

Ghana Local Tax for Development

TREE work plan 2021

**Vereniging van Nederlandse Gemeenten
VNG International**

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In November 2017, the Netherlands Embassy in Ghana awarded VNG International a grant based on an application for subsidy called “The Ghana Local Tax for Development” to support MMDAs in Ghana on improving revenues from local revenue mobilization and the quality of basic services. During the implementation, the name of the project was changed to “The Tax Revenue for Economic Enhancement” (TREE) project for communication reasons. The 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 and Rural Development as well as the Office of the Head of Local Government Service in Ghana. The project is foreseen to be finalized by December 31st, 2022.

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1. Introduction

This section serves to introduce the Tax Revenue for Economic Enhancement (TREE) project, its aim, objectives, focus, approach, and project design, to provide the necessary background for the work plan 2021.

The TREE [project aim](#) is to implement a sustainable process for generating local revenue mobilization by enabling process refinement, ratepayer communications, transparency, social accountability, cashless payment, IT solutions, and capacity development in these fields. The project supports 33 Metropolitan, Municipal and District Assemblies (MMDAs) in the Ashanti, Central and Western Region in Ghana. The project acknowledges as a leading principle the government of Ghana's intention of pursuing a political and economic strategy of 'Ghana Beyond Aid'.

The TREE [project objectives](#) are:

- To improve the institutional capacity and procedures of each MMDA to collect revenues and diminish the tax gap;
- To implement IT in each MMDA to support the main tax business processes;
- To improve the capacity of each MMDA to communicate with its citizens;
- To implement participatory planning processes including social contracts with citizens;
- To realize political commitment and leadership and project management expertise on ministerial level and in each MMDA to guarantee sustainability.

Resulting from the objectives, the [project implementation focuses](#) on the MMDA level on the improvement of internal organisation, data collection, revenue collection processes and procedures, applying software solutions, enhancement of taxpayer communication, and increase of revenue spending in basic services.

Central to [the project approach](#) is to ensure sustainability of the revenue mobilization process throughout the participating MMDAs after the TREE project has come to an end, by anchoring institutional and organisational solutions. Sustainability requires the commitment of MMDAs' management and staff to take up responsibility for the actual organisational change in revenue collection. Furthermore, the project will enable national Ministries to continue the project approach to other regions and MMDA's after completion of the project.

Essential to the [project implementation](#) is the Ghanaian team of six experts located in Cape Coast and Kumasi, providing direct and continuous support at MMDA and Ministerial levels. The Ghanaian team's expertise is complemented with short-term specialist support from VNG International. The project foresees to downsize the team and join them into one, as the preparation for handover phase is planned in 2021 and also the budget for implementation is limited. Project underlines the need to have the supporting team in Ghana (as the implementation pace was limited due to COVID-19) for longer, however the additional budget would be necessary.

A Steering Committee is established to oversee the management of the TREE project, to discuss and approve reports and to find solutions to problems that may be encountered and risky to the success of the project. The Steering Committee consists of deputy minister of finance (Chair), and representatives of the Ministry of Local Government and Rural Development, the Local Government Services, the Controller and Accountant Generals Department, and the Regional Budget Analysts of the participating Regions.

The target group of 33 MMDAs is divided in two main groups for logistical reasons. Implementation started with the first group of 16 MMDAs in 2018. The remaining 17 MMDAs, being part of the second group, are involved in the implementation since October 2019.

2. Implications for the work plan 2021 resulting from a review of the implementation until now

The implementation of the TREE Ghana project is ongoing for almost three years now. This section is a comprehensive review of the implementation thus far, and serves to shape the design of the 2021 work plan as described in Chapter 3.

Overview

- Software applications for data collection and property bill distribution were further developed for better performance, application and usability and are in use in 24 MMDAs.
- Capacity development training sessions were organized for MMDAs.
- E-Billing and e-Payment implementation resolutions are adopted in 22 MMDAs.
- Data collection by 24 MMDAs in some selected Electoral Areas on pilot basis is carried out and being constantly updated.

2.1. Software development

VNG International's software solution is the key element in enabling the transparent and reliable revenue collection process. The TaxMan software was specifically adapted to the needs and situation in Ghana. Its developments and constant improvements for better usability were a high priority in 2020. A major part of the efforts and IT budget was allocated for functional upgrades: improved structure of printable bills; integration of e-bills and e-payments; and designing additional restrictions to avoid duplicates in the system. Additionally, several functions were added to improve reporting, trackability and accountability (lists with delinquent taxpayers per EA and per community, management reports, changed user logs in functionality based on ASG requirements, etc.). Finally, the software needed to be maintained on daily basis; and VNG International has provided support for uploading of new data.

As a result, the project has reached the phase whereby implementation and application of the software are working well and serve the various project aims. As such, in 2021 merely minor maintenance and no new software developments are foreseen (see 3.1).

2.2. Capacity development training sessions

In 2020 various training sessions on using the software application took place: data migration process, bill generation, payment recording and updating and report generation. Moreover, training sessions were organised on consumer relations and mass communication skills. The Leadership Masterclasses for Assembly Officials (consisting of the MMDCs, MMDCDs, PMs, F&A Committee Chairpersons and two elected Assembly members from each of the pilot Electoral Areas) were orientated to understand that their daily managerial skills should be determined by business oriented performance. This in turn, should empower other staff to take initiative and add value to organizational business performance in revenue

collection. Furthermore, officials were trained in the implementation of TREE Ghana's Finance Cycle and Electoral Area Small project concept.

Until 1 October 2020, 25 MMDAs are trained in successful billing and revenue collection. In 2021 the project team will support the MMDAs with a selected number of additional trainings (see – 3.2, 3.3).

2.3. E-billing and e-payment

The e-billing and e-payment component of the TaxMan software was designed by TREE Ghana to be one of the key functionalities to aid the MMDAs halt or reduce revenue leakages within the system; and to solve logistical issues in manual bill distribution. Until now, automation of the revenue mobilization process was passed in 22 MMDAs, and 18 of them are using this option - all with the assistance from Project TREE.

In order to implement the e-billing functionality, a contract was signed with e-Tranzact as a facilitator between TaxMan system and tax-payers. The list of taxpayers is generated from the TaxMan system for e-bills to be sent out; and is delivered to e-Tranzact. The facilitator provides a report for each MMDA where e-billing is being implemented. The same process applies for e-reminders.

Mobile payment of e-bills is possible by sending a text message, accordingly transferring the amount of the bill to the MMDA.

In clusters 1&2 e-bill distribution started in Q2 this year, and the total number of e-bills distributed is 13.176, which is 49,6% of the total of distributed bills, or 35% of generated bills.

In clusters 3&4 e-bill distribution started in Q3 2020, and the total number of e-bills distributed is 4.254, which is 28,8% of the total of distributed bills, or 19% of generated bills.

To prove the effectivity, applicability and versatility of the e-billing tool, in the beginning of the COVID-19, an informative message was sent to tax payers with registered phone numbers in TaxMan.

To improve the revenue collection rate, the project aims to increase the usability of the electronic process of billing and payment as an easier and more reliable option. For this, improvements of collected data was necessary; and therefore telephone numbers needed to be collected. As a major part of MMDAs are continuously collecting new data on taxable property, the project together with the Ghanaian Ministry of Finance, will push to improve the system's data quality and obtain more phone numbers of the owners. Furthermore, the collection of such information would make e-reminders more efficient (see – 3.2, 3.4).

2.4. Delayed start of implementation

Implementation with 16 MMDAs of clusters 1 and 2 started in 2019. Due to non-performance the decision was taken to stop activities in 3 MMDAs.

In the second group (clusters 3 and 4) that started in 2020, due to various reasons – including but not limited to the pandemic situation and limited political and administrative support – five MMDAs (out of 33) are lagging behind in the implementation timeline. After the analysis carried out on performance

levels and interest from beneficiaries, the decision was taken to start the implementation in 3 MMDAs and not to start in 2 MMDAs.

As a result, the TREE Ghana project will further progress in 31 MMDAs, out of 33 planned and this will lead towards the total the implementation in 31 MMDAs (see 3.1).

2.5. The impact of COVID-19

COVID-19 has an impact on any ongoing processes. Despite that, both the team and experts in Ghana and the Netherlands kept working to achieve the best result possible. The support from the teams to MMDAs did not stop, though the onsite visits were not always possible. However, impossibility to organize meetings for larger groups led to higher costs than expected and other inefficiencies. COVID-19 also impacts the new data collection, as there is a need for Ghanaian authorities to review the MMDAs budget to fight COVID-19 consequences.

All in all, we foresee that travel and assembly restrictions as a result of COVID-19 will most likely continue to impact the rolling out of activities in the year to come. This risk could be mitigated if some extra budget was to be allocated to the project – for instance to support not downsizing the presence of the local team.

2.6. MMDAs performance in 2020

	Clusters 1&2 2019 Q4 vs. 2020 Q3	Clusters 3&4 2020 Q2 vs. Q3
Billable properties	+24,75 % ↑	+23 % ↑
Bills generated	+22,8 % ↑	+16 % ↑
Potential revenue	+15 % ↑	+5,3 % ↑
Bills distributed	+17 % ↑	66 % ↑
e-bills distributed	+13.176 ↑	+4.254 ↑
Revenue potential	+15 % ↑	0 → 2.999.663 GHC ↑
Revenue collection	+16,4 % ↑	0 → 105.814 GHC ↑
Payment registration	+38 % ↑	0 → 96 % ↑

It is clear from the table above that, on average, there is progress in the process implementation in both MMDA clusters. Project implementation in clusters 3&4 is based on the knowledge and experience gained from the implementation in clusters 1&2. The positive developments in both clusters prove that the VNG International approach is beneficial to the Ghanaian situation.

Despite positive overall performance, revenue collection remains a challenge compared to the potential revenue on the collected taxable bills. To address this topic, the project management team has put a lot of attention to the monitoring of MMDA activities through constant communication of Ghanaian team with representatives of MMDAs, and analysis on the data gathered in the system. Comparing both sources the indications are in line, which implies: the more any MMDA works with the TaxMan system, the more progress and more support it has. This kind of thorough analysis led to a new reporting structure, developed by the project management, and gives a clear picture for both levels: clusters and each MMDA separately.

Using the aforementioned analysis method and reporting structure, the project defined the best and the least performing MMDAs, allowing the project Steering Committee members to take more evidence-based decisions, which is also reflected in the planning 2021.

2.7. Project Management in 2020

Due to the limitations caused by the COVID-19 pandemic, the Project Steering Committee meetings did not take place in 2020. Nonetheless, the project management team kept monitoring and supported the implementation, analysed available information and, on a quarterly basis, informed main stakeholders to the project about its progress, as well as challenges faced.

For logistical reasons (the MMDAs being geographically closer to Cape Coast rather than to Kumasi), with the aim to optimize the support to implementation and project administration, 2 MMDAs were moved from clusters 3&4 to clusters 1&2 in 2020.

2.8. Budget

2020 was the last year to support the implementation to full scope, from 2021 the focus will be on handover activities and therefore the support to daily activities will be limited. The budget allocation for 2021 is 50% lower compared to 2020. Moreover, this decrease continues in 2022 with another 50%. Therefore, the project support from the Ghanaian and Dutch teams and experts to daily activities will be limited.

2.9. External risk assessment

Limited support to project activities. In several MMDAs the willingness of high and middle level management is limited, thus resulting in slow performance, poor revenue collection and registration of income to the TaxMan system. To address this risk, the local team basis keeps contacts and provided support to the representatives of MMDAs on regular basis. However, slow progress impacts the whole process, limits the benefits or collected revenue to the communities and hinders the improvement of transparency and accountability of local public finances.

Leadership commitment. Insufficient commitment of the MMDA leadership is endangering the enhancement of IGF in the affected Assemblies. TREE has additionally developed a Monitoring Format for all TREE MMDAs to identify and address those critical challenges on short notice that enable MMDAs to take necessary actions. Attention to the issue of commitment and monitoring will be continued in 2021, (see Chapter 3.2).

Change of staff in MMDAs. In several MMDAs the officers to work with the TaxMan system are not appointed, or have been recently replaced. This implies the need of additional trainings and increases the need of support. However, with limited budget, the support cannot be delivered extensively, upon the request of new (additional) trainings the MMDAs will be requested to co-fund training activities.

Elections 2020. The ongoing election campaign is increasingly interfering in revenue collection in several MMDAs, as the decisions are not taken in time, and some decisions are not in favour of project activities.

The results of the 7 December 2020 elections may have a negative impact to the political project support, as main Ghanaian stakeholders could be replaced.

Limited budget for implementation in MMDAs. The budget in MMDAs need to be secured in order to finance the collection of new data on taxable property, delivering bills and registering the revenue. The TREE project aims to make the billing process self-sustainable and to deliver the benefits to the citizens from the collected taxes, yet the initial investment needs to be made.

COVID-19 had and most likely in 2021 will continue to have an impact to the pace of the project's implementation process. From the beginning of March 2020 traveling to Ghana is not possible, Steering Committee Meetings are not taking place. The implementation on site was also slower, as the measures taken did not allow to distribute bills in a higher pace, meetings in larger groups could not be organized, possibilities for trainings were very limited. The internal project communication turned into virtual and thus the continuation was guaranteed. The project management team kept the line of reporting and discussing the progress internally (on weekly basis) and externally (on quarterly basis). Both project teams in Ghana are continuing to support the MMDAs with visits and over the distance.

3. Activities 2021

Six focus areas for the work plan 2021 are identified, and explained in this section. Next to the specific focus areas, attention will be on the monitoring of expected results according the Monitoring framework; and the hand-over of the project ownership in the remaining period.

Focus areas for 2021

1. Preparation and operational support for the billing cycle 2021.
2. Increasing revenue collection in 24 MMDAs.
3. Unrolling implementation in 4 new MMDAs.
4. Implementing e-billing and e-payment.
5. Preparation for handover.
6. Project management.

3.1. Preparation and operational support for the billing cycle 2021

Approval of Fee Fixing Resolutions (FFR) is the cornerstone to local revenue collection: each MMDA has to decide upon and provide the FFR to be imported to the electronic system. In 2019 the standard for FFR was developed by the project team, thus allowing to have a single workable structure which can be applied in TaxMan. The billing cycle begins with this step, and starts by the end of the year before the new cycle. In this case, in December 2020 all FFRs should be approved and handed over. It is important to mention that appointed persons from each MMDA have been provided access to a specific module where data of FFR is to be processed.

The second step is to analyse and import the new data collected for billing. The software is tailored in such a way that human errors are unlikely to happen. However, some unexpected issues may be found in the process. The TREE team in the Netherlands would take care of such irregularities.

The last active step in the billing process is generation of the bills and e-bills, which goes together with (e-)bill distribution. After bills are distributed the most important step is to properly register the collected revenues in TaxMan. It is a positive aspect that the main stakeholder to the project – the Deputy Minister of Finance – strongly supports this initiative, and is willing to eliminate the possibility to pay by cash in the future, thereby diminishing probable leakages.

In 2021 no new software developments are foreseen. The project has come to the phase, whereby the implementation and application of the software solution are going well and serve the project aims. The needs to improve the software are naturally never ending, however, at the stage of preparation for handover and with limited budget for implementation of all activities, the new software developments are not a priority. Remaining support will be delivered only for necessary maintenance and software errors, if any.

- Expected result: billing cycle successfully implemented in 31 MMDAs.

3.2. Increasing revenue collection in 31 MMDAs

Revenue collection is increasing over the project implementation timeline, as more taxable properties are being registered and more bills are generated.

However, the gap between potential (GHC 6.534.744) and factually collected by the end of Q3 2020 (GHC 361.298) remains high at 92% in clusters 1&2, and 97% in clusters 3&4. To improve the current situation, the project team will concentrate on increasing revenue collection. It is self-evident, that the MMDAs willingness and cooperation needs to increase. The already mentioned monitoring and reporting tool is of assistance to MMDAs to take necessary measures themselves. Where needed, additional support and trainings can be provided by TREE experts.

Increase of revenue registration in the TaxMan system is extremely important to improve the transparency and accountability of the local government to its citizens, and also is mandatory to have the taxation solution running smoother.

One of the so far unused processes and TaxMan system possibilities is to send out e-reminders to citizens who have not paid the bills within several months after bills were distributed. The e-reminders are a cheap and effective way to lower the revenue collection gap without enforcement procedures. In order to implement this step, and to avoid sending e-reminders to citizens who have already paid (thereby risking dissatisfaction about the service) it is urgently necessary to have a political and administrative push to register all paid bills in the TaxMan system. This subject is and will be constantly discussed at different levels of stakeholders.

As agreed with the Deputy Minister of Finance in a meeting on the 13th of October 2020, the arrears and enforcement procedures should be a responsibility of the Ghanaian authorities themselves.

- Expected result: All MMDAs are further strengthened in their revenue collection, resulting in better collection ratio against potential revenue.

3.3. Unrolling implementation in 4 new MMDAs

The implementation of new MMDAs was hampered by COVID-19, which prolonged the time to take specific decisions and possibly decreased the interest in some MMDAs. In 2020, 5 MMDAs in clusters 3 and 4 did not roll out as planned, however the financial situation of the project, as well as analysis of internal and external factors led to some managerial actions (moving 2 MMDAs to clusters 1 and 2), decisions to drop 2 MMDAs, and to implement 4 new ones (ref. 2.6, 2.7). The new MMDAs were selected based on their interest shown up until now, and on the actions they performed. The activities on trainings and support to the whole implementation processes will be provided, the IT implementation might need additional budget. The whole preparatory and implementation cycle will take 15 months, starting from October 2020 until the end of 2021.

This would lead to the total of 31 MMDAs where the TREE project.

3.4. Implementing e-billing and e-payment

In 2021 TREE Ghana will continue to roll out its e-billing and e-payment solutions, with the objective to have 31 MMDAs collecting revenue by using e-billing and e-payment mechanisms by the end of 2021.

The 16 MMDAs that started their commitment to the project in 2018, adopted a resolution on e-billing and e-payment previously. Meetings with the service provider took place already by the end of 2019 to be prepared for the implementation of resolutions. Additional software will be developed to integrate e-billing and e-payment; and to be able to integrate it in the revenue collection process taking place in 2020. The opportunities for e-payment will be made possible. Special attention will be given to the proper execution of these topics. Where, and when necessary, additional training on consumer relations and mass communication will be provided by the TREE expert team.

The 17 MMDAs involved in the project in 2019 first have to adopt e-billing and e-payment resolutions. Opportunities for e-billing and e-payment will be integrated in all steps to be taken and in during training sessions and development of communication materials. This enables the use of e-payment in revenue collection in 2020 already.

- Expected result: 31 MMDAs are collecting revenue by using e-billing and e-payment mechanisms by the end of 2021. The precondition for this is to obtain approvals from city councils.

3.5. Preparation for handover

TREE Ghana will continue to roll out its e-billing and e-payment solutions, with the objective to have 31 MMDAs collecting revenue by using e-billing and e-payment mechanisms by the end of 2021.

The project has passed the half-time milestone on the project implementation timeline, and the topic of sustainability becomes more important. The handover of TREE Ghana to Ghanaian authorities is planned in two phases.

Phase 1. In 2021 the Ghanaian project owners will be requested to make a go / no-go decision for the time after the project ends. In case of a positive decision, the action plan for handover will be made in joint effort of project implementation team and Ghanaian authorities. Decisions will have to be taken on ownership of processes and software, responsible persons (bodies) for software maintenance, trainers in each MMDA, units which will monitor the progress of the improvements. In order to achieve aforementioned, the budget for upcoming years needs to be planned and secured by the Ghanaian authorities.

In the case of a no-go decision, the project will inform the donor and will analyse the possibilities for possible continuation in MMDAs where the taxation process has started.

Phase 2. In 2022 the bill run should be performed by the MMDAs and appointed Ghanaian support unit and responsible persons. The TREE project will guide, observe and advise on any unclarities on the processes developed and established.

3.6. Project Management

In consultation with the deputy minister of finance of Ghana, Hon. Kwaku Kwarteng, the decision was taken to concentrate on best and average performers up until now, implementation of 2 new MMDAs and stopping all activities with 5 MMDAs in 2021. The selection was made by carrying out an analysis of performance of each MMDA (see 2.6), and ones selected were showing a very little or no interest towards project activities. The MMDAs are informed about this decision.

Levels of support depending on the performance in implementation. As mentioned above, the analysis of performance of MMDAs is being carried out on regular basis. The information retrieved indicates which MMDAs are performing well, which with low or no efforts. The project aims to deliver the full scope of the new approach to local taxation, therefore for the year 2021 the goal is to focus with those MMDAs which show interest and performs well, proving TREE approach works well and is implementable to more MMDAs in Ghana, just the good cooperation is necessary. These MMDAs will receive all possible support to continue with project activities, to increase the revenue, to use the e-reminders, additional training will be delivered if necessary. The support to average performers will be provided through basic trainings and operational support in order to increase the collection and registration of revenues. The low performers will be supported only by their request and a visible increase of interest.

The local team is foreseen to be downsized in 2021. This might lead to challenges – specifically for new MMDAs which will be just getting started and for the ongoing ones with the aim to support the increase of revenue collection. The operational support will be limited as described previously.

Attachment 1: Planning 2021

	December	January	February	March	April	May	June	July	August	September	October	November	December
ANNUAL BILLING CYCLE 2021													
<i>Continuation with performing MMDAs</i>													
Support to Fee Fixing Resolution upload													
Data upload													
Bill generation													
Bill distribution and e-billing													
Revenue collection / e-payments													
e-reminders													
<i>Implementation of new MMDAs</i>													
Data collection, starting in Oct 2020													
Support to Fee Fixing Resolution upload													
Data upload													

	December	January	February	March	April	May	June	July	August	September	October	November	December
Bill generation													
Bill distribution and e-billing													
Revenue collection / e-payments													
e-reminders													
HANDOVER, PHASE 1													
Political decision to continue / stop implementation after the project													
Workshop on planning transfer of ownership and sustainability													
Approval of the transfer/sustainability plan													
Appoint persons responsible for processes and trainings (training of trainers)													
Selecting responsible persons/organization for MMDA support 2022, phase 2													
Appoint persons / units responsible for software maintenance													

	December	January	February	March	April	May	June	July	August	September	October	November	December
Trainings for basic software maintenance													
Decision if to migrate the system and preparation for migration													

Attachment 2: Budget 2021

2021	Items	Costs, totals
Expert days	125	€ 112 000
Project Management and monitoring	113	€ 103 108
IT	0	€ 0
DSA	80	€ 16 640
Travel experts	15	€ 21 000
MAPLE Staff	-	€ 198 000
MAPLE implementation expenses	-	€ 58 400
TOTAL		€ 509 148