



GHANA  
STATISTICAL  
SERVICE



# **ASSESSMENT OF SELECTED MMDAS INTERNALLY GENERATED FUND POTENTIAL AND EFFORT FOR 2022**

**DECEMBER 2023**

**GHANA STATISTICAL SERVICE**

## **ACKNOWLEDGEMENTS**

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## **ABBREVIATIONS AND ACRONYMS**

MMDAs	Metropolitan Municipal and District Assemblies
UNDP	United Nations Development Programme
IGF	Internally Generated Funds
DLRev	District Local Revenue
GRA	Ghana Revenue Authority
GIZ	Deutsche Gesellschaft für International Zusammenarbeit
MIS	Management Information System
BOP	Business Operating Permit

# 1. OVERVIEW OF MMDAs IGF POTENTIAL AND EFFORT BASELINE SURVEY

## 1.1. Introduction

Domestic revenue mobilisation is crucial to Ghana's long-term growth and poverty reduction. It offers Ghana a secure and stable fiscal environment to stimulate growth and finance social and physical infrastructural needs. When combined with economic progress, domestic revenue mobilisation can decrease long-term dependence on foreign aid and promote good governance by encouraging accountability.

The economic impacts of COVID-19 the Russian invasion of Ukraine have provided additional impetus to domestic revenue mobilisation by highlighting the reliance of developing countries, such as Ghana, on foreign assistance to sustain its growth.

Additionally, the widening financing gap to meet the Sustainable Development Goals (SDGs), as well as persistent and widening fiscal deficits has further strengthened the need for the government of Ghana to begin evaluations and putting in place strategies that support domestic revenue generation.

Revenue mobilisation by Metropolitan, Municipal and District Assemblies (MMDAs) is essential for independently implementing their Medium-Term Development Plan (MTDP) without central government support. Locally mobilised revenue not only supports infrastructural development projects, it provides the funds for addressing social issues within the MMDAs as part of their social intervention responsibility. These revenues are also meant to alleviate the impact of shocks that may come in the form of economic, health, or social unrest (Local Governance Act 2016, Act 936). Based on these reasons, it is thus crucial for MMDAs to internally generate funds.

Despite efforts by MMDAs to mobilise funds by collecting taxes from all businesses in their jurisdiction, there are still some businesses which are not registered by the assembly and therefore do not pay revenue.

Additionally, insufficient data on businesses has led to biases in local level taxation, where all businesses, irrespective of type and size are charged a flat tax rate. This approach has shown to be both "business killing" and "under-taxing" for small and large businesses respectively.

In turn, these have created a gap in the tax system at the sub-national level, which must be closed to maximise the full tax potential of MMDAs. In light of the above, the Ghana Statistical Service (GSS) and the United Nations Development Programme (UNDP) undertook a needs assessment in six MMDAs; Jomoro Municipal, Kassena Nankana West District, Ketu South Municipal, Kumasi Metropolitan Assembly, Sagnarigu Municipal and Sefwi Wiawso Municipal assemblies) to acquaint themselves with the challenges in the tax collection system. A survey was conducted after the needs assessment to first provide

these MMDAs with adequate and updated data on businesses in their jurisdiction, and to also estimate the gap in the internally generated fund (IGF) for all the six MMDAs to inform their revenue improvement action plans. As a result of the failure of Sefwi Wiawso Municipal assembly to release its data, the findings from this survey is limited to five MMDAs. The outcome of the estimation is intended to quantify the magnitude of the revenue that assemblies are unable to collect on annual basis and address it through the collection of more revenue. Through this survey, businesses that were not paying the appropriate rates will be identified and billed with the right rate accordingly. The survey is also expected to be scaled up to all the MMDAs after the findings from the baseline survey.

The survey therefore aims at quantifying the internally generated revenue potential and consequently the magnitude of the gap to close in six Metropolitan, Municipal and Districts Assembly (MMDAs) across the country.

## **1.2. Objectives of the Baseline Survey**

The objectives of the baseline survey conducting in the selected MMDAs were to:

1. Assess the sources of revenue.
2. Examine the factors undermining effective revenue mobilisation.
3. Provide MMDAs with updated and accurate data on businesses in their Jurisdiction.
4. Determine the revenue mobilisation gap.
5. Estimate the IGF potential.
6. Assess implications for the improvement of revenue mobilisation.

## **1.3. Expected Outcomes of the Baseline Survey**

The expected outcomes of the baseline survey are to:

1. Assemblies achieved their full potential.
2. All businesses are covered in each assembly.
3. All businesses appropriately placed in the right business class.

## **1.4. Legal Framework**

Ghana Statistical Service derives its legal authority from the Statistical Service Act, 2019 (Act 1003), that mandates the Service to provide quality, relevant, accurate, and timely statistical information for the purpose of national development. Further, Section 37(1) of Act 1003 mandates the Service to conduct other censuses and surveys as may be directed by the Governing Board. It is in line with this mandate that GSS has initiated the MMDAs IGF Potential Baseline Survey in 2022/2023.

## **1.5. Instruments and Procedures**

The development of applications for revenue data collection is key for demonstrating transparency and accountability, and ease of access to such businesses. For five of the assemblies in question, the DLRev is used for revenue collection and monitoring. The DLRev is a web-based application with a digital address map (local plan) of a district produced using a geographic information system. The local plan has a spatial database, and the software is used to manage data, billing, and collection with a corresponding fiscal cadastre of revenue items. The software is currently set up for property rates and business operating permits but also provides for other revenue items, namely rents (district infrastructure given for public use such as market sheds, stalls, and stores), fees (for the use of market grounds and lorry parks), fines (for flouting by-laws of the local authority) and investment (investment in securities).

Through GIZ's assistance, some districts in the country use the DLRev management software for their revenue data collection. Five (Kassena Nankana West, Sagnarigu Municipal, Kumasi Metropolitan Assembly, Sefwi Wiaso, and Ketu South) out of the six districts indicated the use of this software for the collection of their revenue. The Jomoro district currently uses a system outside the DLRev management software.

The survey engaged the six MMDAs on their needs assessment using a structured questionnaire which was administered by means of focus group discussion of subject matter personnel in each MMDA. After the needs assessment, it utilised one composite questionnaire with the following modules: Business Location, Owner Information and Business Information. Computer Assisted Personal Interviewing (CAPI) questionnaire was used for electronic data capture.

## **1.6. Information Technology (IT)**

### **1.6.1. IT Operations**

Electronic data capture required use of tablets with the web-based application.

### **1.6.2. Assets Retrieval**

After fieldwork, all tablets and accessories were retrieved from field officers. Checks were conducted and documented to ensure tablets were retrieved.

## **1.7. Recruitment, Training and Deployment of Teams**

### **1.7.1. Recruitment**

Field Officers were drawn from the MMDAs pool of revenue and data collectors that they currently have working for them. No screening was done since they are engaged by the MMDAs in carrying out these activities.



### **1.7.2. Training**

There was a one-day training in the form of an orientation programme was organised for selected data collectors. Facilitators for the training consisted of GSS staff and subject experts from the MMDA.

The training involved PowerPoint presentations, discussion of the questionnaire, and field practice.

The data collectors were also educated on the Statistical Service Act (Act 1003), the legal responsibilities of field officers and the sanctions for violating any of the stipulations of the Act.

Overall, 60 trainees were invited and trained for the data collection with variations across the six MMDAs. The breakdown is as follows: 8 each in Jomoro Municipal and Kassena Nankana West District, 10 in Ketu South Municipal, 15 in Kumasi Metropolitan Assembly, 10 in Sagnarigu Municipal and 9 in Sefwi Wiawso Municipal assemblies.

### **1.7.3. Deployment of Teams**

Each MMDA formed not more than three teams based on the number of digitalised parcels they were to carry out the data collection. Parcels were selected based on the workload and the number of days for data collection. Each district had ten (10) days to carry out the data collection.

## **1.8. Period of Data Collection**

Data was collected in February 2023 in all six MMDAs immediately after the training in January 2023.

## **1.9. Data Transmission and Storage**

Data transmission and storage was real-time. Data collectors submitted each business' records after each interview to a central server hosted by GIZ via internet.

## **1.10. Quality Assurance, Monitoring and Evaluation**

Quality assurance and monitoring were integrated into every aspect of the data collection. The MIS staff downloaded and checked the accuracy and consistency of the data and prompted data collectors where there were inconsistencies.

## **2. DEFINITION OF CONCEPTS**

### **2.1. Business Operating Permit (BOP)**

This is a license that enables one to undertake or do business within the district. It is normally paid annually.

### **2.2. Business Unit**

This is the total number of businesses in each class.

### **2.3. Class of Business**

These are businesses of the same type that are classified and grouped under one broad category but with different rates depending on the size.

### **2.4. DLRev**

The DLRev is a web-based application with a digital address map (local plan) of a district produced using a geographic information system. The local plan has a spatial database and with a corresponding fiscal cadastre of revenue items, the software is used to manage data, billing, and collection. The DLRev is used for revenue collection and monitoring.

### **2.5. Expected Revenue/Potential**

This is the product of the rate and the number of business units.

### **2.6. Internally Generated Fund (IGF)**

This is own-sourced revenue of local governments. It is also the revenue generated, accessed, and utilised by district assemblies.

### **2.7. Parcels**

This is the smallest unit created for revenue collection using geospatial data and addressing.

### **2.8. Rate**

This is the amount paid by a given business class on annual basis.

### **2.9. Revenue Gap**

This is the difference between the revenue realised in 2022 and the expected revenue or revenue potential in 2023.

## **3. METHODOLOGY AND MEASUREMENT**

### **3.1. Coverage of Revenue Data**

The Legislation for revenue generation provides MMDAs with a lot of local income streams, including property rates, rents, licenses and fees, and investment, among others. All six MMDAs currently rely heavily on taxes from businesses and property rates for their internally generated fund, though other streams exist. Even though the MMDAs focus mainly on taxing businesses, the coverage is of concern since they limit their collection to only parts of the district, leaving others out due to lack of resources to reach other parts of the district. The under-coverage issue also exists even in the limited parts of the district where they focus on revenue generation.

In order to estimate the revenue potential of a district, data was collected in selected digitised parcels where revenue collection is currently done. The revenue potential for the district is proxied with the selected parcels and then estimated. Data is collected on new or old businesses which were not previously captured and businesses that pay taxes to estimate the potential for that parcel. This analysis is however, limited to only the selected digitised parcels where the data was collected and therefore, cannot be generalised for the entire district.

### **3.2. Limitation of Revenue Data**

Data was collected on only Business Operating Permits (BOP) because the DLRev application was designed for only BOP and property rates. Again, the data collection and analysis was limited to only BOPs because, in a government blueprint issued in 2022, the property rate collection would be ceded to the Ghana Revenue Authority (GRA) effective 2023. According to the blueprint, 70 percent of the revenue collected would be sent to the districts. Due to this, MMDAs do not currently collect the property rate.

### **3.3. Revenue Collection Instrument (DLRev)**

The development of applications for revenue data collection is key for demonstrating transparency and accountability, and ease of access to businesses. For five of the assemblies, the DLRev is used for revenue collection and monitoring. The DLRev is a web-based application with a digital address map (local plan) of a district produced using a geographic information system. The local plan has a spatial database, and the software is used to manage data, billing, and collection with a corresponding fiscal cadastre of revenue items. The software is currently set up for property rates and business operating permits but also provides for other revenue items, namely rents (district infrastructure given for public use such as market sheds, stalls, and stores), fees (for the use of market grounds and lorry parks), fines (for flouting by-laws of the local authority) and investment (investment in securities).

Through GIZ's assistance, some districts in the country use the DLRev management software for their revenue data collection. Five (Jomoro Municipal, Kassena Nankana West District, Ketu South Municipal, Kumasi Metropolitan Assembly, Sagnarigu Municipal and Sefwi Wiawso Municipal) out of the six districts indicated the use of this software for the collection of their revenue. The Jomoro district currently use a system outside the DLRev management software.

### **3.4. Computation of Revenue Gap**

In computing the revenue gap, previous MMDA data and the current data were separated after the data collection to estimate the actual revenue collected and the potential revenue. The revenue gap is then computed as the difference between the potential revenue less the actual revenue collected for 2022.

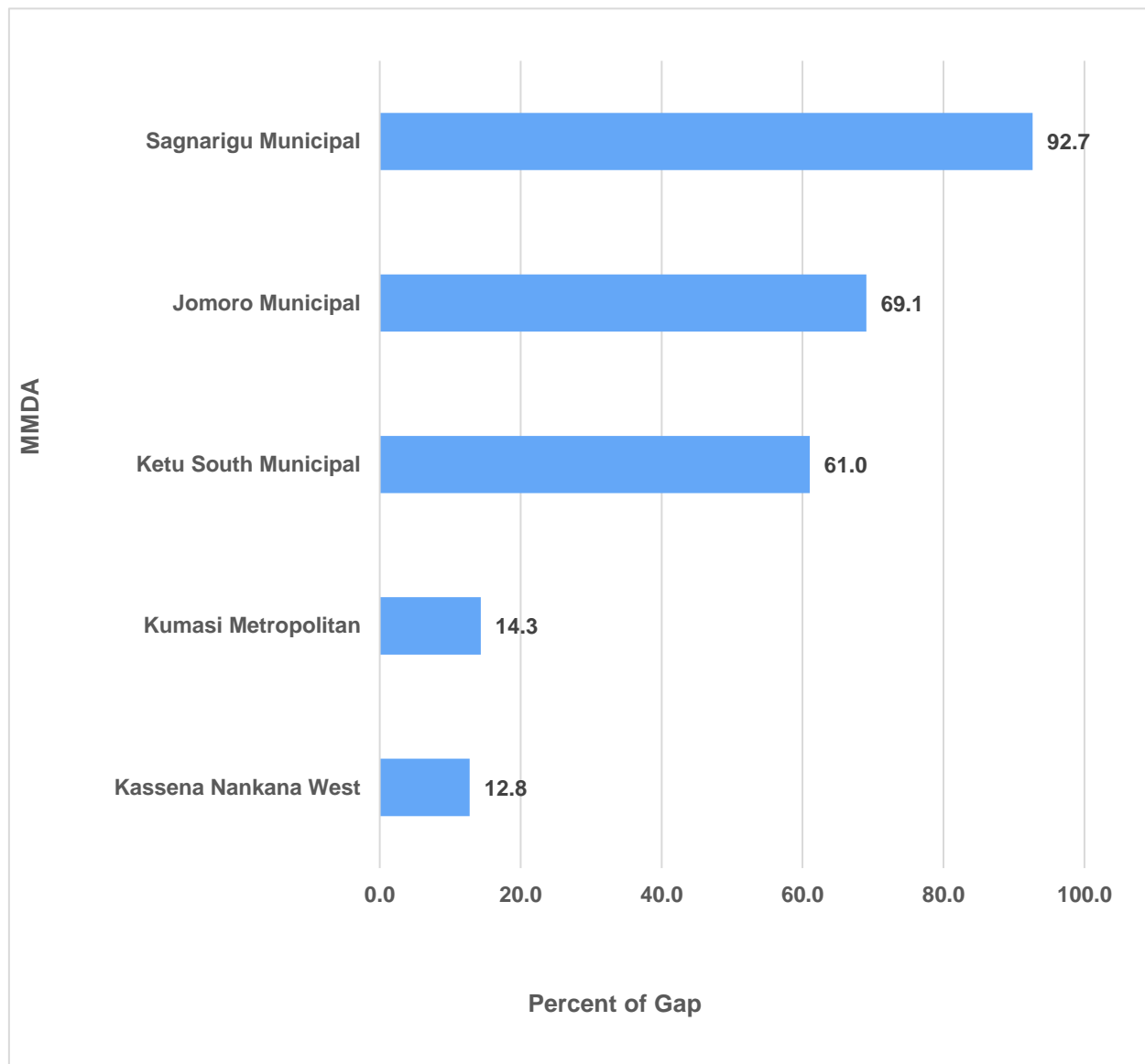
### **3.5. Needs Assessment of MMDAs IGF Potential and Effort**

This assessment was carried out prior to the baseline survey. A focus group discussion was used involving Municipal (Metropolitan) Coordinating Directors, Finance Officers, Revenue Officers, Planning Officers, Physical Planning Officers, Budget Officers, and other assembly staff. Interviews were conducted around questions on sources of IGF, the current form of revenue collection, challenges, and required support.

## 4. KEY FINDINGS

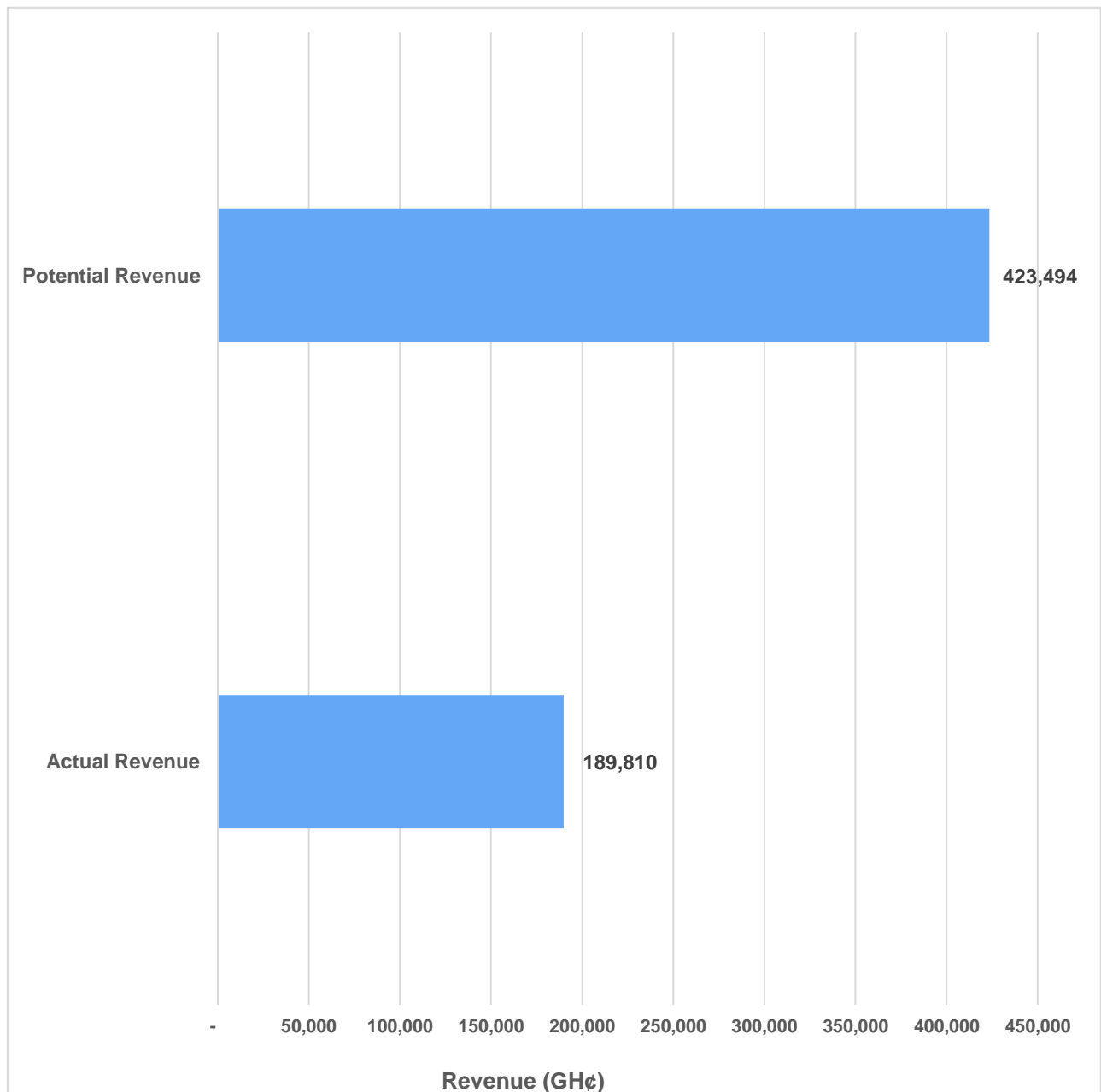
Sagnarigu Municipal recorded the highest revenue gap in 2022 with more than three-quarters (92.7%). Kassena Nankana West has the lowest gap of 12.8 percent.

FIGURE 4.1: REVENUE GAP BY MMDA, 2022



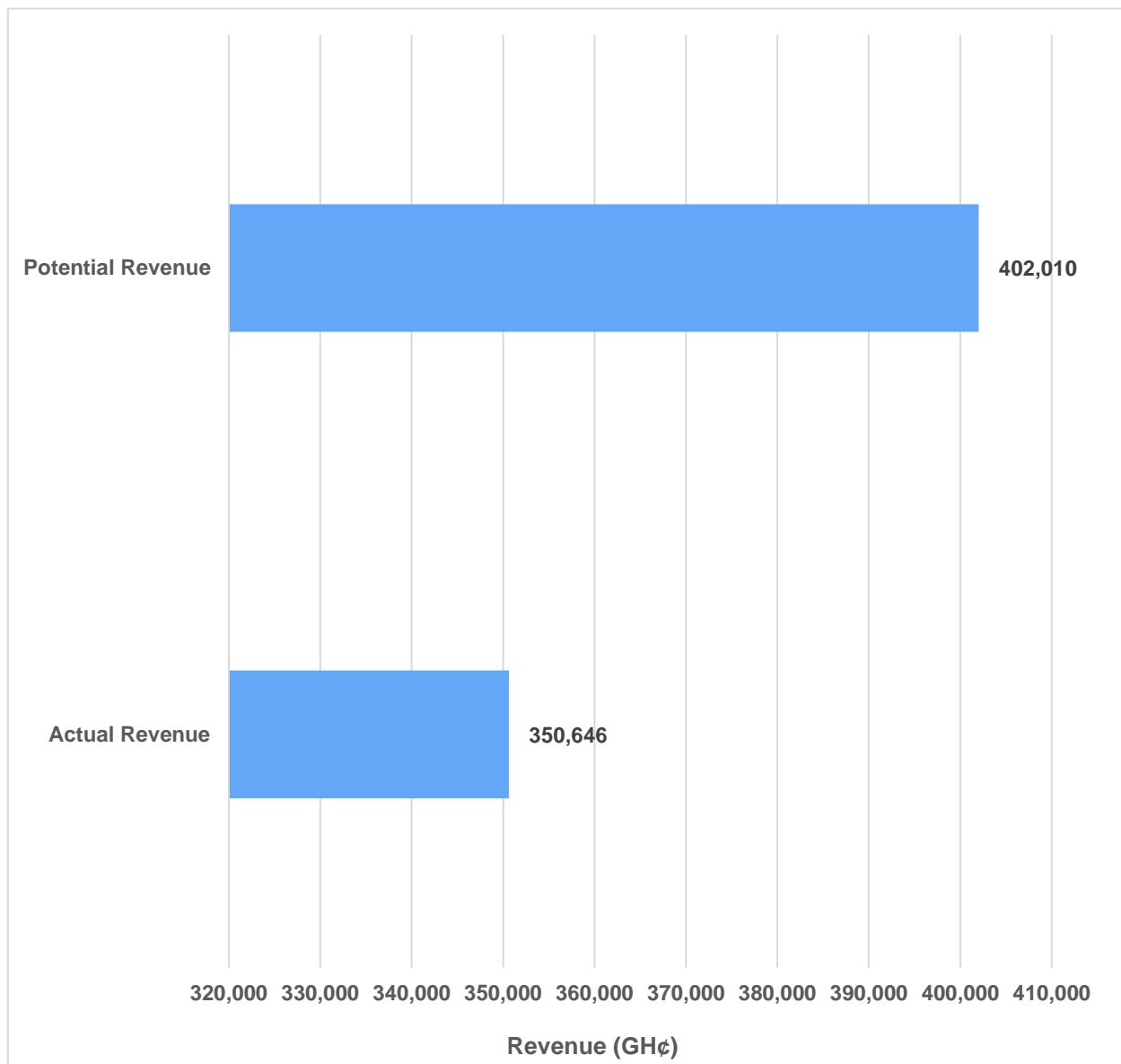
The potential revenue for Jomoro in 2022 is more than twice (GH¢423,494) the actual revenue (GH¢189,810) realised. This translates to realising 44.8 percent of its potential revenue in 2022.

**FIGURE 4.2: ACTUAL AND POTENTIAL REVENUE IN JOMORO MUNICIPAL, 2022**



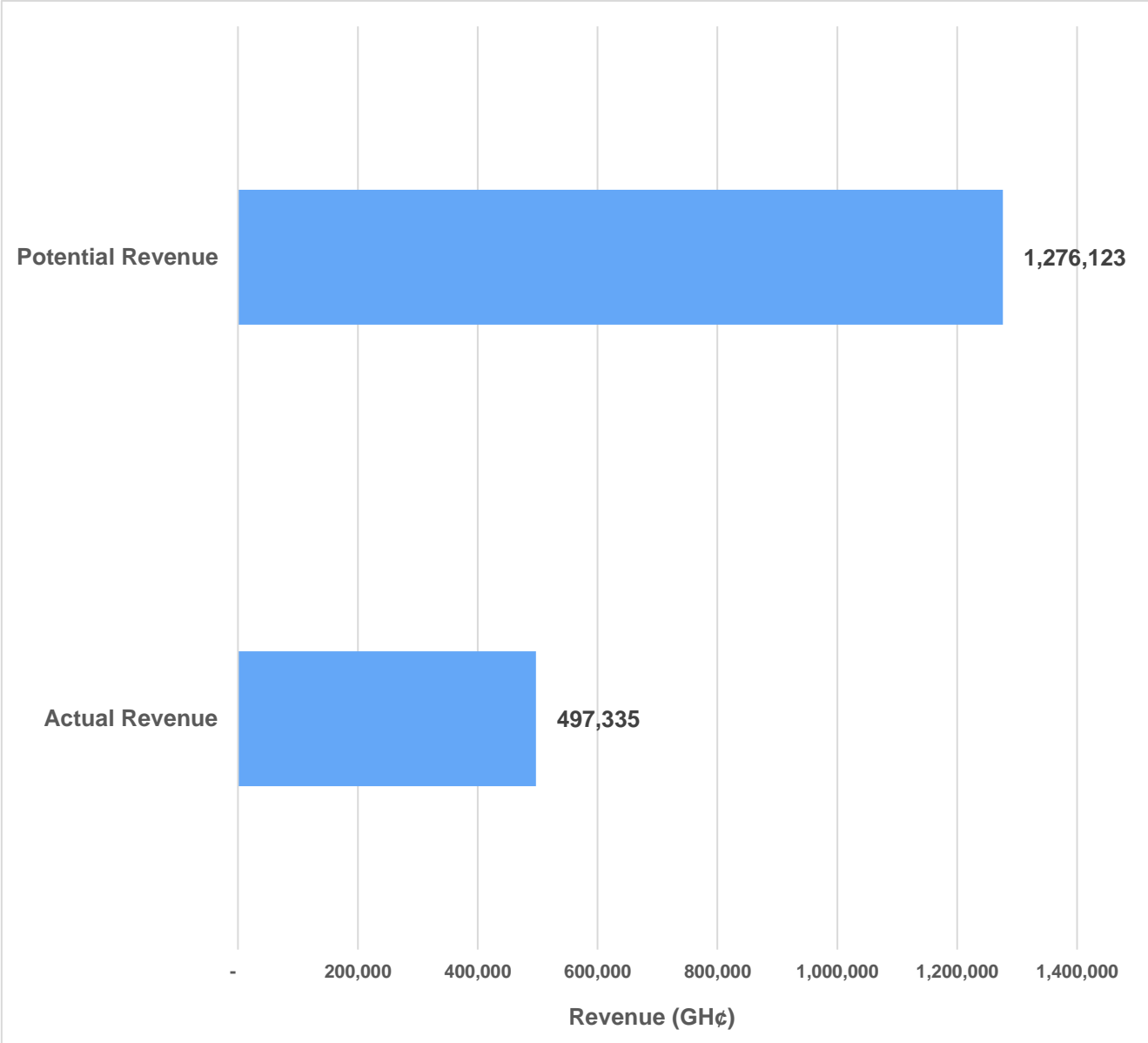
Kassena Nankana West District recorded a potential revenue of GH¢402,010 in 2022 compared to the actual revenue of GH¢350,646 realised. The district was able to mobilise 87.2 percent of the business operating permits they should have collected in the specific areas where the data collection took place.

**FIGURE 4.3: ACTUAL AND POTENTIAL REVENUE IN KASSENA NANKANA WEST DISTRICT, 2022**



Ketu South Municipal recorded GH¢778,778 revenue less of the actual revenue in 2022, representing 61 percent gap of the potential revenue supposed to have been collected.

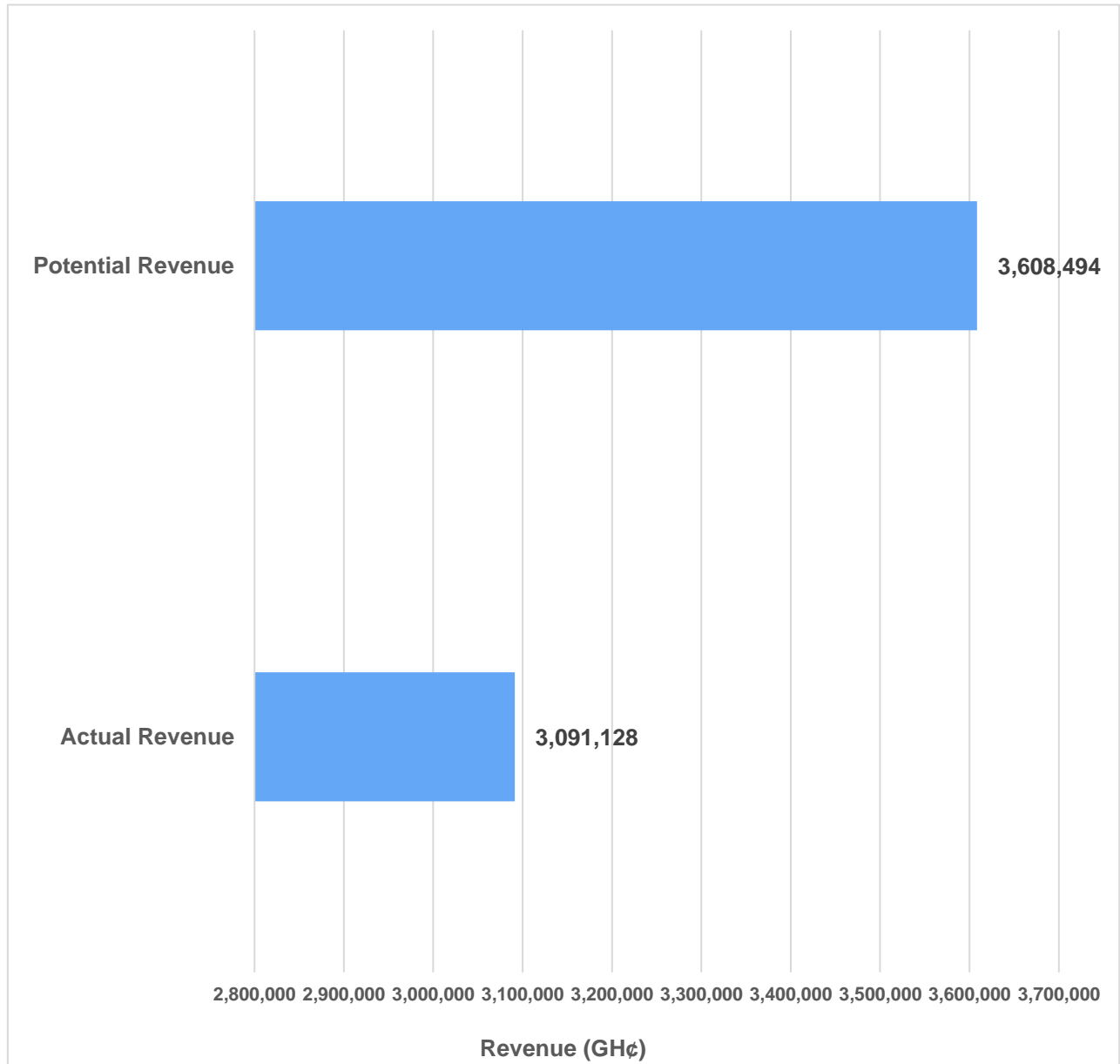
FIGURE 4.4: ACTUAL AND POTENTIAL REVENUE IN KETU SOUTH MUNICIPAL, 2022





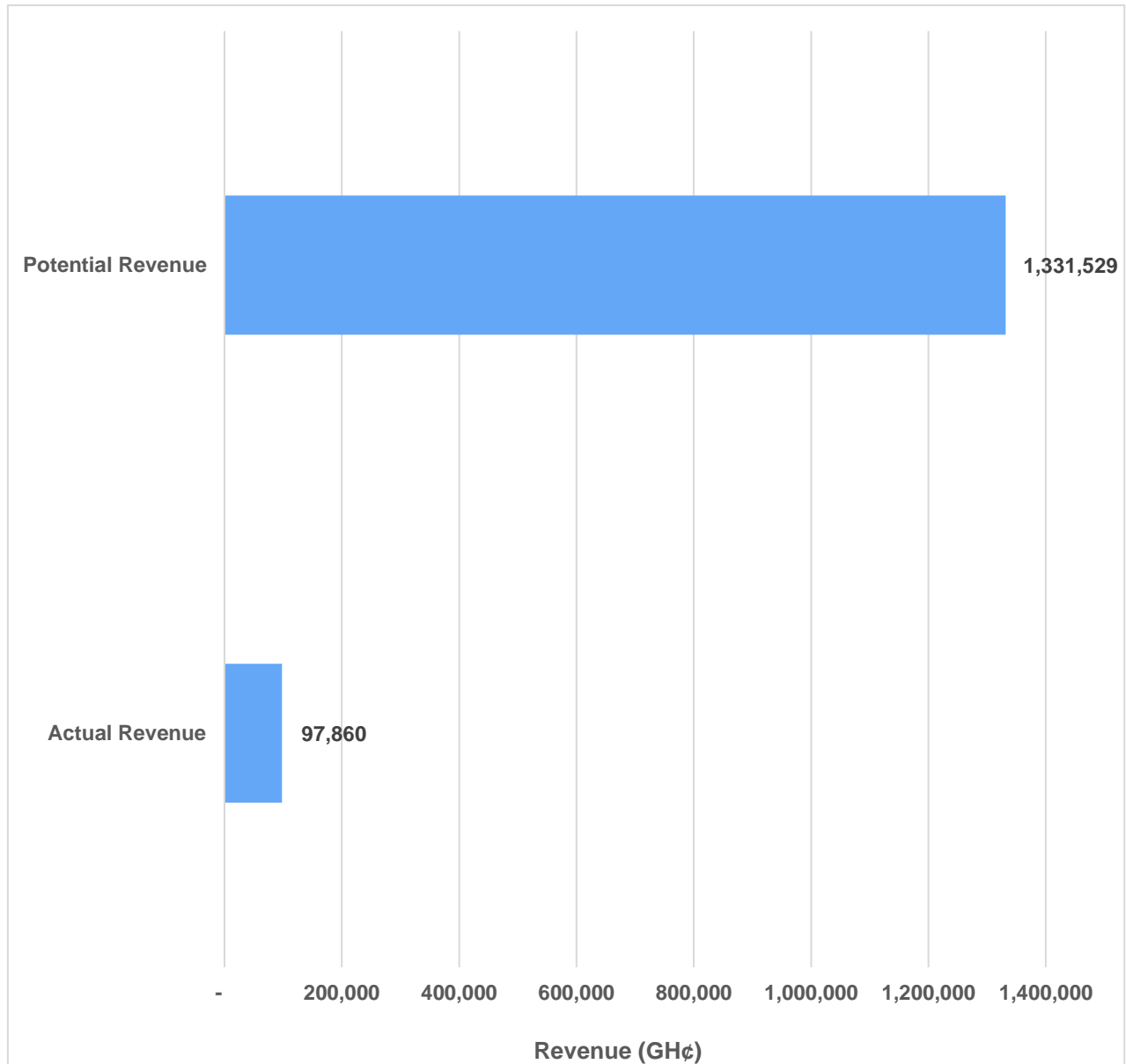
The potential revenue for Kumasi Metropolitan is GH¢3,608,494 and actual revenue collected was GH¢3,091,128. Kumasi Metropolitan was able to mobilise 85.7 percent of its potential revenue in 2022.

**FIGURE 4.5: ACTUAL AND POTENTIAL REVENUE IN KUMASI METROPOLITAN, 2022**



Sagnarigu Municipal recorded potential revenue of GH¢1,331,529 in 2022 compared to the actual revenue of GH¢97,860. This means the district only collected 7.3 percent of its potential revenue .

**FIGURE 4.6: ACTUAL AND POTENTIAL REVENUE IN SAGNARIGU MUNICIPAL, 2022**



## **5. CHALLENGES WITH REVENUE COLLECTION**

In their quest to collect more revenue for development projects, they are bedeviled with many challenges that impede smooth revenue collection.

Due to logistical constraints, regular training for revenue collectors is lacking across all six MMDAs. The MMDAs lack key logistics such as raincoats, means of transport for collectors, vehicles, and computers for monitoring. In addition, the needed practical hands-on training and experience sharing by districts that perform well in revenue collection is non-existing.

In all six MMDAs, business owners are unwilling to cooperate in the payment of taxes due to a lack of information on what the taxes are used for, while internet connectivity continues to be a challenge for Kasena Nankana West, Sefwi Wiawso and Ketu South. The DLRev current protocol requires internet use to capture bill payments from businesses.

Jomoro municipal currently does not have the DLRev which will streamline and keep records of all businesses. The municipal is therefore losing out on the benefits of the DLRev which has contributed to improvement in revenue mobilization in the beneficiary assemblies.

In addition, the current Fee-Fixing guideline expired in 2020 and has not been updated yet, causing businesses to continue paying old rates, which should have been increased. The guidelines streamline licenses, permits, fees, fines, rates, rent, and investment of MMDAs, in their respective jurisdictions in fulfillment of Section 150 of the Local Governance Act, Act 936. The current Fee-Fixing guideline covers the period from 2016 to 2020.

Social accountability by MMDAs to the general public is given much attention, and this continues to discourage the payment of taxes. The public is not enthused about the taxes they pay simply because they are not motivated or seeing anything that their taxes are being used for in the district. Zonal councils are expected to lead in education and sensitization of the population on the need for revenue compliance in their communities which they have failed to do.

The areas covered in the district for revenue are limited due to resource and logistical constraints. Salaried revenue collectors recruited by the district are not enough to cover the entire district while the commissioned ones subsequently leave if they do not collect enough revenue to earn their commission or secure new jobs. Revenue collectors also lack means of transport (motorbike) which could make them mobile from one point to the other.

## 6. CONCLUSIONS AND RECOMMENDATIONS

MMDAs are mandated to raise revenue locally for the purpose of undertaking independent infrastructural development projects without necessarily relying on central government and other development partners. It is thus crucial for them to mobilise internally generated funds to the fullest to have enough revenue to undertake these projects. These conclusions and recommendations are based on the findings from the needs assessment and the baseline surveys.

1. To close the gap in revenue collection in these MMDAs, there must be an up-to-date data on all businesses and their location in the district. That is, the regular data collection to include all new businesses and those that folded up and re-opened.
2. The need for transparency and social accountability in the use of the taxes collected in the district. Mounting of billboards showing development projects that have been undertaken in the district and also discussions and talk shows on radio and TV stations to educate the populace on how their revenues are being used in the district.
3. Regular training for revenue collectors is required to enhance their capacity in revenue collection in terms of how to handle difficult business owners who avoid tax payment.
4. The need to increase the coverage of tax revenue outlets by providing logistics and human resource to scout for and update new businesses and also expand to other parts of the district where current revenue collection has not reached.
5. As a matter of urgency, UNDP should collaborate with GIZ to assist Jomoro Municipal acquire the DLRev application.
6. To maximise the full potential of revenue mobilization, a census of all businesses in MMDAs must be carried out using the DLRev.

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