

**PRESENTATION**  
**AT CONNECTIVE CITIES DIALOGUE IN SUB-SAHARA AFRICA**

**TOPIC : IMPROVING INTERNALLY GENERATED FUNDS COLLECTION AND  
MANAGEMENT FOR SERVICE DELIVERY**

**EXPERIENCE OF GHANA**

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# MAIN CHALLENGES OF IGF MANAGEMENT

- Local revenues (internally generated revenue) presently constitute about 20% of all local government revenues.
- While considerable untapped potentials abound, the IGF landscape is plagued with
  - structural,
  - administrative and
  - systemic inefficiencies
- The deficiencies among others include
  - updating registries;
  - outdated property valuation rolls;
  - absence of billing and collection systems;
  - high compliance costs, poor citizens; and
  - Citizens poor understanding of their obligations and rights in service delivery

# Institutional setting

- Chapter 6, Article 35 (6) (d) of the 1992 Constitution of Ghana provides that the State shall “take appropriate measures to make democracy a reality by decentralizing the administrative and financial machinery of government to the regions and districts by affording all possible opportunities to the people to participate in decision-making at every level of national life and in government.”
- Article 240 (2) (c) of the same constitution again indicates that “there shall be established for each local government unit a sound financial base with adequate and reliable sources of revenue”.
- Article 245(b) of the same 1992 constitution of Ghana identifies one of the functions of the LG in Ghana to include levying and collection taxes, rates, duties, and fees for development
- Section 6 of Local Government Act 1993 Act 462 6 section 86 provides a list of sources from which the LG could generate their IGFs

# Reforms and Initiatives

- At the national level, initiatives include
  - The introduced IGF related indicators in the Functional Organizational Assessment Tool (FOAT)
  - Target setting for MMDAs through the composite budgeting process
  - Developed of guidelines for rate-fixing
  - Street naming and property addressing exercises to improve revenue data
  - Developed of strategic guidelines for internally revenue management
  - Developed of Public Financial Management Templates to citizens engagement of Local Governments
  - National conference to create awareness on the importance of IGF
  - Development of software for IGF data management
- At the local level, assemblies have also undertaken interventions such as:
  - Use of collectors who are rewarded on the basis of commission
  - Regularization of physical development plans and valuation of properties
  - Creation of commercial and market centres
  - Outsourcing of the revenue collection operations to the private sector in various forms
  - Awareness creations and targeted service delivery to reduce compliance cost

# Output

- Gradual increase of IGF mobilized between 2012 and 2013 by about 20%
- Allocation of 20% of the budget for development projects
- improved transparency and accountability in the utilization of the IGF through reporting using PFM templates.
- Improved linkage of the use of IGF to the MTDP of the LGs
- Improved citizens awareness on the management of the IGF through national debate at the conference

# Lessons

- Effective M&E system from the center contribute to increase revenue
- Given the right environment civil societies will hold the Local Government in check for delivery from IGF
- IGFs play major role in local government finances (especially in times of challenges in the transfers from the center. It should however not replace transfers)
- IGF collection serve as social contract between the LG and Citizens

# Preconditions for transfer

- Strong legal background or environment which support IGF management for service delivery
- Political commitment from the highest level of central and local government
- Strong collaboration of Ministry of Finance and Ministry of Local Government is necessary
- Civil societies engagement in the management process is crucial