# VNG International

## Tax Revenue for Economic Enhancement (TREE)

## in Ghana

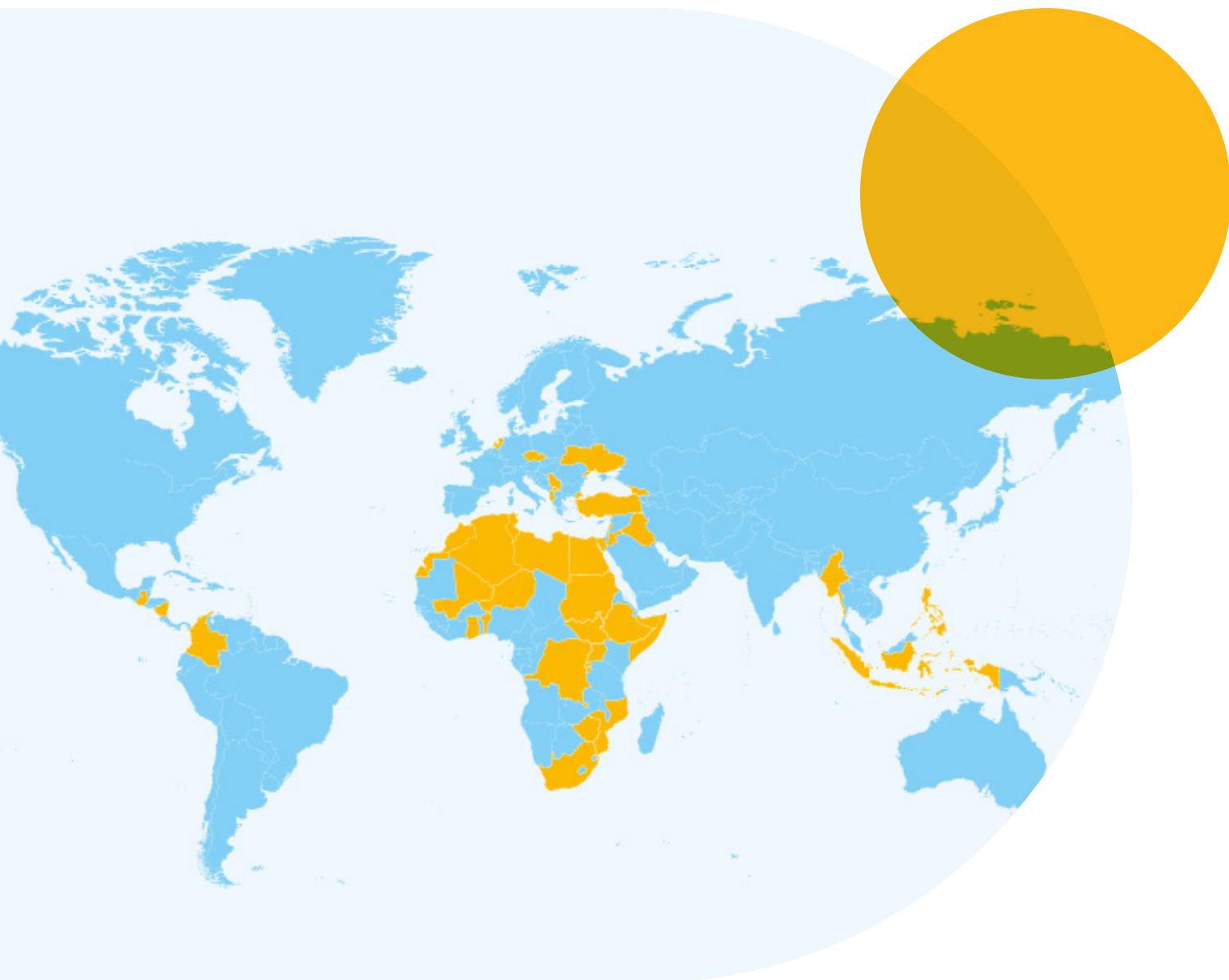## Annual Report 2020

June 2021

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# Preface

In November 2017, the Netherlands Embassy in Ghana awarded VNG-International a grant to support Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana on improving revenues from local rate mobilization and the quality of basic services. The Tax Revenue for Economic Enhancement project is implemented together with VNG International's Ghanaian partner MAPLE Consult. Close cooperation is being pursued with the Ministry of Finance and the Ministry of Local Government Decentralisation and Rural Development as well as the Office of the Head of Local Government Service in Ghana. The project is expected to be completed by March 31st, 2022.

The project focusses on improving property rates, business operating permits and general revenue mobilization in 33 MMDAs in the Ashanti Region, Central Region, Western North and Western Regions in Ghana.

# List of abbreviations

| | |
|---|---|
| EASP | Electoral Area Small Project |
| FFR | Fee Fixing Resolution |
| GPS | Global Position System |
| MLGRD | Ministry of Local Government and Rural Development |
| MMDA | Metropolitan, Municipal and District Assemblies |
| MoF | Ministry of Finance |
| LGS | Local Government Service |
| TREE | Tax Revenue for Economic Enhancement |
| VNG | Vereniging van Nederlandse Gemeenten (Association of Netherlands Municipalities) |
| VNG International | International Co-operation Agency of the VNG |

# 1 Introduction

## 1.1 Characteristics of 2020

2020 was a year of the expansion of the implementation for the project Tax Revenue for Economic Enhancement (TREE). More MMDAs were executing the property tax billing activities, as an additional set of 17 MMDAs in Clusters 3 and 4 started the implementation with a high political support until the end of the year.

In all, 33 MMDAs from all clusters were invited and approved to implement the TREE approach. Out of them, 27 MMDAs were effectively on board to implement the project; however, at the end of the year, there were only 25 performing MMDAs that have gone through the full TREE project cycle. Two MMDAs started to collect the data late 2020, therefore they will continue to implement the full cycle by the end of 2021. The remaining 6 MMDAs did not perform at all during the reporting period. The TREE team has informed all non-performing and inactive MMDAs that may like to re-start activities in the last phase of the project that, they should plan and allocate resources to budget for trainings, data collection and bill distribution activities. This strategy would go a long way to benefit both the project and the MMDAs, as the main package of trainings was already delivered in 2019-2020, and the project budget for such activities is already exhausted.

2020 was the year when MMDAs of Clusters 3 and 4 started their activities. The engagement and the performance levels were higher as compared to the time when Clusters 1 and 2 started. This positive development proves that with the experience acquired from the previous years of implementation, the TREE approach and strategy now works very well, as trainings are now delivered in an efficient manner, and also that the project could now be upscaled rather easily. The newly engaged MMDAs performed relatively well during the year 2020, as their results on data collection, bill distribution and revenue collection were increasing every month, despite the pandemic situation.

The e-billing and e-payment solutions supported the increase of the results. By the end of the year 2020,16 MMDAs were using this electronic means of billing and payment. More MMDAs are expected to start it in the upcoming year.

As the number of MMDAs on the project increased in 2020, there was demand for more features to be developed in the IT system and IT support services was continually delivered. The fast and effective IT support services rendered by the Project is one of the key elements that has increased the trust and usability of the software in the MMDAs.

All the MMDAs received support services from our local team throughout the year. Despite the covid-19 pandemic state, the support services were delivered mostly virtually, and did not have any negative impact on the outcomes.

Also, since 2019, the project has delivered the quarterly reports to all MMDAs and the aggregated progress reports to main stakeholders – the Embassy, the Ministry of Local Government Decentralisation and Rural Development and the Ministry of Finance. This monitoring exercise helped the MMDAs to see where they stood compared to others, as well as the Ministries to keep track on developments. Moreover, the main issues that needed attention were pointed out, and the solutions were proposed.

As a result of the aforementioned improvements, the tax gap has decreased slightly. Even though the data collection and bill distribution went much higher as compared to the previous year, the revenue collection remains an issue.

Naturally, there were also the undesirable developments. The worldwide pandemic situation as of March 2020 forced to re-orient the way of support delivery. Both local and the Dutch implementation teams shifted mostly to virtual-only way of working, this continued for several months and proved to have worked quite well. However, due to the travelling restrictions, there were no options for the Dutch experts to come to Ghana. This had a negative impact to the project visibility, as the Steering Committee meetings and high level discussions with main stakeholders could not be organised. Despite that, virtual communication took place, but this way of working limits the ability to have open informal discussions, which are usually crucial for the success of project implementation.

Another negative factor for the successful implementation were the elections of December 2020. Already from October 2020 we noticed that the involvement of MMDAs was "on pause" and the political support could not have been expected. The latter was due to the preparation for the elections of politically appointed staff. In several MMDAs the revenue collection activities were completely stopped due to that.

Lastly, as stated before, some of the MMDAs did not show any improvements or even were not performing at all. Even though we noticed the increase of interest by the very end of the year (after elections), at this point of project implementation timeline, where the trainings were already delivered, community engagement activities performed, thus the budget exhausted, it can be hardly expected that the implementation in such MMDAs will go smoothly.

## 1.2    Main achievements

The main operational achievements of 21 best performing MMDAs are presented in the table below.

| Indicators | | All active MMDAs | | | Average per MMDA | | |
|---|---|---|---|---|---|---|---|
| | | **2019** | **2020** | **Delta** | **2019** | **2020** | **Delta** |
| Number of billing MMDAs | | 16 | 21 ⬆ | 5 | | | |
| Number of billable properties | | 30 940 | 58 562 ⬆ | 27 622 | 1934 | 2789 ⬆ | 44% |
| | | | | | | | |
| Number of bills | Generated | 30 735 | 57 786 ⬆ | 27 051 | 1921 | 2752 ⬆ | 43% |
| | Distributed | 16 008 | 42 144 ⬆ | 26 136 | 1001 | 2007 ⬆ | 100% |
| | Distribution rate | 52% | 73% ⬆ | 19% | 52% | 73% ⬆ | 19% |
| | e-Bills sent | | 21 068 ⬆ | 21 068 | | | |
| Revenue potential | | GHC 2 908 066 | GHC 6 178 745 ⬆ | GHC 3 270 679 | GHC 181 754 | GHC 294 226 ⬆ | 62% |
| | | | | | | | |
| Payments | According to MMDAs | GHC 219 596 | GHC 622 104 ⬆ | GHC 402 508 | GHC 13 725 | GHC 29 624 ⬆ | 116% |
| Collection rate | | 7,55% | 10,07% ⬆ | 2,52% | | | |
| | | | | | | | |
| Tax gap | | 92,45% | 89,93% ➡ | -2,52% | | | |

| | |
|---|---|
| Increased number of billable properties | The total number of billable properties of 21 MMDAs increased to 58.562, which is an increase of 27.622 caused by the new MMDAs that were added in 2020 and additional data collection. |
| Increased number of bills | 57.786 bills were printed out of the 58.562 registered properties, representing 98,6% |
| | Out of the printed bills 42.144 have been manually distributed, which is a distribution rate of 73%. Compared to 2019, distribution rate has increased by 19%. |
| | In 2020 21.068 e-bills have been sent for the first time. |
| Revenue potential | The revenue potential in 2020 (where all bills are being paid) is GHC 6.178.745 |
| Increased revenues | The amount paid according to MMDAs is GHC 622.104. Although a susbstantial increase compared to 2019, this represents a collection rate of 10.07%; 2.52% more than in 2019. In a normal fiscal year, most revenue are being paid in Q4. However, as of mid November 2020, due to the elections, most collection activities have been placed on hold. |
| Tax gap | Tax gap by the end 2020 thus is 89,93%. |

## 1.3    Methodology

The project TREE consists of two main characteristics:

(i)    to improve services and economic growth, and

(ii)    to increase domestic revenues.

Delivering services is the main reason for collecting revenues. In the ideal situation there is a sustainable funding cycle of revenue collection and spending year after year. The cycle only functions when MMDAs prove that revenues are spent on service delivery; in this way trust is gained with the rate payers that is needed to persuade them to pay their taxes again. This means that for the project TREE, *accountability* has to go hand in hand with decision-making on the spending of the collected revenues in MMDAs.

The increase of domestic revenues is characterized by its *revenue collection-led strategy*, which places priority on improving the revenue collection processes in the participating 33 MMDAs.

Methodologically, the project is characterized by five components:

1.    Strategy development,

2.    Improving the administrative processes and procedures,

3.    Developing supportive software,

4.    Encouraging community sensitization and transparency and demonstrating that services are improved.

5.  Project's sustainability: the continuation of the new practices and use of tools after the project has come to an end.

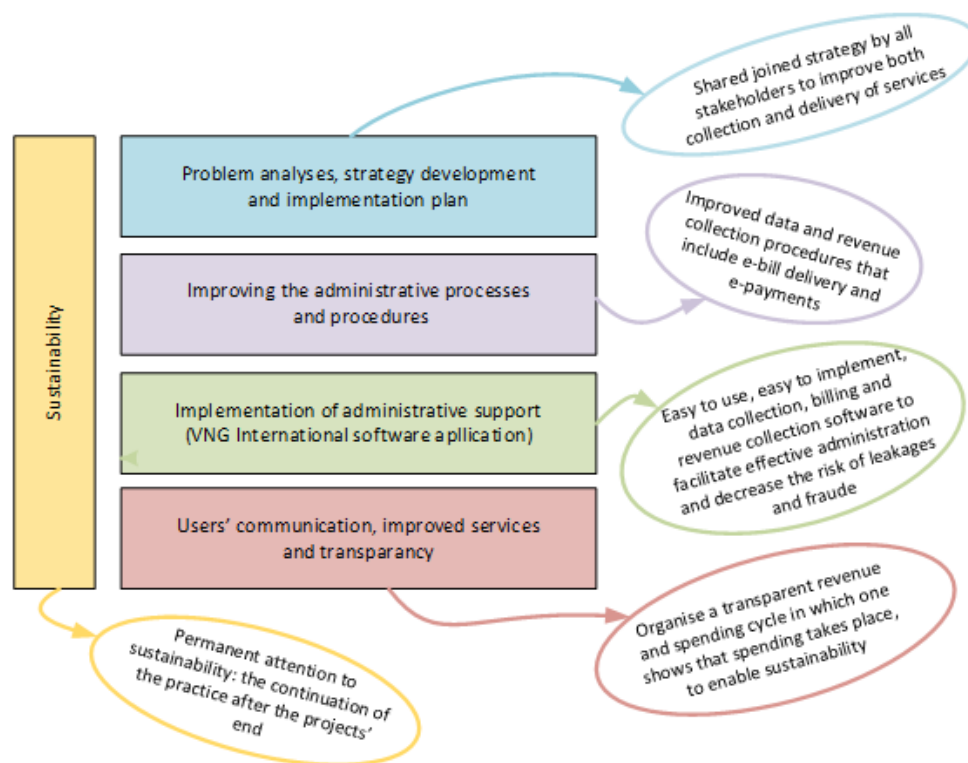See figure 1 how the five components of the project relate to each other.



*Figure 1: The related building blocks of the project TREE.*

It goes without saying that the two characteristics mentioned are reflected in the objectives.

## 1.4    Specific objectives

The specific objectives of project TREE are:

-   To improve the institutional capacity and procedures of each MMDA to collect revenues and diminish the revenue gap (components 1 and 2);
-   To implement IT programmes in each MMDA to support the main revenue business processes (component 3);
-   To improve the capacity of each MMDA to communicate with its citizens through citizen engagement sessions (component 4);
-   To implement participatory planning processes including social contracts with citizens (component 4);
-   To realize political commitment and leadership support and project management expertise at the Ministerial level and in each MMDA to guarantee sustainability (component 5).

## 1.5 Steering Committee

The Steering Committee meetings did not take place during 2020, the main reason being the global Covid-19 pandemic state, followed with travelling and live meeting restrictions. However, the local implementing partner – Maple Consult – represented by Mr. Mawuena Dotse and Mr. Bless Darkey had regular contacts with the representatives of both Ministries. Moreover, the project management team had 2 extensive online meetings with the chairman of Steering Committee – the Deputy Minister of Finance. As an outcome, the Deputy Minister affirmed and emphasised that the MMDAs should make it their priority to ensure that all payments are registered electronically in order to prevent illegal diversion of payments. Other than the electronically generated General Counterfoil Receipts (GCRs), the Deputy minister highlighted that there should be criminalization of all (manual) receipts that are not authenticated by government. In addition to that, the Deputy Minister requested that the following new options to be investigated:

- Is it possible, when cash payments are made to collectors, they could make use of a POS-device to issue receipts directly and the payment uploaded into the database directly?
- When cash payments are made to collectors, is it possible to use a tablet to print receipts directly and payment uploaded immediately into the database directly when there is internet connectivity or later in the day when the tablet is connected to the internet.
- Is it possible to direct MMDAs to have banks located or situated at their office premises? These 'resident banks' would be the only places where cash payments could be made. A payment made at such a bank would result in the issuance of a receipt and a direct upload into the database.
- Is it possible to make payment of property rates mandatory before electricity, water and other municipal services are provided to (non-)ratepayers a feasible option.

These discussions with the Deputy Minister proved that both sides – the project management and stakeholders – share the same understanding and priorities. The requests, however, are out of scope of the current project and should be addressed in the potential future project.

## 1.6 Implementing parties

The project is implemented together with VNG International's Ghanaian partner MAPLE Consult. Throughout the entire duration of the project a Ghanaian team of six experts provides direct and continuous support at Ministerial and MMDA levels. The Ghanaian team is complemented with specialist support from VNG International and its associated experts. The Ghanaian team together with the MMDAs determine the kind of content and type of support that is needed from the VNG International experts.

The Ghanaian team is led by the team leader Mr. Bless Darkey. The team of 5 people holds the expertise and knowledge for the successful implementation of operational project activities, training delivery, increase of public awareness. This team is in regular (at least weekly) contact with the Dutch implementation team. The Dutch team is designed out of 8 experts for strategic guidance, process development and adjustment, IT solution implementation, modifications and administration, and the project management.

## 1.7 Main issues

During the reporting period the implementation teams supported the MMDAs to achieve the best possible outcomes, however some issues are pending.

1. The capacities of the MMDAs' staff is usually limited and the trained staff members are transferred regularly from their Assemblies. This leads to the necessity of the repeated trainings, which are quite often requested by MMDAs themselves.

2. The political support for full TREE approach implementation is limited in some MMDAs. This is observed through the engagement of low-performing MMDAs as well as in the analysis of the statistical information. For this reason the project management, with the approval of the Deputy Minister of Finance, took a decision to stop supporting Afigya Kwabre South District Assembly and Atwima Nwabiagya Municpal Assembly.

3. As stated before, despite the well-going data collection and bill distribution activities, the real challenge is the proper revenue collection. By the end of the reporting period only 10% of the potential revenue has been collected. Even though it is a good result over 2 years of real implementation on the ground, attention must be paid to this issue.

4. MMDAs must enforce the full registration of the revenues received in the software developed by the project, thus allowing to have a track of the payers and Ghanaian authorities to start enforcement procedures.

5. Low revenue collection leads to low or none implementation of Electoral Areas Small Projects (EASPs). The collected amounts are usually not sufficient to implement tangible development projects in communities. This leads to lower trust in both local authorities and the TREE project from the citizens.

# 2 Detailed report of activities 2020

The beneficiary group of 33 MMDAs was divided into four clusters. Clusters I and II, consisting of 16 MMDAs, that started in early 2019. Implementation in clusters III and IV for the remaining 17 MMDAs started in October 2019.

## 2.1 Project implementation matters

The year 2020 under review witnessed a much heightened political activities across the country as a result of Presidential and Parliamentary elections which were held in the first week of December. The MMDAs on the TREE Programme experienced challenges economically, socially and politically. The directive from Central Government that citizens should adhere strictly to social distancing and wearing of nose masks affected revenue mobilization activities - community sensitization, bill distribution and revenue collection in all the MMDAs.

### 2.1.1 Leadership engagement

As part of strategies to assist MMDAs to improve upon the regular and sustainable flow of funds for revenue mobilization as well as making provision for the delivery of basic services to rate payers, the project TREE developed a Finance Cycle and Electoral Area Small Project (EASP) guide based on the existing local government laws of Ghana.

The EASP approach included leadership commitment in general and the elected assembly member in particular to understand what it means to mobilize and sustain revenue collection for effective and efficient service delivery. Project TREE organized two series of workshops dubbed Masterclass for decision makers of the 16 out of the 17 MMDAs in clusters 3 and 4 in Kumasi and Elmina respectively in the month of in January 2020. Participants were the MMDCEs and MMDCDs from the participating MMDAs from Ashanti, Central and Western regions respectively. The key objective of the workshop was to orient top management to understand that the exhibition of their daily managerial skills should be business oriented in order to empower other staff to take initiative and add value to organizational business performance.

It was also aimed at introducing top management to the project TREE solution guides (Finance Cycle and EASP) which underline the fact that the success of property data collection and revenue collection depend on the increased accountability and transparency in revenue spending at the local level.

### 2.1.2 Communication

The MMDAs in clusters 3 and 4 were guided to form Communication Teams in 2020 just as was done for clusters 1 and 2 MMDAs in 2019 as part of the strategy to increase revenue mobilization through community sensitization, media engagement and community durbars among others.

The communication teams in all the 28 active participating MMDAs in all the clusters were trained in basic inter-personal and mass communication skills. Just like MMDAs in clusters 1 and 2, 11 MMDAs in clusters 3 and 4 were supported in their communication activities by Project TREE through the production of jingles, question guides as well as synopsis for radio discussions. There was also communication training delivered for data collection and bill distribution activities. The communication training offered to about 50 participants from the Ashanti MMDAs was aimed to improve the engagement between the Assemblies and Community members based on regular interactions by means of FM radio, information van announcement, community gathering and community radio.



### 2.1.3 Development of IT solution TaxMan

Based on the situation assessment for Ghana in 2018 it was realized that only a small percentage of the MMDAs were actually collecting property rate base on street naming (SNPA) and valuation. For the vast majority of properties an accurate bill generation and accurate identification in the field was very difficult or impossible. Additionally, valuation data, if available is mostly outdated (inflation of 8-15% makes 10- or 20-year-old values useless).

The leading principal of the project is to support the MMDAs to collect property rate for their valued and unvalued properties until all main settlements are mapped, named and valued.

**TREE Approach for Property Rate**

- GPS locations, Property type data and owner information are collected in the field with a tablet/app (open source). In case street names / valuation data is available they are added to the GPS data set.
- The information collected is stored in TaxMan.
- Property Rate Bills are generated by the MMDAs and distributed based on the GPS location with the same field device.
- E-Bills are sent out and property owners can undertake digital payments.
- The data is regularly updated and enhanced in the field.

The MMDAs are to account in the TaxMan system for the collected revenue. Once additional business data is collected in the field the system can generate bills for business permits (BOPs). This component has not yet been implemented by the MMDAs.

**Current status**

Achievements

- Out of 33 initial MMDAs, 25 MMDAs are making use of the solution.
- Several MMDAs have increased their property rate significantly within a short period (1-2 years).
- MMDAs have collected property rate from their unvalued properties.
- E-payment is increasing steadily.
- The initial investment (data collection) can be recouped by the MMDAs within a short period. Several MMDAs are in the process of additional data collection.

**Challenges**

- The internalization of the required processes (Software and IT, Cooperation between departments, citizen communication and accountability) by the local teams is still in progress. Full internalization, MMDA process ownership and a comprehensive knowledge management requires further support.
- Not all MMDA leaders and officers are committed to the digitalization – the enhanced transparency and accountability meets resistance on all levels.
- The level of performance in the most active 25 MMDAs varies significantly – from non-performers to high achievers.

Project TREE organised series of training programmes in IT for all the MMDAs in all the clusters for Data Entry Officers, Budget Analysts and Finance Officers in the application of the Taxman software. They were taken through the process of data migration, bill generation, payment recording and updating and report generation as well as the use of the location application in identifying properties. In all, 112 MMDA officials were trained. The TREE Project has developed tutorial kits like user-friendly Manual and self-tutorial Videos to make the usability of the software very easy and exciting for all users who have undergone the requisite training and provided with passcodes.

Project TREE also conducted training for Data Collectors and Revenue Collectors on the use and applicability of both the data collection and bill distribution software applications (ODK and Location App). A total number of 650 MMDA staff in all the active participating MMDAs have been trained on how to engage rate payers using the software applications.
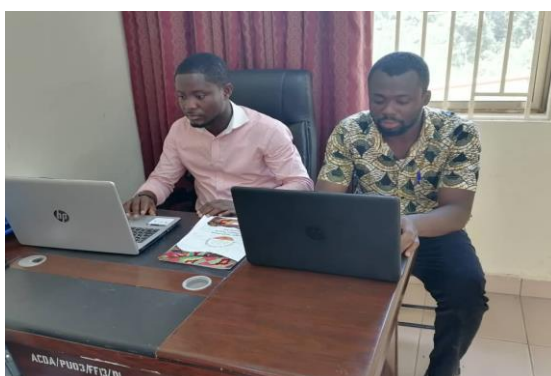
During the reporting year the following was implemented on IT in TaxMan:

- Reminders and e-reminders.
- Arrears.
- Waivers.
- Improvements for bill structure.
- E-billing and e-payment improvements.
- Taxman reporting improvements.
- Improvements for annual transition.
- Covid-19 messages.
- Administration and maintenance of the software and hardware.
- IT support to the annual transition.
- IT trainings.

## 2.1.4 Continuous supporting activities for MMDAs

Sequel to the operationalization of the TaxMan software in all the 16 MMDAs in clusters 1 and 2 in 2019, project TREE also installed the software on the computers provided by the Project to all the active 12 MMDAs in clusters 3 and 4 in 2020. With all the active MMDAs using the software, the Project TREE has offered continuous technical support to Assembly staff who are responsible for the property billing processes, that is, Finance Officers, Budget Analysts, IT Officers, Data and Revenue Collectors.

A three month airtime package was procured under the project by Project TREE from some selected radio stations and community information centres for all 12 MMDAs under clusters 3 and 4 to be used for mass communication on revenue mobilization.

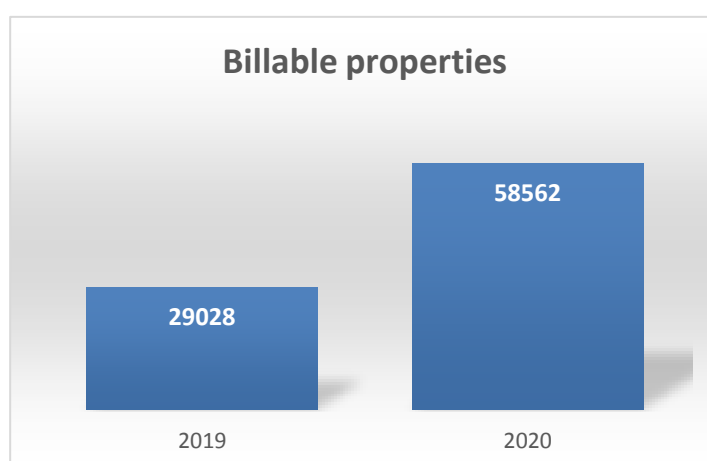## 2.1.5 Fee Fixing Resolution (FFR)

With the experience gathered following the engagement process with MMDAs in clusters 1 and 2, it became obvious in 2020 that the FFR standardization concept has now been fully understood by several MMDA officials. The FFR is the basis of all billing processes and is captured by the project TREE software. The FFR main categories for both assessed and unassessed properties have been standardized and, the FFR sub-categories have been adjusted to fit into the software and made user friendly. Project TREE therefore, cooperated closely with the active participating MMDAs to develop the 2020 FFR (assessed and unassessed property rates) in line with their needs and with the regulations and guidelines.

## 2.1.6 Data collection

MMDAs in clusters 3 and 4 just like those in clusters 1 and 2, were made to undergo training in data collection. With the knowledge acquired in inter-personal communication skills and IT software application for data collection, the 12 MMDAs in clusters 3 and 4 selected some Electoral Areas within their jurisdictions to collect property data. The essence was to assess the effectiveness of the software and the data quality for efficient bill distribution and revenue collection in the communities.

The MMDAs funded the data collection by themselves and worked within a period of two weeks in between one to four Electoral Area(s). Only Asokore Mampong Municipal Assembly (AMMA) made the attempt to collect data in all Electoral Areas during the pilot stage. Project TREE team in Kumasi monitored the entire data collection process in all the MMDAs and ensured the uploading of the data unto the software system went on smoothly.

Project TREE introduced the software applications developed purposely for the collection of property data and identification of properties in the distribution of bills and collection of revenue in all the active 12 MMDAs in clusters 3 and 4 in 2020. The software applications contain all the detailed information required of the property owners and their properties such as property ownership, location, type and usage of property, phone number as well as email address among others.

**Billable properties**

| 2019 | 2020 |
|------|------|
| 29028 | 58562 |

The collection of data and distribution of bills especially for unassessed properties using the software applications help the Assemblies eventually in property valuation after enough revenue has been mobilized internally.

Sixty pieces of hand held devices were procured by project TREE and installed with the software applications for distribution to the 12 MMDAs in clusters 3 and 4 to ensure effective data collection and bill distribution. It became clear, the collection of data and the bill distribution had to be based on GPS coordinates to enable the Revenue Collectors to identify the properties in the field to support bill distribution. The development of those applications were finalized in the beginning of 2019 and firstly used in clusters 1 and 2 MMDAs.

## 2.1.7 E-billing and e-payment

The e-billing and e-payment component of the project TREE software which is one of the key functionalities to aid the MMDAs halt or reduce revenue leakages within the system was in full operation in 2020. Twelve MMDAs in clusters 1 and 2 as well as four MMDAs in clusters 3 and 4 respectively were involved in e-billing and e-payment. This innovative facility was poorly patronised in 2020 by rate payers due to very poor publicity and sensitization by the MMDAs. Further enquiries indicated that the upsurge of the covid-19 pandemic affected engagement with the community people to enable them understand the processes and benefits. In fact, only about 100 rate payers patronised the e-payment option for rate settlement from all the subscribed MMDAs. This is however expected to go up tremendously in 2021, all things being equal.

Trainings were organized for all the participating MMDAs that have subscribed to e-billing and e-

### e-bills distributed

770 — 2019

19755 — 2020
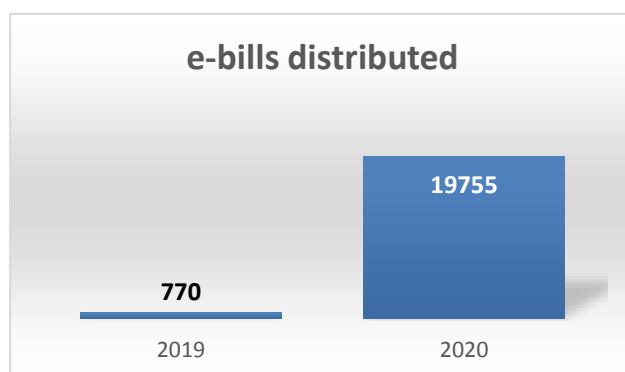
payment. Trainees were made to understand what e-billing and e-payment are and the mode or channel of transmission to ratepayers. They were informed that ratepayers will receive two text messages; the first informing the ratepayer about his/her property details and the second, the amount of property rate payable for that year. The e-payment was purely practical based. Trainees initially were taken through the step by step process of making payment using mobile money and after that were asked to use their phones to try the process of payment. During the hands-on practice, it was noticed that a couple of terms used in the payment process was not very familiar to them and obviously that will be the same with ratepayers who decide to adopt this mode of payment. One of the terms is "Bill ID" which on the property rate bill it is "Bill Number". The second term is "Wallet Number" but the term most people are familiar with is "Phone Number".

## 2.2    PROJECT MANAGEMENT MATTERS

### 2.2.1  Virtual Engagement of MMDAs and Other Stakeholders

In 2020, the spread of the global Covid-19 pandemic across the country made it impossible for Project TREE team members to physically engage with the officials of participating MMDAs. However, to help address this issue and continuously engage with the MMDAs to offer the needed trainings and other technical advice, virtual platforms were created for all the MMDAs to ensure constant engagement and monitoring of all the various TREE activities across the MMDAs.

Project TREE also donated 2000 pieces of face masks and hand sanitizers to the MMDAs to help alleviate the burden of providing such PPAs to Revenue Collectors by the MMDAs during the initial lockdown of the country as result of the Covid-19 global pandemic.

### 2.2.2  Project management changes

By the end of 2020, two Dutch experts finished their activities, thus shifting the responsibility of the implementation and support planning activities to the Ghanaian team. This step was planned from the beginning of the intervention, as one of the sustainability in Ghana corner-stones. From 2021 The Dutch team is focusing on the strategic support, sustainability and guidance, rather than micromanagement and daily support to MMDAs.

There was a downsize in the Ghanaian team as well. One of two communication experts has left the project, as the amount of such activities has decreased. The MMDAs will be supported by one communication expert in order to continuously support the awareness to local communities (as also described previously under *Communication* section).

### 2.2.3 Official visit by Peter Knip

The Director of VNG International, Mr. Peter Knip in February 2020, paid an official visit to Ghana to access the successful implementation of Project TREE and how the various state actors are involved in the whole process. The itinerary during Mr Peter Knip's stay in Ghana included visits to the Ambassador of the Royal Kingdom of Netherlands, the Deputy Ministers for Local Government, Decentralisation and Rural Development, the Deputy Minister for Finance, the Minister for Ashanti Regional Co-ordinating Council the Deputy Minister for Central Regional Co-ordinating Council the General Secretary of National Association of Local Authorities of Ghana (NALAG), MMDCEs of CCMA, AFMA and GCDA. In all the visits, there were positive comments made about the TREE project in relation to the objectives that it seeks to achieve.

# 3 Results related to the objectives

After three years of implementation it is possible to indicate achievements related to the project objectives, which are listed in this section.

| Objectives | Indication of achievements |
|---|---|
| To improve the institutional capacity and procedures of each MMDA to collect revenues and diminish the revenue gap | Solution Designs are developed to enhance the processes and procedures in the MMDAs. 25 MMDAs have collected data for revenue collection. Training session focussing on all steps in the revenue collection process are implemented. Repeated trainings for new staff and new MMDAs are continuing. |
| To implement IT programmes in each MMDA to support the main revenue business processes | Project TREE software for data collection, printing of bills and registering revenues collected are in place and being used by the 25 MMDAs by the end of 2020. |
| To improve the capacity of each MMDA to communicate with its citizens through citizen engagement sessions | Mass communication outlines are delivered to all MMDAs. Inter-personal communication training and support is given to all 25 MMDAs. Materials are developed, like radio jingles, flyers, question guides as well as synopsis for radio discussions for all MMDAs. The communication groups in MMDAs are established and supported by the project expert. |
| To implement participatory planning processes including social contracts with citizens | A Finance cycle and Electoral Area Small Project solution guide has been developed. High Level Masterclasses were implemented regarding the spending of revenues collected. |
| To realize political commitment and leadership support and project management expertise at the ministerial level and in each MMDA to guarantee sustainability | Sustainability of the project intervention is addressed continually. High level political commitment was high before December 2020 election. Despite all efforts put in top management commitment in MMDAs, success is not reached in all. Some MMDAs are lacking strong local political support, thus bringing low or none results. A comprehensive tool has been developed to support the monitoring and reporting of the use of project TREE software in MMDAs. |

# 4    Indicators and outcomes

| Indicators | Indicators in detail | Indicators 2019 | Indicators 2020 | Outcome/ Results | Outcome detail | Outcome 2019 | Outcome 2020 | Up or down |
|---|---|---|---|---|---|---|---|---|
| **Module 2: Organisation, processes & procedures** | | | | | | | | |
| Number of MMDAs | Number of MMDAs actively participating in TREE project | 33 | 33 | | | 16 | 27[1] | 169% |
| Increased number of taxable objects | Each year all MMDAs should increase the number of collected data on billable properties | - | - | | | 30 940 | 60 917 | 197% |
| Increased number of bills | Bills generated | - | - | Increased number of bills generated | | 30 940 | 59 308 | 192% |
| | Bills distributed | - | - | Increased number of paper bills distributed | | 16 355 | 42 144 | 258% |
| | e-bills sent | - | - | Increased number of paper bills distributed | | 0 | 19 755 | - |
| | Distribution rate | - | - | Increased percentage of paper bills distributed | | 49% | 71% | 145% |

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[1] 6 MMDAs are not in the first table, because those 6 were not performing

| Increased number of payments | Amount on bills generated | GHC 2.908.066 | GHC 6 243 231 | Revenue potential | Revenue potential | GHC 2.908.066 | GHC 6.243.231 | 215% |
|---|---|---|---|---|---|---|---|---|
| | | | | Increased revenues >25% each year | Amounts paid according to MMDAs | GHC 227.869 | GHC 622.104 | 273% |
| | | | | Decrease of tax gap >10% each year | Collection rate | 8.16% | 10,0% | 2% |
| | | | | | Tax gap | 91,84% | 90,1% | -2% |
| | | | | Increase of budget for public services > 10% | TREE expert to interview budget officer | GHC 89.130 | GHC 233.083 | 262% |
| | | | | Increased trust, increased taxpayer satisfaction | Number of payments going up | 1198 | 4754 | 397% |
| | | | | | | | | |

| **Module 3: TaxMan implementation** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| All bills printed via application | | 100% | 97% | Revenues Increased >25% each year | Amounts paid according to MMDAs | GHC 227.869 | GHC 622.104 | 273% |
| Business Intelligence generated by application | | yes | yes | Decrease of tax gap >10% each year | Tax gap | 91,84% | 90,1% | -2% |
| Application supports all operations across implemented tax types and functions | | n/a | n/a | Increase of budget for public services > 10% | Report by MMDAs | GHC 89.130 | GHC 233.083 | 262% |
| | | | | Decrease of bad debts | % not paid yearly after reminder; | n/a | n/a | - |
| | | | | | arrears being paid year after | n/a | n/a | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Increased compliance 15% | # citizens paying on voluntary basis | | | |
| | | | | increase of customer services 50% | report by MMDAs | Report by end of the project | Report by end of the project | |
| **Module 4: Taxpayer communication & services** | | | | | | | | |
| Score on taxpayer satisfaction survey | | in 2021 | in 2021 | Revenues Increased >25% each year | amounts paid according to MMDAs | GHC 227.869 | GHC 311.058 | 137% |
| Communication plans for each MMDA | number of plans | | | Decrease of tax gap >10% each year | Tax gap | 91,84% | 90,1% | -2% |
| Increased communication | Radio, vans, townhalls, stakeholder meetings | | | Increase of budget for public services > 10% | Report by MMDAs | GHC 89.130 | GHC 233.083 | 262% |
| Number of communication campaigns | | | | | arrears being paid year after | | 29 | |
| **Module 5: Project management** | | | | | | | | |
| Project documentation and plans | | yes | yes | Ownership | handover in 2021 | 2021 | 2021 | |
| Minutes of steering committee meetings | | yes | yes | Sustainability | handover in 2021 | 2021 | 2021 | |
| 26 MoU's signed | | 33 | 33 | | | 27 | 33 | +6 |
| Project managers/focal persons in each MMDA | | yes | yes | | | yes | yes | |
| Steering group meetings | | yes | yes | | | 2 times a year | 0 | |

# 5 Conclusions

1. Soon after starting the TREE project it became clear that all MMDAs were lacking up-to- date and accurate data as input for the billing and collection process. Although this was not part of the original project plan, the TREE project started to look for solutions to solve this issue. The way forward was to combine an existing approach in Ghana to use data of un-assessed properties with an open source app to collect data.

2. The overall conclusion is that the process of data collection and assessment is working very well. The MMDAs have proven that it is easy to register and assess properties in high volumes, even when no street names and house numbers are available. The numbers that are registered represent potential revenues up to GHC 6.4 million. These potential revenues will increase, taking into consideration that in most MMDAs only in certain Electoral Areas properties have been registered. Only Cape Coast Metropolitan Assembly realised a full registration of all properties. The data collection and light assessment approach proves to be an important and easy to realise first step to create a sustainable and broadened local tax base. It enables local governments to bill and collect local taxes without the need to implement expensive and time-consuming cadastral systems first.

3. In a manual tax process, with a lot of human interactions, there is a risk of leakages in nearly every process step. The different IT tools that have been implemented are fully operational and smoothly interfacing with each other. The result of this is that bills can be produced automatically without big leakages. In 2020, 98.6% of the registered properties have been billed.

4. Bill distribution in 2019 was an important challenge for the first MMDAs. At the end of the year, only 52% of the bills was actually delivered to ratepayers. To improve this, a monitoring system was set-up; performance was monitored on a weekly basis by the MMDAs and the local TREE team together. As a result, the manual bill distribution process has improved a lot compared to last year, and now covers 72% of the bills that have been generated. Taking this into account, realising that the costs of manual distribution are about 30% of the revenues, and aware of the high risk for financial leakages when bills are distributed manually, we also looked for modern, cost efficient and automated ways to distribute bills.

5. The solution was found in technologies that are already being used in Ghana in other sectors: e-billing and e-payment via mobile money. The solution was rolled out in 2020 and implemented in over 50% of the MMDAs. The rest are still waiting for political approval after a general Assembly session which is expected after the elections.

6. In 2019 registration of cash payments into the software was a major issue. Although we saw improvements this year, results are not good enough. Registration of all (cash) payments is of key importance for a local government that wants to be transparent and accountable. It is also a pre-condition to start collection measures for those who did not pay their rates. When the TaxMan system doesn't have information about all paid or didn't pay, (enforced) collection will be impossible.

7. The major concern is the collection of revenues. Although some improvements have been made compared to last year, the revenue gap is far too high. Although revenues have increased from GHC 220.000 to GHC 622.000 in 2021, the collection rate has improved from 7.6% in 2020 to 10.1% in 2021, which results in a tax gap of 89.9% in 2021. About 8 MMDAs have a collection rate between 20 -24%. The low collection rate is caused by a number of reasons:

   a. Increasing revenue is a long-term change process. Thanks to the data collection and light assessment approach, property owners have been billed for the very first time. Non-voluntary behaviour from ratepayers was to be expected in the first years.

   b. The MMDAs are not used to enforce collection of revenue. In the coming years, this is a key area where improvements have to be realised. In 2021, we will start sending e-reminders and e-warrants. For next year, training sessions on enforced collection possibilities will be organised for MMDCEs and MDCDs and also start the process of prosecuting defaulters as a final step. The first pilots to send reminders were quite successful:

      i. In AAKDA collectors received some additional support resulting in 40% of the bills paid in 2020, were 2019 reminders.

      ii. In CCMA. reminders have been printed for all arrears. In 2020 the payments on 2019 arrears exceeded the 2020 bills that have been paid by 33% (2019: GHC 86.888 vs 2020: GHC 65.413).

   c. By law, MMDAs don't have the same legal power as the Ghana Revenue Authority (GRA) has, to enforce payments. In fact the only power MMDAs have is to bring people to court, a time consuming process, that requires a very good administration and expertise at MMDA level and the political will to do so.

   d. Covid-19 interfered a lot in the collection results. Training sessions for staff were hard to organize, sessions with citizens couldn't be organised at all. People are also having financial issues because of it; hotels for example have seen a dramatic reduction in guests.

   e. The December 2020 elections interfered with the need and drive to collect revenue, simply out of political fear not to be re-elected. In Q4, we saw that nearly all collection activities were put on-hold.

8. There was a lot of high level political commitment for the TREE project from especially the deputy Minister of Finance (Revenue). According to the Deputy Minister, it is important for all payments to be registered electronically in order to prevent illegal diversion of payments. Other than the electronically generated General Counterfoil Receipts (GCRs), there should be criminalization of all (manual) receipts that are not authenticated by government.

# 6     2021 priorities

1. Successful implementation of the bill run 2021.

2. Continues support to MMDAs in order to decrease tax gap. The support will be provided both online and in face-to-face communication. The change of the team location per region is planned and it should optimise resources for better support provision.

3. Improvements in the development of the taxation software TaxMan. The planned improvements should make the solution more sustainable, as the aim is to make it more human error-proof.

4. During the last phase of the project, the TREE team will also focus on a hand over of the TREE products and processes to Ghanaian parties, in coordination with other development partners such as GIZ. The handover will guarantee that the participating MMDAs will receive continued support for local revenue collection. The team will also assist to develop a plan for a further roll out of new MMDAs. Possibilities to support Ghanaian parties in their new role will be very limited.

# Annex A - Participating MMDAs

## Clusters I and II

1.  Cape Coast Metropolitan Assembly (CCMA).
2.  Komenda Edina Eguafo Abrem Municipal Assembly (KEEA).
3.  Mfantsiman Municipal Assembly (MMA).
4.  Effutu Municipal Assembly (EMU).
5.  Assin Fosu Municipal Assembly (AFMA).
6.  Ekumfi District Assembly (EDA).
7.  Gomoa West District Assembly (GWDA).
8.  Gomoa Central District Assembly (GCDA).
9.  Agona East District Assembly (AEDA).
10. Ajumako Enyan Essiam District Assembly (AEEDA).
11. Asikuma Odoben Brakwa District Assembly (AOBDA).
12. Assin South District Assembly (ASDA).
13. Abura Asebu Kwamankese District Assembly (AAKDA).
14. Nzema East Municipal Assembly (NEMA).
15. Ahanta West Municipal Assembly (AWMA).
16. Shama District Assembly (SDA).

## Clusters III and IV

17. Offinso Municipal Assembly (OMA).
18. Adansi South District Assembly (ASDA).
19. Ahafo Ano South West District Assembly (AASWDA).
20. Amenfi Central District Assembly (ACDA).
21. Amenfi East District Assembly (AEDA).
22. Juabeso District Assembly (JDA).
23. Asokore Mampong Municipal Assembly (AMMA).
24. Atwima Kwanwoma District Assembly (AKDA).
25. Kwambre East District Assembly (KEDA).
26. Afigya Kwambre District Assembly AKDA).
27. Sekyere East District Assembly (SEDA).
28. Atwina Nwabiagya District Assembly (ANDA).
29. Atwima Mponua District Assembly (AMDA).
30. Adansi North District Assembly (ANDA).
31. Bekwai Municipal Assembly (BMA).
32. Asikuna Odoben Brakwa District Assembly (AOBDA).
33. Upper Denkyira East Municipal Assembly (UDEMA).

# Annex B – Financial Report

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