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**UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE**

**PROPERTY RATE ADMINISTRATION AND LOCAL GOVERNMENT  
FUNDING: TOWARDS IMPROVING PROPERTY RATE REVENUE IN THE  
WA MUNICIPALITY**

**TAHIRU ALHASSAN**

UNIVERSITY FOR DEVELOPMENT STUDIES



**2020**

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MUNICIPALITY**

**BY**

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DISSERTATION SUBMITTED TO THE DEPARTMENT FOR GOVERNANCE  
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AWARD OF MASTER OF PHILOSOPHY DEGREE IN  
DEVELOPMENT MANAGEMENT

**OCTOBER, 2020**



## DECLARATION

### Candidate's Declaration

I do hereby declare that this is a submission of my works towards my M.Phil. Development Management degree and that, to the best of my knowledge, it contains no material previously published by another person nor substance which has been submitted and accepted for the award of any degree elsewhere except for reference which has been duly acknowledged.

Candidate's Signature..... Date...../...../.....

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### Supervisor's Declaration

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

Principal Supervisor's Signature..... Date...../...../.....

Name: PROFESSOR EMMANUEL K. DERBILE

Co-Supervisor's Signature..... Date...../...../.....

Name: SURV. SAMUEL B. BIITIR



## ABSTRACT

The growth of African towns and cities has outpaced local governments' capacity for service delivery, and this development brings substantial financial challenges in urban governance. This study was conducted to assess how property rate administration can be enhanced to improve local government revenue in the Wa Municipality. It focused on examining the taxation practices of undeveloped land and its potential for revenue generation, re-examining the cost method in determining rateable values, and exploring how public-private partnership can help in property rate administration. An exploratory case study research design was employed involving the use of interviews and a survey of 170 rateable property owners. The study found that there is a guideline on charging rent on undeveloped land. However, WMA has not implemented this guideline. The study also revealed that the cost method is still relevant, provided Assemblies have the resources to undertake valuation. This is because the cost method was found to be expensive in its application. Furthermore, the findings reveal a potential for public-private partnership as a good model for improving property rating although the WMA has not used it in the area of property rating. Thus, the following recommendations have been put forward for enhancing property rate administration to improve local government funding. The study recommends a policy review of the taxable object to include land. Therefore, any plot that is not developed but found with the planned area will be liable to undeveloped land tax. The use of an unassessed rate or flat rate should be formalized and refined to reflect the values of properties. This can be done by introducing some scientific basis into its usage. Finally, the Assembly should explore public-private partnership for billing and collection of property rate to improve property rate administration.



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## **DEDICATION**

I dedicate this work to Mr and Mrs Yunus Alhassan both of blessed memory!!!

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**TABLE OF CONTENTS**

**DECLARATION.....ii**  
**ABSTRACT ..... iii**  
**ACKNOWLEDGEMENT .....iv**  
**DEDICATION..... v**  
**LIST OF TABLES .....ix**  
**LIST OF FIGURES ..... x**  
**LIST OF PLATES .....xi**  
**CHAPTER ONE ..... 1**  
**INTRODUCTION..... 1**  
    1.1 Background of the study ..... 1  
    1.2 Problem statement ..... 4  
    1.3 Research questions ..... 6  
    1.4 Research objectives ..... 6  
    1.5 Scope of the study ..... 7  
    1.6 Significance of the study ..... 7  
    1.7 Structure of the thesis ..... 8  
    1.8 Chapter summary ..... 9  
**CHAPTER TWO ..... 10**  
**THEORETICAL FRAMEWORK OF PROPERTY TAXATION ..... 10**  
    2.1 Introduction ..... 10  
    2.2 Importance of property taxation to local government funding ..... 10  
    2.3 Overview property taxation..... 12  
        2.3.1 Property taxation globally ..... 15  
    2.4 Property taxation policies..... 16  
        2.4.1 Policies on taxable objects (tax base) ..... 16  
        2.4.2 Meaning of value and valuation methods ..... 17  
        2.4.3 Rate setting ..... 24  
        2.4.4 Administrative responsibilities ..... 24  
        2.4.5 Collection procedure and sanctions ..... 25  
        2.4.6 Utilisation of property tax revenue ..... 25  
    2.5 Property tax administration ..... 25  
        2.5.1 The administrative variables..... 26  
        2.5.2 The property tax administration process ..... 27  
        2.5.3 Property rate collection..... 27  
    2.6 Key constraints of property tax administration ..... 29  
    2.7 The broader property tax reforms environment ..... 31





2.8 Democratisation and decentralisation reforms .....	32
2.8.1 Fiscal reforms and local government revenue mobilisation .....	35
2.9 Property rating in Ghana .....	37
2.9.1 Property rate reforms from the colonial period to present.....	39
2.10 Situating property tax reforms in the theoretical discourse.....	42
2.11 Conceptualising property tax reforms for improved revenue mobilisation .....	45
2.12 Chapter summary .....	47
<b>CHAPTER THREE .....</b>	<b>49</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>49</b>
3.1 Introduction .....	49
3.2 Overview of philosophical stance .....	49
3.3 Justification for research design .....	50
3.3.1 Research method and justification.....	51
3.4 Choice and justification of the study area .....	53
3.5 Study population .....	53
3.5.1 Sampling method/technique .....	54
3.6 Data sources and collection technique .....	56
3.6.1 Primary data collection.....	56
3.6.2 Secondary data collection.....	58
3.7 Method of data analysis.....	59
3.8 Data validity and reliability.....	59
3.9 Ethical issue.....	60
3.10 Limitations of the study.....	61
3.11 Chapter summary .....	61
<b>CHAPTER FOUR.....</b>	<b>63</b>
<b>DATA PRESENTATION AND ANALYSIS.....</b>	<b>63</b>
4.1 Introduction .....	63
4.2 Basic characteristics of rateable property owners .....	63
4.3 Taxing undeveloped land its potential for revenue generation .....	65
4.3.1 The legal basis .....	65
4.3.2 Method of assessing the rateable value .....	66
4.3.3 An estimation of undeveloped land in the Wa municipality .....	67
4.3.4. Number of undeveloped plots in a section of Wa municipality .....	69
4.3.5 Estimating the revenue potential of undeveloped plots.....	71
4.3.6 Best practices for taxing undeveloped land.....	72
4.3.7 Perception of respondents on rating undeveloped land.....	76
4.3.8 Challenges of taxing undeveloped lands .....	84





4.4 Re-examining the basis of the cost method for determining rateable values.....	86
4.4.1 Challenges of the cost method.....	91
4.4.2 The use of mass appraisal.....	102
4.4.3 Perceptions of experts and practitioners on the relevance of the cost method .....	103
4.5 Public-private partnership and property rate revenue performance .....	104
4.5.1 Reasons for lack of revaluation .....	107
4.5.2 Reasons for the inability to collect property rate.....	109
4.5.3 Experience of Wa municipal Assembly with public-private partnership..	115
4.6 Chapter summary .....	126
<b>CHAPTER FIVE .....</b>	<b>127</b>
<b>DISCUSSIONS .....</b>	<b>127</b>
5.1 Introduction .....	127
5.2 Taxation practices and revenue generation potential of undeveloped land .....	127
5.3 Re-examining the basis of the cost method for determining rateable values...	131
5.4 Public-private partnership and property rate revenue performance .....	138
5.5 Chapter summary .....	145
<b>CHAPTER SIX .....</b>	<b>147</b>
<b>SUMMARY, CONCLUSION, AND RECOMMENDATIONS.....</b>	<b>147</b>
6.1 Introduction .....	147
6.2 Summary .....	147
6.3 Summary of main findings.....	148
6.3.1 Taxation practices and revenue generation potential of undeveloped land .....	148
6.3.2 Re-examining the basis of the cost method for determining rateable values .....	149
6.3.3 Exploring the potential for public-private partnership in property rate administration .....	149
6.4 Conclusion.....	151
6.5 Recommendations .....	152
6.5.1 Policy and administrative recommendations .....	152
6.5.2 Recommendations for further studies.....	154
<b>References .....</b>	<b>155</b>
<b>APPENDIX.....</b>	<b>167</b>

## LIST OF TABLES

Table 2.1 Property Tax Base and Consideration in selecting a Tax Base .....	24
Table 3.1 Purposively Selected Respondent .....	54
Table 3.2 Sample Size for the Selected Neighbourhoods, Questionnaire Distribution, and Administration.....	56
Table 4.1 Use of Property .....	63
Table 4.2 Tenure of Property of Respondents .....	64
Table 4.3 Potential Revenue from undeveloped plots in Selected Neighbourhoods Using Scenarios .....	71
Table 4.4 Best Practice of Estimating Revenue from Vacant Land .....	75
Table 4.5 Taxing of Undeveloped Land by WMA .....	76
Table 4.7 Reasons Why Undeveloped Land Should Not Be Taxed .....	78
Table 4.8 Rateable Property Owners with Undeveloped Land and Willingness to Pay Tax on Undeveloped Land.....	79
Table 4.9 Reasons for Willing to Pay Tax on Undeveloped Land .....	80
Table 4.10 Reasons for Respondents Unwillingness to Pay Tax on Undeveloped Urban Land .....	80
Table 4.11 Valuation of Rateable Property and Payment of Property Rate .....	95
Table 4.12 Reasons for Not Paying Property Rate .....	112
Table 4.13 Educational Level and Property Tax Payment .....	113
Table 4.14 The Use of Public-Private Partnership by WMA In Property Rate Administration .....	118
Table 4.15 Reasons for Recommending Public-Private Partnership to WMA.....	118



**LIST OF FIGURES**

Figure 2.1: Conceptual Framework .....46

Figure 4.1 An Image Showing Developed and Undeveloped Areas in Wa Township 67

Figure 4.2: A Plan showing developed and undeveloped plots. ....70

Figure 4.3: Trend of Deeds Registration for 10 years .....87

Figure 4.4: Collection of Property Rate ..... 105

Figure 4.5: Contribution of Property rate to Internally Generated Fund of WMA.... 106



**LIST OF PLATES**

Plate 1: Google Earth Image of the Selected Neighbourhood .....70

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## LIST OF ABBREVIATIONS

ARV	Annual Rental Value
CLR	Collection Ratio
CVR	Coverage Ratio
DRC	Depreciated Replacement Cost
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GPRTU	Ghana Private Road Transport Association
IAAO	International Association of Assessing Officers
IGF	Internally Generated Fund
IVSC	International Valuation Standards Council
KMA	Kumasi Metropolitan Assembly
LI	Legislative Instrument
LUSPA	Land Use and Spatial Planning Authority
LVD	Land Valuation Division
MMDAs	Metropolitan Municipal District Assemblies
NALAS	Network of Association of Local Authorities of South
OECD	Organisation for Economic Co-Operation and Development
PNDCL	Provisional National Défense Council Law
PVLM	Public and Vested Land Management Division
SMD	Survey and Mapping Division
SPSS	Statistical Package for The Social Sciences
TR	Tax Rate
UN	United Nations



VR	Valuation Ratio
WMA	Wa Municipal Assembly



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the study

Urbanisation in terms of physical expansion with the corresponding need for infrastructure and basic services calls for increasing funding (Goodfellow 2015; Kayuza, 2005). This has, therefore, called for the need for decentralisation and assigning of responsibilities to local authorities to manage the infrastructure and basic services, and this demands financial resources. Property tax is traditionally identified with local governments as an ideal source of funding infrastructure and basic services (Kitchen, 2013; Dye & England, 2009). Boamah (2013) finds that land and physical properties represent the largest source of untapped local government revenue in developing countries, and this has made it crucial for fiscal devolution and administration.

Property taxation has been used for so many centuries in different countries to finance local infrastructure and service development. There is empirical evidence that suggests that property taxation in developed countries has been used over the years as an important source of revenue for local government development. This empirical evidence suggests that in developed countries property tax account for 99 per cent (United Kingdom), 100 per cent (Australia and Ireland), 93 per cent (Canada) and 72 per cent (USA) of locally generated tax revenue ( Bahl, 2009; McCluskey, 2017). In OECD countries, the annual yield from property taxes between 2-3% of GDP (Bahl & Martinez-Vazquez 2008; Bahl 2009; Biitir, 2019; Boamah & Okrah, 2016; Petio, 2013; Kuusaana, 2015; Norregaard 2013). Different authors have argued that there is a continuous reliance on property taxation in general as a source of local government



funding because of visibility, sustainability, stability, economic efficiency, limited speculative motive and predictability (see Nyabwengi, K' Akumu & Kimani, 2019; Ali, Fjeldstad & Katera, 2017).

However, the importance of property tax has been undermined by certain teething challenges. Several authors have identified and categorised these challenges as policy-oriented challenges and administrative challenges as the significant barriers to delivering an effective and efficient property tax administration system at the sub-national level (see Kelly, 2013; Monkam & Moore, 2015; Kuusaana, 2015; Goodfellow, 2016; Munatswi, 2018; Turak, 2017). One of the policy challenges that has been raised by authors has always been on the taxable object. Babawale (2013) also notes that the limited buoyancy of property taxation in developing countries is arguably due to both policy and administration deficiencies. Specifically, while the tax base is stable, valuation inconsistencies, inability to update the valuation database, limited administrative capacity, and equipment, collection and enforcement challenges, are some of the intricacies in the way of meeting targets (Goodfellow, 2015; Kuusaana, 2015; Baba, Kasim, Alhaji, Sule, Maje & Aliyu, 2016; Nyabwengi, K' Akumu & Kimani, 2019; Munatswi, 2018).

However, this problem appears to be more pronounced in developing countries, and due to these problems, authors have asserted that developing countries, especially sub-Saharan Africa, under mobilise revenue from property taxes (Fjeldstad & Heggstad, 2012). For instance, property tax accounted for about 10 per cent to 30 per cent of local government taxes in Tanzania, 14 per cent in Ghana, 6.1 per cent in Sierra Leone, and less than 10 per cent in the Gambia (Fjeldstad & Heggstad, 2012). Besides, Bahl &





Martinez-Vazquez (2008) and Norregaard (2013) highlights the poor revenue performance of the property tax in developing countries as in these countries, the annual yield from property taxes has always been between 0.3-0.6% of GDP and in some instance below 0.3% which is very low as compared to developed countries (Franzen & McCluskey, 2017).

Due to these challenges, many governments in developing countries have initiated various reforms and adopted diverse strategies aimed at helping local governments to raise substantial revenue from property taxes. These reforms are encapsulated as “valuation pushed” and “collection-led” strategies (Kelly 2013). A “valuation pushed” reform strategy typically places a priority on increasing property valuation accuracy primarily through introducing new valuation techniques, contracting private sector valuers, and improving the tax base coverage. For instance, Tanzania and Uganda adopted this reform strategy, focusing on valuing properties, and Kenya also used a more comprehensive collection – led strategy. A “collection-led strategy” focuses not only on creating a fiscal cadastre but also on the collection, enforcement, and taxpayer service (Franzen & McCluskey, 2017; Kelly, 2013). Valuation pushed and collection-led strategies reflect policy issues and administration issues. Valuation pushed, as explained, involves the tax base and valuation method, which is about policy decisions and collection-led involves the collection, which is also about the administration.

All these reforms are geared towards revenue mobilisation for local government to improve service delivery. However, over the years, these reforms have been ongoing, but it is not clear whether these reforms are yielding the revenue targets as the local government would have wished.



## 1.2 Problem statement

Local governments are still struggling with the ability to generate revenue from property rates even though this is their single largest source of revenue open to them (Boamah & Okrah, 2016; Franzsen & McCluskey, 2017). Kelly (2013) argues that designing and implementing successful reforms requires sustained political will, an appropriate and well-designed policy framework, adequate administrative capacity, and appropriate incentives. For instance, case studies (Hungary, Philippines, Kenya) of property tax reforms have suggested that sustained political will is crucial to ensure that property tax reform is implemented (Slack, 2013). A study in Indonesia noted that the key to relatively successful property tax reforms was a sustained political will. Healthy and active institutions are also fundamental to the design and implementation of successful property tax reforms. Also, Bird & Slack (2004) also noted for a reform to be successful, it doesn't only need to be politically and administratively acceptable but also it has to be appropriately designed from an economic perspective. However, most developing countries are unable to provide the necessary political will, build the capacity of institutions hence have the weak administrative capacity to implement property tax reforms (Kelly, 2013).

The designing and implementation of an appropriate reform strategy have always been a challenge confronting reforms in developing countries (Kelly, 2013). Over the years, concentration has been on valuation accuracy with limited attention on a general property tax administration reform to include collection (Dillinger, 1991; Kelly, 1995; Kelly & Musunu, 2000; McCluskey et al., 2003). The policy reforms have always been on the taxable object. In some jurisdictions, the policy reforms have been on land only, improvement, and land and improvement (split taxation system) (Franzsen &



McCluskey, 2017). These policy reforms have focused on taxing only land and improvement in other African countries in their peculiar circumstances; however, in Ghana, it is on improvement. Therefore, because of the focus on improvement only, there are large tracks of undeveloped lands in urban settlements. These lands, because they are not developed, affect service delivery such as sewage, electricity and water systems. However, these lands also incur the cost of local government services, and the value of these lands automatically increases. Asiamah (2006) has advocated for the taxing of land to improve local government revenue. However, not much has been done in terms of research in this area.

The reforms in the administration have also concentrated on the method of assessment and institutional capacity with regard to the billing and collection of property rate (Asiamah, 2006; Adem & Kwateng 2007; Awaitey, 2003; Boamah, 2013; Boamah & Okrah, 2016; Biitir, 2019; Kuusaana, 2015; Mabe, 2013, Petio, 2013). However, in terms of assessment, policy prescribes the method yet it appears that apart from the method that has been prescribed so many years ago, there is little research to inform policy on whether this method is still relevant or other methods can be more efficient in improving rateable values and ultimately the rating revenue.

Also, administratively, there appears to be a problem with how to implement the method of valuation. Administratively the billing and collection have consistently been a problem, and even though many people have written about it, this problem is not sufficiently dealt with.



The study, therefore, addresses these shortcomings. First, it examining the taxation practices of undeveloped land and its potential for revenue generation. Second, it re-examines the basis of the cost method of determining rateable values, and finally, it explore how public-private partnership can help in the effective administration of property rate to improve local government revenue. The study focused on these major components to enhance property rate administration to improve revenue for local government funding.

### **1.3 Research questions**

Main research question

How can property rate administration be enhanced to improve local government revenue in the Wa Municipality?

Sub - questions

1. What are the taxation practices of undeveloped land in local government revenue mobilisation in Ghana?
2. How relevant is the cost method for assessing rateable values for property rating?
3. What are the prospects for public-private arrangements and participation in property rate administration?

### **1.4 Research objectives**

Main research objective

To examine how property rate administration can be enhanced to improve local government revenue in the Wa Municipality.



### Sub - objectives

1. To examine the taxation practices of undeveloped land and its potential for revenue generation.
2. To re-examine the basis of the cost method for determining rateable values.
3. To explore the potential for public-private partnership in property rate administration.

### 1.5 Scope of the study

Geographically, the study was limited to only Wa in the Wa Municipality of the Upper West Region of Ghana. The rationale for choosing Wa was the physical expansion taking place and the prevalence of undeveloped lands in developed neighbourhoods. Wa is also becoming a cosmopolitan area with some dynamics in terms of property rate administration.

Contextually, this study focused on the current situation of property rate administration in Ghana by pointing out evidence from the study area. It explored the prospects of expanding the tax base to include undeveloped land; re-examined the statutory basis of rating valuation with emphasis on the method used. It explored the potential of involving the private sector in the property rate administration process to ensure an effective property tax system.

### 1.6 Significance of the study

Bell & Bowman (2002) argue that the power to tax is essential to allow for sustainable and accountable local government. Studying the various options available to a local government to sustain its expenditures is fundamental for analyzing the sustainability



and autonomy potential of local governments. It requires quality information on local sources of revenue (Nhabinde, 2009). This study is, therefore, necessary at the time that Metropolitan Municipal District Assemblies (MMDAs) in Ghana are all finding it difficult to provide the needed funds for social infrastructure development. This study will help in exploring how the tax base of the Assemblies can be expanded to include undeveloped urban lands, with the ultimate aim of generating more revenue. It will also set the ground for revising the statutory basis for rate assessment in determining rateable values should the study find out the basis. The model used for assessing this tax has not provided enough support and has made the mobilization of property rate difficult and low.

The result of the study could furnish policymakers with vital information and data, as well as reflective views on property taxation and provide possible direction for best practice guidelines and future reforms with regards to general patterns. The study could also add to finding solutions to issues confronting central and local governments with a specific focus on the best way to improve their revenue generation capacity to raise more revenue from property rates to be able to deliver on their mandates effectively. Besides, findings from the study would add to the existing literature on property tax administration.

### **1.7 Structure of the thesis**

The study is organized into six chapters. Chapter one introduces the work and provides an analysis of the research problem, research questions, research objectives, the scope of the study, and the relevance of the study. Chapter two is dedicated to the theoretical framework and the review of relevant literature from different sources on the issue



under study. Chapter three captures the study methodology. Chapter four highlights the research data collected, analysis and presentation. Chapter five is dedicated to discussions of results from field data. The major findings, conclusion, and recommendations for the entire research have been presented in Chapter six.

### **1.8 Chapter summary**

This chapter discussed the background to property taxation potential and reforms to achieve the potential. It establishes the potential of property taxation as an essential pre-condition to advance local government infrastructure and service delivery needs. The next chapter reviewed the literature relevant to the study.



## CHAPTER TWO

### THEORETICAL FRAMEWORK OF PROPERTY TAXATION

#### 2.1 Introduction

This chapter reviews the theoretical literature on property reforms. It discusses the theoretical and empirical literature on property taxation and local government funding, principles, and critical constraints of property tax administration. It also reviewed the literature on the broader property tax reforms, property tax policies, and administration. This chapter again examines the essential components of the property valuation model. Focusing on Ghana, literature was reviewed on property tax reforms in Ghana, from the colonial period to now, decentralisation, and local government funding. The theoretical review looks at the Principal-Agency Theory as a theory of property taxation.

#### 2.2 Importance of property taxation to local government funding

Local governments throughout the world are experiencing growth in terms of the demands for social infrastructure and service (Bahl, 1999). Local governments can and should, hence, accept greater responsibility for providing these social services, and that involving the local people in decision making at their level will improve local governance (Jibao, 2009). A sound revenue system for local government is an essential pre-condition for fiscal decentralization (Oluwa & Wunsch, 2003). Theory and international best practices have identified the property tax as the perfect local government tax to support fiscal decentralization efforts by various countries across the globe. This form of taxation has been in existence since ancient times and has served as a critical source of public finances (Ahmad, Caroline & Brosio, 2014; Prichard,





2010; Franzsen & McCluskey, 2005). This tax, therefore, has inherent merits that make it an appropriate source of funding to local governments (Bahl, 2009).

Over the previous decades, property tax has significantly contributed to the turn of events and the growth of Gross Domestic Product (GDP) in numerous nations, particularly in advanced countries. Property tax emerged as one of the significant contributors to the Gross Domestic Product of the United States, accounting for \$300 billion in 2002 (Brunori, Green, Bell, Choi & Yuan, 2006). It has likewise contributed to the GDP of other advanced economies like Germany, Canada, and Belgium. In 2010, it represented about 3.6 (Canada), 3.2 (the United States) and 3.0 (Belgium) of the total GDP of these countries (Enemark, McLaren & Lemmen, 2016).

At least half of all countries in Africa collect some form of property tax from land and landed properties and perhaps many more. However, their collections from this type of tax are much lower than elsewhere in the world. Property tax raises about 3% in OECD countries yet under 1% of GDP in transition countries and far less than 0.5% in many African countries (Ali, Fjeldstad, & Katera, 2017). In the financial year, 2015-2016, property taxation in Tanzania contributed to what could be compared to just 0.16% of GDP (Ahmad et al., 2017). In comparison, property tax in some OECD nations can represent over 2% of GDP (Norregaard, 2013).

Property tax has the following advantages, real property is visible, immobile, and a clear indicator of one form of wealth (McCluskey, 1991). Property tax is hard to avoid, and, if well managed, it can represent an efficient fiscal instrument. Again, it is visible to taxpayers, and in principle, linked to improved services provided locally; this gives



it a unique potential to act as a foundation for bargaining between taxpayers and governments over revenue and public spending (Kelly, 2013).

### 2.3 Overview property taxation

Property tax as a concept has been various definitions in the literature. Bahl & Wallace (2010) and Youngman & Malme (1994) explained property tax as compulsory charges levied on either rental values or the value of landed properties. Franzsen and McCluskey (2017: p.5) echoes it as “*an annual tax levied on the ownership or occupation of real property, whether land only (unimproved site), land and buildings (combined), or buildings (improvement) only.*” Property tax includes the following; property rates, rent income tax, stamp duty tax, gift tax, inheritance tax, capital gains tax, and other levies on properties which a jurisdiction (either central or local government) finds appropriate (Franzsen 2003; Franzsen, 2002; Norrgaard, 2013; Syagga & Olim, 1996).

The term *rate* is used for the property tax levied by local governments in many Commonwealth member states and former British colonies, for example, South Africa, Kenya, Singapore, Zimbabwe, Australia and Ghana (Franzsen & McCluskey, 2017). Property rate comprises of two main concepts: property and rate. The property component refers to buildings and the land. Olima and Syagga (1996) also defined *rating* as the process of valuing real property to assess the land rate with the object of raising revenue for a particular local authority. Property taxation has sometimes been used interchangeably with the rating. However, authors like Norregaard (2013) and Slack (2011) have argued that the property rate is a component of property tax.



Therefore, for this study, property rate refers to the amount payable by owners of real property in a particular jurisdiction on the assessed rateable value of their real property. Property tax has some unique principles and features that make it different from other taxes. Bell (1999), Brunori, et al. (2006) and Ulbrich (2011) gives the principles of taxation to include; revenue adequacy, efficiency, certainty, equity, technical proficiency, and openness.

First, the principle of revenue adequacy, Sepulveda, and Vazquez (2012) prescribes that the taxation system should aim at raising a substantial amount of revenue relative to the local government expenditure needs of a government. The administration of the tax, including tax base, valuation, collection, and enforcement, affects its revenue adequacy. Poor administration of the property tax system results in low revenue collection. Brunori et al. (2006) note that property tax provides a reliable and stable source of revenue to the local government.

Second, “Efficiency Principle,” according to Almy (2001), involves a cost-effective property tax administration system involves; full discovery of all taxable properties, valuation, and minimization of errors in the assessment, maximum collection and minimized administration costs. Administration and compliance costs reduce finance available for funding public goods and services (Sepulveda and Vazquez, 2012). Generally, where the land taxes are determined with reference to the market value of the properties, the tax is considered more straightforward and better understood than when it is based on any other basis. For example, profits and replacement cost are confusing (Sepulveda & Vazquez, 2012).



Third, the “Certainty Principle”, proposes that tax should be certain and not arbitrary in terms of the amount to be paid, when to pay and the rate to be charged. It implies the time, amount, and method and mode of payment should all be clear and certain so that taxpayers can accordingly adjust their income and expenditures. This principle removes all uncertainties in the payment of tax and ensures the smooth functioning of the tax department, especially in the area of collection.

Fourth, the “Equity Principle,” demands that individual taxpayers have an equal share in the cost and benefit associated with the tax, with specific reference to the type of property, location, use and the available services. Equitable property taxation affords fairness in taxable properties. The principle of equity can be considered in two dimensions; Horizontal equity entails equal treatment of taxpayers in identical conditions while vertical equity allows for a regressive, proportional, or progressive taxation arrangement to ensure that tax payment depends on the ability to pay (Sepulveda & Vazquez, 2012).

Fifth, the “Principle of Technical Proficiency” argues that the process of valuation must be done professionally, devoid of political influence. This principle also demands that the assessment be done within appropriate administrative structures by trained staff with the necessary tools and information to perform their function effectively.

Finally, the “Principle of Openness” refers to transparency in the valuation process and the determination of the tax. For the taxpayer to accept the tax liability as legitimate, the procedure leading to the derivation of the tax must be transparent. Any doubt about



the process influences the legitimacy; thus, the willingness of the taxpayer to honour his/her obligation.

### 2.3.1 Property taxation globally

Property taxes appear to be secondary revenue sources when assessed in terms of its contribution to GDP and total national tax revenues in advanced economies. For instance, in advanced countries, the property taxes contribute a little over 1% of GDP and about 4% of total tax revenue from all sources (Bird & Slack, 2002). Despite this insignificant contribution to revenue at the national level, it is considered an essential source of local revenue in many countries. There are countries where property tax represents a major and often reliable source of revenue to local governments, especially in the developed world (McCluskey & Franzsen, 2001).

The principal taxable object in all countries imposing property tax is real property, which incorporates land and improvement. However, what is specifically taxed depends on the subject country. Some countries tax only land, buildings only and land and buildings combined. However, studies in advanced countries show that property tax is imposed on land and buildings (see Bird and Slack, 2002; Youngman & Malme, 1994). In most countries (developed and developing), property tax is imposed on the ownership, occupation, or legal transfer of real property. The most common are annual charges payable by owners of urban residential and commercial buildings, and it is often labelled as the “ideal” local government tax (Bahl & Bird 2008; Bahl & Wallace, 2010). Exempting some properties from the property tax base is universally practiced globally. It may be granted by the national or sub-national government, and in certain



countries, exemptions are generally granted at the local government level (Bird & Slack, 2002; Youngman & Malme, 1994).

## **2.4 Property taxation policies**

Property taxation policies range from legislation on the taxable object, what is meant by value/valuation method, the allowable tax rate, administrative responsibilities, collection procedure and sanctions, exemptions, and utilisation of property tax revenue. Policy issues primarily focus on these areas, which determine the legal tax capacity.

### **2.4.1 Policies on taxable objects (tax base)**

It is essential to explain the property tax base in detail to appreciate how the tax rate is determined. Generally, it is defined to include a tax or levy on only land, only improvements/buildings only, or both (Andelson, 2000, Dye & England, 2009, Kelly, 2013). Broadly, the tax base is defined by law. It essentially seeks to respond to two fundamental questions: ‘what ought to be included in the taxation and how it ought to be included or incorporated?’. The tax base essentially determines the revenue base of both central and local governments. The base upon which the tax is applied varies according to the context of what constitutes property tax; it could be just land, improvements/buildings only, or both.

The choice of the tax base is subject to factors including the legal framework of the jurisdiction (nation), the capacity of relevant institutions, property rights system, and property market conditions (Kelly, 2000; Mabe, 2013; UN-HABITAT, 2011). Also, most countries typically include a combination of land and buildings, depending mainly on historical precedent and administrative feasibility (UN-HABITAT, 2011). The base



is a crucial component of tax policy with the reason that it determines the distribution of tax burden among taxpayers (Dillinger, 1999; Kelly, 2000). In both developed and developing countries, selecting a suitable tax base is a crucial policy decision. The selection of an appropriate basis of the tax is key to a proper and functioning property taxation system (Kelly 2000). In unitary countries, the central government usually makes this decision (Ghana) and in federal countries, this decision is made at the state level (Belgium, Nigeria). In some countries, the legislation explicitly allows local authorities to select an appropriate tax base from two or more options (Kenya, Malaysia, Namibia, New Zealand). Legislations indirectly permits the use of different tax base, in some instances. Some countries also prescribe diverse tax bases for various property use classifications (Niger, United Kingdom). In most developing countries, the law prescribes a single tax base for property taxation. Undeveloped and developed property has different tax bases in some other countries (Côte d'Ivoire) (Franzsen & McCluskey, 2017).

#### 2.4.2 Meaning of value and valuation methods

##### *Market value*

Market value according to the International Valuation Standards Council (IVSC) (2011: p.12) is defined as “*the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*” That is, the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure.

### *Rental value*

In relation to property valuation, IVSC (2011: p.12) defined “*rental value as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*” The amount paid is usually agreed upon by the parties in advance with regard to the period of use of the property and thus stems from a mutual contractual agreement.

### *Rateable value*

Rateable value refers to an estimated value of a rateable property used as a basis of local taxation. The Provisional National Defence Council of Ghana, Law 207 section 67(9) defines rateable value as “the replacement cost of a building, structure and other developments comprised in the premises after deducting the amount which is the cost at the time of the valuation, to restore the premises to a condition in which they would be serviceable as they were when now; provided the rateable value shall not be less than seventy-five percent (75%) of the replacement cost”. The rateable value in the valuation list is the conclusive evidence of value which serves as the basis on which the District Assembly has to levy rates (Lawer, 2017).

### *General valuation methods*

The aim of property valuation is to: assess properties at all levels, revalue and to keep some standards of equity in the assessment as per the law (Bahl, 2009). Although numerous methods of valuation exist, only three methods are generally adopted in developing countries (Atilola, 2015; Bond & Brown, 2011; McCluskey & Franzsen, 2005; Bond et al., 2011; Shapiro, Davies & Mackmin, 2010; International Association





of Assessing Officers [IAAO], 1990). These methods include the cost approach, sales comparison approach, and the income approach.

The Cost Approach revolves around the physical factors that determine the value of the real property. The cost method is mainly used in the valuation of developed properties, which are rarely sold in the market and do not generate income, such as owner-occupied properties (Pagourtzi, Assimakopoulos, Hatzichristos & French, 2003). In using the method, estimating the value of vacant land is based on comparable sales of similar properties in the market. The cost of the improvement is estimated by using the replacement cost of a new development, which is adjusted for depreciation and obsolescence depending on its condition. The land value and the cost of improvement are added to come with an estimate of value (Pagourtzi et al., 2003).

The Sales Comparison Approach is based on the assumption that under the same market conditions, similar properties can be sold at approximately identical prices. This method is primarily used in land value and capital value systems of property taxation.

The market value of land only or land and improvement is estimated using comparable sales data of similar properties that have been realized under similar market conditions (Peden, 2012). The method relies on the availability of sales data that must be accurate, complete, and timely (Pagourtzi et al., 2003).

The Income Approach capitalises the potential revenue flow at an estimated discount rate. The value of the property is calculated at the quotient of the rent and the interest. It is used in determining the value of commercial or income-generating properties and it focuses on the demand aspect of the property market. To arrive at market income,



comparable data of similar properties in the neighbourhood are used, and the annual income flow is capitalized to arrive at an estimate of market value (Peden, 2012). However, this method is limited in unique properties and has controlled rents, limiting the use of this method (Network of Association of Local Authorities of South [NALAS], 2009).

### *Property Taxation Valuation Methods*

#### *Area-Based Assessment*

Under this assessment for property taxation, a charge is determined and levied according to the area of the land or the area of the building, or a combination of both (Bird and Slack, 2002). Area-based assessment is used in jurisdictions with insufficient market information or data to implement a value-based assessment system. It can separately be applied to only land or only buildings and it is generally used where there is insufficient market data to implement a value-based system, and it can be applied to land only or buildings only. Countries using this system of assessment usually adjust the tax base by factors such as location and use, the quality of construction, age of buildings and other improvements are also considered in some cases. In most developing countries, the flat rate system, which is a simplified version of the area-based approach, is used to determine tax rates of rateable properties that are not on the valuation roll or list (McCluskey and Franzsen, 2005).

Plimmer and McCluskey (2010) summarized the advantages of area-based assessment to include the high level of simplicity in data administration, which leads to lower costs and the ability to operate without an active property market. Such a system is cheap to introduce and manage and attracts little argument because of the visible and tangible



nature of the tax base. In using this approach, revaluation and all its associated challenges in terms of cost and disruption are eliminated, thereby ensuring a cost-effective and administratively efficient property tax system (Bird and Slack, 2002). This system, however, does not entirely address horizontal and vertical equity issues in its application. The inability to reflect spatial contrasts offered by location to a property of similar size is a significant disadvantage with its equity and revenue buoyancy implications (Bird & Slack, 2002; Plimmer & McCluskey, 2010).

#### *Value-based assessment*

This is based either on capital or rental value placed on the individual property by the property market. Most developed countries apply either the rental value or capital value in using this form of assessment. The benefits of ad valorem market value property tax system are numerous and clear (IAAO, 2004; Bahl & Martinez-Vazque, 2007). First, the valuation of a property according to its market value can certainly stimulate growth in the real property market development. Second, quite often, the open market value has a positive relationship with taxpayers' ability to pay. This promotes equity and compliance resulting in revenue buoyancy. Also, government expenditures and policies often provide amenities in neighbourhoods. Thus, the market value approach allows the central and local governments to generate some revenue in the form of reimbursement for public investments in local infrastructure and other social amenities. Some forms of a value-based system used in property taxation are:

#### *Unimproved land or site value system*

This involves taxation of undeveloped land based on its unimproved site value. It is determined with specific reference to the highest and best use for the land (Plimmer &



McCluskey, 2010). The taxation of land only does not consider improvements on the land (Dowse & Hargreaves 1999). It therefore, involves significantly less information and skill to establish and maintain. Nevertheless, in terms of the policy, a clear legal definition of an unimproved *value of land* is required depending on the jurisdiction (Franzsen, 2009). Taxation based on unimproved site value ensures optimum use and development on unimproved land. It may also help provide a solution to property taxation in rural areas (Bahl, Cyan & Wallace, 2015).

#### *Improvement value system*

Under this system, property taxation is limited to only the value of improvement on the land. In some cases, especially in developing countries where it is difficult to tax land due to political, cultural or social reasons, improvements on land become a viable tax base for property taxations. Therefore, given the high urbanisation and physical expansion of urban centres across the developing world, the tax base is relatively large. However, there exist some significant variations with regard to what is taxed and how the assessment must be done. Among some developing countries, for example in South Africa, the market value of the property is taxed in cities by authorities, but in Tanzania and Ghana, the replacement cost basis is used to determine the rateable value of buildings with land excluded from the tax base. However, the use of this approach to determine the rateable value of buildings is complicated, expensive, and slow as compared to that of land taxation (Franzsen & McCluskey 2013).

#### *Land and improvement*

The split system, also known as the composite system, involves taxation based on the value of land and improvement. Despite what might be expected, the land component



can be separately valued from that of the improvement to make it possible for different tax rates to be applied. This is applied in developed countries and Latin America (Plimmer & McCluskey, 2010). In using this system, market information plays a significant role in Land value assessments, while the valuation of improvements is based on the depreciated replacement cost (McCluskey & Franzsen 2013).

#### *Annual rental value assessment*

In this form of assessment, the subject of interest is the annual rent from the property. This approach of assessment levies the annual rent that would be obtained by a taxable property in the market based on the current use of the property (Kamba, 2007; Franzsen & McCluskey, 2017). This approach essentially depends on reliable market information (rental values) from a vibrant property market (Bahl & Wallace 2010; Franzsen & McCluskey 2013; Plimmer & McCluskey, 2010). Some countries, mainly anglophone countries (Malaysia, Singapore, Uganda) and francophone countries, uses an annual rental value system (Franzsen and McCluskey, 2013). For example, in Abidjan (Côte d'Ivoire), an annual value system is used for developed parcels, whereas a capital value system is used for undeveloped parcels (Franzsen and McCluskey, 2013). Ghana has also previously used this to determine rateable value before introducing the depreciated replacement cost method.



**Table 2.1 Property Tax Base and Consideration in selecting a Tax Base**

<b>Tax Base</b>	<b>Consideration for The Appropriate Method of Valuation</b>	<b>Basis / Methods Available</b>
Land only	The use of land only taxation can ensure effective land use. There is no need to value improvements. It is useful when there is sufficient market information on land sales or transactions.	market value
Improvement only	Work best when rental information, as well as sales data, exists.	rental value, market value, replacement cost
Land and improvement	It functions very well when market evidence in relation to rental values, sales values and constructional cost exists.	market value, rental value, replacement cost

Source: Author's construct, 2020

#### 2.4.3 Rate setting

The policy determines how the tax rate should be set and whose responsibility. In many instances, it is the responsibility of local governments to set tax rates, however subject to the limits fixed by the central governments. There exist considerable differences between countries with respect to the extent to which local governments are free to determine tax rates (Franzsen & McCluskey, 2017).

#### 2.4.4 Administrative responsibilities

Administrative responsibilities associated with property tax administration are usually spelt out in the policy guiding the property tax administration. For instance, the responsibilities associated with; identifying taxable properties, updating database, assessment, billing and property tax collection are mostly the duty of the local government in most developing countries (Franzsen & McCluskey, 2017).



#### 2.4.5 Collection procedure and sanctions

The collection procedure and sanctions regarding property tax administration are established in the policy to ensure compliance (Youngman & Malme, 1994). The policy spells out how, when, and what should be done in situations of non-compliance. The responsibilities of collection and applying of sanction in most cases always rest with the national or sub-national level government depending on the jurisdiction (developed or developing country).

#### 2.4.6 Utilisation of property tax revenue

Different motives underpin property taxes in all countries practising property taxation. However, regardless of the motive, the policy determines how revenue generated would be utilised. Policies in both developed and developing countries have always spelt out the utilisation of property tax revenue (Franzsen & McCluskey, 2017; Youngman & Malme, 1994).

### 2.5 Property tax administration

Policy and administrative factors closely interact to influence the equity and efficiency of property tax revenue mobilization (Linn, 1980; Kelly, 2000; UN-HABITAT, 2011). According to Kelly (2013: p.5), *“property tax revenues are equal to the tax base multiplied by the tax rate, adjusted for the administrative ability to capture the properties on the tax rolls, estimate accurate property valuations, and assess and collect the tax liability, all affected by the quality of taxpayer service.”* This is shown in the equation below;

$$\text{Tax Revenue} = (\text{Tax Base} * \text{TR}) * (\text{CVR} * \text{VR} * \text{CLR}).$$

$$\text{(Policy Variables)} \quad \text{(Administrative Variables)}$$



### 2.5.1 The administrative variables

*The coverage ratio (CVR)* refers to the number of taxable or rateable properties captured in the fiscal cadastre divided by the total number of taxable or rateable properties in a particular jurisdiction. This variable assesses the level of completeness of information on the valuation list.

*The valuation ratio* is the value of the properties specified on valuation rolls relative to the actual market value. It is defined as the value on the valuation roll divided by the real market value of properties on the valuation roll. This variable is determined basically by how frequent valuation is carried out.

*The collection ratio* refers to the amount collected as tax revenue relative to the total tax obligation due for that year. This variable measures the collection efficiency of the property tax system. It is mostly influenced by political will, the use of incentives, sanctions, and punishments.

This conceptual model clearly shows that tax revenues largely depend on both policy choices and the efficiency of the property tax administration system. Significantly, it is noticed that tax policy decisions influence the definition of a tax base, exemptions, standards of valuations, determination of tax rates, and collection and enforcement provisions. In contrast, administrative decisions influence the completeness of the fiscal cadastre, accuracy of assessment, billing, collection efficiency, and the capacity to ensure compliance (Kelly, 2013).





### 2.5.2 The property tax administration process

The typical administrative functions in property rate administration include maintaining the cadastre and registration for the tax; valuation functions, constituting the main elements of the assessment; together with the delivery of demand notices, collection, and enforcement. The administration of this tax impacts local government revenue collection and affects its equity and efficiency (Bird & Slack, 2002). Syagga (2015) notes that property administration aims at achieving a sustainable tax base and various ratios. This process is critical because its effectiveness affects the amount of revenue generated by the local government.

### 2.5.3 Property rate collection

The billing and collection of property rate, according to Kitchen (2013) and Mikesell (2013), is administrative and not a policy-making role; hence should be limited and performed by the local taxing authority. Property tax collection involves the preparation and issuance of tax bills and collection of property rates (Bird & Slack, 2002). Billing is done by the rating authority to legally identify and notify taxpayers of their tax liability. The collection ratio is used to measure the property rate collection. Property rating aims at funding the provision of social infrastructure and social amenities or services. Therefore, the failure of taxing authorities to collect property rates results in funding constraints towards the provision of social services. Kelly (2000) asserts that the performance of a property rate administration system depends on the effectiveness of billing and collection. This must, therefore, be critically designed and implemented.



*Methods of property rate collection*

The collection of property rates as the responsibility of the local government is a common method used in many developing countries (Kelly, 2013). However, the local government can delegate this power to private individuals or firms to collect the property rate. Therefore, the property rate can be collected by the private sector. According to UN-HABITAT (2011), countries such as Pakistan and Uganda engage the private sector to help in rates collection and enforcement. The contract to collect this tax mostly entails the payment of a lump sum through bidding. The selected private partner remits the amount agreed upon by the parties to the local government and keeps any additional amount collected as its payment for engaging in the collection (Kelly, 2013). Studies argue that private collectors effectively ensure full compliance (see Fjeldstad, Ngalewa & Katera, 2008; Kelly, 2013). These studies attributed it to profit-oriented nature of private firms and the necessary mechanisms always kept in place by these firms to boost their effectiveness.



**Table 2.2 Property Tax Administration Functions and the Four Critical Ratios**

Property Function	Objective	Action	Critical Ratio
Tax base identification	To determine what will be taxed	Identify the tax base (land and buildings), identify the exemption from the tax base	Coverage ratio
Tax base valuation	To determine how much tax burden will be distributed among taxpayers	Determine the taxable values of properties (land or buildings)	Valuation ratio
Tax assessment	To determine how much tax will be levied, to determine how the tax will be distributed among taxpayers	To determine the overall tax level. Influence tax burden distribution among taxpayers through varying effective tax rates	Tax ratio
Tax collection	To collect tax	Issue and deliver the tax bills. Collect the tax	Collection enforcement ratio
Tax (and valuation) appeals and resolution	To ensure that the tax is equitably administered	Resolve grievances of taxpayers	(linked to coverage, valuation, and tax ratio)

Source: Adopted from Kelly (1999, p. 10)



## 2.6 Key constraints of property tax administration

Despite the many efforts to streamline the administration of the property tax in developing countries, its administration is characterised by underdevelopment and numerous challenges (Franzsen & McCluskey, 2017; Haas & Koponyi, 2017; Goodfellow, 2017; Kelly, 2013). In most of these Francophone countries, due to a lack of trained and skilled valuers and also insufficient resources for revaluations to reflect changes in property market values, valuation rolls are seriously outdated (Monkam, 2010). The situation is not different in Lusophone countries and North Africa, where

the contribution of property tax to total revenue is meagre (Franzsen & McCluskey, 2017; Nhabinde 2009).

Despite reform attempts in the 1990s, property tax in Ethiopia has been rendered almost non-existent by interventions to deliberately undervalue properties, the lack of revaluation over time, and the failure to capture virtually all properties constructed in the past two decades (Goodfellow, 2016). Syagga (2015) notes that in East Africa, collection rates are meagre, and enforcement against non-compliance is virtually non-existent. Fiscal cadastre information is incomplete and outdated. There is also an over-reliance on individual parcel valuation with no use of simpler mass valuation techniques (Syagga, 2015). In Nigeria, the lack of political will, corruption, and weak taxing system were identified (Baba et al., 2016). The most widely cited barrier to effective local property tax collection in Sierra Leone has been high levels of elite cohesion, with close ties and overlapping interests among economic elites and political leaders, leading to weak tax enforcement (Jibao & Prichard, 2015).



According to studies, property rating in Ghana has been characterised by; outdated valuation lists; complex and defective value assessment and methodologies; difficulties with the collection of property rate; uncoordinated institutional and tax administrative structure (see Kuusaana, 2015; Boamah, 2016; Asiamah, 2006; Petio, 2013; Biitir, 2019). The literature in other jurisdictions also points to incomplete and outdated property registers and valuation rolls as major constraints (Fjeldstad, Ali & Sjørnsen, 2014). Ali et al. (2017) also found out that a narrow tax base generally characterises property administration in developing countries.

Therefore, due to these challenges, property tax reform remains high on the policy agenda of many developing countries (Franzsen and McCluskey, 2017). The developing world must, therefore, undertake strategic reforms to comprehensively improve property tax systems in all countries to enhance revenue generation.

## **2.7 The broader property tax reforms environment**

Developed and developing countries are undertaking reforms to ensure development. Most of the reforms are geared towards promoting private sector-led economic growth, implementing effective public sector regulations, and enhancing efficient and accountable service delivery to the public. While the focus of the private sector is on its entrepreneurial development on maximizing efficiency in the market, central and local governments focus their fiscal attention on the stabilisation of macroeconomic variables, allocation and distribution (Kelly, 2013). Even though the central government mainly perform stabilisation and distribution functions, both central and local governments jointly perform the allocation functions (Musgrave & Musgrave, 1989; Oates, 2005). Based on the subsidiarity principle, public goods and services are to be provided by the lowest level of government that can do so efficiently. This suggests that most public expenditure functions ought to be given to local governments, except for functions such as national defence, monetary policy, among others (Kelly, 2013).

Most governments have therefore adopted variants of decentralization reforms to improve the efficiency of public service delivery, encourage more accountable and responsive governance, and promote a more equitable distribution of social



infrastructure and services throughout the country (Boex & Kelly, 2010; Boex & Yilmaz, 2010).

Ideally, property tax reform should be structured as an integral part of the broader public sector management reforms, such as fiscal decentralization and governance, public financial management, and local government. This will help create support for the reform, making it easier to mobilize a broader set of the key stakeholders and resources, balance the impacts and incentives of other reform initiatives, minimize political, administrative and taxpayer opposition and generate the synergy needed to design, implement and sustain a successful property tax reform (Kelly, 2013).

## **2.8 Democratisation and decentralisation reforms**

In recent times, trends towards decentralization and greater urban self-government have been growing in most developing countries as democracy is spreading worldwide. This has created room for the political process to provide greater autonomy, notably fiscal autonomy of local authorities to enhance development at the local government level (Todaro & Smith, 2006:554 as cited in Augustine, 2012).

Many developing countries have pursued decentralisation policies with the primary objective of bringing governance and development decision-making process much closer to the ordinary citizens at the local levels (Ahwoi, 2010; Dick-Sagoe, 2012). Decentralisation involves a deliberate and planned transfer of resources and some degree of power and responsibilities to related peripheral institutions (Awunyo-Victor, Osaе & Donani, 2015). It implies sharing political power and responsibilities between levels of government as well as giving local governments the financial, legal,



institutional, and managerial resources to fulfil those duties (Adu-Gyamfi, 2014). Muwonge and Ebel (2014) note that two forces shape the world of development policy: globalization and decentralisation.

Manor (1995) identified three main types of decentralization, and they are; Administrative, political and fiscal decentralisation. Administrative decentralization comprises the set of policies that transfer the administration and delivery of social services such as education, health, social welfare to subnational or local governments. This form of decentralization may entail the devolution of the decision-making authority over these policies (Falleti, 2004). According to Falleti (2004), political decentralization is the set of constitutional amendments and electoral reforms designed to activate existing policies to demonstrate subnational policies. Its policies are meant to transfer electoral capacities to local governments (Fusheini, 2017).

Finally, Fiscal decentralisation 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 (Falleti, 2004). This concept can have either a positive or negative effect on the degree of independence at the local level. The result will mostly be contingent mainly on the policy of the fiscal decentralization procedure (Adu-Gyamfi, 2014; Akorsu, 2015; Puopiel & Chimsi, 2015).

Smoke (2001) identified five essential elements of local government funding, which he considered critical for development. These elements include an adequate enabling environment, assignment of an appropriate set of functions to local governments, assignment of an appropriate set of local own-source revenues to local governments,



the establishment of an adequate intergovernmental fiscal transfer system. From the earlier reviewed literature, it's apparent that some of these elements have not worked well for the development of local governments in Ghana. Therefore, this impede their efforts to mobilise revenue internally and externally (Augustine, 2012). Although the laws of most countries demand local authorities to generate internal funds to make them truly independent and have semi-autonomy, local revenue generation needs much to be desired (Fjeldstad et al., 2014).

According to Arye (2003), factors that account for low revenue mobilization in Ghana include the following: the inadequate 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; political pressure on the local tax administration to relax on revenue collection especially during election periods; Poor budget formulation and implementation. The heavy reliance on government sources has, therefore, made it very difficult to see it as a need to increase internal revenue mobilization efforts. These factors have consequently limited the ability of the local government to mobilized adequate revenue for development. (Augustine, 2012).

Furthermore, central governments are looking to local government institutions to assist them with national economic development strategies and their expenditure. Finance is, therefore, very vital in every undertaking, and it plays a crucial role in decentralization. Fiscal decentralisation, thus, emanates from this perspective, and this partly explains why this research work focuses on fiscal decentralization.





These challenges have, therefore, resulted in local governments searching for other alternatives in the area of revenue mobilisation. Property rate is often identified as the “ideal” local government tax. This is because the tax base, which is real property, is visible, immobile, and a clear indicator of one form of wealth (McCluskey & Williams, 1999). In principle, this tax is difficult to avoid and, if well administered, it can represent an efficient fiscal tool.

#### 2.8.1 Fiscal reforms and local government revenue mobilisation

Studies have shown that there has been a paradigm shift in the thinking and practising of decentralization in Africa (Darrison, 2011). The restructuring of governmental functions and finances between the national and local government has entered the core of the development debate as it has become a significant aspect of Africa’s decentralization process (Darrison, 2011). According to Bird (1990), fiscal decentralization represents two interrelated issues: the division of spending responsibilities and revenue sources between levels of government, and the extent of discretion given to regional and local governments to determine their expenditures and revenues (Augustine, 2012). In literature, two primary sources of revenue to sub-national governments are acknowledged concerning fiscal decentralisation. These are internally generated revenues mobilised by local governments within their areas of jurisdiction and intergovernmental or external fiscal transfers (Petio, 2013).

Smoke (2001) identified the following three primary reasons why fiscal decentralization is relevant to the developing countries: the failure of economic planning by central governments in promoting adequate development; changing



international economic conditions; encouragement of the development of financial autonomy in developing countries by changing of political climates.

These suggest that fiscal decentralization has political, economic, and social significance to the local level (Smoke, 2001; Inanga & Owusu, 2004). This concept has, therefore, gained support by most of the world's leading development organizations such as the World Bank, United States Agency for International Development and, Asian Development Bank, among others in the last two to three decades (Ankamah, 2012). This is because it has become a significant aspect of Africa's decentralization process, evident by the fact that most developing countries have been strengthening local governments through decentralization policies (Shah 2004). The discussions on fiscal decentralization, therefore, suggest that many benefits are accruing to the countries implementing this policy. These benefits include improvements in the level and quality of local services; advances in revenue sources; provision of local services to meet the preferences of local people; and greater accountability (Bhal, 2009; Augustine, 2012; Dzurlkanian, Norhyaha, Franzsen & McCluskey, 2015). Local governments in developing countries have various sources of funding.

However, these institutions are characterised by chronic financial challenges (Augustine, 2012). Theory and international best practices have, therefore, identified the property tax as the ideal tax to support ongoing decentralisation strategies. Therefore, among the devolved revenues for local governments, property tax has been generally accepted as the perfect source of revenue. The property tax can play a crucial role in this democratic governance process. It is one of the few levies available to local



governments that fit the criteria for a good local tax. Most of its burden falls within the local area, so it is a tax that presents residents with a “price” for local services provided (Bhal, 2009). Noregaard (2013) and Youngman (2016) further indicate that, in the case of developing countries, a tax on immovable property is an essential fiscal tool local for development.

## **2.9 Property rating in Ghana**

In Ghana, assessing the rateable value of properties for taxation rests with the National Land Valuation Division of the Lands Commission. Therefore, while the Assembly, on the one hand, determines rate impost, the Land Valuation Division of Lands Commission estimates the rateable value (Kessey & Kroes, 1995). In Ghana, MMDAs are the rating authorities, and levying of rates may be general over the entire Assembly’s jurisdiction. A special rate may be levied over a specified jurisdiction for a specific project approved by the Assembly. The Land Valuation Division is the authority responsible for compiling the valuation list by determining rateable values of properties and revising the valuation list, which is stipulated by the Local Governance Act, 2016 (Act 936) to be undertaken every five years through revaluation exercises. However, some supplementary valuations are also done within the five years to update the valuation list. MMDAs may also engage consultants to undertake the valuation, but this must be approved by the Land Valuation Division, which will fix and assign the value according to the Local Governance Act, 2016 (Act 936). This is then submitted to the MMDA rate assessment committee, followed by a reasonable level of public consultation before the rate is finalized. MMDAs, as district rating authorities, determine the tax rate through the use of rate impost after the valuation list containing the rateable values given to them by the Land Valuation Division. MMDAs are



responsible for the billing and collection of property rates. However, private collectors can be engaged and monitored by the Assembly.

The tax base in Ghana is improvements only, with the replacement cost and depreciated replacement cost as the basis and method of rating valuation. Some factors such as type and location of land, access to facilities and amenities and land-use type, and type of materials play an integral role in determining rateable values and tax rates. The method used for rating valuation excludes the value of the land since the basis of assessment is the replacement cost less depreciation. In Ghana, the main components of a property rate bill are the rateable values of the premises in question and its corresponding rate impost as determined by the District Assembly in question. This presupposes that property rate is deduced by considering two major components: rateable values and rate impost. Thus  $PR = RV \times RI$ , where PR refers to property rate, RV is the rateable value, and RI the rate impost adopted. Some other methods available for rateable value assessment are; comparative method, profit method, output method. However, the Local Governance Act 2016 (Act 936) allows for the use of only the depreciated replacement cost method. PNDC law 207 section 67 (9) defines the rateable value “*as the replacement cost of a building, structure and other developments comprised in the premises after deducting the amount which it would cost at the time of valuation to restore the premises to a condition in which it would be as serviceable as they when new.*” The law further makes a provision that the rateable value shall not exceed 50% of the replacement cost for the premises of an owner-occupier and shall not be less than 75% of the replacement cost of all other cases.



It is clear that, although the MMDAs have a significant role in property administration, however, they are currently constrained by the prevailing basis and method of valuation as well as by local political and social imperatives (Asare, 2015). In support, Petio (2013) also indicated that the tax base for a rating in Ghana is the buildings/improvements only. The rating system is manually based on individual parcel valuation, which is difficult, time-consuming, and administratively expensive for MMDAs to undertake revaluations.

### 2.9.1 Property rate reforms from the colonial period to present

Before independence in 1957, in the Gold Coast, rating was known as “Ntokurotuo” (literally meaning window tax). The first known approach of property rating was ‘Ntokurotuo,’ which was “rate on windows.” In the use of this method, assessment officers simply counted the number of windows to a house and multiplied that by a basic figure to determine the levy to be paid. However, different schools of thought raised concerns about this method of value assessment. Some of the arguments raised were that the basis was not subjected to any empirical analysis. Others thought that one could build a small house yet have numerous windows, or one can decide to have a large building with very few windows depending on the outlook and the discernment of the owner (Lawer, 2017).

In 1951, the colonial government studied the rating problems, and the ordinance was passed to make and levy rate within their respective areas, including those who owned immovable property. This period marked the beginning of a robust background system to the current property rate system in Ghana. The Municipal Council Ordinance in 1953 provided the Annual Value basis for property rating in Ghana. In 1954, the Local



Government Ordinance was introduced to supplement the Municipal Council Ordinance 1953 to empower urban and local councils with similar functions as the main Municipalities. The basis for assessment was still the Annual Rental Value (ARV). The Local Government Regulation of 1954 prescribed the method of assessing immovable property and defined rateable premises “*as any house, hut structure, shed, or roofed enclosure, whether used for human habitation or otherwise.*”

In 1959, the government of the Gold Coast decided to seek advice on Immovable Property Rating in the country from the United Nations. As a result, a United Nations expert was appointed by the Technical Assistance Administration on Valuation and Rating. The expert was Dr J.N.F. Murray, who arrived in the country to look into the matter. His assignment was to undertake an overall survey of the system of real estate valuation and rating purposes, and make recommendations as to how uniformity in the valuation of property for local taxation could be achieved having due regard to the condition in the country and to recommend a suitable basis for the tax. Dr J.N.F. Murray denounced the annual value method and recommended, Replacement Cost basis as being simple and could be applied both in cities and villages (Acquah-Ababioh, 2016). He also added that land per se should not be rated because it will amount to double taxation. Some of the reasons that accounted for Murray’s choice to abort the Annual Value Method are summarised below;

- a) The Method was a disincentive to the highest and best use of land because the emphasis was based on the current use of the land.
- b) It did not apply to certain categories of properties, such as churches, schools, stadia, etc. No annual income (or annual rent) could be assessed.



- c) The market was inarticulate in that some of the rents were still under the Rent Control Ordinance (No 2 of 1952), although others were not controlled.
- d) At the time of use, there were inadequate Valuers. Even with the few present, they were not competent enough to use the annual basis of assessment.

Following the failures identified in the use of the Annual Value Assessment for rating valuation in Ghana, Murray recommends that the DRC Method of valuation was suitable for Ghana. Some of the reasons he advanced to support his choice of approach for property valuation for rating purposes included the following reasons;

- a) Questions of land title and land tenure would be avoided.
- b) There would be no need to define plot boundaries as the property to be valued would be a physical entity clearly defined.
- c) The unavailability of valuation market data, the constructional cost was common, where they are rare, prices of building materials and labour charges are readily available.
- d) It had a uniform application and, as a result, could be applied to all properties in the country.

The DRC Method, even though was recommended and finally adopted as the best method of assessing capital value for rating purposes, still came under criticism. Some schools of thought have identified the following disadvantages associated with the DRC Method.

- a) The cost method presumptuously equates cost to value, which is not usually accurate.
- b) The cost method relegates the issue of planning and building permits.



- c) The interplay of demand and supply is irrelevant in the use of the cost method.
- d) The method is premised on “*rebus sic stantibus*,” ignoring the proceeds from the property.

Despite the deficiencies identified with the use of the DRC Method, Municipal Rating Act 1959, and the Municipal Rating (Immovable Property Rate) Regulations 1959 (L.N. 212/59), prescribed the Depreciated Replacement Cost (DRC) as the basis for rating valuation in Ghana following Murray’s recommendation. Other Acts and Regulations relating to property rating are the following: Local Government Act 1961 (Act 54) and the Local Government (Immovable Property Rate) Regulations 1960 (L.I. 40); Local Government Act 1971 (Act 359) and The (Immovable Property Rate) Regulations 1975 (L.I. 1049); Provisional National Defence Council (Establishment) Proclamation (Supplementary and Consequential Provisions) Law, 1982. The rest are: P.N.D.C.L. 42 (Section 43); Local Government Law, 1988 PNDC Law 207; Local Government Act, 1993 (Act 462) amended, Local Governance Act, 2016 (Act 936). All the above supported Murray’s thinking. This is because all these Acts and Regulations that emerged after independence with the Local Governance Act, 2016 (Act 936) still limited property rate to only improvements (buildings) and the Replacement Cost and Depreciated Replacement Cost Method as the basis and method of assessment respectively (Kuusaana, 2015; Lawer, 2017).

## **2.10 Situating property tax reforms in the theoretical discourse**

Jensen and Meckling developed principal – agency theory in 1976. They suggested a theory of how the governance of a company is based on the conflicts of interest between the company’s owners and managers. Each of these groups has different interests and





objectives. Jensen and Meckling defined agency relationship as “a contract under which one or more persons (the principal (s) engage another person (the agent) to perform some services on their behalf which involves delegating some decision-making authority to the agent” (1976, p.308). The contract may simply constitute implicit terms about how the principal expects the agents to behave.

This theory is an essential management tool in the property rates tax system. Under a principal-agent interaction, at least two people are to collaborate to create a service that has value. The two persons are, however, not of equal legal standing. The principal is the owner and the ultimate initiator and goal setter. The agent gives advice, suggest means and take alternative action to promote the goals of the principal for which activities he/she is compensated through payment of a salary of some sort. The principal is the residual owner of the output that the agent contributes to. Thus, principal-agent interaction is fundamentally a contracting problem concerning how much of the value that the agent produces should go back to him/her in the form of payment.

One other major problem with this theory emanates from difficulties in motivating an individual or organisation to act on behalf of another. Moreover, the problem of motivation is a result of challenges associated with the inability of the principal to observe and control the actions of the agent. Milgrom and Roberts (1992) assert that: “Principal-agent problems are situations in which one party (the principal) relies on another (the agent) to do work or provide services on his or her behalf. When agent’s actions cannot be easily monitored and their reports easily verified, the agents have greater scope to pursue their interests rather than the principal’s, and this will result in agency problem. Then, to provide incentives for the agents to behave in the principal’s



interests, it is necessary to arrange for them to bear some responsibility for the outcomes of their actions and therefore to bear more risk than would otherwise be desirable” (p. 240).

Some empirical studies that have used this theory include but not limited to the following; Kayuza (2006) used it to establish the relationship between stakeholders in property taxation in Tanzania. Murangira (2014) assessed the theoretical issues in managing the property tax in Kampala capital city Authority using this theory. Also, in Ghana, Diedeme (2016) used this theory to assess the capacity of property rating institutions and the potential of property rates for local governance funding.

In this study, the theory is essential in understanding the relationships among the key actors in the property rates system. Property rates tax practice presents relationships of the central government, local authority, tax administration system, and taxpayers at different levels. Wa Municipal Assembly, as the principal body responsible for property rates in Wa, may bring independent firms to help in the administration of property rate.

This theory is not only of interest in understanding the relationship between various administrative levels within the taxing authority but is also useful to understand the relation between citizens (property owners) and the political leaders. The leaders, having been elected to serve, would also be regarded as the agents of the citizens to whom they are accountable.

This theory can be looked at, starting with incentives and the strategies that the two sets of players (principals and agents) will engage in when interacting to accomplish a collective effort. Under this model, the quality of the work done by the agent can be



viewed to be significantly improved by adequate monitoring of the agent's activities by the principal. In summary, the focus of the study was on how the local government can finance development activities with the use of property rate. In this regard, the theoretical framework provided the perspective for the understanding of the weak performance of property rate and identifying possible policy options.

### **2.11 Conceptualising property tax reforms for improved revenue mobilisation**

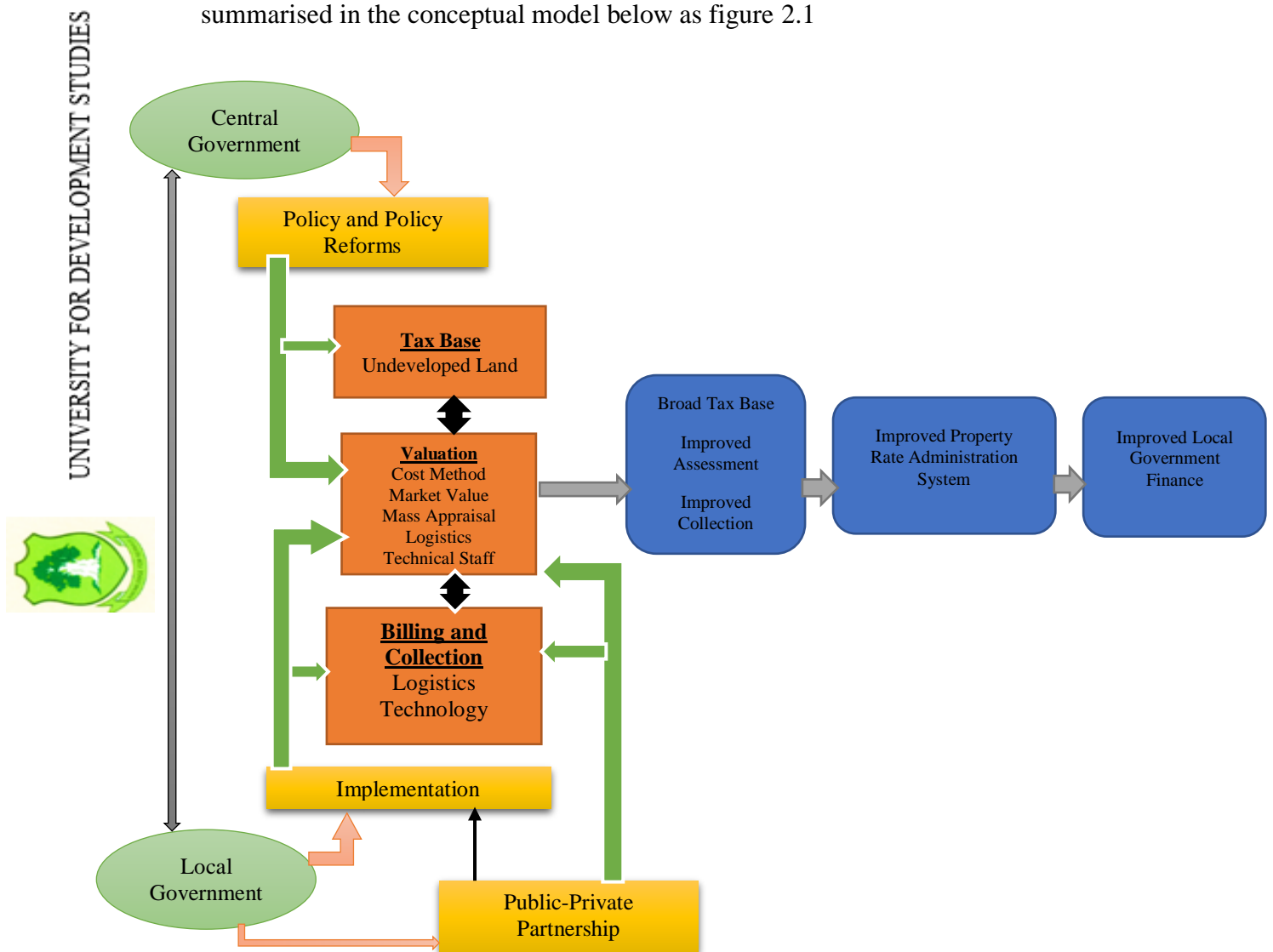
The study adopted theoretical prepositions from Principal Agency-theory as it relates to property administration. The study assumes that the performance of a property tax system depends upon a supportive relationship among the key actors in property rate administration. The central government makes policies that guide the selection of the tax base, tax rate, exemptions, and enforcement procedure for the local government to implement as the taxing authority to generate revenue for development. The central government makes legislation to guide the selection of the tax base, tax rate, exemptions, and enforcement procedures for the local government to implement.

The framework also hinges on three basic concepts of property rate administration; tax base, valuation, and collection. It is believed that examining these concepts and bringing in reforms will develop an efficient local level property taxation as a source of local government revenue. Concerning the tax base, undeveloped land should be taxed for benefiting from services to generate revenue for infrastructure and other land use planning objectives. The method and basis of valuation, if assessed and improved upon based on the recommendations of the study, will lead to the use of an efficient method of assessment characterised by less cost, available technical officers, logistics, the use of technology, and others. Finally, an effective collection strategy, which relates



to the engagement of private assessors (valuers) and collection firms through public-private partnerships supervised by MMDAs, the use of technology, and available logistics will improve collection capacity and boost the collection of property rates.

The ability of the central and local government to take these steps will result in an improved property rate administration system that will enhance rate revenue generation which will improve local government finance. This will go a long way to assist local government in delivering social infrastructure and other services. These ideas are summarised in the conceptual model below as figure 2.1



**Figure 2.1: Conceptual Framework**

Source: Author's Construct, 2020

## 2.12 Chapter summary

In this chapter, it is evident the local government finance is critical to the achievement of decentralisation, and it is commonly acknowledged that property tax is an essential source of revenue for local government. There is much scope for improvement in all the important aspects that are integral and prerequisites for a well-administered property tax system. This chapter revealed that several reforms have taken place in developing countries to ensure effective property tax administration for local governance.

Concerning property taxation, this chapter argued that several challenges frustrate the efforts of local government institutions in benefiting from the potential of this tax. These identified challenges include; valuation inconsistencies, inability to update valuation list or database, limited administrative capacity and logistics, inaccurate land records, and lack of community support, among others, inhibit the effective administration of property rate in developing countries. This has, therefore, resulted in the under-utilization of this revenue in these countries. The key variables of property taxation found in the literature were both policy variables and administrative variables, and the most critical variables, according to literature, are the tax base and valuation. According to this review, developing countries are unable to execute their responsibilities about these variables effectively, and this has made property taxation deficient. This is attributed to the lack of skills, expertise, capacity, and financial resources to carry out their responsibilities effectively. Several developing countries have attempted property tax reforms, with little successes recorded, and these challenges associated with inappropriate and weak administration policy still exist. In the case of Ghana, literature revealed that after several property tax reforms about the tax base and method of assessment before and after independence, several challenges



still exist. These include the inability to update the valuation list, limited administrative capacity and logistics, valuation inconsistencies, lack of community support, and lack of political support confronting the administration of property rate.

Literature has revealed a growing phenomenon of undeveloped land found in developed and prime areas within cities, which goes to affect service delivery as these cities continue to expand. In the case of Ghana, studies have advocated for the taxing of land to increase local government revenue. However, not much has been done in terms to research in this area. Also, administratively the billing and collection have consistently been a problem, and even though many people have written about it, this problem is not sufficiently dealt with. This, therefore, create a gap in the literature as to why these challenges still exist after several reforms and policy recommendations are made. The methodology of the study is therefore designed for the theoretical and conceptual framework chosen, all aimed at answering the main research question of the study.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter of the research provides details on how the study was carried out. It includes research philosophy, justification of research design, research method and rationale, choice of the study area, population, sampling procedures, source of data, and tools and techniques employed in gathering the data. The chapter also provides the methods that were used in the processing and analysis.

#### 3.2 Overview of philosophical stance

The study adopted the interpretivism philosophical view, which implies a subjective epistemology and the ontological belief that reality is socially constructed. The ontology of interpretivism, otherwise referred to as constructivism or subjectivism, is that knowledge and the world are created through social and contextual understanding (Akudugu, 2019). Interpretivism is based on the fact that individuals seek understanding of the world in which they live through the social construction of reality (Crotty, 1998; Creswell, 2003). Interpretivist epistemology is, therefore, concerned with how to understand a unique person's worldview (Akudugu, 2019). In the words of Neuman (2007), the interpretative researcher is therefore actively involved in the research, which is conducted in a natural environment in order not to miss any detail.

The methodology employed in interpretive research is mostly qualitative (for example, narratives, interviews, observation, case study, among others) Interpretive paradigm is underpinned by observation and interpretation, thus to observe is to collect information about events, while to interpret is to make meaning of that information by drawing



inferences or by judging the match between the information and some abstract pattern (Aikenhead, 1997). Therefore, the main aim of the interpretivists or constructivists is to understand the meanings and interpretations of ‘social actors’ and their world from their point of view. This makes the outcome highly contextual and not widely generalizable (Akudugu, 2019; Saunders, Lewis & Thornhill, 2011). This paradigm was chosen because it endorses pluralism; therefore, the interaction between the researcher and the researched provides a useful gain in understanding people and the world. The perceptions, ideas, and experiences of respondents are a crucial component of this study since all the necessary stakeholders are involved, and this has played a critical role in this study.

### **3.3 Justification for research design**

Given the nature of the study, an exploratory case study design was used. A case study approach was considered appropriate in understanding the property rating practice due to the following reasons; Yin (2014) indicated that a case study is a preferred method when (a) “how” or “why” questions are being posed. According to Yin (2014), such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence. Therefore, the nature of the research problem requires an inquiry into the property taxation practice so as to answer the questions of “how” can property tax administration be enhanced to improve local government revenue?; “why” is the application of assessment methodologies consistently being a challenge? and “why” have local governments not been able to generate the desired revenue from property tax?





Consistent with the case study definition, the property taxation practice is seen as a phenomenon taking place in a real-life context, hence its qualification to be explored using a case study strategy. A case study is defined as an empirical inquiry that investigates a contemporary phenomenon within a real-life context, especially when the boundaries between phenomenon and context are not clearly defined (Yin, 2014). That is, the boundaries between phenomenon and context are not evident or cannot be de-linked. Concerning this, property taxation is linked with local government administration, and it is also connected with property market development. Therefore, the phenomenon of property taxation cannot be isolated from local government administration and property market development. These issues, according to this topic, are linked together because property taxation cannot work without local government institutions and the property market as well. Stake (1995), on hand, emphasizes that the foremost concern of case study research is to generate knowledge of a particular case. A case study can be a person, an event, a program, an organization, a period, a critical incident, or a community (Patton, 1990).



### 3.3.1 Research method and justification

Yin (2013) indicates that the case study method is not just a form of qualitative research, even though it may be recognized among the array of qualitative research choices. He notes that case studies can include and even be limited to quantitative evidence. It is recognised that not all case studies are interpretive. Case studies are normally associated with qualitative research but can also be used as a method of inquiry employing a positivist epistemology and ontology. Some examples of case studies done from the positivist philosophical viewpoint can be found in Benbasat, Goldstein & Mead (1987) and Yin (1994). Also, some case study research goes beyond being a type of qualitative

research by using a mix of quantitative and qualitative evidence (Yin, 2014). Therefore, a combination of qualitative and quantitative research methods was used in the study. Quantitative evidence was necessary to understand and present the issues specifically relating to revenue that accruing to the Wa Municipal Assembly from property rating, the collection of property rate, data on land and rental values of properties and other property market data. The survey was also done through the use of a questionnaire to collect data from rateable property owners. The study used qualitative data and analysis since perceptions, views, and suggestions, among other issues, were greatly hinged on subjectivity. This aspect was also employed in undertaking a documentary review of reports and legal frameworks. Both strategies were used to enable a complete study on the contribution of property rating to local government funding in Ghana.

The respondents for the study were officials of the property rate section of the Wa Municipal Assembly (Municipal rating officers, budget, finance officers, and rate collectors), officials of Lands Commission (valuation officers, Lands Officers), rateable property owners (both owner-occupied and rented premises), professional valuers and property rating experts (both in practice and academia). These groups of people were the target population in that they are resourceful and have relevant knowledge on the subject matter. Mugenda and Mugenda (2012) consider the unit of analysis to be the element whose data is aggregated and analysed in the study to make conclusions, decisions, or inferences. The phenomenon of interest may be an individual, process, event, group, organization/institution, amongst others (Kuusaana, 2011).



### **3.4 Choice and justification of the study area**

The choice of Wa as a study area was motivated by several reasons. First, Wa was chosen as the study area. It is a good example of one of the rapidly growing urban centres in northern Ghana whose economic and social base is growing tremendously. This, therefore, makes the town assume strategic significance in the national economy and subsequently could command a significant influence on the possible effects of some policy measures. Second, there is evidence of the phenomenon under study about the challenges associated with the property rate system. It, therefore, presents numerous opportunities for improving the property rate system and learning lessons that could be applicable elsewhere in Ghana. Third, Wa has also experienced growth both in population, and physical expansion, presenting an opportunity for local revenue generation since most of the developments are potential rateable properties and are prime targets for property rating.

Finally, on tax base expansion, a preliminary observation conducted before selecting Wa revealed the availability of undeveloped lands in prime areas of the town. Therefore, when explored, it can serve as a lucrative revenue source for the Assembly.

### **3.5 Study population**

The target population for the research comprised all rateable property owners, and the necessary stakeholder at the Lands Commission and Wa Municipal Assembly and other rating professionals working outside these two institutions. These groups of people were targeted in that they were resourceful and also had relevant knowledge on the subject matter.



### 3.5.1 Sampling method/technique

Both probability and non-probability sampling methods were used in the study. Two sampling frames were used in selecting the respondents. The non-probability sampling, which targeted the first sampling frame consisted of state institutions such as WMA and Lands Commissions. Purposive sampling was used to select 13 respondents from the institutions, professional valuers, and property rating experts (both in practice and academia). The details are shown in Table 3.1.

**Table 3.1 Purposively Selected Respondent**

<b>Institution</b>	<b>Respondents</b>	<b>Number of Respondents</b>
Wa Municipal Assembly	Coordinating Director	1
	Finance and budget officers	2
	Property Rate Collectors	2
Lands Commission	LVD	3
	PVLMMD	1
Others	Professional Private Valuers (GhIS)	2
	Resource person (Practice)	1
	Resource person (Academia)	1
<b>Total</b>		<b>13</b>

Source; Author's Construct, 2020

Concerning the probability sampling, it targeted the second sampling frame and comprised rateable property owners of residential and commercial areas in Wa. Proportionate stratified sampling method and simple random method were used. These methods are used due to the high level of precision and their ability to provide separate estimates for each stratum. In stratified sampling, the population is divided into meaningful strata or groups. These techniques were used, first, to categorize all



neighbourhoods in Wa township according to the various residential classes (first class, second class, and mixed-used areas) to ensure homogeneity. This is because there exist some differences with facilities available, property values, and property rate payable (tax burden). Second, simple random sampling was employed.

Neighbourhoods under each stratum were listed with numbers assigned to them and using the lottery method, a neighbourhood each was selected from a stratum, therefore, selecting three different neighbourhoods. Kpaguri extension, Dobilie, and Kumbiehi residential areas were the neighbourhoods chosen to reflect the various zones. Simple random sampling was used to select rateable properties and their owners (both owner-occupied and rented properties). In selecting rateable property owners, questionnaires were administered to respondents who were available and ready to participate in the study. This was done until the desired number of respondents was achieved. The total rateable property stock for the selected neighbourhoods was 421 (Municipal Rating Office, 2019). The study operated at a 95 per cent confidence level with a 5 per cent margin of error. Using the Yamane (1967) method, the sample size for the survey was estimated to be 205 rateable properties.

$$n = \frac{N}{1+N(e)^2}$$

Where  $n$  = sample size,  $N$  = sample frame (421) and  $\alpha$  represent the margin of error which is 5% with a confidence level of 95%. By substituting this into a formula:

$$n = \frac{421}{1+421(0.05)^2} \quad n = 205$$

This was proportionately distributed among the three neighbourhoods selected.



**Table 3.2 Sample Size for the Selected Neighbourhoods, Questionnaire**

**Distribution, and Administration**

Neighbourhood	No. of Rateable Properties	Proportionate Sample Size	Administered
Kpaguri Extension	117	$\frac{117}{421} \times 205 = 57$	49
Dobile	157	$\frac{157}{421} \times 205 = 76$	62
Kumbiehi	147	$\frac{147}{421} \times 205 = 72$	59
<b>Total</b>	<b>421</b>	<b>205</b>	<b>170 (83%)</b>

Source; Author's Construct, 2020

However, only 170 rateable property owners were readily available and accessible within the time frame of the study, and this represented 83% of the sample size

### 3.6 Data sources and collection technique

The study was informed by both primary and secondary data and quantitative and qualitative data.

#### 3.6.1 Primary data collection

The primary sources of data for the study were data from officials of the various relevant institutions (MMDAs, LVD, and PVLMD), property rate collectors, professional valuers, and property rating experts, and some sampled rateable property owners in Wa township.



### *Questionnaire administration*

The study administered questionnaires in 170 rateable properties (both residential and commercial) within the 3 data collection points in Wa. The questionnaire administration was done by randomly administering them to respondents through face-to-face contact. This ensured that enough, accurate, and needed information was captured to answer the research questions. It enabled the collection of large quantities of data from large numbers of people (selected rateable property owners) and in a relatively short space of time since the same respondents are asked the same questions. The questionnaires captured issues on their socio-economic status and some records of property rates payment, if any, and other information. This survey instrument contained both “closed-ended” and “open-ended” as a balancing act for errors arising from them. The data required from respondents were structured according to the research questions.

### *Direct observation*

Direct observation was used to complement or confirm some of the respondent’s responses to certain aspects. Field inspection was done at the data collection points and on the sampled properties of the selected neighbourhoods to observe the difference in neighbourhood characteristics in terms of the type of development about developed and undeveloped land. Ground trudging was also used to ascertain the presence of undeveloped urban land in some of the neighbourhoods, especially in Kpaguri extension and Dobile.

### *Interviews*

Interviews were conducted to obtain data on perceptions, ideas, and suggestions regarding property rate administration. This was done to supplement the data obtained from documentary sources. Given the participatory nature of the study,



semi-structured interviews were employed with the aid of a semi-structured interview guide. A semi-structured interview was used. It gave the researcher the freedom to follow up and probe further for information on issues of interest. It helped the study gather empirical information from valuers from LVD, officials of WMA, and some other experts in academia and practice, and other resource persons. The use of interview was essential for the study. It provided an opportunity for the researcher to gather detailed information from the respondents involved in the events or phenomena being studied.

### 3.6.2 Secondary data collection

Relevant documents were reviewed to augment primary data as part of the study. These documents included reports, legislation regarding property rate administration and documentary evidence underpinned on good literature review from textbooks, journals (articles), internet (websites), related studies, publications, and report on property rate administration and local government funding. The documentary review provided a substantial secondary source of information. The study also obtained secondary data from the property rating section of the Wa Municipal Assembly, Lands Commission (LVD and PVLMD), and Land Use and Spatial Planning Authority. Particularly, legislation such as the Local Governance Act 2016 (Act 936), The Immovable Property Regulations 1975 (L.I 1049), and other legislation were also consulted. Some challenges that may hinder the use of secondary data will include accessing the data; the data may not fit precisely to the research being undertaken (Nyabwengi, 2019). The research kept the necessary measures and effort to obtain all vital information for the study.





### **3.7 Method of data analysis**

The data for the study were organised separately. Answered questionnaires were manually numbered, coded, and cleaned in Statistical Package for Social Scientists (SPSS version 26) and subjected to statistical analysis to generate descriptive statistics. Data from the survey were analysed using descriptive and statistical methods such as percentages to describe and analyse the characteristics of rateable property owners from the primary data collected from the field. SPSS is reliable and easier to define variables, input data, and generate output or reports.

Qualitative data from the field through the use of interviews were also analysed separately using themes. Thematic analysis is a process of pattern recognition within the data, with emerging themes becoming the categories for analysis (Fereday & Muir-Cochrane, 2006; Swain, 2018). In doing this, Miles and Huberman (1994) outlined the three-flow activity in analysing qualitative data; data reduction, display, and conclusion drawing. In the study, data collected from interviews were simplified, transcribed, and grouped into themes. This data was then displayed and organized in such a way that it permitted conclusion drawing and action. The data display helped the researcher identify patterns in the data that are important and used these themes to respond to the research problem. Qualitative data are presented in narrations and direct quotes from the respondent, while quantitative data presented using tables and graphs appropriately to show quantities and relationships.

### **3.8 Data validity and reliability**

The concepts that were used to express validity and reliability were broader than those traditionally associated with quantitative research since both qualitative and



quantitative evidence was used in the study. With the qualitative aspect, the concepts of trustworthiness, dependability, transferability, and credibility were used. To ensure the validity and reliability of the content of the instrument, the questionnaires were reviewed by my supervisors. The study also conducted a preliminary analysis of primary data collected and revised the questionnaires and interview guides accordingly and subsequently used in the field. These processes were followed to ensure validity and reliability legitimizing the data, which finally lend credibility to a research report.

### **3.9 Ethical issue**

Ethical issues in research are necessary for ensuring that data are obtained in a generally acceptable manner, focusing on respondents' and participants' rights and privacy. The study ensured that all ethical issues bordering informed consent, confidentiality, anonymity, and plagiarism of respondents and participants were adhered to.

#### *Informed Consent*

Participants were made aware of the essence of the research and oral consent sought from them. Therefore, participation in the study was made voluntary. Leary (2001) and Neuman (2007) indicated that researchers must not coerce respondents (and participants) into participating in researches; thus protecting their rights is key in every study.

#### *Confidentiality*

The issue of confidentiality was achieved in that, and it was indicated in the questionnaire that “the information provided by the respondents will be treated confidential and purely for research purposes only.” The purpose of confidentiality is



to conceal the identity of respondents (Babbie, 2007), and this was adhered to. This is important to protect the rights of all the respondents.

#### *Anonymity*

On the issue of anonymity, respondents were not be required to provide names on the questionnaires, and the analysis from the interviews was treated as an aggregate rather than individually. However, some interviews were quoted in the analysis with specific office designations without the real identity of respondents since more than one participant were interviewed in those departments.

### **3.10 Limitations of the study**

Some limitations were encountered in the course of the study. One major challenge encountered during the study was the difficulty in accessing data especially the financial records with regards to property rate from the WMA. Again, the outbreak of the COVID-19 pandemic also posed a difficulty to the study, some respondents were hesitant in giving audience to me due to the social distancing protocol. However, a number of visits and persuasions made respondents yielded.

### **3.11 Chapter summary**

This chapter discussed the methodology adopted in undertaking this study, detailing the approach, method of data collection with regard to the tools and techniques, and the analysis of data. The study adopted the interpretivists philosophical view, which implies a subjective epistemology and the ontological belief that reality is socially constructed. Based on this philosophical world view, a case study approach was adopted. Wa was purposively selected because it has experienced growth in population



and physical expansion; this, therefore, presents an opportunity for local level revenue generation. Respondents for the study were selected using purposive, stratified proportion, simple random sampling, and convenience sampling. A sample survey was used to collect quantitative data as part of the evidence required by using a questionnaire for the study. Qualitative evidence, on the other hand, were gathered through direct observation, interviews, documentary evidence. Qualitative data was be analysed using Thematic and content analysis, while data collected through questionnaires were edited, coded, processed, and analysed quantitatively. All ethical issues bordering informed consent, confidentiality, anonymity, and plagiarism of respondents and participants were adhered to. Data collected from the field were analysed and presented in the next chapter (chapter four) of the study.



## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter presents and analyse the data obtained from the field. Data collection tools during the field survey included questionnaire administration, face-to-face interviews, and field observation. Secondary data were also extracted from reports and legislation relating to property rating in Ghana. This chapter covers an analysis of findings relating to the administration of property rate (tax base, valuation, and collection).

#### 4.2 Basic characteristics of rateable property owners

In terms of the use of rateable properties, data from the field, as shown in Table 4.1, revealed that most of the properties in the areas selected were used for residential purposes. Therefore, residential properties generally dominated the study as compared to other property uses.

**Table 4.1 Use of Property**

Property used	Frequency	Percent
Commercial	14	8
Residential	156	92
<b>Total</b>	<b>170</b>	<b>100</b>

Source: Field Survey, 2020

From the fieldwork, 92% of rateable properties surveyed were residential properties, while 8% were commercial properties. No industrial property was found at the collection points attributable to the fact that these points were mostly residential areas



with few mixed-use activities. Therefore, majority of the properties surveyed were residential properties. Usually, local governments focus more on the few commercial properties since they honour their obligations more than residential properties.

The tenurial arrangement regarding the occupation of rateable properties is also a key factor that influences access and payment of property rate since the incidence of this tax is the owner. The study, therefore, enquired about the tenure of respondents in relation to the properties they occupied. The results are shown in Table 4.2

**Table 4.2 Tenure of Property of Respondents**

<b>Tenure</b>	<b>Frequency</b>	<b>Percent</b>
Rented	9	5
Owner-occupied	105	62
Partly rented, partly owner-occupied	56	33
<b>Total</b>	<b>170</b>	<b>100</b>

Source: Field Survey, 2020

Data collected from the field shows that 62% of selected rateable properties were owner-occupied, 33% of the rateable properties were partly rented, partly owner-occupied, with rented properties captured in the survey representing 5%. This, therefore, implies that the majority of rateable properties were occupied, with rented premises recording the lowest number of respondents.



### 4.3 Taxing undeveloped land its potential for revenue generation

#### 4.3.1 The legal basis

From the study, it was found that the Local Governance Act, 2016 (Act 936), which is a major regulation in relation to local governance in Ghana, excludes undeveloped land from property rate payment. However, based on the powers given to MMDAs by this same Act (Act 936) to raise revenue to provide social infrastructure and services to the citizens, MMDAs are allowed to charge rents on undeveloped in their jurisdictions. A documentary review by the study revealed that sections 137, 141 and 150 of the Local Governance Act, 2016 (Act 936) confer the powers on the Minister of Local Government and Rural Development to provide guidelines for charging fees for the provisions of services and facilities and granting of licence and permits by MMDAs. The guidelines for the charging of fees has always made a provision for charging rent on undeveloped lands as a form of revenue. For instance, item 2.4 (Rent) on the fee fixing guidelines for 2017 clearly states that “*amounts are fixed by Assemblies for market stores, sheds and stalls, spaces at markets and lorry parks for kiosks, and rented quarters, among others.*” The study, therefore, sought to find out if the Wa Municipal Assembly was aware revenue could be generated from undeveloped land. An interview conducted at the Municipal Assembly revealed that the Assembly was aware of this provision in the fee fixing guidelines. The study, however, revealed that the Assembly is unable to implement this guideline due to the lack of capacity and commitment on the part of authorities. A respondent at the Assembly had this to say to explain the situation further;

*“Provision is always made in the annual fee fixing guidelines to charge undeveloped land and even penalties for undeveloped land that causes nuisance to the public, but the Assembly is unable to invoke these provisions because it also comes with its challenges. It will be challenging to identify the*



*owners of vacant land; the finance and budget unit is under-resourced to determine the tax rate. Those in higher authority are not also committed to invoking and implementing this provision.*” (Qualitative interview, 2020).

#### 4.3.2 Method of assessing the rateable value

A documentary review of the Local Governance Act, 2016 (Act 936) revealed no section in this Act has stated that undeveloped land should be taxed. Therefore, there are no explicit provisions on the taxing undeveloped land and how the assessment should be done by Act 936 since it has not made provisions for the taxing of undeveloped land. However, in the fee fixing guidelines (item 2.4 and schedule II), Assemblies are encouraged to collect rent on undeveloped land (Fee Fixing Guidelines, 2017). The guideline does not clearly state how the assessment should be done but only provide an upper limit in terms of the amount that can be charged as rent.

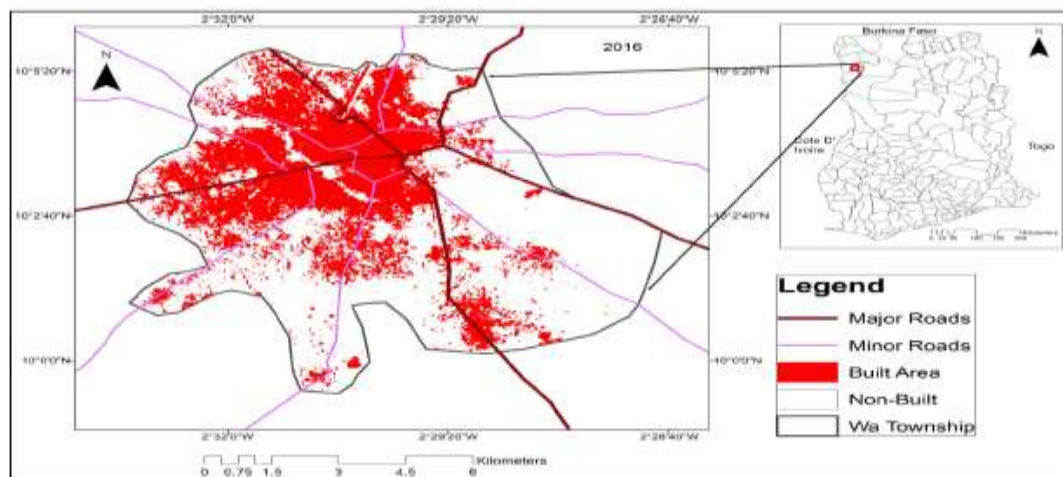
Data from the field through interviews revealed that the Municipality has never invoked this instrument before, in terms of implementation. However, the authorities indicated that in any attempt to implement it, reference could be made to the provisions in the fee fixing guidelines regarding the charging of rent on undeveloped land. Participants at the Assembly, however, revealed that factors such as zoning, use, and location of these land would play an active role in determining tax rates. They were of the opinion that the national guidelines would be adopted and aligned with the local conditions or factors to determine the tax liability of these undeveloped lands to ensure equity since it will take note of the zoning, prospective use of the land, and the location. However, key to the ability of the Assembly to generate a substantial amount of revenue from undeveloped land will depend on the number of undeveloped parcels available.





#### 4.3.3 An estimation of undeveloped land in the Wa municipality

According to Haas and Koponyi (2017), assessing undeveloped land in an urban area requires two approaches. The first is to determine where the undeveloped land is located and how big it is. The second is then determining why it is undeveloped because there can be several reasons. With regard to this study, in examining the taxation practices of undeveloped land and its potential for revenue generation, it is important to determine the quantum of undeveloped land as this is an essential component of the process. The study used observation and ground trudging to confirm the existence of these lands visually. It was revealed that several undeveloped lands were located in prime areas in Wa township, especially along the transition neighbourhoods to the central business district. Specifically, in neighbourhoods such as Kpaguri Extension, Napogbakole, Dobile, Chorkor, Airport residential area, among others. The results, coupled with an initial enquiry at the Assembly and an observation in Wa township, contributed to the choice of Wa as the study area. An image (Figure 4.1) observed from a secondary source in 2016 shows several unbuilt areas in the Wa Township.



**Figure 4.1 An Image Showing Developed and Undeveloped Areas in Wa Township**

Source: Ahmed et al., 2020

Also, interviews with the municipal planner and other officials of the Assembly revealed that undeveloped lands exist, and according to their understanding, they have categorised these undeveloped lands into; lands with physical limitations; corporate land meant for future expansion; public open spaces, land speculation and inability to develop land acquired due to financial challenges; insecure land rights. This categorisation, according to respondents, was done based on the reasons why these lands exist. This, therefore, confirms that of Haas and Koponyi (2017) descriptions of undeveloped urban areas. Among the categories identified, all respondents emphasized the twin issue of land speculation and the inability to develop land due to financial challenges as a major reason for the existence of these land. In responding to why these lands exist, a respondent at the Valuation Division had this say;

*land speculation is very common in Ghana, and it has its consequences. Wa is not an exception, especially plots along major roads where social amenities exist. Most rich people buy these lands and wait for prices to increase for them to sell it off. Meanwhile, it is the provision of these services that will make the price increase (Qualitative Interview, 2020).*

Another respondent at the Land Valuation Division emphasized that;

*“land speculation is rampant, and people own these lands, keep it for some time for values to increase. It does not help economic development; it only helps in their individual development” (Qualitative Interview, 2020).*

The study, therefore, establishes that undeveloped lands still exist within these developed neighbourhoods. However, they could not provide information on the number or size of developed and undeveloped lands in Wa. Due to the inability to obtain general data in the whole of Wa, the study decided to settle on a specific neighbourhood (Napogbakole and Kpaguri Extensions Residential Areas) to ascertain the actual

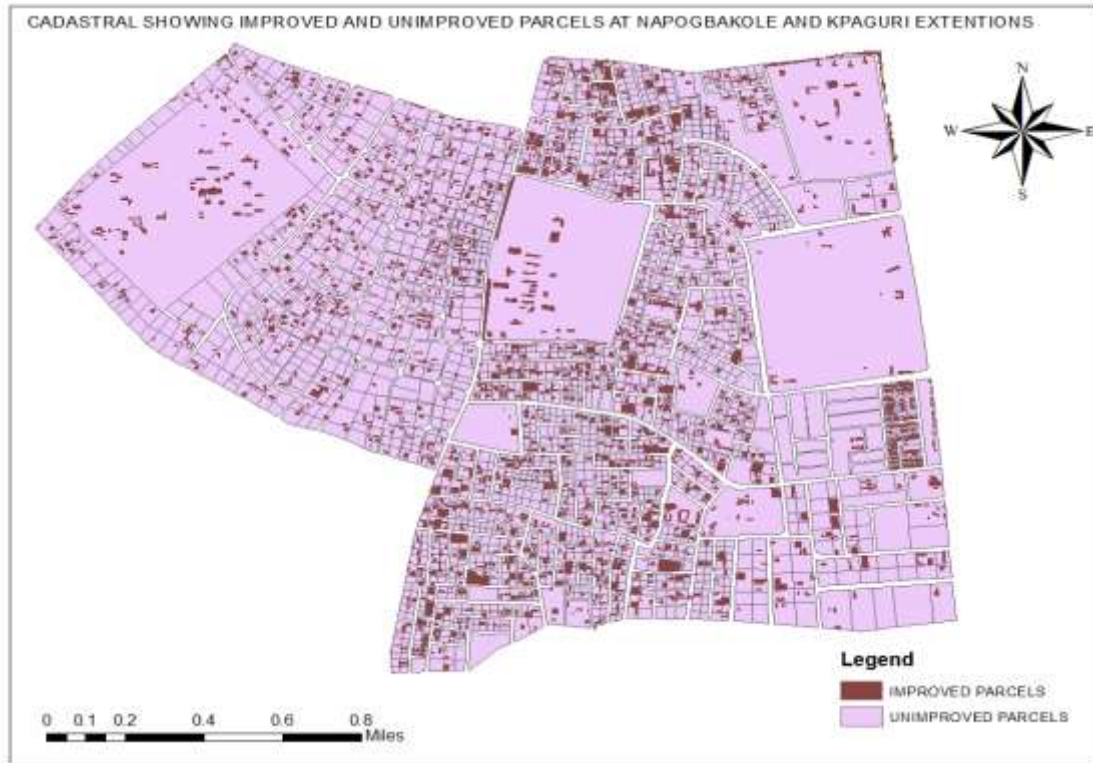
number of plots that have been zoned for residential purposes and have not been developed.

It was important to determine the effects of undeveloped land to justify why these lands should be taxed. In terms of revenue generation, it leads to resistance on the part of taxpayers. That is, the presence of these lands negatively affects revenue mobilisation in the sense that most of these lands are located in neighbourhoods that have social services and positively impact on market values of these lands. However, parcels that have been developed and occupied, and are liable to property rates, do not have these services. The owners of these properties, therefore, resist the payment of property rate for the reason that they do not enjoy any services to warrant the payment of property rate.

#### 4.3.4. Number of undeveloped plots in a section of Wa municipality

Due to the inability of the study to obtain information on the number of undeveloped plots in Wa. The study decided to select a particular section of the town to closely observe the number of undeveloped lands that are there, with the aim of determining the revenue potential of these lands. The study determined the revenue potential of undeveloped lands by focusing on Napogbakole and Kpaguri Extensions Residential Areas, which are neighbourhoods with adequate tarred roads, water supply, electricity, and well zoned. These neighbourhoods were provided with good roads, water, and security, and were therefore identified as suitable neighbourhoods that the Assembly can generate revenue through taxing undeveloped lands.





**Figure 4.2: A Plan showing developed and undeveloped plots.**

Source: Land Use and Spatial Planning Authority, Wa, 2020



**Plate 1: Google Earth Image of the Selected Neighbourhood**

Source: Google Earth, 2020



#### 4.3.5 Estimating the revenue potential of undeveloped plots

The national fee fixing guidelines, which is the national standard, make a provision for GH¢ 22.00 (per 4feet x 4feet) as the upper limit of rent to be charged on undeveloped land by all municipalities in Ghana, but the local standard will always vary. Based on these local dynamics, the study further did some scenarios by adjusting the tax rate to see what could be feasible since the Wa Municipal Assembly indicated that it had not applied this approach in charging rent on undeveloped land. The study, therefore, estimated the potential revenue that would have been made by the Assembly if undeveloped land was taxed. The total number of plots in this area is 2,281, of which 1,276 have been developed, with 1005 undeveloped hence the subject number of plots for the projections.

**Table 4.3 Potential Revenue from undeveloped plots in Selected Neighbourhoods Using Scenarios**

- Napgbakole and Kpaguri Extensions Residential Areas (Areas of focus)
- Standard plot size = 0.23 acre (100 ft x 100 ft = 900m<sup>2</sup>)
- Rent on undeveloped by Assembly = GH¢ 22.00 (national fee fixing guide, 2017)
- Total number of undeveloped plots = 1005 (field data)

Scenario	No of Plots	Cost /m <sup>2</sup> GH¢	Plot size (m <sup>2</sup> )	Estimated Tax payable / plot (GH¢)	Total Estimated Revenue (GH¢)
1 Standard	1005	22.00	900	19,800.00	19,899,000.00
2 Adjusted	1005	15.00	900	13,500.00	13,567,500.00
3 Adjusted	1005	10.00	900	9,000.00	9,045,000.00
4 Adjusted	1005	5.00	900	4,500.00	4,522,500.00
5 Adjusted	1005	2.00	900	1,800.00	1,809,000.00

Source: Field survey, 2020



From the field, the study initially used the national standard (GH¢ 22.00 per 4feet x 4feet plot) to determine the revenue and subsequently adjusted it using scenarios. The tax rate (rent) according to data from the field can be adjusted based on the location, use, and services available in the neighbourhood. The Wa Municipal Assembly would have earned GH¢ 19,899,000.00 (GH¢ 19,800 per plot) if it could implement this provision without any adjustment. However, the estimated tax payable on each plot is considered high due to the socio-economic environment, but this can be used as a benchmark. Since the motive behind it is punitive according to the study, it can be applied in areas such as the Central Business District and some sections of these identified residential areas under study. In the other scenarios made, assuming they were taxing it using GH¢ 2.00 per 4feet x 4feet (1square metre), WMA would have been earning GH¢ 1,800.00 on each plot and generating a total revenue of GH¢ 1,809,000 from the 1005 undeveloped plots. Based on this analysis, the Assembly can adopt any of the scenarios, but care must be taken with regard to the socio-economic base of the town and the use. However, in relation to high-class residential areas with all the needed services like road, electricity, water supply, security among other, the Assembly can adopt scenario 4 or 5, which can satisfy punitive motive while moderately generating revenue for the Assembly.



#### 4.3.6 Best practices for taxing undeveloped land

A documentary review in literature revealed that, in taxing undeveloped land, it is often assumed that the value of land is well established, recorded, and accessible. In practice, however, it requires an extensive amount of expert work to determine the value of the land (World Bank, 2016). Based on the review of the literature in relation to countries that have implemented the taxing of undeveloped land, two main approaches were

identified as ways that the potential of a tax on undeveloped land can be assessed. The use of any of these approaches will, however, depend on the availability of valuation or property market data (IAAO, 2013).

#### *Proxy land sales*

This approach depends on the use of samples of data on land sales in the locality or city, and it is the simplest way of developing a proxy for land taxation. The data is then posted on a map and standard unit values calculated, taking into account the location and the type of land use. The approximate values can be estimated, extrapolated, and used as a proxy for the vacant land. The basis of this method of assessment is the open market value. This method is considered simple, particularly where data is available to compare sales records of unimproved land. It is the preferred approach, according to IAAO (2013). The literature revealed that most developing countries use this approach (Kenya, South Africa, and Botswana). However, the disadvantage associated with the use of this method is that it does not adequately consider the potential next best use of the land, and this may lead to some missing sales data.



#### *Estimated next-best use*

The second approach identified by the study is to tax undeveloped land based on its estimated best use, which will motivate an investor to develop based on the best properties in that same location or value zone. This would mean that an undeveloped land tax can levy a tax that fully captures the value of the land and raise more revenue for the city. Most developed countries use this approach. This approach acknowledges and uses zoning and land use control in its application, which helps determine the best use of the land.

In the cases reviewed (Korea Republic, Philippines, Colombia, Harrisburg in the United States), these countries tax undeveloped land. The tax rate structure is based on either the assessed land value or the market value of the land. For instance, in Korea Republic, Seoul, the tax rate is determined based on the number of years the land has been left undeveloped (5% if left undeveloped for 2-3 years, 7% if left undeveloped for more than 3 years, 8% if left undeveloped for more than 5 years, 9% if left undeveloped for more than 7 years, 10% if left undeveloped for more than 10). In Colombia, the rate is 30% of the assessed value of the land. Harrisburg and other 20 jurisdictions in Pennsylvania United States determine tax rate at 3% of the assessed land value. The implementing agency for imposing and collecting the tax is usually the local government, and the tax collected are used for public purposes. The study, therefore, used the guidelines and procedures from other countries practicing the taxation of undeveloped locally to determine tax rates in the areas under study using scenarios. However, some of the conditions, such as the number of years land has been idle, were not considered.





**Table 4.4 Best Practice of Estimating Revenue from Vacant Land**

- Napgbakole and Kpaguri Extensions Residential Areas (Areas of focus)
- Stand plot size = 0.23 acre (100 ft x 100 ft = 900m<sup>2</sup>)
- Rate based on international practice (Philippines, Kenya, Colombia, and South Korea) uses 3% - 30% and adjust it based on factors such as; location, use, number of years the land has idled, etc.
- Total number of undeveloped plots = 1005

Scenarios	No of Plots	The estimated market value of land (GH¢)	Rate (%)	Estimated Tax payable / plot	Total Estimated Revenue (GH¢)
1	1005	15,000	30	4,500.00	4,522,500.00
2	1005	15,000	25	3,750.00	3,768,750.00
3	1005	15,000	15	2,250.00	2,261,250.00
4	1005	15,000	5	750.00	753,750.00
5	1005	15,000	3	450.00	452,250.00

Source: Field Survey, 2020

From Table 4.4, using international practice, first, the market value of the land is determined; second, a tax rate is determined in percentage, and this is multiplied with the estimated market of the land to arrive at the tax payable. According to secondary data review, the market value of the land and the tax rate is the percentage determined and adjusted based on factors such as use, location, services available, among other factors. Scenarios were also used with only variation in the tax rate. From the analysis, with a land value of GH¢ 15,000 (estimated) and taxed at a rate of 30%, a plot of undeveloped land would be liable to revenue of GH¢ 4,500 (GH¢ 4,522,500.00). If the rate is adjusted to 25%, it would be liable to revenue of GH¢ 3,750 (GH¢ 3,768,750.00 from 1005 plots). If the rate is further adjusted down to 15%, tax per plot will be GH¢ 2,250 (GH¢ 2,261,250.00 from 1005 plots). Again, if it is adjusted further low to 5%, tax per plot will be GH¢ 750 (GH¢ 753,750.00 from 1005 plots). At 3%, tax per plot will be GH¢ 450.00 (GH¢ 452,250.00). Therefore, depending on the motive of taxing



undeveloped land and the local dynamics, the WMA can adopt any of these scenarios to guide any intended efforts towards the taxing of undeveloped land.

#### 4.3.7 Perception of respondents on rating undeveloped land

##### *Property owners' perspective*

Seeking the perceptions of stakeholders on taxing undeveloped land is a good step towards securing the support and cooperation of all stakeholders. Rateable property owners are, therefore, significant stakeholders in the administration of property rate since they are the taxpayers. Their views were sought and their perceptions were mixed. The results are presented in Table 4.5.

**Table 4.5 Taxing of Undeveloped Land by WMA**

Choice	Frequency	Percent
No	86	51
Yes	84	49
<b>Total</b>	<b>170</b>	<b>100</b>

Source: Field Survey, 2020

Data from the field revealed that 49% of the rateable property agreed that the Assembly should tax undeveloped land, while 51% said the Assembly should not rate undeveloped lands in the Wa township. A careful look at the analysis indicates it was almost a split decision between the two categories of respondents, and each group advanced reasons for their responses. Respondents who expressed their support for undeveloped land taxation had the following reasons (Table 4.6) to support their positions.



**Table 4.6 Reasons Why Undeveloped Land Should Be Taxed**

Reasons	Frequency	Percent
To compel landowners to develop	29	17
To ensure a clean and safe environment	24	14
For more revenue to support development	10	6
Vacant land appreciates in value	2	1
Vacant landowners are cheating us	19	11
<b>Total</b>	<b>84</b>	<b>49</b>

Source: Field Survey, 2020

Data from the field revealed that 17% of the 49% of respondents who agreed to the taxing of undeveloped land said that taxing these lands will compel people to develop their lands. This, therefore, emerged as the primary reason from the perspective of a rateable perspective of rateable property owners.

Several views were gathered from the respondents through the study. For instance, a respondent said;

*“Some of these lands generate some income. Most washing bays in town are on such vacant lands, and the owners make money from them, which means they are using the land and must give the Assembly some money for the roads and water services provided”* (Qualitative Interview, 2020).

From the field, respondents who did not support taxing these lands also made several arguments to support their position. They argued that undeveloped lands that do not generate any form of income at their present state should not be taxed. They added that some owners of undeveloped land are not financially strong to be able to develop these lands, especially lands that do not generate any income to owners. Therefore, the taxing of such lands will put more financial burden on undeveloped landowners, which may even affect compliance. A respondent emphasized that;



*“If the person is not earning any income from it, then that land should not be taxed. Because most, at times, it is difficult to judge why the land has not been developed” (Qualitative Interview, 2020).*

Data obtained from questionnaire administration regarding the taxing of undeveloped urban land is analysed and presented in Table 4.7.

**Table 4.7 Reasons Why Undeveloped Land Should Not Be Taxed**

Reason	Frequency	Percent
The land is not in use	31	18
Financial constraints	24	14
No economic benefits from the land	14	8
No services connected to the land	17	10
<b>Total</b>	<b>86</b>	<b>50</b>

Source: Field Survey, 2020

From Table 4.7, several reasons were given by respondents as to why they do not support taxing undeveloped land. However, the non-beneficial use of these lands (18%) and financial constraints (14%) were the major reasons given by respondents.

To determine whether respondents' ownership of undeveloped lands could influence their responses on the taxing of undeveloped land by the Assembly, the study further tried to find the ownership status and their willingness to pay tax on undeveloped land. In doing this, the study also enquired from respondents who were already rateable property owners to find out whether they owned undeveloped land in addition to their developed properties. The result is presented in Table 4.8.



**Table 4.8 Rateable Property Owners with Undeveloped Land and Willingness to Pay Tax on Undeveloped Land**

		Willingness to Pay Vacant Land Tax				Total	%
		No	%	Yes	%		
Ownership of Vacant land	No	60	63	35	37	95	56
	Yes	40	53	35	47	75	44
<b>Total</b>		<b>100</b>	<b>59</b>	<b>70</b>	<b>41</b>	<b>170</b>	<b>100</b>

Source: Field Survey, 2020

From Table 4.8, out of a total of 170 respondents, 75 (44%) of them owned undeveloped land, and 95 (56%) of them did not own undeveloped land. Out of the 95 respondents who did not own vacant, 35(37%) of them were willing to pay undeveloped land tax, 60 (63%) said they were not willing to pay on undeveloped land. In terms of those who owned undeveloped land, 75(44%) of respondents owned undeveloped land, and 35(47%) of them were willing to pay tax on their undeveloped land, 40(53%) of them said they were not willing to pay tax on their undeveloped land. Cumulatively, 70 (41%) respondents were willing to pay undeveloped land tax as against 100 (59%) of them saying no to payment of vacant land tax. Although those not willing to pay were more than those willing to pay, the data has revealed that a tax on undeveloped land will gradually receive the support of the taxpayers, which may help the Assembly raise more revenue for development. From the field data, respondents who were willing to pay such a tax gave the following reasons. The details are contained in Table 4.9.



**Table 4.9 Reasons for Willing to Pay Tax on Undeveloped Land**

<b>Reasons</b>	<b>Frequency</b>	<b>Percent</b>
It is my responsibility to pay tax	12	17.14
Enhance the security of ownership	8	11.43
To raise more revenue for development	50	71.43
<b>Total</b>	<b>70</b>	<b>100</b>

Source: Field Survey, 2020

Generating more revenue to support development was a major reason identified by the study. This is because respondents lamented the lack of social services in their neighbourhoods. According to data from the field, as indicated in Table 4.9, 11.43% of respondents said that the payment made in situations like this could help them secure the ownership on such lands since receipts would be given to them as evidence of payment. 17.14% of the respondents said they are willing to pay tax because it is their responsibility to pay tax. Finally, the majority (71.43%) of respondents expressed their willingness to pay tax on undeveloped land because it will help the Assembly raise more revenue for development. However, respondents who did not express their willingness to pay such a tax also had reasons to support their stance. The details are provided in Table 4.10.

**Table 4.10 Reasons for Respondents Unwillingness to Pay Tax on Undeveloped Urban Land**

<b>Reason</b>	<b>Frequency</b>	<b>Percent</b>
Financial constraints	32	32
Land is undeveloped	28	28
No benefits from the land	40	40
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Field Survey, 2020



Data from the field, as shown in Table 4.10, indicated that respondents based their arguments on the fact that some benefits must be enjoyed from the land before a tax is paid on it. 32% and 28% said that they were not benefiting from the land and the land is undeveloped, respectively. They said they were not willing to pay any tax on non-beneficial land. Some said ‘financial constraint’ was their reason; they were 40%.

#### *Experts and practitioners perspective*

Interviews were also conducted to seek the views and suggestions of professionals in the land sector on taxing undeveloped urban land. Several responses were also gathered, with most respondents answering in the affirmative. Some respondents, however, did not express their support for such an initiative. Both groups gave reasons to support their positions. Participants who responded positively to this initiative backed their responses with the following reasons.

First, revenue generation was one of the reasons with respondents indicating that this would increase the tax base. If effectively implemented and enforced, more revenue will be generated internally to support social amenities and other services in the locality.

The field data added that it would reduce the burden on the few rateable properties captured in the fiscal cadastre. A respondent at the Assembly commented that;

*“I think it will help us a lot because even if you look at our fee fixing resolution, we have made provisions for undeveloped plots, and there are fines to it. Taxing or rating these lands will help us generate more revenue. It will also help keep the environment clean”* (Qualitative Interview, 2020)

The respondent, however, added that capacity in terms of revenue collectors and logistical challenges has made it unable for the Assembly to enforce these fines on undeveloped lands in the Wa township and other neighbourhoods.



Second, data collected from the field revealed that the taxing of undeveloped land would discourage land speculation in Wa, which is detrimental to revenue mobilisation and services provision efforts by the assembly. This is because people buy these lands for speculative motives. The data further revealed that people acquire lands located in prime areas in town, allow such lands to idle without putting it to any use in anticipation of a future increase in price. For instance, a respondent at the Land Valuation Division emphasized that;

*It is prudent to tax these lands because what happens is that these speculators mostly buy strategically located plots in new developing areas, leave the plots like that and now people who just want to build and occupy are pushed far away, making it difficult for the assembly to provide them social services due to the distance, but when these services are provided, the speculators benefit more from it without paying any dime to authorities (Qualitative Interview, 2020).*

A respondent at the Land Valuation Division further remarked that;

*They are keeping the land, and people need it to develop, which will help build the tax base. This is not fair at all. In order to control land speculation, the Lands Commission in taking steps to limit the number of plots an individual can acquire not more than 40 plots, people who are willing to acquire more than the required number must state and prove the purpose for the acquisition. This, when done, will reduce the activities of land speculation in the market (Qualitative Interview, 2020).*

This act has, therefore, made it difficult for local government to provide these services. This is because it is more expensive for MMDAs to provide necessary infrastructure and services to support urban growth.

Third, respondents also indicated that rating undeveloped land would compel people to develop their lands. Data from the field obtained through interviews also revealed that individuals acquire land with the intention of not developing it in the short run.





Therefore, a tax on undeveloped land will compel people to develop their land. This, according to the study, will widen the tax base both in the short term and long run as well. One of the primary reasons for owning land and landed property in our part of the world is prestige. Therefore, people who are wealthy enough to develop lands acquire the lands but mostly leave the parcels undeveloped in developed neighbourhoods. As revealed by the study, taxing such lands will compel people who cannot develop these lands to sell them off to those who can develop these lands. This may, therefore, help the Assembly to generate more revenue to support development.

Fourth, Effective Land Use was identified as a good reason for rating undeveloped. Data from the field also revealed that taxing undeveloped land will help keep the urban environment clean, especially the physical environment. Some respondents said that these lands left bare in urban areas goes against the basic tenets of physical planning. They said that once these lands are zoned for development, the landowners must abide by such and develop accordingly. It was revealed the Land Use and Spatial Planning Authority (LUSPA), in collaboration with other stakeholders should come out with legislation aimed at reclaiming these lands and selling them off to those who can and can develop these lands. With regard to the reasons why undeveloped land should be taxed, a respondent had this to say;

*“There is currently legislation being worked on which is aimed at preventing urban blight by taking away urban land from owners that are not able to develop them for some number of years and selling them off to those who can develop. These lands are left undeveloped, and ones they remain undeveloped, they are used for other uses that may not be in line with the zoning of the area”*  
(Qualitative Interview, 2020).



Respondents also revealed that some of these undeveloped lands generate income for their owners, while the assembly earns no form of property tax from such lands. One respondent remarked that;

*“There are instances where these bare lands are being used for some activities, and income is generated. Some people with such lands have turned them into a driving school and washing bays, and they earn income from it. Therefore, if vacant land is generating some form of income, it is prudent to tax it”* (Qualitative Interview, 2020).

#### 4.3.8 Challenges of taxing undeveloped lands

In an attempt to tax undeveloped land, some challenges may emanate from the taxing authorities and the taxpayer. Data from the field, therefore, categorised these challenges in two perspectives. About the taxing authorities, some challenges gathered from the field include; assessments are expensive, literature added that many jurisdictions in developing countries lack experienced assessors to determine land values. Another issue of concern was the definition of undeveloped land, implementation, and enforcement, especially the “will power” (Haas & Koponyi 2017). It was also revealed that the taxpayers might resist the payment of this tax resulting in a lack of compliance with its associated challenges so far as revenue generation is a concern. Some additional challenges that were identified by the study are explained below:

The issue of inadequate local plans was identified. From the perspective of the taxing authorities, the unavailability of layouts to help in the compilation of the fiscal cadastre was identified as a major challenge. Data from the field revealed that inadequate approved planning schemes, especially in fast-developing peri-urban areas, could make the compilation of the fiscal cadastre for the taxation of undeveloped land and



challenging. Most peri-urban areas such as Kunfabialah, Piisi, Kperisi, Mangu Extension II had no approved planning schemes. However, Bamahu had an approved planning scheme. Data from the field revealed that there are 53 local plans covering an area of 59 Square Kilometres as of 2019.

Besides, estimating the Value of Land for Taxation Purpose was also identified by the study. From the field, respondents raised several concerns about how the values of undeveloped lands will be determined since the cost method could not be used in this regard. They, however, suggested approaches such as the flat system and comparable sales approach and the use of unassessed rates depending on a predetermined criterion, taking into consideration the location and land use.

Finally, the identification of undeveloped Land Owners was also found to be a challenge. It was gathered from the field that the identification of owners of these undeveloped lands is expected to be a major challenge, especially lands that have not been registered. Respondents interviewed at the Lands Commission said that most people buy lands and are either unable to register or refuse to register these lands. It was realized that most people who have the intention of selling off these lands in the future refuse to register them. This they do while forgetting that it is the registration of the land that ensures the security of ownership and will positively give the buyer assurance of ownership. By this, it becomes challenging to identify the owners. Additional data on this issue, however, indicated that a stakeholder collaboration could help the Assembly to identify the owners of these lands. For instance, in commenting on the challenge of identifying these landowners, a respondent had this to say



*“It is good to tax those lands, but the issue is the identification of such lands and the owners as well, even without the use of the software or the property addressing system. It will not be completely out of place to say that majority of these vacant lands in town are registered because of insecurity, especially lands located in the central business district or just around it. Therefore, if there is a stakeholder collaboration between the relevant stakeholders (MMDAs, Lands Commission, and others), the owners of these lands will easily be identified and taxed accordingly”* (Qualitative Interview, 2020).

Data from the field also revealed a pilot mass appraisal taking place within the “traditional Wa township,” and the software being used can capture undeveloped land. A respondent indicated that should the taxing of undeveloped land be considered in the future in terms of implementation, identifying landowners will not be a major challenge. Taking the necessary steps towards taxing undeveloped land reference must be made with regard to how this initiative has been done elsewhere as a way of adopting best practices that can be replicated locally considering the local dynamics.

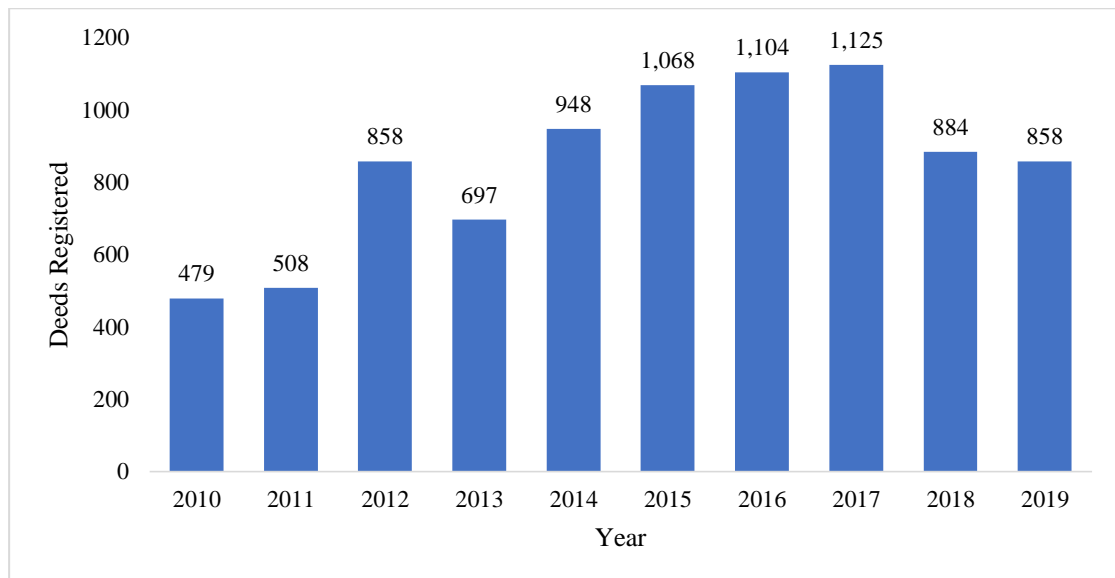
#### **4.4 Re-examining the basis of the cost method for determining rateable values**

The study used data from interviews and documentary reviews to test the relevance of the principal assumptions that led to the adoption of the replacement cost based on property rating in Ghana. What has, therefore, become of these underlying assumptions in reference to development in the land and property market development? These principal assumptions included;

First, the Cost Method was recommended because it avoided the question of land title and tenure and plot boundaries in its application. The improvement or physical structure was, therefore, of interest so far as the use of the cost method was concern. However,



in the changing face of the land property sector, what has become of title and boundary issues. From the field data, stakeholders in the land and property sector and other partners have made efforts to improve on these issues. Evident is the implementation of the Land Administration Project, which was meant to help streamline activities in the land sector. Title registration and boundary issues were significant components of this project. The study found out that the initiation of such a project has helped the process in several ways. For instance, cadastral plans issued by the Lands Commission (SMD) recorded a continuous increase for the past three years used in the study, 2017 (1,143), 2018(1,555) and 2019 (2,433). Data regarding Deeds registration for the past 10years in Wa have been presented in Figure 4.3.



**Figure 4.3: Trend of Deeds Registration from 2010 - 2019**

Source: Lands Commission, 2020

Deeds registration for the past ten years, as presented in Figure 4.3, experienced a continuous increase from 2010 to 2017 except in 2013, where it reduced. One major

reason revealed by the field data with regard to this reduction included the impact of the 2012 general election on the economy, which slowed down economic activities hence negatively affecting the acquisition and registration of Deeds. From Figure 4.3, 2015, 2016, and 2017 recorded higher registration, and the field data revealed reasons such as; the availability of money in the hands of individuals due to the influx of microfinance institutions, Ponzi schemes, and the 2016 general elections. However, 2018 and 2019 experienced a low registration due to some economic challenges, which were partially attributed to the collapse of these microfinance institutions and the collapse of Ponzi schemes that were operating in Wa. Comparing the deeds registration to cadastral plans issued for 2017, 2018, and 2019, the number of cadastral plans issued has continuously been more than titles registered. In all this, the bottom line is that Deeds registration and boundary issues have been progressive. Therefore, with this change in events and data available to the study, these issues seem to be improving and thus provides the foundation for other methods to be considered in rating valuation in Ghana.



Second, constructional cost was available and could easily be used to determine cost rates since valuation data was unavailable, and also the Economic Commission of Africa (ECA) and the courts recommended the cost method as an appropriate method for assessing capital value in the absence of sales data. The study in examining this assumption revealed that the property market, which supplies valuation data even though it's still developing, has been able to help in the supply of market information. Data from the field revealed that property market valuation, which supplies valuation data, has improved and can be obtained from the market. Participants made it known that data is available and accessible; however, they were quick to add that the reliability

of some of the information is always a challenge. This is because the data available to individuals are not coordinated, not documented, and no credible or recognised institution manages this data; hence the reliability is always in question. For instance, some participants who provided information on rental and land values in some parts of Wa hinted that such information did not exist because the property market was not as active as it is today. Therefore, even though constructional cost is still available, the availability of valuation data has also improved according to data from the field, sales data, rental data, and other data are relatively available. They can be more credible if well managed. In commenting on this, a respondent at the Land Valuation Division had this to say;

*“We still have a long way to go, though the market is developing, the flow of information is still not there so much. However, I will say it is available and accessible. This is because, in those days, it was difficult getting property data on the market, but now at least you can get the information. However, reliability is always questionable because we don't have a central body or system to manage and verify the information”* (Qualitative Interview, 2020).



Third, the cost method was considered suitable for measuring the value of buildings in a mass valuation while maintaining uniformity between individual buildings. The method has been touted as the best method of rating information in many jurisdictions due to its simplicity in use and administration where the necessary measures are put in place. However, data from the field and other documentary sources revealed that the adoption of a method to be used by law is entirely different from the capacity to implement it effectively. It was found that the Wa Municipal Assembly has not been able to use this method in property rate administration effectively. This is evident by the outdated valuation list been used and the inability of WMA and LVD to undertake

revaluations as stipulated due to capacity challenges. Data from the field revealed that the Land Valuation Division lacks the technical officers to undertake rating valuation. This is relevant in that the method of assessment used require technically trained personnel to aid in its application. Therefore, the lack of these personnel to effectively use this method has led to the inability of the Land Valuation Division to compile and update the fiscal cadastre for rating purposes periodically. The study found that the Division currently has a staff capacity of 6 Valuers, of which two were recruited recently. Therefore, the assumption using this ensuring uniformity in relation to the determination of rateable values through mass valuation has not been met due to capacity challenges. However, the idea is good, but the implementing authorities cannot apply, which has negatively affected property rate administration. A respondent at the Rating section of the Land Valuation Division remarked that;

*The staff strength is a big problem because, as a rating unit, we are supposed to be updating the valuation list as, and when the Assembly needs it, they write to us for it at a charge, especially the cost of compiling or updating it. But due to staff constraints, we are unable to do it (Qualitative Interview, 2020).*

Dynamics, therefore, exist in different jurisdictions that directly impact property rating. The study revealed that this method is widely accepted worldwide does not mean it can effectively operate everywhere without the required technical officers, funds, logistics, and the needed political will, as in the case of Ghana.

Finally, the issue of minimum legislation with flexible nature was also considered by J.N Murray in recommending the cost method for Ghana. The field data, however, disagreed with this reason. The respondent said that the process involved in coming out with legislation regarding the adoption of any method of valuation would not vary much





and therefore should not be a reason leading to the adoption of a method that has made it difficult for the compilation, updating, and maintenance of the fiscal cadastre for property rate. A documentary review further revealed that the provision has already been made towards adopting a new method when necessary. The Local Governance Act 2016 (Act, 936) provides that “the *minister may by legislative instrument prescribe either generally or in respect of any particular district a basis for the assessment of rateable values of the premises.*” Thus, the structure already exists for such an initiative.

#### 4.4.1 Challenges of the cost method

According to documentary review and data from the field, the cost method, even though it was recommended and finally adopted as a suitable method of assessing capital value for rating purposes, its application by MMDAs across the country has been met with several challenges. Some of these criticisms associated with the use of this method as gathered through documentary data and fieldwork include;

First, the Replacement Cost basis tends to result in inequitable taxation in practice. By assessing the taxes due on properties according to their cost, the cost method ignores the income from such properties and, consequently, the relative abilities of the owners to pay. If rates are based on costs, building with higher cost irrespective of the incomes they earn or ought to receive may always pay higher rates than those with cheaper cost may be earning higher incomes depending on their location and use. Data from the field gathered through interviews conducted supported this particular demerit. The study revealed that the focus of the current legislation is on only taxing the physical structure without recourse to the use and income it earns may result in the under-taxing or rating



of certain properties, especially commercial properties, and this will defeat the ability to pay principle inherent in any effective taxation system.

Second, the determination of depreciation is also another challenge. From the field, it was revealed that the way depreciation is determined does not most at times reflect how much the owner of the premises spends to repair the defects on the premises. A critical assessment of this method shows that the owners of the premises tend to pay property rates on the cost of repairs because of the limit of the statutory allowance. Both field and documentary data revealed data that the determination of depreciation is always a big challenge. This is because of the level of subjectivity allowed in the use of this method. Even though this method limits depreciation to the materials, the challenge still exists and could result in the abuse of subjectivity in its application. In commenting on the challenges of using the cost method for rating valuation, a respondent at the Land Valuation Division had this to say;

*“There is a challenge with equity concerning the rate of depreciation; the determination of depreciation has been linked to the individual material components of the building, which is very slow and difficult to determine. Therefore, the issue of determining the depreciation rate is the arbitrariness involved”* (Qualitative Interview, 2020).

Third, it was also identified from the field that the cost method does not take into account the correct building and town planning regulations. It, therefore, implies that the cost of building under the valuation can be found by assuming that the existing building is pulled down and reconstructed. The study found that this assumption used by this method technically ignore zoning in that cost rates for valuation are focused on the availability of social amenities and the material makeup of the structures. However,



field data found that it is mostly at the MMDAs level where rate impost is determined that make provisions for these variations concerning zoning are considered reflecting in different rate impost for various residential classes and other uses (residential, commercial, and industrial).

Aside from all the problems already examined from literature. Some additional challenges were also gathered from the field in relation to the actual execution or implementation of this method and they include;

The fact that the property rate is ad volarem puts a substantial financial burden on the WMA. Properties would have to be valued individually, and this requires more personnel (technical officers) and logistics and other packages. The data revealed that WMA has been unable to compile a new and even update existing fiscal cadastre due to the cost associated with the cost method. The question is, why should Ghana still hold on to this method amidst MMDAs inability to conduct revaluations and supplementary valuations for rating purposes? A respondent in commenting on the financial issues associated with this method confirmed that it is expensive, and it requires huge sums of money. The respondent said;

*“The application of this method needs a lot of money to work, the cost of undertaking a mass valuation using this method has been a challenge and will continue to be a challenge until our policymakers listen to professionals to take second a look at this method”* (Qualitative Interview, 2020).

Again, the technical nature of the method requires technically trained officers to use this method for rating valuation. Data from the field indicated that the Land Valuation Division lacks the technical staff to apply this method in rating valuation. For instance,



there was only one rating valuer in charge of the Wa municipality. Respondents, however, blamed this problem on the government for superintending over the collapse of the local government training school that used to train technical officers specialised in rating valuation for the country. It was further revealed that most staff at the Land Valuation Division and Rating Units are employed straight from the universities and polytechnics without much technical training in rating valuation. Therefore, they lack the relevant technical knowledge to apply in rating valuation. A respondent had this to say in relation to the lack of technical staff at the rating department;

*“The only major problem is the lack of technical officers. The local government training school that trained us has collapsed. Most of my colleagues are either dead or are on retirement; the current system has no technically trained staff. But my problem is how we can train technical officers to help in the administration of property rate”* (Qualitative Interview, 2020).

Additionally, data from the field revealed that logistics, such as vehicles, computers, printer, and others needed to help in the process, as indicated earlier, is still a challenge. There are problems with the lack of logistics gathered from the field. Therefore, all these criticisms discussed above have contributed to the many difficulties of rating valuation in WMA.

Data from the field revealed that the Wa Municipal Assembly and Land Valuation Division find it challenging to revalue properties using the cost method. Therefore, the Assembly has, over the years, resorted to the use of unassessed or flat rates and indexation in some instances to determine the tax rate payable. This, however, affects



revenue mobilisation since property rates are not charged base on determined rateable values of properties. Reference is made to data analysed and presented in Table 4.11

**Table 4.11 Valuation of Rateable Property and Payment of Property Rate**

Property Ever Been Valued for Rating	Paid Property Rate Tax			
	No		Yes	
	Frequency	Percent	Frequency	Percent
No	111	100	35	59
Yes	0	0	24	41
<b>Total</b>	<b>111</b>	<b>100</b>	<b>59</b>	<b>100</b>

Source: Field Survey, 2020

For instance, as indicated in Table 4.11, data from the questionnaire revealed that out of the 59(100%) respondents who paid property rate, 35(59%) had their properties not valued before making the payment. Only 24(41%) had their properties assessed before rates were paid. This, therefore, means that 59% of respondents who paid rates did that without a valuation, on what basis was the tax rate determined, and even among the 41% who had their properties valued, indicated that the assessments were a long time ago, and this could mean that the rateable values used to determine their tax liability were outdated. The function of valuation within a property tax system is to determine the relative proportion of the tax burden to be shared by each taxable property (Babawale, 2013). Therefore, if this is not done as indicated by the field data in Table 4.11, the property rating system lacks equity with the sharing of the tax burden on rateable properties. The use of other approaches to do determine rates payable has



resulted in the assembly losing revenue. In commenting on how the use of other approaches has affected the Assembly's revenue, a respondent had this to say;

*“Because the assessment is not done using a scientific process, you realise that the Assembly cannot go with higher values, rather we go with very minimal values (basic rates), and in that case, you realise that at any point in time you are not collecting what you are supposed to be collecting. People are paying, but they are not paying what they are supposed to pay” (Qualitative Interview, 2020).*

*“For some time now, we have been using unassessed rates because we have not been able to do revaluation, and it has its challenges. Even with this, we are still unable to collect enough revenue from property rates” (Qualitative Interview, 2020).*

A documentary review further revealed that using these other approaches contradicts the determination of rateable values so far as the Local Governance Act, 2016 (Act, 936) is concerned this is because it is stated in the Act that; *“The rateable value of premises shall be **the Replacement Cost** of the buildings, structures and other structural development that comprises the premises after the deduction of the amount it would cost at the time of valuation to restore the premises to a condition in which they would be as serviceable as they were new.”* Therefore, taxpayers can even challenge the legality of the basis being used to determine property rates' tax rate.

Even though this provision exists in the Local governance Act 2016 (Act 936), the same Act also allows the Minister responsible for local governance to determine another method for determining rateable if the need arises due to dynamics in some MMDAs jurisdictions. However, concerning the use of unassessed rates or flat rate, authorities could not provide further information on whether rectification was sought from the



Minister for approval before applying these approaches. In responding to a question in relation to the effect of using these other methods, a respondent said;

*“So far as the scientific assessment is not done, you cannot ask them to pay more, so you have to go with a very small amount so that nobody will challenge it. This is because there must be proof that you valued their properties scientifically, and therefore, they are entitled to pay a specified amount. So, if that is not done, you just go with an abstract fee, the ratepayer has every right to take the Assembly to court, and mostly, they will win”* (Qualitative Interview, 2020).

Another revelation by the study was that the rating unit of the Assembly has also resorted to targeting only certain classes of properties and other cooperate organization or institutions such as banks, Ghana Revenue Authority, Volta River Authority and other for property rating. During the field survey, the Municipal Authority made it clear that it is not able to cover all rateable properties when it comes to rating and attributes it to some factors such as inadequate funding, inadequate staff, use of not up to date valuation list, among other factors. However, this again goes against the Local Governance Act, 2016 (Act, 936) in that the rate payment is made partial by the Assembly. The effect of the inability of the WMA to assess all rateable properties through a timely compilation and updating of the fiscal cadastre resulting in a situation where revenue continues to be proportionate to the demand and provision of social amenities.

Therefore, data from the field had indicated that the Assembly finds it difficult to do revaluation due to the challenges associated with the application of the cost method. The reality is that it is very expensive in terms of its application. From the data, WMA



has adopted the flat-rate system, which is not the best, but it can be modified to help in revenue generation.

The secondary data revealed that other countries use the flat rate system, which does not necessarily require physical visitation, but they can scientifically determine tax rates and generate revenue. Internationally, the flat rating and property banding system have been used to determine tax rates for rateable properties. For instance, most cities in Tanzania use the flat rate system (both land and buildings) and simplified area-based system for properties that are not yet captured on the valuation list. However, some adjustments are made for the use, location, and size. The flat rate system is noted for the ease in its application. It is less costly and requires a lesser number of technical officers as compared to other methods. In using this approach, the unit cost per metre square is determined for a neighbourhood, considering the use (zoning), location, and services available. This unit becomes the benchmark for all types of properties to be assessed. The proxy land values are determined using a market value basis and standard unit. This practice in Tanzania is similar to what pertains in Botswana, where benchmarks for price per square metre for land and improvement is determined and applied to all properties (land and buildings) in an entire neighbourhood or area to obtain the individual tax rate of properties (Franzsen & McCluskey, 2017; Svensson & Leima, 2014). Value bands are also used, especially in the United Kingdom, and it is a variation of the market value approach. In using this approach, the value of each property, especially residential properties, is assessed and placed on the valuation list in eight valuation bands, and this becomes the benchmark for all properties in that band.





Therefore, all properties in that band will continue to pay the same rate until a revaluation is done on any properties in the future to determine the new tax rate. However, some experts have questioned it uses based on possible errors, particularly in countries where this is applied to non-prototype or heterogeneous hereditaments (Babawale, 2013). Local governments have also used a point-based system in countries like Sierra Leone and Malawi. This approach assigns points based on the surface area of the land and building, and with this, additional points are awarded for positive features. Based on these international practices in using the flat rate and banding system, MMDAs in Ghana can equally adopt these practices and modify the use of the flat rate (unassessed rate) already been used to determine the tax rate. The flat rate system can be modified by scientifically using a refined criterion instead of the arbitrary charging of a flat rate without recourse to a scientific basis. This can be possible since the Local governance Act, 2016 (Act 936), allow the minister to determine a method of determining the tax rate for a particular MMDA based on recommendations.

However, it was noticed the assembly had not recommended other methods even though these other methods exist. Based on documentary data, it was unraveled that some methods are available and can either complement or serve as alternatives to the current method of assessment. These methods that were identified are; profit method, investment method, and the market comparison method.

Data from the field revealed that there were calls by experts and some professionals to introduce different methods for the valuation of commercial and residential properties. According to the study, the respondent argues that using the cost method only focuses



on the physical structure, thereby ignoring the use or the activities taking place within the structure, mostly commercial properties. Some, therefore, argue that this has led to the under-rating of commercial and other income-generating properties. In seeking the opinion of the respondent on the use of the other method for rating valuation, several responses were gathered from the interviews conducted concerning this issue. A respondent emphasizes that;

*“For instance, with companies that do more of investment, I don’t think the cost method is good to rate them with. Emphasis on only the structure is not the best. The structure alone is not enough, and we should look beyond that. Other methods can be used, possibly the profit method for commercial properties. But there is a challenge: the owners of these businesses are not ready to give you the required information. There is no bookkeeping, no records to help you capitalise and determine rateable values. Because of the lack of information in the property market, our only option is the cost method “(Qualitative Interview, 2020).*

*Other methods can be used, now if you look at the rate of development in terms of variations, one method is not appropriate to fit all. Therefore, a combination of these methods will be beneficial (Qualitative Interview, 2020).*

Data from the field further unravelled that the requirements in terms of the other alternative methods may also be a challenge. This is because the use of the profit or investment method to determined rateable values will require certain information from the users of the property, and this is likely to be a significant challenge to the use of these methods in rating valuation. Access to such information may be easy with regard to formal institutions and other corporate institutions; in relation to other commercial properties in the information, it will be difficult to obtain information regarding their businesses. The data also indicated that it is likely to be time-consuming, expensive



and will require more technical officers on the ground, just like the cost method since properties, mostly commercial properties, will have to be valued individually. Responding to a question about the expected challenges of using other methods, a respondent said that;

*“It may be challenging to use the profit method because most of the owners of commercial properties are not always willing to give out information about their businesses, and this is going to create a huge data gap. However, authorities can collaborate with other agencies such as the Ghana Revenue Authority to supply such information to Land Valuation for the determination of rateable values”* (Qualitative Interview, 2020).

From the field survey, it was found that the Wa Municipal Assembly has not, in collaboration with the Land Valuation Division of Lands Commission (LVD), been able to use this method to do any revaluation since 1997. The current valuation list, according to the study, was prepared as far back as 1997 through the Urban III Project funded by the World Bank project. In commenting on the validity of the current valuation list being used for rating purposes, a respondent at the Land Valuation Division had this to say;

*“The valuation list that is currently being used was prepared in 1997, about 22 years ago. The World Bank sponsored this exercise. Since then, no revaluation or a proper supplementary valuation has been done. The revaluation was supposed to be done every five years”* (Qualitative Interview, 2020).

This practice, according to the field data, strays from the stipulated statutory prescribed time revaluation in Ghana, which is every five years. It was revealed that the values of properties captured in the fiscal cadastre do not reflect the current values of properties in relation to the market conditions. In this case, the challenges associated with the



current basis and method of determining rateable values must be identified and examined.

#### 4.4.2 The use of mass appraisal

The discrete nature of applying the cost method in rating valuation has contributed to the challenges facing rating valuation in Ghana today. Data from the field revealed that the use of mass appraisal using information technology could also play a significant in the administration of this tax. A documentary review revealed that mass appraisal for rating valuation has been evident in other countries in Africa (Rwanda, Tanzania, and others). According to the study, countries that have used this method recorded some successes in relation to; the cost involved, the low number of technical staff required, easy in compiling and updating the fiscal cadastre, among others. However, Ghana has not been able to use mass appraisal for rating valuation. Mass appraisal in this context is linked to the use of technology in the valuation process. Therefore, in using technology, there are several advantages. The study, therefore, sought to find out from professionals about their views and suggestions about the introduction of mass appraisal using information technology since Ghana has been unable to use the cost method for rating valuation effectively. Several responses were gathered; for instance, a respondent commenting on the need to introduce mass valuation in the valuation process had this say;

*The use of technology for appraisal will be very beneficial to the whole property rate administration process. But the issue here will be the challenges associated with it. There is a pilot mass appraisal currently taking place, and this is good, but if only it does not become a nine-day wonder. Ghana is found of starting something today and aborting it tomorrow. Therefore,*



*sustainability is paramount. It will help build an up-to-date fiscal cadastre for more revenue to be generated (Qualitative Interview, 2020).*

In summary, it was gathered from respondents that the use of mass appraisal would positively improve the process in the following regard; reduction of working hours, enhance output, ease in monitoring every property, and even update your valuation list without difficulties. Some revenue collectors also supported this idea by indicating that it will lead to an updated valuation list, which prevents them from some challenges, especially going out there without rateable values of properties. But, some respondents, however, raised issues about the initial cost of such a system and further added that if MMDAs are determined to use such a system, private partners can be given the opportunities to bring their expertise on board to support the process. Data from the field revealed that currently, a pilot mass appraisal is taking in traditional Wa township, and it is sponsored by Gesellschaft für Internationale Zusammenarbeit (GIZ) just as part of its corporate social responsibility to help the local government generate more revenue for development.



#### 4.4.3 Perceptions of experts and practitioners on the relevance of the cost method

Respondents were asked to give their professional opinions based on their experience as to whether the Replacement Cost Method is still the best method for rating valuation in Ghana viz-a-viz the land and landed property sector market development. All the respondents acknowledged the fact that there have been challenges with the use of the cost method, and it has not adequately helped the administration of property rate in Ghana. This especially in the area of compiling and updating the fiscal cadastre for rating purposes.

Technically, all respondents supported the suitability of the cost method for rating valuation amidst all the challenges associated with its application in rating valuation. From the field, some respondents had these to say in relation to the current suitability of the cost method.

*“As we do not have so much information to think of using a new method, that is the only method we can rely on. But as we continue to build a database on valuation data, it will be good we add or use the investment method or profit method as a method to be used for rating valuation. The cost method is not the best, though, but we can just make a combination. The reason is that we are developing, and once we are developing, there are certain indications; therefore, we need to open up to enhance other valuation methods in the rating valuation spectrum to maximise revenue for development”* (Qualitative Interview, 2020).

*“The cost method is still very good and relevant, especially, it aids in mass valuation. The only major problem is the lack of technical officer and logistics to make its application effective”* (Qualitative Interview, 2020).

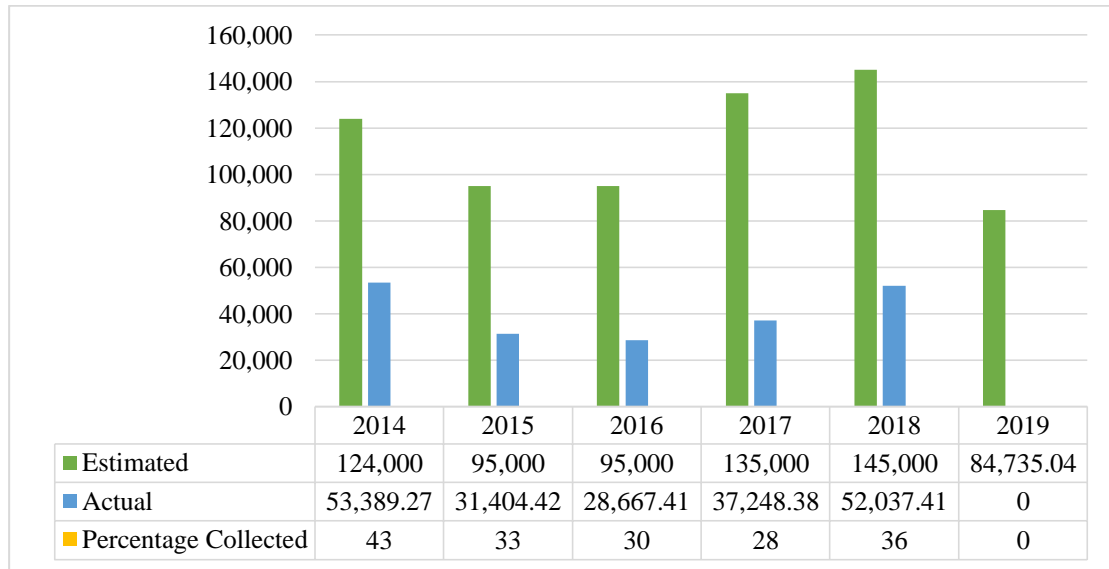
Therefore, based on the analysis above, one would be tempted to conclude that the Cost Method is good and working perfectly. However, a cursory look at the analysis based on documentary data and responses from professionals will point out that a lot needs to be done to improve the usage of this method if it should continuously be used as the only method for rating valuation in Ghana.

#### **4.5 Public-private partnership and property rate revenue performance**

Among all the sources of Internally Generated Funds (IGF), property rate is considered the surest source of revenue to the Assemblies. Property rate, according to the requirements of Act 936, is to be the balancing factor of the District Assemblies' budgets. However, over the years, revenues collected from property rate has been low.



Financial data gathered from the field has shown that the Assembly did not realise the targeted amount of property rate to be collected in all the years under study. Records from the Assembly, as depicted in Figure 4, show that revenue collected was always below far below target.



**Figure 4.4: Collection of Property Rate**

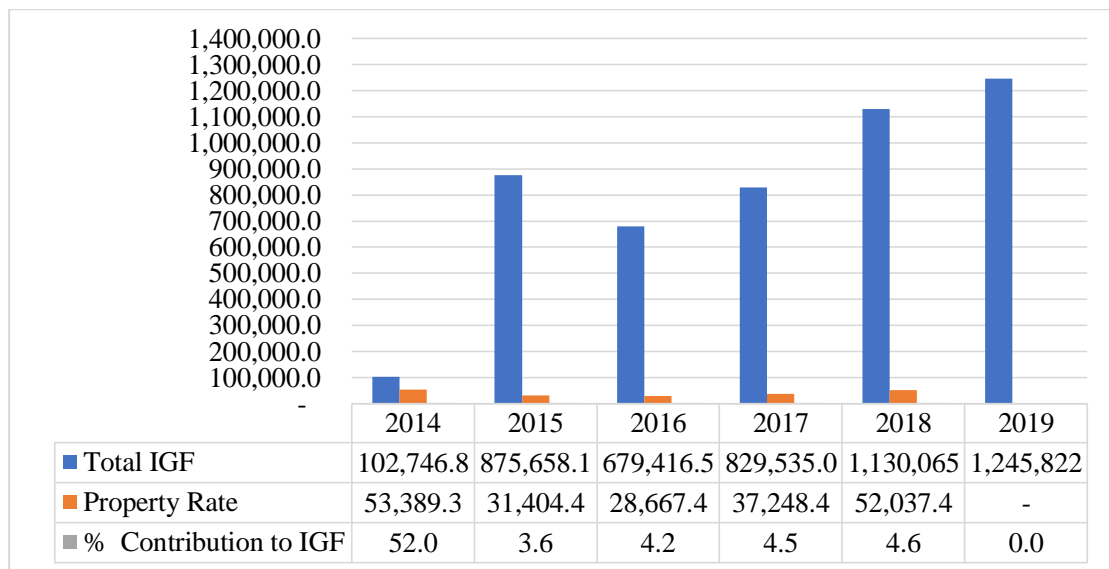
Source: Field Survey, 2020

Figure 4.4 shows that the Assembly has not met its target of estimated revenue from property rate from the years 2014 to 2019. In 2014, the Assembly achieved 43% of its revenue target from property rate, and it declined the subsequent consecutive three years, 2015 (33%), 2016 (30%), 2017 (28%), and increased in 2018(36%). Reasons such as the inadequate capacity to collect, poor cadastre, and political interference and lack of commitment on the part of the Assembly were the factors that contributed to the continuous decline of property rate collected from 2015 to 2017. In 2014, the total estimated revenue for the Assembly was very low as compared to the subsequent years, the Assembly engaged more collectors, and their activities were adequately supervised, and the result in that year recording the highest amount for revenue realised during this



period. For the year 2016, the study revealed that electioneering activities impacted the collection because politicians were cautious not to enforce tax compliance measures for fear of being voted against in the elections. In 2019, no revenue was collected from the property, and this was attributed to the lack of revenue collectors to distribute and collect property rates. Authorities at the Assembly attributed this to the delay in preparing demand notice, inadequate revenue collectors at the Assembly, and lack of logistics. This has therefore made it difficult for property rate to perform its role as the balancing factor of the district assembly budget.

The ability of MMDAs to generate more revenue locally will ensure fiscal autonomy and its associated benefits. The study sought to ascertain the contribution of property to the IGF of the Assembly, and the result is presented in Figure 4.5.



**Figure 4.5: Contribution of Property rate to Internally Generated Fund of WMA**

Source: Field Survey, 2020

From the study, it was revealed that in 2014, property rate contributed a little over half (52%) of the Assembly's IGF. This was attributed to the engagement of more revenue





collectors to distribute demand notice and collect revenues. Property rates contribution to total IGF of the Assembly declined dramatically in 2015 to 4% and relatively maintained that rate to 2018. Inadequate capacity to collect rates, poor cadastre (valuation list), political interference and lack of commitment on the part of the Assembly were the primary reasons for the low contribution of property rates to the Internally Generated Funds (IGF) of the Assembly. In 2019, authorities indicated that no rates were collected from the property rates and the challenges mentioned above. The authorities at the Municipal Rating Department could not provide data on the number of rateable properties on the valuation list for all these years attributable to the fact that no revaluations, supplementary have not also been done since 1997. However, unsuccessful attempts were made in 2012 and 2014 to do a supplementary valuation. Property rates were therefore charged without any proper records detailing; the location, assessed rateable values, and property rates payable, resulting in the low rate of collection. Thus, the twin problems of difficulties in the collection and the lack of regular revaluation with their associated causes are the major reason for the low contribution of property rates to the Assembly's IGF. These twin problems are elaborated in the next two sections.

#### 4.5.1 Reasons for lack of revaluation

##### *Lack of funding from the MMDAs*

According to data from the field and confirmed through documentary data or sources, it is the statutory duty of MMDAs to provide funds to the Land Valuation Division to compile and maintain the Valuation List for rating purposes. However, MMDAs are unable to provide funds toward this exercise, and this has therefore made it difficult for



Land Valuation Division to undertake their statutory mandate effectively. In commenting on this, respondents at LVD and WMA respectively said that;

*“We are unable to prepare the valuation list, and the problem is from the MMDAs, they need to support us with funding for us to compile new or update existing data, but they always say they don’t have money and this has made the work difficult for us”* (Qualitative Interview, 2020).

*“We are always unable to provide the necessary funds to the Land Valuation Division to do a valuation for us to bill more properties to boost our IGF”* (Qualitative Interview, 2020).

#### *Lack of logistics*

Logistics play an essential role in the administration of property rate globally. However, it was observed from the field that logistics such as computers and accessories, motorbikes, printers, among others. These, therefore, impede effective work at the Land Valuation Division.

#### *The Methodology for Rating Valuation*

The methodology, procedure, and processes used for property rate valuation have also been a challenge to property rate administration. Its requirement and effective implementation in relation to its application have been a serious challenge for revaluation and supplementary valuation efforts.

From the study, it has been observed that the compilation and subsequent determination of the rateable value of properties have been a challenge. This has been attributed to two main issues: financial and institutional challenges, but all have a direct relationship with the method used concerning its requirements. This is because applying the cost method in rating valuation requires skilled and well-trained technical officers, logistics



remuneration packages, and funding. Funds are, therefore, critical in the application of this method for rating valuation in Ghana.

Some general comments that were made by respondents about the current state of property rating in Municipality include; a respondent at the Land Valuation Division said;

*With the current valuation list, you can only get few properties on it, but I can assure you that from 1997 the properties that have sprung up are even more than those on the valuation list. It is just that we don't have the number* (Qualitative Interview, 2020).

Data from the field also revealed that the Wa Municipal Assembly has not been able to effectively perform its duties with regard to property rate administration in the Municipality.

#### 4.5.2 Reasons for the inability to collect property rate

From the study, several challenges that have made it difficult for local assemblies to mobilise revenue, mostly from property rate effectively, were identified both internally and externally.

##### *Lack of adequate and reliable revenue database*

Respondents at the Municipal Assembly mentioned that the database available for property rating is very old and unreliable since no supplementary nor revaluation has been conducted for a very long time. This has made it difficult for them to identify rateable properties and bill them accordingly. Some revenue collectors confirmed that most of the properties they go out there to collect rates from do not exist in their database used for collection, and no demand notices are served to them since the database is not updated. They are sometimes left with no option than to use their



discretion to charge this rate, which is not acceptable by the laws governing property rate administration. A respondent at the Municipal Rating Unit had this to say;

*“We have thousands of properties that are not captured on the valuation list. This is because the 1997 valuation list was prepared on the traditional Wa township, but developments have expanded to capture some suburbs such as Bamahu, Nakori, Kpongu, and others. So, in short, I will say that what has not been captured is more than what has been captured.” (Qualitative Interview, 2020).*

#### *Inadequate revenue collectors*

The adequacy and experience level of revenue collectors is a critical component of the revenue mobilisation process. However, the Wa Municipal Assembly, according to the study, had inadequate revenue collectors, and these few collectors are not also well-trained so far as property rate is concern. Respondents (revenue collectors) complained about the lack of motivation in their line of duty. This has consequently made it difficult for the revenue unit of the assembly in its efforts to mobilise enough revenue from property rates.

#### *Lack of technology*

Interviews conducted revealed that the Revenue Unit of the Assembly currently lacks the necessary technology and expertise to ensure that revenue collection of property rate. This affects the management of data and other relevant information. Demand notices are manually generated and distributed manually according to the field data. The collection is also manually done, thereby making room for some leakages resulting in corruption in the whole property rate administration system. A respondent at the Assembly in commenting on this challenge said;



*“The issue of technology is a challenge, especially with the collection, because we don’t have any software for the collection. We still do the manual way, and that gives room for a lot of leakages. Because it is manual, at times, the collectors will connive with the taxpayer to cheat the system”* (Qualitative Interview, 2020).

#### *Insufficient logistics*

The revenue unit of the assembly, according to data collected from the field, lacks the necessary logistics such as computers, vehicles, motorbikes to help them in the collection of revenue, especially property rate. It was revealed that the lack of these logistics was a significant setback to the entire revenue mobilisation efforts by the assembly.

#### *Security of collectors*

The security of revenue collectors was another critical challenge. However, the collectors faulted authorities for their inability to educate and be accountable to the taxpayer. The study found several instances where residents had resisted the property rate and had even maltreated revenue collectors. An official of the Assembly confirmed this, and this was what the officer said:

*“There are some places you will go, and they will attack the collectors because they are not used to paying property rate. Some also complain they also do not know what the money collected has been used for, and therefore refuse to pay and also threaten to beat up collectors.”* (Qualitative Interview, 2020)



*Lack of cooperation from rateable property owners*

The stakeholders at the Municipal Assembly revealed that most rateable property owners had a negative attitude towards the paying of this rate. They explained that ratepayers complain about the lack of accountability, lack of involvement in the whole process, the high amount demanded as rate without any assessment, lack of public education on property rates. It was prudent to find out from rateable properties why they resist or, even to the extreme, evade the payment of property rate. The results are presented in Table 4.12.

**Table 4.12 Reasons for Not Paying Property Rate**

<b>Reasons</b>	<b>Frequency</b>	<b>Percent</b>
Not convince about paying	27	26
Low income	10	9
Low confidence in government and rating officials	16	15
Rating charge is high	3	3
No demand notices given	50	47
<b>Total</b>	<b>106</b>	<b>100</b>

Source: Field Survey, 2020

From the field, rateable property owners indicated that the inability of the Assembly to distribute Demand Notice reminding and detailing property rate due discourages them from paying rate. Some rateable property owners also made it known that due to the low confidence in the rating system, they are not motivated to pay rates. The amount demanded as property rate, according to three of the respondents, is high since no assessment is done, and this makes it difficult for them to pay. Authorities at the Municipal Assembly, from their perspective, also said that since revaluations and supplementary valuations are not done, they apply unassessed rates, which according to them, is the basic rate, hence the lowest rate that is supposed to be applied.



*High illiteracy or level of education among taxpayers*

A low level of literacy among rateable property owners, according to the study, also affects the efforts of the Assembly to collect property rates. For instance, some respondents did not understand why they should pay property rates because the central government provides money to the Assembly to provide social amenities. Data about the level of education and payment of property is presented in Table 4.13.

**Table 4.13 Educational Level and Property Tax Payment**

Education Level	Property Rate Payment			
	No Payment of Property Rate		Paid Property Rate	
	Frequency	Percent	Frequency	Percent
No Formal Education	38	34	20	34
Primary	42	38	6	10
JHS/Middle School	16	14	7	12
SSS/SHS/Vocational	5	5	6	10
Tertiary	10	9	20	34
<b>Total</b>	<b>111</b>	<b>100</b>	<b>59</b>	<b>100</b>

Source: Field Survey, 2020

The level of education of property owners always influences their understanding and willingness to support national and local government policies. Education defined in this context refers to the respondent's formal educational attainment. For those with no formal education, 34% paid have not been paying tax, while 34% have been paying tax. 38% of respondents that had primary school have not been paying tax, only 6% paying property rate. Respondents with tertiary had only 9% not paying tax with 34% paying property rate. The study, therefore, revealed that those with tertiary education paid property rate than the other categories. This is because out of the 30 respondents that



had tertiary level education, 20 of them paid property rate, with only 10 of them not paying property rate.

#### *Political interference and lack of political will*

Respondents indicated that higher authorities who can sanction the effective administration of property rate sometimes refuse to do that because of political reasons. Section 101 (2) of the Local Governance Act, 2016 (Act 936), has provided MMDAs enough powers to enforce compliance and institute punitive measures against defaulters. According to the study, the use of this power is often hindered by the interference of political figures. It was also revealed that some political officers at the Assembly do not always want to take long term initiatives since they are not always sure of enjoying the proceeds from such investment due to the governance system in this country. A respondent had this to say;

*Some of these politicians at the Assembly always find it difficult to enforce specific regulations for fear of been voted out of power, and at times too, they do not want to take certain initiatives for the reason that other politicians will be getting more funds from those initiatives to do more work they are doing now. Politics is killing our efforts to mobilise more revenue for the assembly (Qualitative Interview, 2020).*

#### *Lack of finance*

It is the responsibility of the Assembly to provide funding towards the compilation of a valuation list through revaluation and supplementary valuations. The assembly is also responsible for collecting this property rate after the Land Valuation Division compiles the valuation list. However, the lack of funds from the Assembly to perform these





functions have made the levying of property rate ineffective since most of the activities depend on the availability of funding.

*Lack of coordination*

Data from the field revealed the lack of coordination among various institutions with regard to property rate administration was also identified as a major challenge affecting property rate administration in the study area. The coordination between the various Land Sector Agencies and the Municipal Assembly has not been productive enough.

It is, therefore, evident that there are several gaps in relation to the administration of this tax at the Wa Municipal Assembly. These gaps centre on the issue of capacity, expertise, logistics, political will, and funding. However, these challenges are not limited to only WMA but the Land Valuation Division as well. It was unravelled that the use of in-house personnel in the administration of this tax has not been effective both at the Land Valuation Division and the Wa Municipal Assembly, mainly due to the low number of staff, lack of expertise, and the required logistics and funding challenges. The question then is, can public-private partnerships play an active role in ensuring the effective administration of this tax?

#### 4.5.3 Experience of Wa municipal Assembly with public-private partnership

Authorities at the Assembly indicated that one major area is the engagement of the services of Ghana Private Road Transport Union (GPRTU) as their private partners for the collection of revenues from commercial vehicles operating in the municipality. This, according to the respondents, has taken place for some time without any challenges since a lot of funds do not go back into generating this revenue. About the



arrangement, the Assembly has ceded some areas to them to collect revenues (lorry stations and other areas). A flat rate is given to them to pay after a period of time, and what is left goes to them as their share of the revenues collected or remuneration for their efforts.

The study also found that the assembly has never gone into any arrangement with a private partner so far as property rate is concern. However, it was added that the only area relating to property rate and public-private partnership is the Telecommunication masts. It was revealed that these masts had been given out to a private firm called ATC to collect rates for the assembly.

Some of the professionals interviewed confirmed that they had not had any public-private partnership arrangement with the Assembly and also do not have records of any firm doing that with the assembly. Respondents from the Land Valuation Division also indicated that their outfit has never collaborated with any private individual or firm to undertake any rating valuation exercise for the assembly. They, however, revealed that other Assemblies in Ghana are doing it, and they are benefiting a lot from it with regard to revenue generation from property rates. A respondent at the Division also added that *“partnership for valuation has not ever come on the table before, but other assemblies are doing it in Ghana, and they are benefitting from it.” (Qualitative Interview, 2020).* What then prevents the Wa Municipal Assembly from all also taking such an initiative?



*Why the Wa Municipal Assembly is not using a public-private partnership*

The study unravelled that the assembly has not engaged private partners in property rate administration (valuation and collection) due to; (a) the over-reliance on central government transfer for the funding of developmental projects and local government activities. This, therefore, prevents MMDAs from taking initiatives that improve own-source revenue generation; (b) the lack of commitment on the part of the authorities, especially the politicians who have the “will power” to initiate and aid in the sanctioning of such initiatives, for instance, a respondent at the assembly had this to say

*“The Assembly lack the commitment to generate revenue from property rate, and this is very sad because a lot of revenue can be generated from property rate alone to support development”* (Qualitative Interview, 2020).

(c) The assembly is also reluctant to go into such an arrangement because of the idea that it is the Land Valuation is available to help with the assessment of rateable values and should only be responsible. Meanwhile, the same assembly cannot provide the necessary funding to the Land Valuation Division to do its work. The views of some major stakeholders in property rate administration with regard to public-private partnership was also paramount.

*Perception of property ratepayers on public-private partnership*

The study sought to find out the opinion of rateable property owners on the introduction of public-private partnership since they were also stakeholders. 75% of the respondents answered that they would recommend a public-private partnership to MMDAs, with only 25% indicating that they would not recommend such as agreement. Both groups of respondents gave reasons to support their responses. The details are presented in Table 4.14 and Table 4.15



**Table 4.14 The Use of Public-Private Partnership by WMA In Property Rate**

**Administration**

Option	Frequency	Percent
No	43	25.3
Yes	127	74.7
<b>Total</b>	<b>170</b>	<b>100</b>

Source: Field Survey, 2020

Respondents who recommended the use of public-private partnership in property rate administration supported their choice for the following reasons. Such an initiative reducing the workload of the Assembly recorded the lowest response (8%) since most respondents focused on results or benefits, they stand to gain from it. The result is contained in Table 4.15

**Table 4.15 Reasons for Recommending Public-Private Partnership to WMA**

Reasons	Frequency	Percent
It will increase output	30	23.6
It will reduce corruption	30	23.6
Ensure effective supervision	27	21
Reduce the workload of the assembly	10	8
Enhance efficiency	30	23.6
<b>Total</b>	<b>127</b>	<b>100</b>

Source: Field Survey, 2020

Respondents who did not recommend the use of public-private partnership in property rate administration also advanced reasons such as; issues of control, challenges of output, corruption, lack of transparency, bad or weak contract terms, to support their positions.



Stakeholders (WMA and LVD) and other professionals who were also interviewed to get their opinions and suggestions concerning the introduction of public-private partnerships in the administration of property rate presented the following reasons;

*Improvement in the quality of service delivery*

In this regard, this could be the ability of these private firms or partners to effectively mobilise the needed revenue for the local assembly to support development at the local level.

*Infusion of technology*

Technology has always been one of the major challenges confronting property rate administration. Therefore, if a public-private partnership is introduced, and it can help solve this problem, then this initiative will be beneficial to the assembly in their efforts to improve revenue mobilisation. A respondent at the Municipal Assembly remarked;

*“For now, because the technology is not there, we are still doing the manual collection. We generate and distribute our Demand Notices manually. The collection is also manual, we don’t have any electronic means of collecting property rate, so if they bring in technology, it will help us a lot” (Qualitative Interview, 2020).*

*The infusion of private capital*

Funding has always been a major challenge to the administration of property rates. A public-private partnership, if well implemented, can help reduce the effect of this challenge aimed at improving the property rate sector. Depending on the arrangement, some private partners can invest in the entire process, which will help the local



assembles in terms of revenue mobilisation and service provision. A respondent at the Wa Municipal Assembly also had this to say

*“I think it will help because we have already indicated that funding is a challenge, so if they have the financial capacity to support the whole operation or part, why not. Technological know-how is also something we are battling with, so we have a private partner who can invest in these areas, or who can make funds available for the valuation of rateable properties and introduce some technology to collect the rate, I think it will help to improve on property rate administration.”* (Qualitative Interview, 2020).

#### *Improvement in managerial efficiency and effectiveness*

The aim of the private partner is always to make a profit. Therefore, this profit-making motive of private firms drives the private sector towards ensuring that all activities are monitored and regulated to ensure efficiency and effectiveness. However, the assemblies must negotiate very well not to be tied to unfavourable terms due to their vulnerability. A respondent at the Municipal Assembly speaking with regard to the benefit of this initiative said;

*“Public-private partnership will help in revenue generation because the private person is there to make a profit, and the assembly also needs money for development. They will bring more and also get something. The Assembly lacks the staff to do the collection, and it will not be prudent to employ permanent collectors. This is because there is a huge cost associated with that. Therefore, private people must come in to help”* (Qualitative Interview, 2020).

Several responses were gathered from interviews conducted. For instance, a resource person interviewed said that;

*“This idea is very good, and we should think of it and start doing something quickly. Public-private partnership is very important; if not, the assemblies*



*will continue to lose money. Assemblies should partner with private firms who have the capacity, and not just any firm. Their capacity building mechanism must be well-developed.” (Qualitative Interview, 2020).*

#### *Existence of private partners and the requisite capacity*

The existence of private firms or partners with the required expertise, capacity, funds, and technology is very crucial for the establishment of public-private partnership arrangements. The authorities revealed that they do not receive many proposals from private firms requesting to partner with them in the area of property administration. However, the Municipal Rating Unit indicated that the last time it received a proposal from a private firm called Indemnity Ghana Limited was 2014. This low rate of proposals received now raised the question of the availability of private firms or individuals with the required capacity. However, data from the field through interviews revealed that professional firms and individuals are ready to partner with MMDAs. They, however, raised concerns about the processes involved. Some indicated that the process required and political interference makes it difficult for private partners to express interest in partnering with MMDAs for property rate administration. The respondents also indicated that a private firm has the expertise, capacity, and technology to help the process, and these firms are available. However, the Assembly is not interested in engaging their services due to their lack of commitment towards harnessing the potential of property rate for local revenue generation since they depend more on intergovernmental transfers.



*Perceptions and opinions of the model of public-private partnership*

Data from the field revealed that currently, two partnership arrangements that exist include collecting revenues by ATC from telecommunication service providers and the GPRTU from commercial vehicles and other activities. With regard to the arrangement with GPRTU, there is a revenue-sharing arrangement where a flat rate is given to the GPRTU to pay to the Assembly after collecting revenue from areas that have been ceded to it for a period of time. However, authorities added that in most instances, a percentage of what is collected is supposed to go to GPRTU, but in this present arrangement, that method is not used, and no reasons could be given as to why. In the case of rates from telecommunication companies, authorities indicated that they use a sharing formula; with this, the private firm collects the revenue from the service providers, pay 70% to the Assembly and keep the remaining 30% as a remuneration for their services. It was revealed that the Assembly assesses without using the necessarily using procedure established by the Local Governance Act, 2016 (Act 936), and thus leading to the under-rating of these rateable properties.



*Areas of concentration for public-private partnership*

The focus and model of a public-private partnership is selected based on the type of public services delivery problem being addressed; that is, the problem at hand. It could be a capital problem (funding), management problem, or both. Concerning the issue of property rate administration in the Wa Municipality, both capital and management problems exist according to the study. Therefore, in terms of the areas of focus as to whether such an arrangement should be on valuation only, collection only, or both. Respondents from the Land Valuation Division opined that such an arrangement should focus only on the collection aspect to ensure that more revenue is collected so that more



funds can be realised towards the funding and management of the property administration system. A respondent had this say on the field;

*“The focus should be more on the collection. However, the valuation can also be part of that, for instance, in situations where there is supposed to be a mass valuation. The land valuation may not have adequate staff to undertake the exercise; the private valuers and firms with the required capacity can be brought on board.”* (Qualitative Interview, 2020).

On the part of respondents from the Municipal Assembly, they suggested that public-private partnership should focus on both the valuation and collection of property rates. They stated that the Assembly lacks the funds and capacity to undertake these activities effectively. A respondent had this to say;

*“We will look at the whole process, from the valuation to the collection. If we are bringing in a private partner, we will prefer that the person invests in the valuation. We also expect that they will follow up with the collection itself by introducing some form of technology to ensure efficiency and reduce all forms of malpractices.”* (Qualitative Interview, 2020).

Some other professionals that were interviewed also indicated that public-private partnership arrangements should focus on the collection aspect in the short run. Reasons given to support their argument are; the bureaucracy involved in engaging private valuers to do rating valuation will slow down the process. Most of these private partners only have the technical capacity to value and collect but lack the funds to invest in the entire process (valuation and collection). Due to political interference, private partners may not want to invest huge sums of money in the process since any change of government can interfere in the arrangement hence their investment.



*Major requirements for public-private partnership by the Wa Municipal Assembly*

The study found that, in introducing this form of arrangement with regard to property rate administration, certain core things must be done before private partners are engaged. The availability of private firms is not the end, but rather the capacity to effectively execute their responsibilities without any internal challenges. Therefore, the capacity of these partners must be assessed to be sure the work can be done.

- (a) The expertise and technology platforms private partners intend to use must be thoroughly assessed;

*Expertise partners*

Data from the field revealed that the partners should understand the sector thoroughly; the partners should have some delivery experience with regard to property rate administration (valuation and collection); the partners must demonstrate capability and capacity (technical expertise, human resource, logistics, and others); effective grievances management system that can be based on the provisions in the Local Governance Act, 2016 (Act 936).

*Technological platform*

The use of computer-based appraisal (CAMA) for determining rateable values, raising Demand Notice annually, and on all properties(billing); multiple payment methods (bank, office, etc.) and revenue monitoring systems; data management and monitoring system. The study indicated that if all these are assessed and a qualified partner is selected, it will lead to an increase in coverage and payment, which will help support the developmental needs of the people. A respondent remarked;

*“In terms of the partners, you need to assess the capacity, expertise, and logistical capabilities of the firm before bringing them on board.”* (Qualitative Interview, 2020).





(b) The quality of output in relation to a public-private partnership arrangement is paramount. From documentary data in the area of valuation, the Local Governance Act 2016 (Act 936) allows private valuers and firms to undertake rating valuations. However, the Act (936) mandates the LVD to supervise the activities of any individual firm that will be contracted by the assembly to conduct any assessment, and the LVD operates under guidelines set out in the *Immovable Property Rate Regulations* 1975 (L.I. 1059) and Act 936. Concerning the collection, the study unravelled that the Finance and Budget Units of the assembly is supposed to monitor the activities of the private partners in this regard to make sure the right things are done. In doing this as well, some measures that can be put in place according to the study include; regular auditing of the activities of the partners by the Assembly. This is to ensure transparency and accountability in the operation of the assembly, as well as unambiguous and measurable terms of engagement and in the contract as well. The remuneration package is also very important, and the Municipal Authority must negotiate very well to ensure value for money. For instance, a respondent at the Assembly suggested that should such an initiative be implemented, the Assembly will propose a commission of 30 percent for the revenue generated by private firms, and 70 percent will come to the Assembly. The respondent defended this position by indicating that financial practices in MMDAs set the ceiling of 30% for all financial arrangements in terms of partnerships with private firms or individuals. However, private firms will take responsibility for the commission of their revenue collectors. A survey in the literature revealed that Kumasi Metropolitan Assembly collects revenue through a similar arrangement with an outsourced third-party company where the Assembly is not directly responsible for collectors since the Assembly pays the third party based on their contractual agreement.

#### **4.6 Chapter summary**

This chapter centred on the presentation and analysis of data collected from the field. Qualitative data were analysed thematically and presented using narrative and quotations. Simultaneously, data from questionnaires were also analysed using SPSS and presented using descriptive statistical tools such as graphs and frequency tables. Also, the data were analysed and presented according to the research questions. The next chapter focused on the discussion of the results obtained from the field. The result is discussed and linked to the principal agency theory.



## CHAPTER FIVE

### DISCUSSIONS

#### 5.1 Introduction

This chapter discusses and relates the findings of the study to the theoretical insights. The results of the study are discussed in light of existing literature. This allowed for a valid conclusion to be reached and inferences made. The various analysis and discussions are organised according to the set of objectives of the study.

#### 5.2 Taxation practices and revenue generation potential of undeveloped land

The Local Governance Act 2016 (Act 936) gives power to the Assembly and makes it the agent implementing policies of the central government and also as the taxing authority. By devolving responsibilities and power to generate revenue for local development, the central government's goal is to increase the efficiency in service delivery and other responsibilities at the local level.

The study found that explicitly, there is no provision in the Local Governance Act, 2016 (Act 936) that identifies the taxing of undeveloped land. In terms of the legal basis, the land is not taxed, but according to the study, there is a general provision in the form of bye-law which must be approved by the Minister of Local Government and Rural Development to empower local government to raise other forms of revenue to support development. The ministry develops these policy guidelines to administratively guide the generation of revenue from these other sources available to the Assembly. Therefore, in terms of property taxation as captured in literature, which includes land, improvement, and a combination of both, the land is not taxed in Ghana. This,





according to the study, has contributed to the prevalence of undeveloped land across major cities and towns in Ghana, including Wa. Lall, Henderson & Venables (2017) corroborates this finding, as they noted that one of the common features in African cities was the availability of undeveloped lands near the centres. It was further found that undeveloped lands in urban areas put a burden on the local government in terms of providing social amenities. Based on these, the minister, through the ministry of local government, developed policy guidelines which support the generation of revenue from undeveloped land in the form of rent. The amount proposed by the national fee fixing guidelines is more of an administrative charge. It has two main objectives; first, to increase the revenue base of the Assembly, and second, there is an inherent motive of curing land speculation. This is because the GH¢ 22.00 (4feet x 4feet) is too exorbitant, and the findings suggest that it is to discourage land speculation and discourage people from keeping undeveloped lands in line with city planning regulations. In addition, some taxpayers (49%) also indicated that Local governments could use undeveloped land taxation as a strategy to discourage speculation and generate more revenue for development. This finding confirms a study by Haas and Koponyi (2017) that, in developed countries, the main motivation of taxing undeveloped land seems to be addressing disinvestment and blight in cities. In developing countries, the focus of this tool is on fighting speculation and encouraging optimum land use. Franzsen & McCluskey (2017) and Bahl & Linn (1992) also note the taxing undeveloped land will discourage land speculation in urban areas, encourage optimum use of land, and could also ensure an efficient land use.

Literature revealed that the capacity of local government to implement the taxation of undeveloped land has proven to be an essential factor in the success of taxing

undeveloped land (see Koponyi, 2017; World Bank, 2016). However, according to the study, WMA has been unable to implement this provision made in the fee fixing guide because it lacked the commitment to implement it, difficulty in identifying owners of undeveloped lands, and the lack of an appropriate assessment method. From the study, it is indicated that it is not a policy issue on taxing undeveloped land as the law allows for the taxing of improvements only. Therefore, the method of assessment has not been spelt out in the Act resulting in the use of administrative to define the method of assessment. However, every policy defines assessment, but because this is not defined under policy, the assessment method and procedure are not available hence the inability of the Assembly to implement the guidelines.

In terms of the determining tax rate on undeveloped land, the study revealed that from international practices, the open market value was identified as the preferred basis and used by many countries (both developed and developing) to assess the tax rate on undeveloped lands. This basis was applied by using the proxy of land sale, which combines the comparable sales method and flat rating to determine tax rates. The market values of lands are determined, and based on the location, use, availability of services, and other factors, a unit rate per metre square is determined and applied to all undeveloped lands in the neighbourhood (Nyabwengi, 2019). According to the study, this method is considered simple, less costly, and easy to use, and this confirms the finding of Nyabwengi (2019) that the flat rate system has the advantage of being simple and easily understood by both the property owners and the tax officials. However, there are questions surrounding its usage. For instance, it is argued that it lacks equity in its application. However, this can be reduced if the method is adopted and modified to suit local conditions.



In terms of policy implication, since the guidelines allow Assemblies to charge rent on undeveloped land, it might be good for policy consideration to streamline or formalise it with the ultimate aim of generating revenue for development and discouraging land speculation. Therefore, if this is streamlined into land value taxation and explicitly considered by policy, a method of assessment would then be identified to guide the determination of tax rates. In other countries (both developed and developing) countries that are taxing undeveloped land, the legal basis is traced to policy, which means that the policy clearly stipulates that undeveloped land is taxed. That is why they have the methods to determine tax rates. But in the case of Ghana, the policy (Act 936) does not explicitly say that land should be taxed, and this has resulted in Ghana having pseudo types of methods coming up. A clear example is how the GH¢ 22.00 (4feet x 4feet) tax rate is determined.

In terms of the taxing of undeveloped land, the policy is not clear, and this has made it difficult for Assemblies to implement and strictly enforce it even though some guidelines exist. Thus, the study found that the charging of rent is not directly a policy issue, and due to this, some assemblies, such as the WMA, are not enforcing it. Another fact is that from the data gathered, some taxpayers (49%) expressed their support for the taxing of undeveloped lands. Therefore, relating this to principal agency theory, the major stakeholders identified include; the central government, local government, and the taxpayers. The lack of clarity from the central government as the principal who initiates policies have made it difficult for the local government as the agent to implement the charging of rent on undeveloped land even though administrative guidelines exists. Some taxpayers who (51%) did not also express their willingness to support the taxing of undeveloped land identified financial constraints as their major





reason. However, Bahl (2009) argued that landowners should bear a more substantial tax burden, so a land value tax is more progressive.

Therefore, for an effective undeveloped land taxation system to be developed, there must be a collaboration between the key stakeholders (central government, local government, and taxpayer). All key stakeholders must be involved in the designing and implementing the policy and other guidelines necessary for such a system. The roles of all key stakeholders must also be clearly defined.

### **5.3 Re-examining the basis of the cost method for determining rateable values**

A survey in literature, as part of the study, revealed the underlying assumptions for the adoption of the cost method for rating valuation in Ghana. The study examined the current relevance of these assumptions with regard to the challenges affecting property rate administration.

First, in relation to title and boundary issue. The study found that title registration and boundary issues have improved. For instance, Deeds registration in Wa had recorded several increases over the last ten years, accumulating a total number of 8529 registered Deeds. Also, cadastral plans issued by the Lands Commission (SMD) recorded a continuous increase for the past three years used in the study, 2017 (1,143), 2018(1,555), and 2019 (2,433). This may not be adequate, but it shows there is an improvement in title and boundary issues. The data, therefore, suggest that the condition of title and boundary issues is significantly improving. More landowners are preparing cadastral plans of their lands, which relates to boundary issues. Comparing deed



registration and boundary issues, the cadastral plans issued for the past three years as according to the data, far exceeded deeds registered. This is a very good sign so far as an improvement in this condition is concerned. Specifically, on the boundary issues, the study found that it is being tackled. There are planning schemes, demarcations, and landowners are acquiring more cadastral plans, which indicates that title and boundary will not be an issue again the development of layouts, issuance of cadastral plan.

Second, in terms of the condition relating to only the availability of constructional cost, since valuation data was not available. It was found that the dynamics in the property market are changing in Wa. There are more residential property developments, mostly rental accommodations such as student and workers' hostel due to urbanization and the establishment of higher institutions of learning like the University for Development Studies. These dynamics are playing out, and the level of information regarding rental values and land values has improved. Therefore, the property market, according to the study, has also improved the availability of data. However, it was found that there are still issues relating to reliability and access to comprehensive property market data. This finding resonates Franzsen and McCluskey (2017) that market information obtain from the public and quasi-public institutions are often incomplete and not well organised. It, however, contradicts the findings of Awuah, Gyamfi-Yeboah, Proverbs & Lamond (2017) that inadequate access to reliable market information for improved property valuation practices in developing countries such as Ghana appears to be worsening. The data, therefore, suggest that the availability of property market information has improved even though there are still issues with accessibility and reliability. This implies that the availability of central data management can give credibility to the property market.



Third, there was a condition that the cost method was widely used internationally. The study confirmed this condition from literature but went ahead to indicate that even though the cost method is widely accepted in many developing countries, many developing countries have not been able to implement it effectively due to some challenges. Some of the major challenges were; local dynamics such as the local governance system, capacity, finance, and commitment of stakeholders. The same challenges, according to the primary data collected, exists in the Wa Municipality. It, therefore, implies that, in adopting an appropriate method of valuation, the local conditions, capacity in terms of expertise, and finance are some of the necessary factors to consider.

Finally, the ease in coming out with legislation was also a major condition underpinning the use of the cost method. However, the study found that the Local Governance Act, 2016 (Act 936) has already made a provision for the minister to decide on an appropriate method of determining rateable values based on recommendations from the MMDAs if there are challenges with what is being used. The Local Governance Act 2016 (Act, 936) provides that “the *minister may by legislative instrument prescribe either generally or in respect of any particular district a basis for the assessment of rateable values of the premises.*” Thus, the structure already exists for such an initiative. Therefore, issues relating to the ease of legislation have also become flexible for the adoption or addition of other methods of rating valuation for an effective property rate administration system.





The study found that the cost method has been criticised as a major challenge to property rate administration in the Municipal Assembly in terms of policy and administration. The data suggest that in terms of policy, the method is criticised in the following areas; first, the replacement cost basis ignores the income of the properties and, consequently, the relative abilities of the owners to pay, but only focus on the cost of construction. Second, the determination of depreciation, according to the study, is challenging due to the high level of subjectivity used. This support Petio (2013), who noted that the use of the replacement cost method as the basis of assessment is considered subjective due to a wide range of properties in a particular rating area affecting the accuracy of rateable values determined. Third, the method technically ignores zoning because cost rates for valuation are focused on the availability of social amenities and the material makeup of the buildings. Again, in terms of administration, this method is found to be; expensive in its application, requires more technical expertise and logistics. Therefore, inferring from this, WMA is not able to do revaluation because the method is expensive. For instance, the study found that since 1997 no revaluation has been done in Wa, even though unsuccessful attempts were made on undertaking supplementary valuation in the years 2000, 2012, and 2014. This finding confirms the findings of Franzsen & McCluskey (2017) and Zebong, Fish & Prichad (2017) that, it is not uncommon across cities in many developing countries for 50% to 70% of rateable properties to be off the valuation roll. Their coverage limits the potential of the property tax and erodes public confidence in its fairness.

Even though the law says, the cost method should be the only statutory basis for determining rateable values. Still, it appears that it has given a leeway recognizing that situation and circumstances might not be the same in all MMDAs. That is, the law does

not bar MMDAs from using other methods since the minister has a leeway according to the law (Act 936). However, the data suggest that the focus of LVD and WMA have not been on exploring the other methods. Some of the reasons identified by the study were the; lack of appreciation of the law, lack of ability to understand the issues and to innovate, lack of capacity, lack of political will to even pursue it, and LVD who is supposed to advise WMA, is not bothered.



In taking advantage of the provision given by the law in relation to the use of other methods, the Assembly can use different methods for the various categories of properties. For instance, annual rental values can be used for rental properties especially rented residential properties; the profit method can also for all commercial properties and allow the cost method to be used for some segment of the residential properties (especially owner-occupied properties) and special properties. According to the study, the introduction of different methods will automatically result in the introduction of the different basis of assessment. This confirms a study by Assiamah (2006) in Ghana, which recommended that it should be possible for the basis of valuation to be changed to the open market value. This will make it possible to base the rate on either annual value or capital values of rateable properties, and this will depend more on market data. This will go a long way to improve the determination of rateable values for rating purposes since the availability of property market data has improved, according to the study. This confirms the work of Peden (2012) and De Cesare (2012), who noted that market value approaches of a property for taxation purposes make the tax paid a function of the market worth or value of the property, which is what the taxpayers can afford to purchase in the market.



However, WMA uses unassessed rates or flat rates, which was considered manageable. The study also found that the assembly has resorted to targeting specific properties, especially commercial properties and premises of corporates institutions such as banks, to collect rates using these unassessed rates. This confirms Petio (2013) findings that some MMDAs in Ghana only levied on commercial properties contrary to the stipulation of the Local Governance Act, 2016 (Act 936). The use of unassessed rates or flat rates does not necessarily mean that Assembly is not innovating, but it appears that they are looking for the easiest and most cost-effective way out. On the whole, the data suggest that they have looked at an alternative on the contrary, but it does appear that they are looking for an easy way out without looking at equity and all the taxation principles. Therefore, the use of unassessed rates or flat rate system is good, but it has to be refined. This is because its usage, according to the study, has led to the under-charging of some categories of property. It means that refining it will mean introducing some scientific basis, which would enable taxpayers to understand how the rates are assessed. Also, the flat rate system, when refined, can be less costly than the cost method. Internationally, the flat rate system has been adopted and used effectively in some developing countries. This system has been considered to be less costly and requires a lesser number of technical officers as compared to other methods.

On the basis of the relevance of the cost method, the study found that the cost method is still appropriate for rating valuation in Ghana. However, some improvements in relation to its implementation, such as funding, training of technical officers, building institutional capacity, and the provision of the necessary logistics, will help in its effective application in rating valuation. Although some improvement in the area of valuation data has been made, going forward, this can help improve the cost method.

In terms of the principal-agent theory, the major stakeholders include central government, taxpayers, and in some instances, private firms. There is the issue of power relationships between them with its challenges. In terms of their roles, the central government is in charge of policy, MMDAs are supposed to implement, the rateable property owners as the taxpayers. Even though MMDAs are given powers to generate revenue from local sources, some decisions are still under the control of the central government. For instance, the tax base coverage, method or basis of assessment, the central government decides on several matters on property rate administration. The cost method puts a lot of financial burden on the Assembly, but they cannot change the basis and method until the government decides based on recommendations.

On the other side, there has been little intervention by the central government to adequately address the failure of the Municipal Assembly on service delivery and in terms of streamlining property rate administration, especially the tax base and the method of assessment. According to findings, although there have been attempts by the central government through donor funding (Urban I, II, II projects) to improve property rating, particularly rating valuation. In terms of the taxpayer, little is being done on how the tax revenue is collected and spent. The information to taxpayers on the amount of property tax revenue collected and its spending was lacking. Therefore, there must be a collaboration between these stakeholders in terms of involving and recognising the role of stakeholders.

By this, the central government in coming out with policy must engage the implementers (MMDAs) and also consider their capacity and expertise to implement. Also, taxpayers must be educated on the process of determining tax rates and how



revenues are spent to ensure transparency and gain their trust and support as well. Private partners, when engaged, should be allowed to work without any interference in their operation. However, their activities must be supervised by MMDAs (WMA) and LVD. Therefore, the ability of these stakeholders to work together will ensure an effective property rate administration system to boost local government revenue generation.

#### **5.4 Public-private partnership and property rate revenue performance**

In the area of local government funding, the study revealed that property rate contributes a low amount of revenue to the IGF of the Assembly compared to what it ought to contribute according to its potential. For instance, the study revealed that property rate contributed 4% for three consecutive years (2015, 2016, and 2017) to IGF of the Assembly. Contrasting this finding with that of Boamah & Okrah (2016), who indicated that property rate accounted for 18.7 percent and 12.4 percent of local revenue of the Wa Municipal Assembly (WMA) in 2004 and 2008, respectively. This low performance of property was explicitly attributed to reasons such as; inadequate logistics, lack of technology, lack of commitment to service delivery even from their limited resources, inadequate capacity to collect, political interference, and lack of political will. In addition, the over-reliance on central government transfers, lack of public education on property rate payments were also identified. These challenges agree with the findings of Augustine (2012), Petio (2013) and Diedeme (2016) that the weak capacity to assess revenue base and enforce the payment of rates, political pressure, corruption are factors that limit the ability of local government to mobilise more revenue from property rates. Again Franzsen & McCluskey (2017) and Petio (2013) found that in a context of electoral competition and high political turnover, there





is little incentive for a government to invest resources, time, and energy into a project that it will not benefit from before the next elections, while its successors may.

Another instrumental stakeholder of the property rate administration system is the LVD. However, several challenges have made it difficult for the LVD to perform its role as the statutory body responsible for determining rateable values for taxation purposes. The challenges include; inadequate technical officers, lack logistics, funding challenges, and the method of assessment. This agrees with Franzsen and McCluskey (2017) that the lack of funding directly leads to understaffing, poorly qualified staff, outmoded equipment to carry out property tax administration in developing countries. Since most of these challenges relate to the funding issue, it will not be entirely out of place to say that the cost method is capital intensive.

On the issue of public-private partnerships, the study found that the WMA has never engaged a private partner in valuation and collection of property rates. However, there existed similar arrangements, especially with GPRTU in the collection of revenue from commercial transport activities and also with ATC in the collection of rates for Telecommunication Mast from service providers. The result shows that such an arrangement has not been made in the area of property rate; the over-reliance of WMA on the central government transfer like District Assembly Common Fund, lack of commitment to invest in property rate administration. However, the study found that private partners were available, and they have the capacity, but the local government (WMA) is not committed to engaging their services in property rate administration. Interestingly, the study also found that WMA preferred sponsorship from private firms to partnering with them to manage property rates. It is also clear from the data presented



that revenues generated from property rate even though the targets have not been met have been the sole effort of the Assembly. Therefore, this performance might improve with a public-private partnership arrangement in this regard. The Assembly can, therefore, take advantage of this initiative to boost its revenue performance.

As already indicated in the conceptual framework concerning theory, taxpayers are crucial in property rate administration. In this case, they are also principals who give power (voting) to the central government to manage activities in the country. Therefore, their views were sought regarding the use of public-private partnerships; the results show that 74% of respondents supported the use of this tool, and all professionals interviewed also supported its use. Reasons for that were given included; enhancing efficiency, improvement in output, infusion of technology, and private capital. Therefore, since such an arrangement does not currently exist in the area of property rating, the opinion of stakeholders was sought with regard to their preferred model of public-private partnership should the assembly want to implement it.



It was found that in terms of the model of partnership, the current model with ATC has so been good and could be their major option to use for property rate administration. In this model, the private firms give 70% of revenue collected to the Assembly and keep the remaining 30% of revenues collected. However, the private firms bear the cost of collection, with the Assembly also responsible for assessing and preparing the demand notices. Therefore, it was revealed that a similar arrangement could be replicated but with some little variations, especially when it involves valuation and collection, which are crucial to property rating.

On the area of focus, the study found that the assembly has both capital and management problems. Therefore, in terms of the aspect of property rate administration to focus, respondents from Land Valuation Division believed that public-private partnership should be on the collection but advised the Assembly to resource them adequately to enable them to compile an updated valuation list for property rating. Other professionals also suggested that public-private partnership arrangements should focus on the collection aspect in the short run since the private firms available are more capable of collecting (collection) than valuing (valuation). This suggestion can be likened to a “collection-led” strategy that has succeeded in developing countries such as Uganda and Kenya (Africa) and Indonesia (Asia), which recorded increases in revenue from property rates (Franzsen & McCluskey, 2017). They also indicated that engaging private firms to do valuation is so bureaucratic, and it is also associated with political interference. Therefore, private firms may be reluctant and not interested in investing huge sums of money into the valuation aspect of property rating. The ability to generate more revenue from property rate through a public-private partnership will significantly depend on the capabilities and private partners and the conditions in such an arrangement.

It was revealed by the study that the major requirement by the Assembly from private partners in an attempt to engage their services would be focused on two key areas. The expertise and technological platforms to be used by firms and the quality of output. The study revealed that a rigorous criterion must be used to ensure a competent and capable partner is selected. In terms of the quality of output, the Land Valuation Division is mandated by law (Act, 936) to supervise the valuation activities of private agents engaged. The Assembly is also supposed to monitor the collection aspect of the



activities through regular auditing, among other measures, to ensure transparency. This supports the position of Acquah-Ababioh (2016) in KMA third-party engagement in revenue collection that it is appropriate for the in-House team to supervise and serves as a check on the performance of the third-party engaged to collect revenue (Aquah-Ababioh, 2016). The study found that the regulations are available to guide any such arrangement to help generate more revenue from property, and assemblies should, therefore, adopt this arrangement to assist in local government funding.

### **5.5 Towards a framework for improving property tax revenue**

Relating these findings to the theoretical insights, the central government, through the Local Governance Act, 2016 (Act, 936), delegates powers to Wa Municipal Assembly as the rating authority. The Municipal Assembly fulfils the property rating responsibility through the property rate administration system, which is charged with undertaking all property rate administration functions.

However, findings from the study indicate that the Wa Municipal Assembly is not performing well in terms of generating tax revenue from the property rate. Low levels of property rate revenue are realised when considered in the context of the amount that ought to have been generated from the potential property tax base. Observations from the study indicate that rateable property owners were concerned about the lack of accountability and transparency on the part of the Municipal Assembly. For instance, respondent property owners wished to know how their tax money was spent before they were ready to pay more rate to the Assembly. This, therefore, suggest that the relationship between the Wa Municipal Assembly and the rateable property owners



appears to be strained, and this has been affecting the flow of revenue into the municipalities' locally generated revenue.

Therefore, with the application of principal-agent theory in the study, there is limited supportive relationship among the key actors in property taxation. As has been observed from the study, the Municipal Assembly has limited control over issues such as the tax base and the method of assessment and ability to engage private partners, especially in valuation. Control by the Central Government partly impacts upon the ability of the MMDAs to raise property tax revenue. Likewise, the municipal Assembly does not provide enough facilitation for the property tax administration system to exploit the property tax potential and generate sufficient revenue. While the flow of property tax revenue also depends on the willingness of the property taxpayer to pay, there is not much cooperation from the taxpayers. Consequently, the Municipal Assembly is not collecting much of the anticipated property tax revenue.

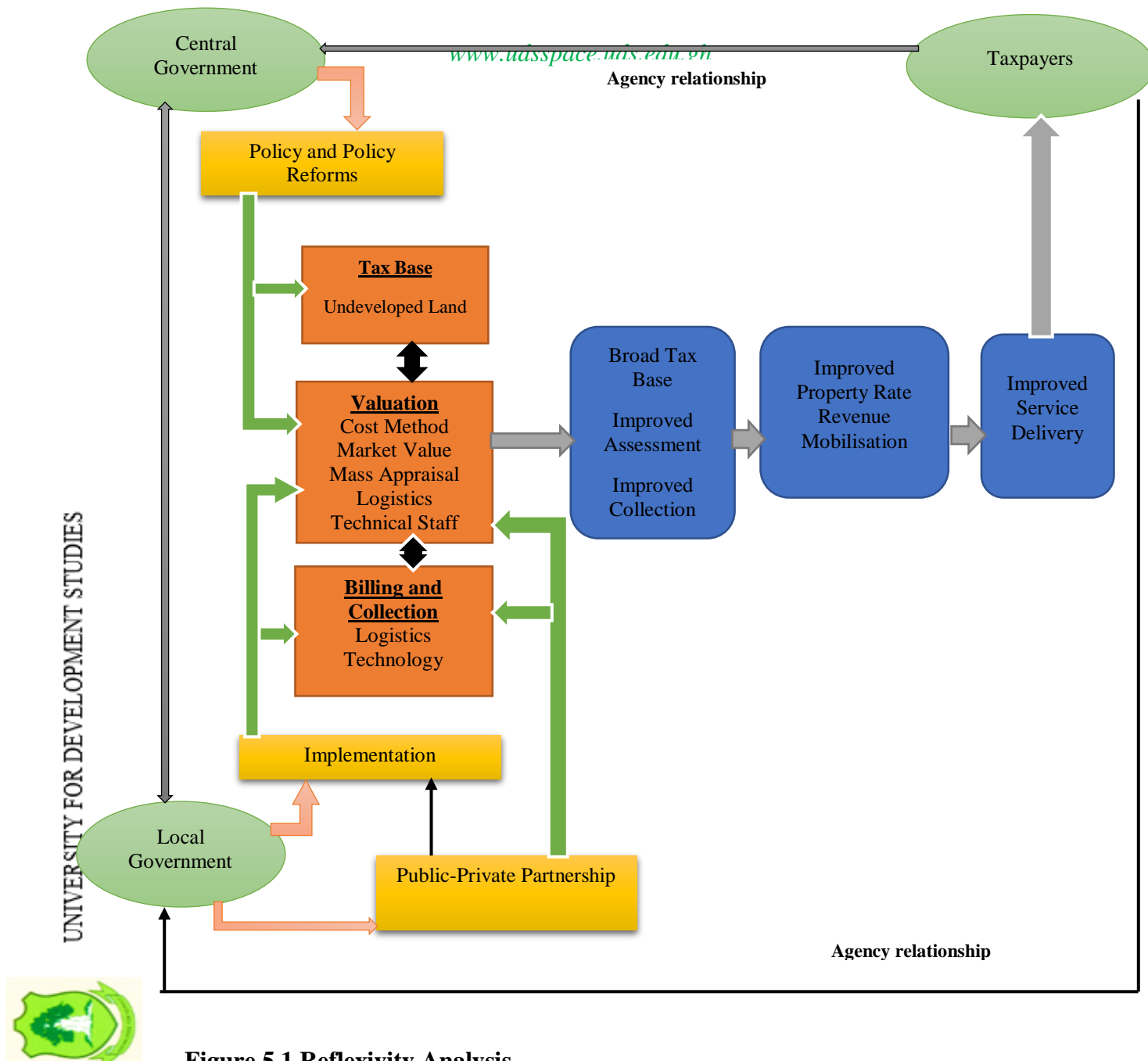
Given the situation, levels of property tax revenue are likely to improve if the agency relationships between the stakeholders are enhanced. To make the agents work, they need to be provided with both resources and incentives and legal power. On the other hand, monitoring of the Assembly's operations by the Central Government is important since most MMDAs now take the opportunity to drive their interest instead of that of the central government or the taxpayer. The Municipal Assembly can also supervise and watch the activities and performance of private agents that may engage. It is also essential for the Municipal Authorities to enhance their relationship with the property taxpayers by being responsive to their demands for infrastructure and other social services.



In terms of reflexivity, from the data presentation and discussions. The study found that it was the responsibility of MMDAs to provide social services and amenities to the taxpayer since the central government has delegated the power to provide these services to local assemblies. Therefore, if there is an improved property rate administration system, service delivery to the taxpayer will improve. In terms of an agency relationship, the taxpayer is considered a principal to both the central government and the MMDAs. This is because the taxpayers elect the central government to serve them, and the central government intern delegates the power to the local government to provide these services.

On the other hand, the localities also elect Assembly Members to make decisions on their behalf, and in this case, they become principals. Also, the local governments are agents since the central government gives them the power to serve the localities on their behalf. The taxpayer also plays their role in this whole agency relationship by voting to elect an agent and principal and paying their tax as well. This means that the taxpayer's principal role to central and local governments is a one-way flow. Therefore, the data suggest that this is how the conceptual framework should be in relation to the theory and objectives of the study, as contained in Figure 5.1.





**Figure 5.1 Reflexivity Analysis**

Source: Author's Construct, 2020.

### 5.5 Chapter summary

This chapter centred on the discussions, where the discussions were linked to the appropriate theory. The conceptual framework has also been recaptured. The study revealed a provision in the Local Governance Act, 2016 (Act, 936) that identifies the taxing of undeveloped land. It was found that the Ministry of Local Government and

Rural Development has always designed some policy guidelines to administratively guide the generation of other forms of revenue from undeveloped lands in the form of rent. However, this was not considered as a land tax. From the discussion, it was also revealed that several undeveloped lands exist in the selected neighbourhoods and there was a huge revenue potential associated with these undeveloped lands.

In terms of the method of assessment, it was found that the cost method was still relevant. However, most of the recommendations made by J. N. Murray in relation to title, tenure, boundary, and valuation market data has improved. Due to the nature of the cost method in terms of the cost involved in using it, the study revealed that most MMDAs, including the WMA, has resorted to the use of unassessed rate or flat rates, which leads to the under-taxing of some rateable properties. The issue of the WMA also targeting only commercial properties was revealed by the study. Finally, public-private partnership was found not to exist in WMA in relation to property rating but was being used in generating revenue from other sources. However, it was found that this form of arrangement has numerous benefits in terms of revenue mobilisation for local development. The next chapter focused on major findings, conclusion, and recommendations (policy, administration, and further studies) based on the findings of the study.





## CHAPTER SIX

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

#### 6.1 Introduction

This chapter concludes the study on how property rate administration can be enhanced to improve revenue for local government funding. It presents a summary of the key findings from the field. It also provides the conclusion drawn as well as suggests some recommendations for policymakers.

#### 6.2 Summary

The main objective of the study was to examine how property rate administration can be enhanced to improve local government revenue in the Wa Municipality by highlighting the need to include undeveloped land in the tax, the method of assessment and collection. The specific objectives of the study were to: to examine the taxation practices of undeveloped land and its potential for revenue generation; examine how undeveloped urban land can be taxed to improve revenue; to re-examine the basis of the cost method for determining rateable values, and to explore the potential for public-private partnership in property rate administration. These objectives were achieved through the use of the principal-agency theoretical framework.

The study adopted an exploratory case study design, focusing on the Wa Municipal Assembly. Using a purposive, proportionate stratified and simple random sampling method, 205 respondents were sampled to participate in the study. However, 170 questionnaires were administered. 13 interviews were also conducted as part of the study. Interview guide and questionnaire were the main instruments used to gather the needed data from all the categories of respondents. The quantitative analysis of data



was done using SPSS software version 21 and presented using descriptive statistical tools. The qualitative data were transcribed and analysed with respect to the conceptual themes of the study.

### 6.3 Summary of main findings

#### 6.3.1 Taxation practices and revenue generation potential of undeveloped land

- The study found that there is a guideline on charging rent on undeveloped land. However, WMA has not implemented this guideline. The GH¢ 22.00 (4feet x 4feet) would be too exorbitant for people to pay and, that is why perhaps the assembly is not charging it.
- The study revealed that there is a huge revenue potential from undeveloped land in Wa. Specifically, the study focused on just a small section of Wa (Napogbakole and Kpaguri Extensions Residential Areas) and found that a substantial number of (1005 plots representing 44.1% out of 2281 plots found in this neighbourhood) undeveloped plots. If the Assembly were to implement the guideline per the selected study area, it would have been generating GH¢ 19,899,000.00 as revenue annually.
- Comparing that (GH¢ 22.00 per 4feet x 4feet) with international best practices, it was found that the assembly could be generating an amount of GH¢ 452,225.00 using the lowest rate (3%).
- The study also revealed that the major challenges preventing WMA from collecting rent on undeveloped land in the municipality had been the lack of commitment, difficulty in identifying owners of such lands, difficulty in estimating the tax rate payable and the lack of collaboration between the land sector agencies and the Wa Municipal Assembly in terms of data (information)



sharing that would help in identifying these landowners charge them accordingly.

### 6.3.2 Re-examining the basis of the cost method for determining rateable values

- The study found that the Assembly has not been able to value the properties and therefore they are adopting unassessed or flat rates. That probably explains why property rate revenue is declining all over the years.
- It was also found that there is a significant improvement in titling, land registration, boundary demarcation and an improvement in the availability of valuation data due to urbanization and property market development. However, there are still gaps.
- The study revealed that the cost method is still relevant, provided Assemblies have the resources to undertake valuation (revaluation and supplementary). This is because the cost method was found to be expensive in its application, requires more technical expertise and logistics.



### 6.3.3 Exploring the potential for public-private partnership in property rate administration

- It was revealed that the property rate contribution to the IGF of WMA is low. This was attributed to; inappropriate tax rates, outdated valuation lists, difficulties in the collection, lack of logistics, inadequate funds and inadequate revenue collectors.

- The study revealed that, although public-private partnership has been recognised as a relevant model to improve performance in property rate administration, WMA has not used it in the area of property rating due to reasons such as the; over-reliance on intergovernmental transfers and the lack of commitment on the part authorities (decision-makers).
- It was also found that private firms were available and ready to work with local governments, but due to political interference, they were reluctant to invest huge sums of money in property rate administration.

Some other findings include;

- The study found that the Wa Municipal Assembly has never met its revenue target from property rate for the past five years (2014 – 2019) as used in the study. For instance, 2014(43%), 2015 (33%), 2016 (30%), 2017 (38%), 2018(36%) and 2019(0%). Also, the contribution of property rate to IGF has been very low, for instance, 2014(52%), 2015(4%), 2016(4%), 2017 (4%), 2018 (5%) and 2019 (0%). This was attributed to the triple problems or difficulties in the collection, inappropriate tax rates, and an outdated valuation list and caused by lack of funding, inadequate revenue collectors, lack of logistics, and ultimately the lack of commitment and political will on the part of key decision-makers.
- The study revealed that the low level of education among taxpayers resulted in the lack of cooperation from rateable property owners, which negatively affected the collection of property rate.



## 6.4 Conclusion

From the analysis and discussion of data obtained from the field as contained in chapters four and five, respectively. Some conclusions were reached on the main research question, “How can property rate administration be enhanced to improve local government revenue?” The conclusion was structured according to the objectives and questions to ensure clarity and easy understanding.

The study sought to examine the taxation practices of undeveloped land and its potential for revenue generation to see how MMDAs can increase their own-source revenue. From the field, theory and experience support the fact that undeveloped land is a significant source of untapped revenue for MMDAs in developing countries. The Wa Municipal Assembly has not been able to generate revenue from undeveloped land as a step towards harnessing its potential to support development. Although the evidence is mixed on how a tax on undeveloped land can be done and its effects, it is likely to have an overall positive impact on its development both in terms of revenue generation and also in terms of efficient land use.

Second, the study also re-examined the basis of the cost method for determining rateable values. It was revealed the cost method is still relevant. However, most of J.N Murray’s recommendations are no longer relevant, thereby making it possible for other methods to be introduced for rating purposes. The use of the flat-rate system is affecting the buoyancy of property revenue because the flat rate system is not based on the property valuation assessment method. Therefore, many properties are underpaying property rate leading to further erosion of revenue performance.



Third, in exploring the potential for public-private partnership in property rate administration, the study revealed the numerous problems confronting property rate administration in the Wa Municipality. It was therefore found that public-private partnerships will be the right tool for an effective property rate administration in the Wa Municipality. However, public-private partnership arrangement does not exist in relation to property rate administration, but the assembly uses it in other areas.

Finally, reviewing the policy on rating undeveloped land, the appropriate method for the rateable values and the careful introduction of public-private partnership models can significantly enhance property rate revenues.

## **6.5 Recommendations**

### **6.5.1 Policy and administrative recommendations**

- The study recommends a policy review of the taxable object to include undeveloped land. Therefore, any plot that is not developed but found within the planned area or that plot has been demarcated will be liable to undeveloped land tax. This recommendation is specific to residential plots, commercial plots and industrial plots planned into those uses but have not been developed even though such lands have been leased out. However, agricultural lands will not be included, especially in peri-urban areas. The policy should also come out with other methods that can be used and not leave everything in the hand of the minister (LGRD).
- The use of an unassessed rate or flat rate should be formalized and refined to reflect the values of properties (both land and landed property). This is because



the assemblies are already using it. In doing this, market value should be used to enable the use of the comparable sales method to determine the taxable values of undeveloped land. This, if done, will introduce some scientific basis into the flat rate system since the location, use, and amenities available would be an integral part of the assessment as done in other countries.

- A central property data management must be established by the Lands Commission in collaboration with the Ghana Institution on Surveyors and other industry players to help in the compilation and management of credible, assessable property market information.
- The study recommends that different methods of assessment should be used for the various categories of properties. For instance, the annual rental approach should be used for residential properties and the profit method used for commercial properties. The cost method, which is currently being used, should be used on only special properties. Also, mass appraisal was identified as an effective way of compiling and updating a fiscal cadastre for rating purposes.
- The Assembly should explore Public-Private Partnership for billing and collection of property rates to improve property rate administration. Therefore, WMA should begin to experiment with public-private partnership arrangements based on lessons learned from other MMDAs experience with public-private partnerships.
- There should be a collaboration between the Land Sector Agencies (LC and LUSPA) and the Wa Municipal Assembly, especially in information sharing. Specifically, SMD and LUSPA should collaborate and develop an address map that will contain the address and personal details of all property owners that have received cadastral plans since it is at the very first stage of the title



registration process. This will, therefore, help the Municipal Assembly in the identification of undeveloped landowners for them to be taxed accordingly.

- The study recommends that the disbursement of the District Assembly Common Fund should be based on own-source revenue generation efforts, especially in well-endowed MMDAs with a larger of taxable objects (rateable properties) and a good property market like the Wa Municipality. Also, the central government should use part of the DACF to pre-finance revaluations and collection activities directly. However, MMDAs and LVD must be allowed to supervise the activities in collaboration with the central government.

#### 6.5.2 Recommendations for further studies

- Further studies should be conducted on how to develop a model for taxing undeveloped land.
- Further studies should also be conducted on how to refine the flat rate system to meet the criteria of the principles of property taxation.





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APPENDIX

University for Development Studies

Faculty of Planning and Land Management

*This study is being undertaken on 'Property Rate Administration and Local Government Funding in Ghana' in partial fulfilment of requirement by the above University for MPhil Degree in Development Management. Data provided will be strictly used for academic purposes. Your maximum cooperation would be appreciated.*

**Interview Guide for Finance and Budget Officials of WMA**

**Office held by Respondent**.....

**Date**.....

**Contact Number**.....

**General information**

1. What are the sources of revenue for WMA?
2. What amount of the Assembly's total internally generated revenue is property based for the period between 2014 – 2019

year	Total Revenue Collected
2014	
2015	
2016	
2017	
2018	

3. What are the estimated and actual revenue generated from the property rate for the period between 2014 – 2018.

year	Number of rateable properties	Estimated (GH¢)	Actual (GH¢)
2014			
2015			
2016			
2017			
2018			



Please comment on the information provided in this table.....

*Adding Undeveloped Land to The Tax Base*

3. Does the rating unit in your institution have the necessary staff and capacity to administer this tax?
4. Do you think it will be appropriate to add vacant urban land to the property rating base?.....
5. How should the tax rate (rate impost) for vacant urban land be determined?.....

*Current Basis and Method of Assessment, And Property Market Development*

6. What are some of the challenges associated with funding this exercise?

*Public-Private Partnership and Property Rate Administration*

7. What is the mode of property collection in Wa?
8. What challenges confront WMA in executing its property rate administration generally?
9. What problems do you face in collecting revenue under the current system?
10. How do you try to solve these problems?
11. What is your opinion on the current use of in-house valuation and collection by WMA?
12. Has there ever been any collaboration between WMA and the private sector (a group of individuals or firms) in the administration of property rate?  
Can you please mention the name of the firm or group of people.....?
13. If yes (refer to Q21), in what aspect and what were the terms and conditions?
14. What were the success successes and challenges?.....
15. If no, (refer to Q21), do you think the public-private partnership can boost revenue mobilisation with property rate?  
Please, give reasons.....
16. Can public partnership provide a solution to the current challenges of the system, especially the collection of this rate?
17. Do you receive proposals from individuals or firms expressing interest in partnering with your institution to administer property rates?  
If yes, do these firms or individual have the capacity based on the proposal submitted.
18. Can you please indicate the aspects of interest to WMA should it decide to engage private partners?.....
19. How will the quality of output be ensured under such an arrangement?

*Thank you for your Assistance and Cooperation*



**Interview Guide for Officials of Land Valuation Division**

**Office held by Respondent**.....

**Date**.....

**Contact Number** .....

*Current Basis and Method of Assessment and Property Market Development*

1. When was the last time a revaluation was done?
2. How often is the valuation list updated?
3. Do you have an estimate of the properties in Wa that is not currently on the valuation list?
4. What challenges do you face in ensuring complete coverage of the property rate in Wa?
5. What challenges do you encounter using the current basis and method of valuation used for rating?
6. How available and accessible is real estate market data in the Wa municipality?
7. Which other methods are available for rating purposes in Ghana?
8. In relation to the challenges associated with the current method, which other basis and method will you recommend?

Please

explain.....

9. What is your opinion on the possibility of using different basis and methods for commercial and residential properties for rating purposes?
10. What is your view on the introduction of mass appraisal techniques for rating valuation in Wa?
11. Generally, is the replacement cost method still the best method for rating valuation in Ghana. If yes, please state your reason and what do you think can be done to improve it.....  
If no, which other methods will you recommend and why.....
12. What would you say about the general state of the property market in Wa?



*Adding Undeveloped Land to The Tax Base*

13. What is your opinion on land speculation in Wa?
14. Do you think it is prudent to rate undeveloped or vacant urban land?
15. What basis and method of assessment will you recommend for the rating of undeveloped or vacant urban land?

*Public-Private Partnership Property Rate Administration*

16. How many people work in this division?
17. Is your department adequately staffed and resourced?
18. What limitation do you encounter in the process of undertaking a rating valuation?
19. Has your department ever collaborated with a private firm to conduct rating valuation for the Wa Municipal Assembly?
20. Do you think public-private partnerships in property rate administration will improve property rate mobilisation for MMDAs?
21. If yes, in what areas or model should the assembly focus on?
22. What are your views about rating valuation in Ghana?





## Questionnaire for Rateable Property Owners

### Property Characteristics for Rating Purposes

- a. Property Number.....
- b. Name of suburb.....
- c. (a) Commercial (b) Residential (c) Industrial  
(d) specify...
- d. Of what materials is the building made up of? (a) Sandcrete (b) Bricks
- e. How much do you think it cost to build this house?  
Estimate.....

### *Adding Undeveloped or Vacant Urban Land to The Tax Base*

1. Are you aware of property rate collection by WMA? (a) Yes (b) No
2. Do you think it is justified for WMA to levy property rate? (a) Yes (b) No  
If Yes (give reasons) .....
- If No (give reasons) .....
3. Have you paid the property rate on your property before? (a) Yes (b) No
4. If yes (refer to Q.11), what do you think about the amount you pay as a rate?  
(a) Too low (b) Just about right (c) too high
5. If no (refer to Q.11), why do you not pay? (a) Not convinced about paying  
(b) Low income (c) Low confidence in government and rating officials (d)  
Rate charged is too high.
6. What is the mode of payment of the property? (a) Rate Collector (b) Personal  
payment at Metro Office (c) Payment by Court Order (d) Other,  
specify.....
7. Do you know the reason why you are required to pay rates? (a) Yes (b)  
No
8. If yes, what are some of the reasons? (a) Car parks (b) Road network (c)  
street light (d) market places (e) pipe-borne water (f) health care facilities
9. What are some of the facilities you are currently enjoying in your  
neighbourhood?
10. Are there undeveloped or vacant urban land in your neighbourhood? (a) Yes  
(b) No
11. Do you think the Assembly should rate vacant urban land? (a) Yes



(b) No

If yes (give reasons) .....

If no (give reasons) .....

12. In your opinion, do you think the addition of undeveloped or vacant urban land to the tax base will add more financial burden to land and landed property owners?.....

Are you ready to pay the rate on your undeveloped land should the WMA tax it? (a) Yes (b) No

If Yes (give reasons) .....

If No (give reasons) .....

13. What do you expect from WMA in return after paying your property rates? Please list them.....

*Current Basis and Method of Assessment and Property Market Development*

14. Has this property ever been valued for rating? (a) Yes (b) No

15. If your property was not valued, were you told the basis of the property rate you had to pay? (a) Yes (a) No

If yes, did they explain to you how the assessment was done.....

If yes, did you please ask why?

*Public-Private Partnership and Property Market Development*

16. What do you have to say about the capacity of WMA to administer property rating?

17. Would you recommend a public-private partnership to WMA in its mandate of property rate administration? (a) Yes (b) No

18. What do you think can be done to improve the effectiveness of property rate administration?.....

*Thank you for your Assistance and Cooperation*



**Interview Guide for Other Officials at WMA (Municipal Coordinating Director)**

**Office held by Respondent**.....

**Date**.....

1. What general challenges confront WMA in executing her property rate mandate?
2. What is the nature of these problems – internal or external to the Metropolis?
3. How have these challenges affected revenue mobilisation?  
If no, which specific areas do you identify gaps and how is it affecting your revenue mobilisation activities?

***Adding undeveloped or vacant urban land to the tax base***

4. Is the Assembly able to generate a considerable amount of revenue from property rate?.....
5. Do you support the taxation of undeveloped or vacant urban land or bare land?
6. Why is it essential for vacant urban land to be added to the property rating base by Local Assemblies?
7. Will it be feasible to local assemblies in relation to the following; human, economic, cultural, political and social?.....

***Public-Private Partnership and Property Rate Administration***

8. What are some of the challenges affecting the WMA in the administration of property rates?
9. Has there been any public-private partnership between the Assembly and the private sector?
10. Is there a public-private partnership currently taking place in the Assembly in relation to property rate administration?.....
11. What do you think can be done to improve property rate administration by MMDAs?



## Questionnaire for Rate Collectors

### *General Data*

- a. Since when have you been working as a property rate collection? Please state.....
- b. What does your work as a rate collector entail?.....
- c. On what basis are your duties undertaken?
- d. Is it challenging to collect property rates?

### *Current Basis and Method of Assessment and Property Market Development*

- e. Do you usually get complaints from ratepayers regarding how rateable values are determined?.....  
If yes, please state some of these challenges; .....
- f. Are rateable properties in the neighbourhood adequately captured on the valuation list?
- g. How do you collect rate from properties not captured on the valuation list but exists on the ground?

### *Public-Private Partnership and Property Market Development*

- h. How can your work as a rate collector be improved? Please give your suggestions.
- i. In your opinion, can the engagement of private partners in revenue collection provide a solution to some of these collection challenges?
- j. Do you think that if WMA contract property rating to a private company, it will improve property rate mobilisation?
- k. Do you think a public-private partnership will be an innovative way of improving the mobilisation of revenue from the property rate?
- l. What general comments do you have about the use of public-private partnership in property rate administration?.....

*Thank you for your Assistance and Cooperation*

