

# Internally Generated Funds

## Improving the revenue generation and management of districts

### SfDR Focal Area 1

#### Situation

A key aspect in successful decentralization processes is to enable local governments to generate their own income in order to invest in the provision of public services for the local population. Although Ghana's fiscal decentralization framework allows for fiscal autonomy of local governments, till date the Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana still highly depend on central government transfers to fund their development plans. Over the past years and in a context of progressing urbanization, these transfers remain inadequate and unpredictable, thus undermining efficient planning processes. Despite their fiscal autonomy, MMDAs on average are able to generate approximately 20 percent of their total budget from their own sources, known as Internally Generated Funds (IGF). The efficient taxation of properties within their respective jurisdictions is a huge untapped potential to increase local government's own revenues. A major precondition to generate such funds within the MMDAs is the accurate and comprehensive registration of properties through street naming and property addressing (SNPA).

#### Challenges

Between 2014 and 2016, SfDR supported its 40 partner districts in partnership with the Ministry of Local Governance, Rural Development (MLGRD) to implement the national SNPA guidelines to facilitate the establishment of a cadastre system and help MMDAs to generate their own funds. Despite many achievements, progress is held back partly by inadequate prioritisation of funds in order to budget for the efficient implementation of the guidelines and partly by lack of the technical know-how. District officers are often

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| Commissioned by        | German Federal Ministry for Economic Cooperation and Development (BMZ)   |
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| Budget                 | EUR 5,800,000 (BMZ)<br>Additional co-financing agreements in preparation (USAID and GAC)   |
| Lead Executing Agency  | Ministry of Local Government and Rural Development (MLGRD)   |
| Partner Organisations: | Fiscal Decentralisation Unit (FDU) of the Ministry of Finance (MoF), Urban Development Unit (UDU) of the MLGRD, Local Government Service Secretariat (LGSS), Institute of Local Government Studies (ILGS), National Association of Local Authorities of Ghana (NALAG), Center for Democratic Development (CDD) |

not well prepared to mobilize the revenue, lacking the required technical skills and equipment. Most partner districts do not have the necessary resources for a comprehensive implementation of the process. Only few districts have a strategic approach in place for a gradual increase of revenue.

#### Objective

SfDR builds upon the developed and proven instruments from the previous phases and focuses on broader dissemination, up-scaling and improved implementation to consolidate progress that has been made so far. The programme continues working at the local level with its partner districts as well as at the national level with the MLGRD and other relevant stakeholders. In addition, the programme focuses on the regional level to strengthen its crucial role in Ghana's decentralisation process.



Fieldwork to implement the Street Naming and Property Addressing and finally to establish a fiscal cadastre in Wa



Nathalie Bouchez

Advisor

T +233 302 687033  
 M +233 244 337835  
 F +233 302 687030  
 E [nathalie.bouchez@giz.de](mailto:nathalie.bouchez@giz.de)

The browser-based Ntobua software enables districts to bill, collect, account for and report on revenues for properties and businesses in their jurisdiction (far left).

Collection of property rate in Keta (left)

The programme's objective in the field of IGF is that districts supported by SfDR have improved the collection, administration and planning of their finances. This means for example that the number of tax bills and fee notices that are paid in due time increases step by step.

IGF is an area that gets a great deal of attention especially in the context of financing and implementing the Sustainable Development Goals. Thus, in-depth discussions with development partners are ongoing to further harmonize interventions and conduct joint activities. For example, measures to closer interlink and cooperate with the District Development Facility (DDF) Secretariat are foreseen.

## Achievements and expected results

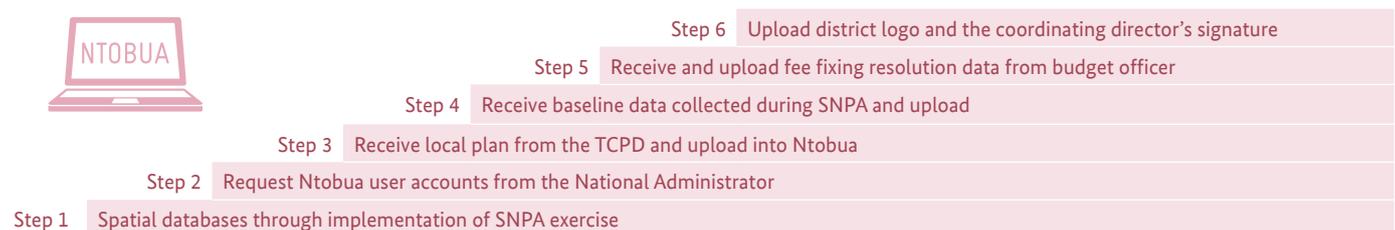
SfDR builds on the considerable progress that has been made in selected partner districts over the past years with regards to the street naming and property registration process. Technical manuals related to revenue generation were developed with support from SfDR and accompanied by capacity development for technical personnel in the districts' administrations. Some districts have become multipliers and have spread the innovation and their experiences to their peers. Ntobua, a software for

revenue management, has been developed and made accessible countrywide on NITA, Ghana's national IT platform. SfDR also made contributions to national strategy development.

An important output of SfDR in the new phase is an improved level of institutional revenue management capacities of the districts, which means for example that the number of tax and fee payers registered in a spatial database of the 40 partner districts increases. SfDR will support management personnel in its partner districts in utilising the Ntobua software for their revenue management. SfDR also supports partner districts to elaborate their individual strategies for the stepwise increase of communal revenues. A particular focus is on integrating consultations with citizens in the decision-making process (e.g. street naming). SfDR supports the continuation of specific training events for database development, the integration of IT in revenue generation and management processes with a specific attention to supporting best practices and the documentation of the change process.

*Six Steps to roll with Ntobua:*

*After the implementation of the SNPA exercise, it needs only a few essential working steps for a district assembly to use the revenue management software developed by SfDR and accessible on NITA, Ghana's national IT platform.*



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 Registered offices Bonn and Eschborn, Germany  
 Support for Decentralisation Reforms (SfDR)  
 P.O. Box 9698 KIA, Accra, Ghana  
 State Enterprises Commission Building  
 T +233-302-68 70 30/68 70 33  
 F +233-302-68 70 30  
 E [hartmut.krebs@giz.de](mailto:hartmut.krebs@giz.de)  
 W [www.giz.de/ghana](http://www.giz.de/ghana)  
 G N05° 33' 06", W00° 11' 57"

On behalf of Federal Ministry for Economic Cooperation and Development (BMZ)  
 Addresses of the BMZ offices  
 BMZ Bonn  
 Dahlmannstraße 4  
 53113 Bonn, Germany  
 T +49 228 99 535 - 0  
 F +49 228 99 535 - 3500  
 poststelle@bmz.bund.de  
 www.bmz.de  
 BMZ Berlin  
 Stresemannstraße 94  
 10963 Berlin, Germany  
 T +49 30 18 535 - 0  
 F +49 30 18 535 - 2501

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