level development in the Wa Municipality. The stakeholders of this thesis include taxpayers and municipal assembly workers and other residents in the municipality. As part of the sampling procedure you have been selected to be a respondent to these questionnaires in order to help me gather the necessary information for my thesis. The research is purposely for academic work and the information given shall be treated with confidentiality. I would therefore be very grateful if you could kindly respond to the questions in order to help me gather the necessary information for my thesis.



**DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

Please respond appropriately to the questions below:

1. Sex:  
A. Male [ ] B. Female [ ]
2. Age .....
3. Marital status  
A. Single [ ] B. Married [ ] C. Widowed [ ] D. Divorced [ ]
4. What is your level of Education? A.SSS/Vocational/Technical [ ] B. College/Polytechnic [ ] C. Undergraduate [ ] D. Masters/PhD [ ] E. Professional [ ] F. Specify others .....
5. How long have you been working at the Assembly?  
A. below 1 year [ ] B. 1- 4 years [ ] C. 5 -10 years [ ] D. above 10 years [ ]

**SECTION B**

**SOURCES OF LOCAL GOVERNMENT REVENUE IN WA MUNICIPAL ASSEMBLY**

6. Does the Assembly have adequate local government revenue mobilization sources in the Wa Municipality?  
A. Yes [ ] B. No [ ]

7. Can you please identify some of the sources

.....

.....

.....

.....



- [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh)
8. How would you assess the local government revenue performance (inflow and outflow) of the Wa Municipal Assembly?
- A. Very low [ ] B. Low [ ] C. Average [ ] D. High [ ]

**SECTION C**

**CHALLENGES OF LOCAL GOVERNMENT REVENUE**

**MOBILIZATION IN THE WA MUNICIPALITY**

9. What are some of the major challenges that mostly hinder the effective mobilization of local government revenue for local level development in the Municipality?

.....

.....

Can you please indicate by ticking the appropriate box, the extent to which you agree with the following as they are the reason(s) why some people have not been paying local government revenue to the Wa Municipal Assembly?

10. Lack of information/educations on the significance of paying local government revenue to Wa Municipal Assembly?

- A. Strongly agree [ ] B. Agree [ ] C. Strongly disagree [ ] D. Disagree [ ]
- E. Do not know [ ]

11. The small nature of businesses affects the size of local government revenue mobilized

- A. Strongly Agree [ ] B. Agree [ ] C. Strongly Disagree [ ] D. Disagree [ ]
- E. Do not know [ ]



[www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh)

12. Businesses in town are not willing to pay the appropriate amount as tax to the Assembly?

- A. Strongly Agree [ ] B. Agree [ ] C. Strongly Disagree [ ] D. Disagree [ ]
- E. Do not know [ ]

13. Local government revenue mobilized are not well accounted for by both collectors and administrators

- A. Strongly agree [ ] B. Agree [ ] C. Strongly disagree [ ] D. Disagree [ ]
- E. Do not know [ ]

14. Give reasons why the mobilized local government revenue are not well accounted for?

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15. In your view, how has low local government revenue mobilization by the Assembly affected the local level development of the municipality?

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**SECTION D**

**STRATEGIES THAT WILL HELP WMA TO IMPROVE ON ITS**

**LOCAL GOVERNMENT REVENUE MOBILIZATION TO MEET ITS**

**LOCAL DEVELOPMENTAL NEEDS**

16. Which of these strategies should the Assembly adopt to facilitate the efficient and effective mobilization of local government revenue in the Municipality?

- A. Public education on payment [   ]
- B. Revaluation of immoveable properties [   ]
- C. Use of task force and the police to enforce payment [   ]
- D. Introduction of new business operating permits [   ]
- E. Engagement of private revenue collectors [   ]

17. What other strategies can the Assembly adopt to facilitate the efficient mobilization of local government revenue for local level developmental purposes?

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18. Revenue collectors are highly motivated to do their work

- A. Strongly agree [   ]
- B. Agree [   ]
- C. Strongly disagree [   ]
- D. Disagree [   ]
- E. Do not know [   ]

19. In your opinion, what kind of motivation or logistics should management provide to revenue collectors for efficient and effective mobilization of local government revenue?

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20. Are personnel or revenue collectors professionally trained to carry out their duties?

- A. Yes [   ]
- B. No [   ]
- C. Do not know [   ]

21. Are revenue superintendents and revenue collectors educated on revenue mobilization?

- A. Yes [   ]
- B. No [   ]
- C. Do not know [   ]

22.If yes mention some of the educational program

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23. Does the Wa Municipal Assembly have monitoring system for the activities of local government revenue collectors?

A. Yes [ ] B. No [ ] C. Do not know [ ]

24. If yes, how effective is the monitoring?

A. Very Effective [ ] B. Effective [ ] C. Not Effective [ ] D. Do not know [ ]

25. Are there visible projects undertaken by the Assembly from the local government revenue in the Municipality? A. Yes [ ] B. No [ ] C. Do not know [ ]

26. If yes to the question 26, can you kindly name some of the projects undertaken by the Assembly with this revenue?

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!!!!!!Thank you for your response!!!!!!



UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF GRADUATE STUDIES

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DEPARTMENT OF SOCIAL, POLITICAL AND HISTORICAL STUDIES

INTERVIEW GUIDE FOR THE ADMINISTRATIVE ASSEMBLY STAFF OF  
THE WA MUNICIPAL ASSEMBLY

Abubakari Mohammed Salisu is my name, a second year Master of Philosophy in Social Administration student in the Department of Social, Political and Historical Studies at the University for Development Studies Wa Campus. As part of the requirements for the award of Master of Philosophy in Social Administration Degree at the University for Development Studies, all students are required to write and defend a thesis during their programme of study. It is in the light of this that I am writing my thesis on the topic “**Mobilizing Local Government Revenue towards Financing Local Level Development: The Case of Wa Municipal Assembly**”. The main objective of the study is to assess how local government revenue mobilization could be strengthened to finance local level development in the Wa Municipality. The stakeholders of this thesis include taxpayers and municipal assembly workers and other residents in the municipality. As part of the sampling procedure you have been selected to be a respondent to these questionnaires in order to help me gather the necessary information for my thesis. The research is purposely for academic work and the information given shall be treated with confidentiality. I would therefore be very grateful if you could kindly respond to the questions in order to help me gather the necessary information for my thesis.



Please respond appropriately to the questions below:

1. What is your position at the Wa Municipal Assembly?
2. Can you please identify some of the sources of the municipality?
3. What is the performance of these sources of local government revenue?
4. What are the factors that hinder the effective mobilization of local government?
5. In your view, how has low local government revenue mobilization by the Assembly affected the local level development of the municipality?
6. What strategies can the Assembly adopt to facilitate the efficient mobilization of local government revenue for local level developmental purposes?
7. Mention some of the educational programmes for revenue collectors in the assembly

!!!!!!Thank you for your response!!!!!!

