




# Toward Fiscal Decentralization: Assessing the Performance of Internally Generated Revenue Collection for Local Development in Ghana



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## ABSTRACT

The success of decentralization efforts in developing countries, such as Ghana, is closely tied to the capacity for robust infrastructure delivery at the local level, where local governments are mandated to drive development but often operate on shoestring budgets. This study critically examines the performance of Internally Generated Funds (IGF) collection in the Ahafo Ano-South West District in Ghana, with a specific focus on revenue trends from 2016 to 2022. Using time series data, the study applies the Corrected Revenue Collection Index (CRCI) to assess how well various revenue streams performed. The findings reveal a striking pattern where property rates emerged as the most consistent and high-performing source of IGF, while revenues from land royalties and administrative fees lagged significantly. Rental income from lands and buildings, and licenses, showed moderate but promising results. These disparities highlight the untapped potential within local revenue systems and point to key areas for reform and strategic investment. By offering new empirical insights, this study contributes meaningfully to the broader discourse on local government financing and sustainable development. It underscores the urgent need for improved revenue mobilization strategies and greater fiscal accountability to empower district assemblies in Ghana and similar contexts to deliver on their developmental mandates. Strengthening IGF collection is not just a financial necessity but a pathway to stronger and more self-reliant local governance.

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## Publication History

Received:

6<sup>th</sup> February, 2025

Accepted:

23<sup>rd</sup> April, 2025

Published:

13<sup>th</sup> May, 2025

**Keywords:** *Revenue mobilization, Internally generated fund, District Assembly, Local Government, Decentralization, Ghana.*

## INTRODUCTION

Developing countries have been attracted to decentralization as a means of encouraging efficiency in the provision of public goods and economic growth. Decentralization is a policy instrument that distributes power to the local government where the leaders in public administration have much knowledge about the needs of the people and can use the resources they control to solve their problems.<sup>1</sup> Local government leaders can initiate and undertake development projects to help the people in the local communities. With the concept of decentralization, local governance is relegated to the lowest levels of government enterprises, where people become more involved in the process of improving their well-being by raising

<sup>1</sup> Lorena Moscovich, "Decentralization and Local Government in Latin America1," in *Latin American Democracy* (Routledge, 2015), 134–52.

funds to solve their socioeconomic and environmental needs.<sup>2</sup> Among others, some commonly identified types of decentralization are political, administrative, and fiscal. Fiscal decentralization has been linked to socioeconomic development in many countries in Africa. Fiscal decentralization deals with the revenue and expenditure at the local governance level, where the central government has given them power and authority to do so. Several scholars have argued that there is a more positive impact of fiscal decentralization on economic growth.<sup>3</sup>

In recent times, the fiscal decentralization process in most developing countries such as Ghana has been largely constrained by limited financial resource mobilization and sustained sources of financing for local development projects and programs.<sup>4</sup> Tax-focus decentralization helps to strengthen local government finances by enhancing the ability to provide public goods and services. The idea is to give local government a certain level of power over income and the responsibility for spending towards infrastructural development.

Ghana is one of the countries in Africa that relies heavily on a country's internally generated funds (IGF) and grants as major sources of funding for national and local development projects. Internally generated funds are financial resources from licenses, fees, miscellaneous charges, taxes, investment income, and rates that local governments are permitted by law to mobilize at the local level for the implementation of their development plans.<sup>5</sup>

The Local Government Service Act, 2016 (Act 936) of the constitution gives the Metropolitan, Municipal, and District Assemblies (MMDAs) the power to impose some taxes to generate enough revenues for local development projects. The MMDAs are the decentralized local government structures in Ghana responsible for governance, development planning, and service delivery at the local level. In practice, the local government in Ghana mobilizes IGF through fees and fines from individuals and organizations. The local Assembly renders some kinds of services to individuals, such as the use of lorry parks and markets, among others.<sup>6</sup> On their part, the users of these facilities pay fees to the MMDAs, which are used as IGF for local development. Another source of revenue for MMDAs is through adjudicatory bodies such as the tribunal and district Magistrate courts that take monies from culprits in the form of fines. Also, the MMDAs generate revenues from the licenses issued in the locality. The operation of activities such as drinking bars, herbal clinics, hotels, and restaurants requires a license to operate.<sup>7</sup> Again, a compulsory levy imposed on the properties of individuals and companies classified as property tax has been a source of IGF for the MMDAs. These properties are seen as assets and sources of wealth for individuals and companies and therefore, they are required to pay tax for holding or owning them. The MMDAs ensure that residents who put up any building facilities pay permit fees. These building permits are used as revenues to the local Assembly.

The IGF mobilized from building permit fees constitutes one of the key sources of funds for the local government.<sup>8</sup> Similarly, market tolls constitute a levy paid on market facilities being used for commercial business activities, requiring that users or beneficiaries pay some fees. The MMDAs take fees from companies and individuals who mount billboards within the localities for advertisement and any other uses. In some cases, posters and other platforms used for advertising in the localities require payment of fees to the local assembly. The MMDAs may sometimes invest in some income-earning

<sup>2</sup> Nana Nimo Appiah-Agyekum, Nana Yaw Boachie Danquah, and Emmanuel Kojo Sakyi, "Local Government Finance in Ghana: Disbursement and Utilisation of the MPs Share of the District Assemblies Common Fund," *Commonwealth Journal of Local Governance*, no. 12 (2013): 90–109; Moscovich, "Decentralization and Local Government in Latin America."

<sup>3</sup> Imran Hanif, Sally Wallace, and Pilar Gago-de-Santos, "Economic Growth by Means of Fiscal Decentralization: An Empirical Study for Federal Developing Countries," *Sage Open* 10, no. 4 (2020): 2158244020968088.

<sup>4</sup> Appiah-Agyekum, Boachie Danquah, and Sakyi, "Local Government Finance in Ghana: Disbursement and Utilisation of the MPs Share of the District Assemblies Common Fund"; Justice Issah Musah-Surugu et al., "Mainstreaming Climate Change into Local Governance: Financing and Budgetary Compliance in Selected Local Governments in Ghana," *Development in Practice* 28, no. 1 (2018): 65–80; Eric Oduro-Ofori, Fatimatu Isahaka, and Gabriel Opoku-Antwi, "Evidence of Implementation of Climate Change Adaptation Programs by Selected Local Governments in the Ashanti Region, Ghana," *GeoJournal*, 2021, 1–17.

<sup>5</sup> Clifford Amoako et al., "Revenue Mobilisation by Local Governments in Ghana: The Potentials of Investment in Metal Souvenirs for Tourists," *Journal of Science and Technology (Ghana)* 40, no. 2 (2022): 87–105.

<sup>6</sup> Musah Basig Diaboh, "Challenges of Mobilizing Revenue by MMDAS for Local Level Development (A Case of Tamale Metropolitan Assembly-TaMA)," *Africa Development and Resources Research Institute Journal* 31, no. 2 (2022): 23–34.

<sup>7</sup> Shamsia Abdul-Wahab, Paul Bata Domanban, and Paul Kwame Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation," *Ghana Journal of Development Studies* 20, no. 1 (2023): 233–51.

<sup>8</sup> Amoako et al., "Revenue Mobilisation by Local Governments in Ghana: The Potentials of Investment in Metal Souvenirs for Tourists."

projects to generate revenue for the local assembly. The Assembly may invest in agricultural business and real estate which will generate income for them.<sup>9</sup>

In Ghana, a study conducted by Abdul-Wahab, Domanban and Nkegbe focused on evaluating the performance and prospects of the IGF mobilized in the Wa municipality in Ghana.<sup>10</sup> The results revealed that the municipal average contribution to IGF was minimal and the performance of the IGF was not consistent as it fluctuated from one year to another. Abdul-Wahab *et al*, found that grants received by the Assembly constituted about 70% - 90 percent of the total funds received by the Assembly.<sup>11</sup> IGF formed about 10% - 29% of this total fund, meaning the Assembly depends mostly on the grants.

A similar study was conducted in Ghana by Adamtey and Amoako to examine the performance of IGF by the local government in Ghana, highlighting that IGF mobilization in more than four different districts was inefficient and has not seen any steady rise for a long period.<sup>12</sup> Zhu et al. found that the funding of the councils improved as a result of their investment in productive ventures such as agriculture.<sup>13</sup> Recent studies by Amoako, Adamtey, Doe & Adamtey observed that the performance of IGF is not consistent and more efforts are required to mobilize enough IGF for the Assembly.<sup>14</sup> Puopiel and Chimsi have suggested that more than 60% of the funds that are used to support development projects and programs in the MMDAs area are obtained from the central government, with portions coming from the District Assemblies common fund (DACF) as well as the District Development Fund (DDF).<sup>15</sup> The implications are that there is a wide gap between the revenue mobilized from the internal sources and that of the external sources. The situation, however, has several consequences on the developmental projects and programs in the affected MMDAs.

Based on the above discussion, this study utilized the stakeholder theory to examine the performance of IGF mobilization in the specific case of the Ahafo Ano-South West District Assembly in Ghana. The District Assembly and the inhabitants who are the taxpayers are stakeholders in mobilizing resources and community development. The different interest groups in the district are the key stakeholders who participate in the revenue mobilization and tend to benefit from the development projects financed by the revenue mobilized from the district. Several attempts by the MMDAS to mobilize sufficient IGF to support local development projects and programs have been made, yet the revenues from sources such as property tax, development levies, fines, and fees, among others from these district Assemblies,<sup>16</sup> including the Ahafo Ano West, have been woefully inadequate. A thorough review of the literature shows that previous studies have not fully investigated the performance of IGF mobilization in Ghana in detail<sup>17</sup> As a result, the MMDAs have not been able to implement most of their major projects, leading to poor infrastructural development, high poverty levels, limited access to necessities by the inhabitants, and an overall poor standard of living in the districts. To address this research gap, the present study focuses on assessing the performance of IGF mobilization precisely using the case of the Ahafo Ano-South West District in Ghana. The study will serve as a guide for MMDAs and policymakers in designing policies for the local government in terms of raising funds and utilizing the revenues for local projects and local development. The strategies identified in the study could serve as lessons for other MMDAs that are not able to meet their revenue-mobilizing targets in Ghana and beyond. The remaining sections of the paper include the methodology, presentation of results, and discussion. The final section describes the recommendations and conclusions from the study.

<sup>9</sup> Abdul-Wahab, Domanban, and Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation."

<sup>10</sup> Abdul-Wahab, Domanban, and Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation."

<sup>11</sup> Abdul-Wahab, Domanban, and Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation."

<sup>12</sup> Ronald Adamtey and Clifford Amoako, "Mobilizing Internally Generated Funds by Local Governments in Ghana," *Global Encyclopedia of Public Administration, Public Policy, and Governance*. Springer Chem, 2021, 1–12.

<sup>13</sup> Bao Zhu, Jing He, and Shiting Zhai, "How Does Local Government's Information Affect Farmers' Agricultural Investment: Based on Theoretical and Empirical Analysis," *Cluster Computing* 22 (2019): 15091–102.

<sup>14</sup> Amoako et al., "Revenue Mobilisation by Local Governments in Ghana: The Potentials of Investment in Metal Souvenirs for Tourists."

<sup>15</sup> Felix Puopiel and Musah Chimsi, "Mobilising Internally Generated Funds to Finance Development Projects in Ghana's Northern Region," *Commonwealth Journal of Local Governance*, no. 18 (2015): 147–60.

<sup>16</sup> Jennifer Ellah Adalety, Qais Ahmed Almaamari, and Mr Raymond Achiyaale, "Cost Efficiency for Effective Revenue Mobilisation at the MMDAS in Ghana," *Mathematical Statistician and Engineering Applications* 71, no. 4 (2022): 8649–67.

<sup>17</sup> Adalety, Almaamari, and Achiyaale, "Cost Efficiency for Effective Revenue Mobilisation at the MMDAS in Ghana."

## METHODOLOGY

The descriptive research design was employed under the quantitative research approach framework. The secondary data spanning the period of 2016-2022 was collected from the Ahafo Ano South-West District Assembly (AASWDA) in Ghana for the study. The Ahafo Ano-South West District was officially established in March 2018 through Legislative Instrument 2323 (LI 2323), following its separation from the former Ahafo Ano South District in Ghana. Located in the North-Western part of the Ashanti Region, the district spans an area of approximately 1,190.7km<sup>2</sup>, accounting for about 4.9% of the region's total land area of 24,370.5 km<sup>2</sup>. This makes it the eighth-largest district in the Ashanti Region. In terms of economic activities, the district is mainly an agrarian economy, which contributes to about 74.9% of employment for the active population. The agricultural sub-sector in the district is mainly focused on crops, livestock, fisheries, agroforestry, and nontraditional commodities.

In this study, the Revenue Collection Index (RCI) was used to estimate the performance of IGF collected in the Ahafo Ano-South West District Assembly from 2016 to 2022. This method has been applied by Abdul-Wahab, Domanban, and Nkegbe to assess the performance of revenue generation by the local Assembly in Ghana.<sup>18</sup> The RCI is the ratio of the total actual revenue mobilized to the total estimated target over a given period. The choice of this index has an advantage due to its accuracy in measuring the performance of local revenue collection, specifically considering a given period. However, the technique is intended to be ineffective when revenue targets are overestimated. In this case, the index will be very low, suggesting poor performance. Underestimation of the revenue equally creates another potential challenge in using this Index. To address these potential challenges in the measurement of revenue performance, the Corrected Revenue Collection Index (CRCI) was then utilized. With this approach, averages of the performance of revenues collected from each source throughout 2016-2022 were estimated. These averages were then used as a base for further estimating the various actual revenue performances of each revenue stream within the study period (2016-2022). The Corrected Revenue Collection Index (CRCI) is then given as:

$$CRCI = \frac{TAR}{ATER} \quad (1)$$

From equation 1, TAR (Total Actual Revenue) is the yearly total revenue accrued by each revenue head. The Average Total Estimated Revenue (ATER) is the sum of Total Estimated Revenues (TER) over seven years (2016-2022), divided by the Number of Years (NY) under study. Thus:

$$ATER = \frac{\sum TER}{NY} \quad (2)$$

The study further employed MS Excel and SPSS version 21.0 for the data analysis, and the results were presented using tables and charts.

## PRESENTATION OF FINDINGS AND DISCUSSION

The study assessed the performance of IGF obtained from land and royalties from the district. The results indicate that the district mobilizes funds from mineral royalties, concessions for mining, mineral prospects, stool land revenues, building plans and permits, and the sale of building jackets. Figure 1 presents the performance of IGF from lands and royalties in terms of the differences between the annual projected IGF and the actual IGF mobilized in the district from the period of 2016 to 2022.

<sup>18</sup> Abdul-Wahab, Domanban, and Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation."

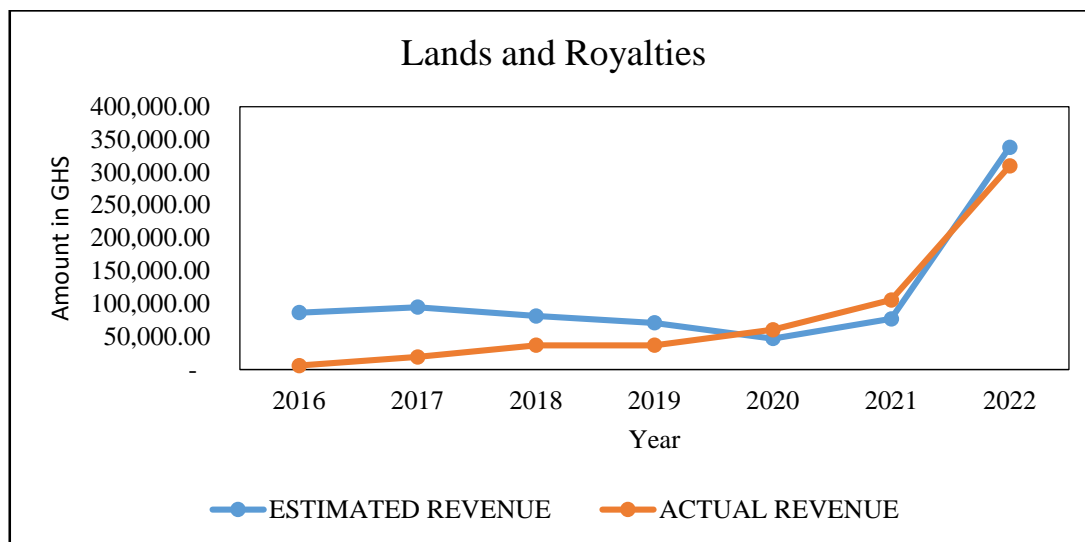


Figure 1: Performance of IGF from Land and Royalties Source: AASWDA(2023)

The results from Figure 1 reveal that from 2016 to 2019, the district could not achieve surpluses as the projected IGF was higher than the actual IGF from 2016 to 2019. However, from 2020 through 2022, the actual IGF exceeded the projected revenue from lands and royalties as shown in Figure 1. The study further employed the Corrected Revenue Collection Index (CRCI) to further assess the performance of the revenues from the land and royalties in the study area. The results are presented in Table 1.

**Table 1 : Performance of Land and Royalties**

Year	Estimated Revenue (GH₵)	Average Estimated Revenue (GH₵)	Actual Revenue (GH₵)	CRCI
2016	86,320.92	113,566.23	5,760.00	0.051
2017	94,642.56	113,566.23	19,060.00	0.168
2018	81,200.16	113,566.23	36,790.00	0.324
2019	70,800.00	113,566.23	36,790.00	0.324
2020	47,000.00	113,566.23	60,382.00	0.532
2021	77,000.00	113,566.23	105,673.00	0.930
2022	338,000.00	113,566.23	309,531.04	2.726

Source: AASWDA(2023)

Land and royalties constitute one of the main sources of IGF for the district assemblies in Ghana. The results show that the Ahafo Ano-South West District did not collect enough IGF from the land and royalties from 2019 to 2021, as all the actual revenues collected were far below the average projected revenues. Table 1 indicates that from 2016-2021, the revenue performance measured by the CRCI ranged from 0.051(5.1%) to 0.93(93%). However, in 2022, the performance was impressive as the actual revenue from land and royalties exceeded the average estimated revenues, yielding a Corrected Revenue Collection Index (CRCI=2.726) equivalent to 272%. This implies that there was a greater improvement in terms of IGF from land and royalties during 2020-2022. The findings are in line with those by Abdul-Wahab, Domanban, and Nkegbe, focused on evaluating the performance of the IGF mobilized in the Wa municipality in Ghana.<sup>19</sup> The authors found that the performance of IGF in the MMDAs was not consistent when they investigated the performance of IGF mobilization in Ghana, specifically at Wa. The results further imply that the Ahafo Ano-South West District has consistently improved its performance in terms of revenues from land and royalties for the last seven-year period. The findings are further consistent with previous scholars such as Adamtey and Amoako, who found that land royalties have been a reliable source of income for the MMDAs in Ghana.<sup>20</sup> The Ahafo Ano-South West District mobilizes

<sup>19</sup> Abdul-Wahab, Domanban, and Nkegbe, "Performance and Prospects of the Wa Municipal Assembly in Revenue Generation."

<sup>20</sup> Adamtey and Amoako, "Mobilizing Internally Generated Funds by Local Governments in Ghana."

revenue from rates. Specifically, the district assembly obtains enough revenue mainly from property rates.

Figure 2 shows that the revenue performance from rates has been dwindling and inconsistent. For 2018, 2019, and 2022, the actual revenues collected from rates exceeded the estimated revenue targets. For the rest of the periods, actual revenues collected were far lower than the projected revenues as shown in Figure 2. The findings support that of previous studies which confirm that, IGF collection in developing countries such as Ghana is inconsistent and poorly performed.

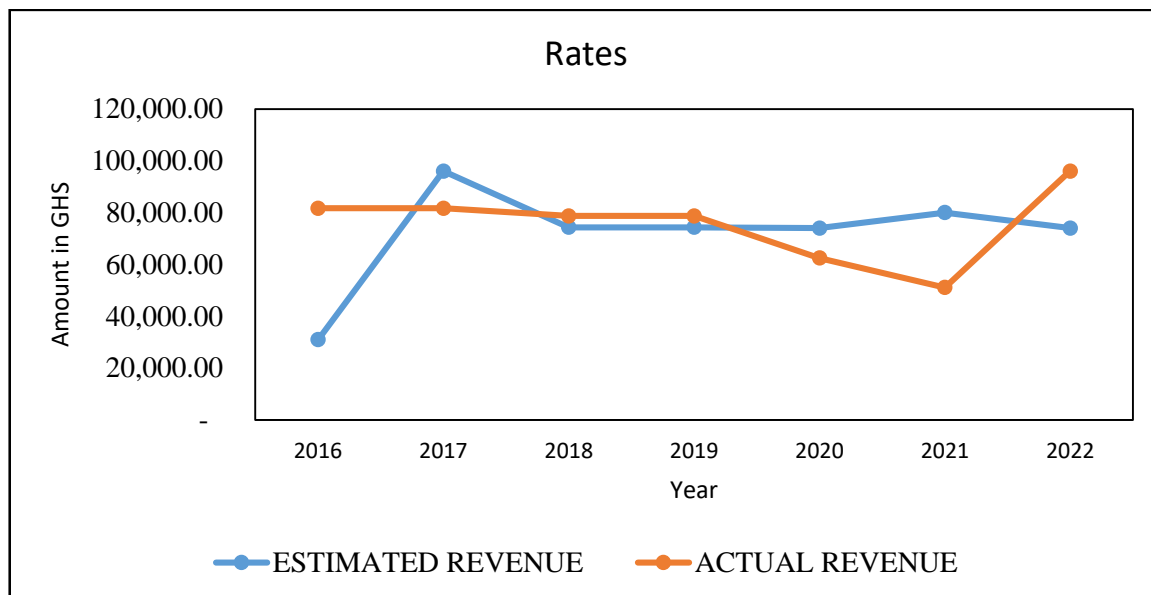


Figure 2: Performance of Rates Source: AASWDA (2023)

The results from Table 2 show that, except for the periods 2020 and 2021, actual revenues exceeded the average projected revenues, which implies an improvement in the performance of the rates collected.

**Table 2: Performance of Rates**

Year	Estimated Revenue (GH¢)	Estimated Average Revenue (GH¢)	Actual Revenue (GH¢)	CRCI
2016	30,990.00	71958.62	81661.69	1.13
2017	96,039.96	71958.62	81,661.69	1.13
2018	74,340.24	71958.62	78,729.96	1.09
2019	74,340.16	71958.62	78,729.96	1.09
2020	74,000.00	71958.62	62,488.95	0.87
2021	80,000.00	71958.62	51,092.92	0.71
2022	74,000.00	71958.62	96,013.10	1.33

Source: AASWDA (2023)

Results based on Table 2 indicate that from 2016-2021, the revenue performance measured by the Corrected Revenue Collection Index (CRCI) ranged from 0.71(71%) to 1.33 (133%). The district achieved a lower performance in the years 2020 and 2021, hovering around (CRCI=0.87) and (CRCI=0.71) respectively, as shown in Table 2. The lower performance within these periods could be attributed to COVID-19 and the poor behavior of the revenue collectors. The findings from the study are in line with previous studies, such as Adalety, Almaamari, Achiyaale, and Owiredu & Gyamfi, who found that IGF mobilized in Ghana is mostly inefficient and has poor performance.<sup>21</sup> The results from

<sup>21</sup> Adalety, Almaamari, and Achiyaale, "Cost Efficiency for Effective Revenue Mobilisation at the MMDAS in Ghana"; Owiredu, A., and E.N. Gyamfi, "Financial accountability, transparency, and performance of MMDAs in Ghana," *Central European Management Journal*, 30 no. 4 (2022): 2103-2110.

Figure 3 present the performance of Estimated and Actual IGF from the Rent of Lands, Buildings, and Houses.

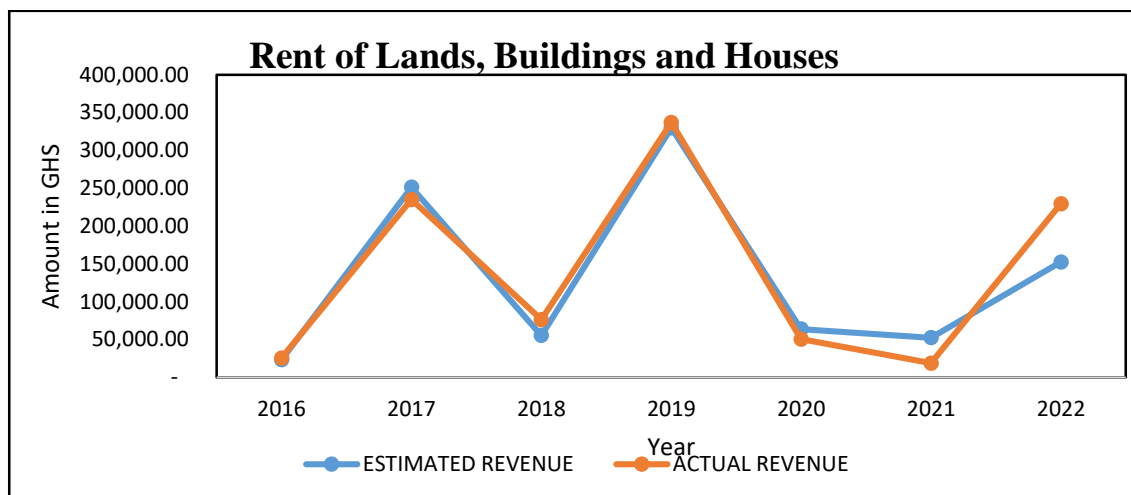


Figure 3: Performance of Rent of Lands, Buildings, and Houses. Source: AASWDA (2023)

The results from Figure 3 indicate that, for the periods of 2016, 2019, and 2022, actual revenue collected exceeded the projected revenues from the rents of lands, buildings, and houses. This indicates a good performance concerning the collection of IGF from rents. However, for the periods of 2017, 2018, 2020, and 2021, the Assembly did not meet its targeted revenues.

**Table 3: Performance of Rent of Lands, Buildings, and Houses**

Year	Estimated Revenue (GH¢)	Average Estimated Revenue (GH¢)	Actual Revenue (GH¢)	CRCI
2016	23,214.12	132665.86	25,507.00	0.19
2017	251,214.12	132665.86	235,101.97	1.77
2018	55,385.28	132665.86	76,455.00	0.58
2019	329,813.52	132665.86	337,063.97	2.54
2020	63,890.00	132665.86	50,472.00	0.38
2021	52,572.00	132665.86	18,927.00	0.14
2022	152,572.00	132665.86	229,522.29	1.73

Source: AASWDA (2023)

From Table 4, the results show that from 2016-2021, the revenue performance measured by the CRCI ranged from 0.19(19%) to 2.54 (254%). The results further reveal that, for the periods of 2017 (CRCI =1.77), 2019(CRCI=2.58), and 2022 (CRCI=1.73), the District Assembly achieved a better performance in terms of rents from housing and building facilities.

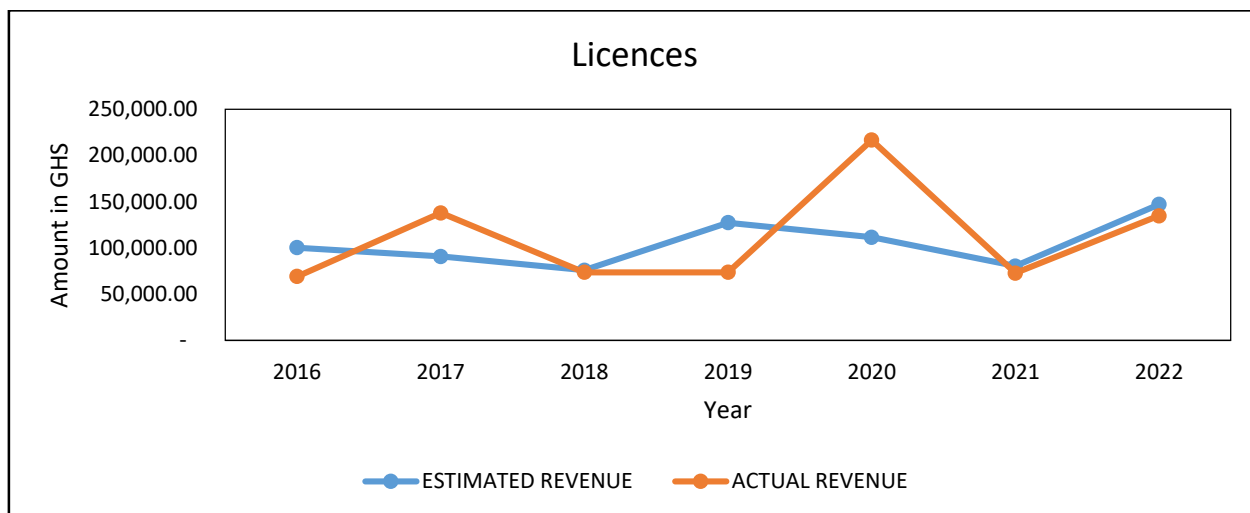


Figure 4 Performance of Licenses Source: AASWDA (2023)

The Ahafo Ano-South West District mobilizes revenue from the rent of lands, buildings, and houses. The district assembly specifically mobilizes IGF from investments incomes and rent of housing facilities such as stores and other building structures. The results support the previous findings from Adamtey and Amoako, who observed in the previous studies that another key sources of income for the MMDAs in Ghana come from the rent of housing facilities and buildings belonging to the local assembly.<sup>22</sup> The revenues from these sources appear to be sustainable and can support development projects in the districts. Figure 3 presents the projected revenues and actual revenues from Licenses.

The results from Figure 4 indicate that the Ahafo Ano-South West District achieved a good performance for only 2017 and 2020, which were the years where actual revenue exceeded the projected revenue from IGF.

Table 4: Performance Licenses

Year	Estimated Revenue (GH¢)	Average Estimated Revenue (GH¢)	Actual Revenue (GH¢)	CRCI
2016	100,372.20	104,827.48	69,163.00	0.66
2017	90,890.59	104,827.48	137,886.14	1.32
2018	75,962.04	104,827.48	73,729.80	0.70
2019	127,277.02	104,827.48	73,729.80	0.70
2020	111,660.50	104,827.48	216,719.56	2.07
2021	80,540.00	104,827.48	72,805.05	0.69
2022	147,090.00	104,827.48	134,782.42	1.29

Source: AASWDA (2023)

From Table 4, the results show that from 2016-2021, the revenue performance measured by the CRCI ranged from 0.66(66%) to 2.07 (207%). The results show that, in 2017, the actual revenue from Licenses exceeded the average projected revenues for the seven years, with the CRCI (CRCI=1.32), 2020 (CRCI=2.07), and 2022(CRCI=1.29) showing impressive performance of IGF mobilization. The Ahafo Ano-South West District mobilizes revenues from licenses for development projects in the district. The prominent ones are licenses for herbalists, chop bars, restaurants, liquor, fuel dealers, lotto operators, and sawmills. The results indicate the Ahafo Ano-South West District achieved a good performance in terms of fee collection as a source of IGF for only 2018 and 2019. For these periods, the actual revenue exceeded the projected revenue from fees. The findings agree with previous studies that examined the

<sup>22</sup> Adamtey and Amoako, "Mobilizing Internally Generated Funds by Local Governments in Ghana."

performance of IGF mobilization. Previous studies point out that the IGF mobilized in most MMDAs in Ghana are not adequate, and the few that can mobilize enough IGF do not utilize them efficiently.<sup>23</sup>

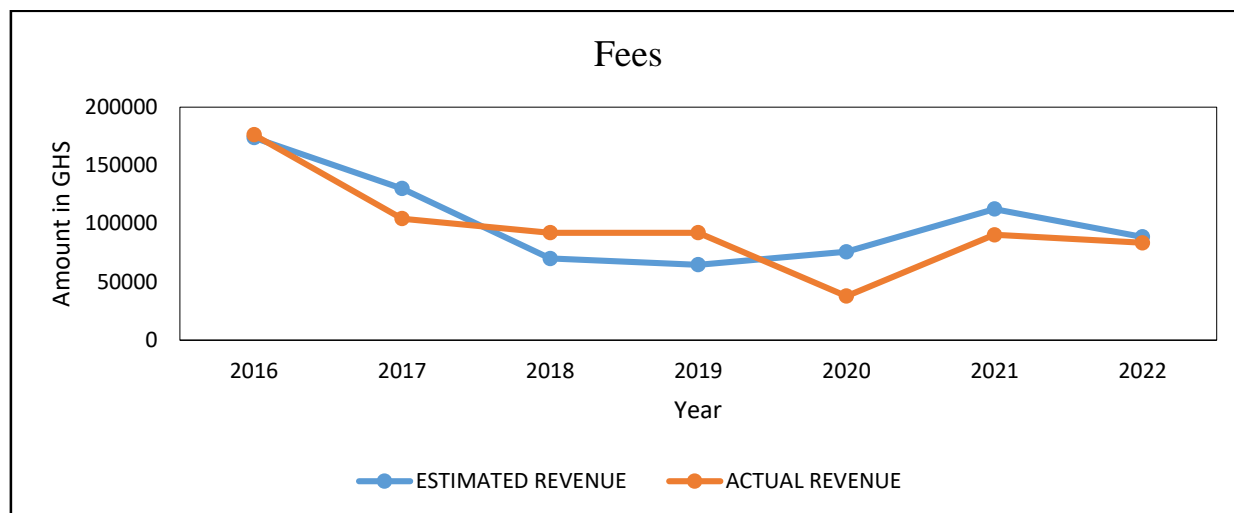


Figure 5: Performance of Fees. Source: AASWDA (2023)

The Ahafo Ano-South West District Assembly collects revenues classified as fees through several sources, including market tolls, registration of contractors, burial fees, advertisement, billboards, marriage and divorce registration, catering services, funeral homes, mortuary, and undertakers, as shown in Table 5.

Table 5: Performance of Fees

Year	Estimated Revenue (GH¢)	Average Estimated Revenue (GH¢)	Actual Revenue (GH¢)	CRCI
2016	173726.12	102249.91	176255.77	1.72
2017	130051.8	102249.91	104253.3	1.02
2018	70141.92	102249.91	92275.2	0.90
2019	64791.5	102249.91	92275.2	0.90
2020	75841	102249.91	37809.6	0.37
2021	112526.00	102249.91	90379.30	0.88
2022	88671.00	102249.91	83569.50	0.82

Source: AASWDA (2023)

Results from Table 5 show that IGF from these sources has not been consistent and has performed poorly from 2016 to 2022. Based on the CRCI, the results indicate that, except for the years 2016 and 2017, where the revenues from fees who good performance, the rest of the years have not seen an improved performance. In 2016, the CRCI is 1.72(172%), 2017, CRCI is 1.02(102%) while the result of the years recorded CRCI ranging from 0.3(30%) in 2020 to 0.9(90%) in 2019 among the rest. The results show that the IGF mobilized over the period has not been effective and has not performed well. The study also supports the findings of Adamtey and Amoako on the performance of IGF mobilization by local governments in Ghana, that MMDAs are not able to mobilize enough IGF due to challenges confronting the MMDAs.<sup>24</sup> Accounting for the IGF collected is a very important issue that the district needs to consider. There should be a system to ensure that all IGF collected is accounted for and received into the account where it is supposed to be. This is because the inability of revenue collectors to account for all the revenue collected affects the performance of the local revenue mobilized. These challenges have dire consequences for the performance of the mobilization in the district and those MMDAs alike in Ghana.

<sup>23</sup> Adamtey and Amoako, “Mobilizing Internally Generated Funds by Local Governments in Ghana”; Puopiel and Chimsi, “Mobilising Internally Generated Funds to Finance Development Projects in Ghana’s Northern Region.”

<sup>24</sup> Adamtey and Amoako, “Mobilizing Internally Generated Funds by Local Governments in Ghana.”

The findings agree with that of Diaboh, who concluded that lack of accountability for revenue collected; the basis of revenue payment, a low level of education is required; some businesses are small by nature; and inability or unwillingness to pay the correct amount are key challenges of IGF collection in Ghana.<sup>25</sup> As a result, revenue mobilization is still a major challenge to MMDAs in Ghana.

To ensure that revenue collectors get access to all the taxpayers' locations, proper numbering of streets and houses is required. Otherwise, it becomes difficult when revenue collectors do not have the full addresses of taxpayers. It will be necessary for the Assembly to provide detailed location and tracking systems to get taxpayers to pay their taxes. The key stakeholders who are supposed to have positive perceptions about the payment of the tax within the district should be identified. The situation where stakeholders do not experience any benefit from the tax paid to the District Assembly becomes a signal that will discourage people from paying the local taxes. The impression is that the IGF mobilized seems not to be used for the purpose and intentions for which it was collected. It is important to sensitize these stakeholders, as well as the beneficiaries of the IGF, to understand the need to pay tax.

## **RECOMMENDATIONS**

Based on the findings and discussion, it is recommended that the Ahafo Ano-South West District Assembly consider IGF from land and royalties, and fees, and pay close attention to them. IGF from the land and royalties, and fees performed poorly and remained inconsistent. The District Finance Director, Budget Committee, and Revenue Collection Section should find efficient and effective means to improve their revenue from market tolls, registration of contractors, burial fees, advertisement, billboards, marriage and divorce registration, catering services, funeral homes, mortuary, and undertakers to expand the revenue collection basket. Similarly, the District Finance Director, Budget Committee, and Revenue Collection Section should find appropriate mechanisms to collect enough revenue from the mineral royalties, concessions for mining, mineral prospects, stool land revenues, building plans and permits, and sale of building jackets to improve the performance of IGF in the district.

Again, it is recommended that the district assembly, through the settlement planning department, invest in affordable housing and the construction of stores which will be rented out to individuals, organizations, and can bring much IGF to the Assembly. The results confirm that revenue from the housing and renting of stores tends to be a sustainable source of IGF.

Moreover, it is recommended that the District Assembly, together with the MoFA department, engage in farming and other agricultural activities on government lands. Investing in the lands available may rake in reliable IGF for the district.

The District Coordinating Director and the District Police Commander should provide security for the entertainment centers in the district. The data collected shows that the entertainment centers can provide a reliable source of IGF from the Assembly. If the entertainment centers are secured, it will encourage people to patronize, and more revenues can be mobilized.

The District Assembly should further intensify strategies to increase the registration and licensing of local restaurants, lotto operators, and herbalists in the district. This will increase the volume of revenues mobilized in the district. It is further recommended that the district provide adequate education on the significance of paying local government tax to the Assembly. The local people must be made to understand why they need to pay taxes and what the revenue is used for. This will eliminate any negative perception about paying taxes within the district. At least the information unit within the assembly and the revenue and budget committee can team up to sensitize the people on this matter.

Finally, revenue collectors should be trained regularly and resourced with enough skills and capacity to collect enough revenue. At the same time, punishment and reward schemes should be instituted such that revenue collectors who fail to pay the assembly all proceeds collected should be punished, while those who perform well are rewarded.

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<sup>25</sup> Diaboh, "Challenges of Mobilizing Revenue by MMDAS for Local Level Development (A Case of Tamale Metropolitan Assembly-TaMA)."

## CONCLUSION

The findings revealed that within the last seven years (2016-2022), property rates consistently performed better compared to the other sources of revenue. This was followed by the rent of lands, buildings, houses, and licenses. The items with the lowest IGF performance were land royalties and fees. Based on the findings from the study, the following conclusions are made:

This study sheds light on the effectiveness of Internally Generated Funds (IGF) as the lifeblood of local governance, collected from lands, royalties, rents, rates, licenses, and fees in the Ahafo Ano-South West District in Ghana. While the district has made commendable strides in IGF mobilization, particularly from 2020 to 2022, performance has been uneven across various revenue streams and years.

The inconsistencies in revenue collection may continue to undermine the full potential of fiscal decentralization. The peaks in revenue performance, such as the remarkable leap in land royalties in 2022, show that with the right strategies, effective systems, and strong public engagement, local governments can transform taxes into tangible development.

The future of local development lies not only in how much revenue is collected but in how transparently the revenue is managed, how inclusively citizens are involved, and how visibly it translates into better roads, schools, and services. Strengthening accountability, enhancing taxpayer education, and leveraging digital tracking tools could be the game-changers MMDAs need. To this end, when revenue is effectively mobilized and efficiently utilized, local development progress becomes a shared reality, not just a distant promise.

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