Property rate in Ghana: a poor local revenue source or underexploited potential?

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Abstract

This article aims to assess whether or not property rates in Ghana are a good potential source of local revenue. Through detailed analysis of six local government case studies, we find that present prospects for most rural local areas to raise substantial rate revenue are circumscribed, but in urban councils they are more promising. Nevertheless, no council is able to collect rates fully and from all rateable properties. This is attributed to several factors: the politicisation of taxation; ethnic homogeneity; intergovernmental transfers; partisan local government elections; resistance caused by elite design; and the denial of public information. Although these factors have been identified in previous literature, the study includes new findings which challenge received academic thinking on how they affect local tax collection in developing countries.

Keywords: Ghana, property rate, decentralisation, rural-urban disparity, local government

Introduction

Property rate performance as a percentage of Gross Domestic Product (GDP) is far lower in transition economies (0.69%) and the global South (0.6%) than in the USA (4.0%), OECD (2.0–3.0%) and developed countries generally (2.2%) (ICDT 2017; Norregaard 2013). Further, when we look across Africa we find an average yield of only 0.38% (African Property Tax Initiative, 2017; McCluskey and Franzsen 2017). This is regrettable, as property rates are the most promising sources of income to accelerate the socio-economic transformation of cities in Africa (Moore et al. 2018). Among sources of local revenue (e.g. licences, fees, fines and charges), levies on the possession of immovable assets are one of the most viable avenues for raising income and are critical to achieving local financial stability and growth (Asiama 2006; Biitir and Assiamah 2015).

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This disjunction is exemplified in the Ghanaian context where property rates have the potential of garnering 30% of municipal income (Kuusaana 2015). Yet country-wide, yield from levies on properties is less than 2.0% of local government earnings, and in 2010 represented just 0.03% of GDP (Kwakye 2010). Nor are trends moving in the right direction. Kwaye (2010) reports that revenue from taxes on properties was 0.2% and 0.19% of Ghana's GDP in 1997 and 1999 respectively, which are tiny fractions, but still much larger than in 2010. Recent estimates indicate that the share of property rates of GDP is less than 0.5% and accounts for about 14% of the total revenue envelop of local governments in Ghana (Biitir and Assiamah, 2015). This strongly suggests that the huge potential of property taxes in Ghana is not being harnessed, and raises many questions as to why and how this situation arises.

Previous research on property rates in Ghana has examined individual aspects: challenges in its design and implementation (Boamah 2013); the effectiveness of the government's Land Valuation Division in discharging its mandate of property assessment (Petio 2013); and the prospects and problems of levying immovable assets and their impact on internally generated funds (IGF) (Kuusaana 2015). This paper considers all these variables, alongside others such as ethnic homogeneity, the impact of national and local elections, elitist approaches to tax design, and the impact of intergovernmental transfers on local tax efforts. It also provides insights into different urban and rural approaches and outcomes

Theoretical framework

The theory that is used to guide this study is the political economy of local government taxation (Jibao and Prichard 2015). The role of municipal tax performance and reform in underpinning an effective decentralised local authority system has been progressively acknowledged and is predicated on three interrelated variables (Jibao and Prichard 2015). First, a local authority that earns income by imposing levies on inhabitants will predictably be more financially self-determining, and will be better able to match council outlays with local most-felt needs. Second, such a council will have greater motivation to promptly address citizens' problems and this will in turn encourage residents to be tax-acquiescent. Finally, residents' honouring of their local levy obligations will give traction to their calls for mutuality and answerability, and in turn will drive wider consultation on tax policy development and implementation (Jibao and Prichard 2015; Weingast 2009). However, the literature on decentralisation has surprisingly paid only scant attention to the practical details of developing local tax policy and implementation (see e.g. Faguet 2014).

Related studies that have been undertaken, for example, the politics of local income generation, have tended to look at the obstacles that the central government decision-makers face (Eaton et al. 2013; Jibao and Prichard 2015), and have rarely considered the political subtleties operating at local level (Smoke 2013). Paradoxically, however, it is acknowledged that these local subtleties are critical factors in determining success or otherwise (Jibao and Prichard 2015), and it is evident that notional decentralisation has led to only marginal, if any, progress in the collection of local taxes (Bird 2011).

Key reasons for poor local tax-raising in developing-country contexts include reliance on national government allocations; risk of local government capture by influential local economic elites; and weak capacity (Bird 2011; Jibao and Prichard 2015). Commentators have blamed this state of affairs on a lack of political will at local level to overcome community opposition, and low motivation to collect taxes (Jibao and Prichard 2015). This approach however can be criticised as being reductionist; since other important dynamics are at play, although research seems to have not yet been undertaken (Smoke 2017, 2019). The present study attempts to bridge the gap by analysing a number of other variables that influence local-level tax efforts and reform.

A literature review of this field reveals a striking number of largely untested assumptions which have built up about these under-analysed factors. This paper, therefore, critically examines both the factors and the assumptions, and attempts to provide evidence on whether this 'received wisdom' is correct. The factors addressed to see whether they impact on local authority property rate collection are:

1) the origin of local politicians' mandate (i.e. elected locally, or nominated centrally?)
2) the ethnic composition of communities (i.e. homogeneous or diverse?)
3) the presence or absence of substantial fiscal transfers from central government
4) individual elections (i.e. whether their conduct and proposed policies influence local attitudes)
5) the quality of municipal services that residents receive from their local authority.

Property tax in Ghana

The concept of a property tax has existed in Ghana since colonial days, although the structure of the tax has changed many times over the years. When Ghana gained independence in 1957 it sought the assistance of the United Nations (UN) to develop a uniform, equitable and sustainable method of property rating. The UN responded positively and a system based on taxing each property according to its replacement cost was recommended and adopted (Kusaana, 2015).

Today, property rating in Ghana is governed by the Local Government Act 1993 (Act 462), which upholds this 'replacement cost' approach to levying properties (Commonwealth Local Government Forum 2018). The approach calculates the rate impost as *"the amount it would cost to provide buildings, structures and other developments as if they were new on an undeveloped land or site at the time the premises are being valued"* (Section 96(10)[a]). Local authorities in Ghana are legally empowered to collect rate revenue due to them fully and promptly. This empowered position has not, however, translated into improved local tax performance.

The reasons offered in the existing literature for sub-optimal property rate performance in Ghana include:

1) outdated or non-existent property registers and valuation rolls
2) manual, not automated, rate implementation systems
3) limited administrative capacity and equipment
4) a narrow tax base caused by extensive legal exemptions
5) inadequately described taxable properties in the fiscal registers.

A number of reforms have been introduced to deal with these challenges. The government has mandated that local governments undertake street- and house-naming exercises to ascertain the type and total housing stock and other immovable properties in each council (Government of Ghana 2007). Some metropolitan authorities have contracted out the collection of property rates and other taxes to private firms, and have introduced automated revenue tracking systems. Many councils are also working to revalue the land and taxable properties in their area, and to create digitised maps of land (Farvacque-Vitkovic et al. 2008; McCluskey and Franzsen 2017). Nevertheless, property rate performance remains very poor. This paper investigates the reasons for the poor performance and provides suggestions as to how they might be resolved.

Methodology

The study gathered evidence in two ways: content analysis of secondary information, and semi-structured interviews. The secondary sources were analysed to enable a better understanding of the historical context of Ghana's property rate performance and the issues faced. It also allowed comparison between councils and financial years. Such comparison enlarged the scope of generalisations and provided complementary insights to the interview findings.

The interview method was preferred to a questionnaire method because the national illiteracy rate is high at 21% (in 2018) for 15 years and above (World Bank 2020). The illiteracy rate is even higher in rural areas, so many respondents, particularly residents/property owners would not be able to read and respond to a questionnaire. Questions were devised in English and translated into relevant local languages (Sisale, Ga, Dagbani). Semi-structured interviews were also felt to be a methodological choice as they provided a means for exploring complexity and details of process which could not be examined by less flexible instruments such as questionnaires or quantitative tools (Liamputtong and Ezzy 2005). This enabled respondents to have considerable scope to express their views in their own words. Moreover, the face-to-face interaction afforded by the interviews allowed the author to obtain valuable contextual 'thick' description such as details of personal reactions, specific emotions, and so on, that added depth to the responses.

The author conducted 246 interviews from January 2 to July 31, 2019 in six local governments, namely: Sissala East District Assembly (SEDA) and Sissala West District Assembly (SWDA) in rural northern Ghana; Ga East District Assembly (GEDA) and Ga West District Assembly (GWDA) in rural southern Ghana; Tamale Metropolitan Assembly (TaMA), urban metropolis in northern Ghana; and Accra Metropolitan Assembly (AMA), urban metropolis in southern Ghana. These local authorities were chosen to ensure regional balance, and to enable comparative analysis of urban and rural districts in property tax performance.

In each district, 31 respondents from the local administrative and political elite and ten property owners/residents were interviewed. These included the District Coordinating Director (bureaucratic head of district), District Finance Officer, District Planning Officer, District Budget Officer, and Land Valuation Officer, six revenue supervisors, ten revenue collectors and ten elected councillors. The respondents were chosen because their roles are connected to the formulation and implementation of property tax in their respective jurisdictions.

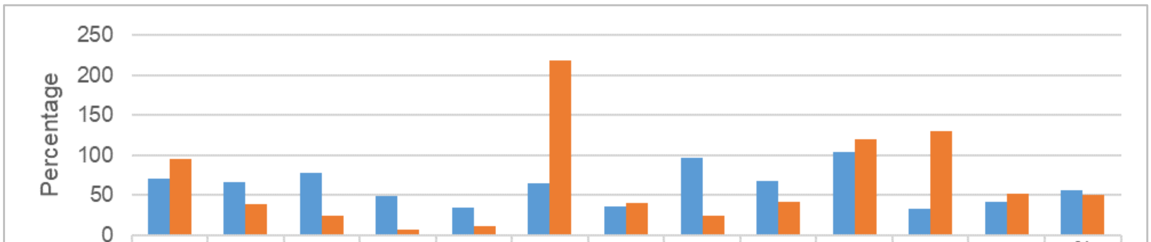
Findings

This section outlines the research findings, and enables comparison of the viability of the strategies adopted, and challenges faced, by each local authority in their implementation of property taxation.

Property rate performance

It may be helpful to first consider the collection performance of the councils studied. During the period under review (2004–2015) the two urban councils, AMA and TaMA, budgeted to collect property rate revenue of GHC 74.4 million and GHC 3.1 million, respectively. AMA in actuality collected GHC 41.8 million, which was GHC 32.5 million short of its target. In the same period, TaMA collected GHC 1.6 million less than the budgeted revenue by GHC 1.5 million (see Figure 1). The budgeted revenue is calculated based on the rate of growth of properties, the inflation rate for the year, the total stock of properties, as well as changes in the tax rate.

Figure 1: Percentage of budgeted property revenue achieved for urban districts



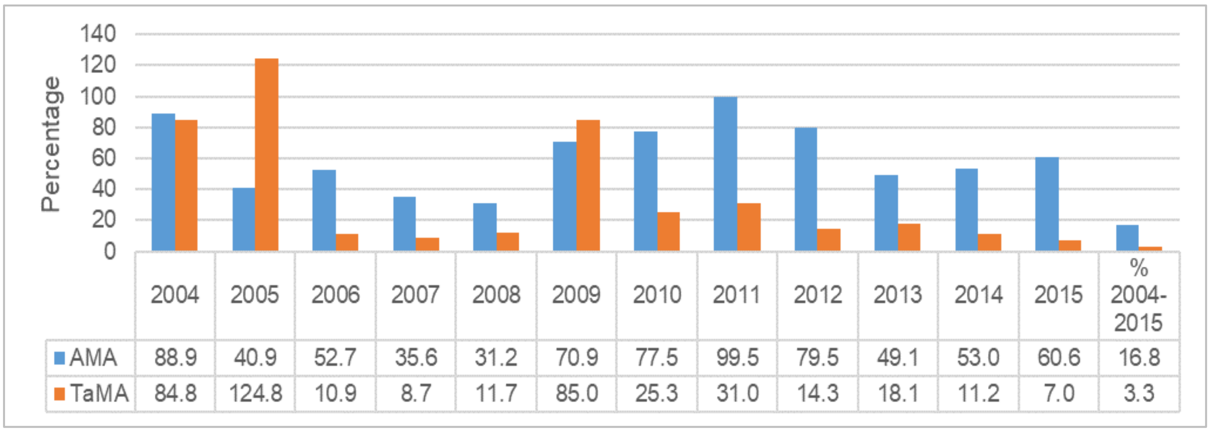
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	% 2004-2015
AMA	70.5	66.3	78.0	48.5	34.9	64.4	36.1	96.3	67.1	103.9	32.4	41.4	56.2
TaMA	95.5	38.6	24.0	7.0	11.0	219.0	40.0	24.0	42.0	120.3	129.8	52.3	50.8

Sources: Constructed using data from AMA (2004–2015); TaMA (2004–2015)

Although AMA did slightly better than TaMA in percentage terms for the entire period (56.2% as against 50.8%), in absolute terms AMA raised almost 26 times the amount attained by TaMA. AMA as the capital of Ghana has 119,850 rateable properties, compared to just 54,000 in TaMA (AMA 2007; Issah 2011). Moreover, TaMA property owners have to pay more per property. To illustrate, a first-class residential property in TaMA is taxed at a rate of 0.04% of the rateable value (they are required to pay 0.04 of a cedi for each cedi of value that the property has been judged to have), while in AMA the tax is 0.0017%. A second-class residential property in AMA is taxed at 0.0013% while in TaMA the rate is 0.01% (AMA 2014; TaMA 2012).

In any event, as Figures 2 and 3 show, the total property rate revenue of both AMA and TaMA – although fluctuating over the years – is rarely more than a small proportion of their income. For example, for the entire period under review (2004–2015), at AMA property rate revenue was equivalent to 16.8% of its total external transfer funding, and at TaMA to just 3.3% of total external funding.

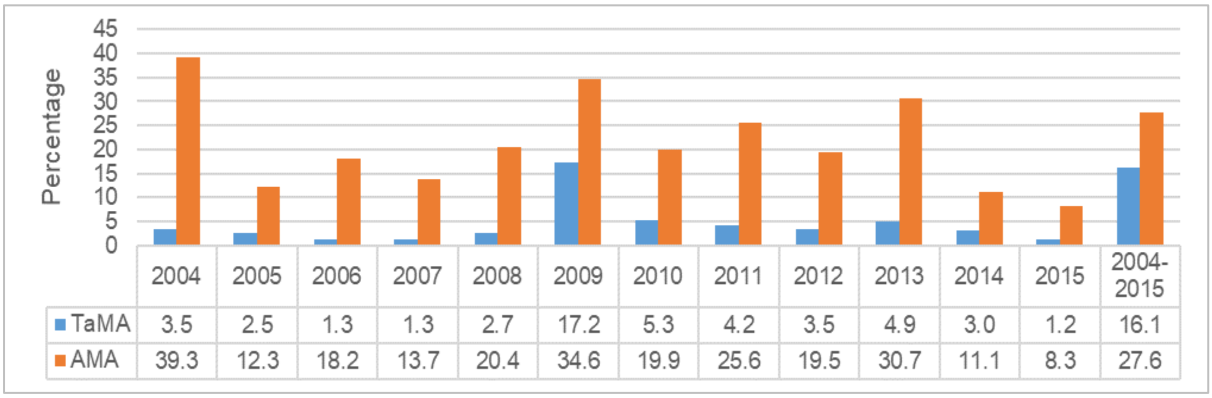
Figure 2: Property rate as percentage of external funding for TaMA and AMA



Sources: Constructed using data from AMA (2004–2015); TaMA (2004–2015)

As proportions of IGF the property revenue of the two urban councils is also not appreciable. As Figure 3 shows, the lowest proportion for TaMA occurred in 2015 when the property revenue raised was 1.2% of its internally generated revenue for that year. The highest proportion was attained in 2009 when property revenue made up 17.2% of the council's internally generated funds. For the entire period under review (2004–2015), TaMA property revenue as a proportion of its total internally generated revenue was 16.1%. In the case of AMA, the lowest performance of property rate as a proportion of its internally generated revenue was recorded in 2015 which was 8.3%.

Figure 3: Property rate as percentage of IGF for TaMA and AMA



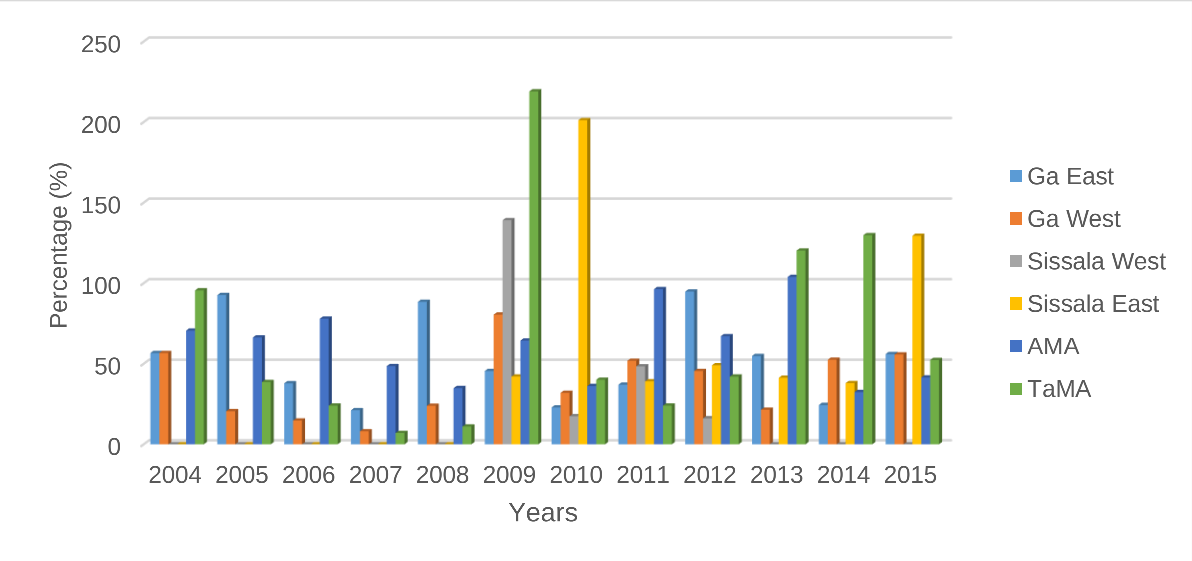
Sources: Constructed using data from AMA (2004–2015); TaMA (2004–2015)

The highest proportion occurred in 2004 which was 39.3%. For the entire period under review (2004–2015) property rate performance as a proportion of AMA's internally generated revenue was 27.6%.

The story of the rural district is similar. Not only are there discrepancies between targets and achievements in property revenue, but there are also wide swings in yield from year to year. A target is a performance appraisal yardstick that was introduced as part of the New Public Management inspired public sector reforms in the Ghanaian public service (Ayee 2013). It is thus an accountability tool that compels public organisations to not only set targets for individual employees but also the organisation as a whole. Oversight institutions can then use them to demand to know why there are discrepancies between targets and achievements. It is also required for budget preparation and it is a prerequisite for budget approval. Moreover, citizens use them to determine whether their councils have performed to the level anticipated.

GEDA projected to collect a total of GHC 6.7 million during the period under review (2004–2015) but only succeeded in raising GHC 3.1 million. GWDA budgeted to collect GHC 5.2 million but actually netted GHC 1.9 million (see Figure 4). As indicated earlier, the projections are based on the rate of property growth, inflation rate, the total stock of properties, as well as changes in the tax rate. Probably councils also post ambitious targets to placate assessors of the District League Table (DLT). The DLT which was introduced for the first time in 2014, (the fifth in the series has been produced) is used as a social accountability tool that ranks all of Ghana's local governments by their level of social development and service delivery, providing evidence for enhanced decision-making (UNICEF 2019).

Figure 4: Percentage of budgeted property rate revenue achieved for rural and urban districts

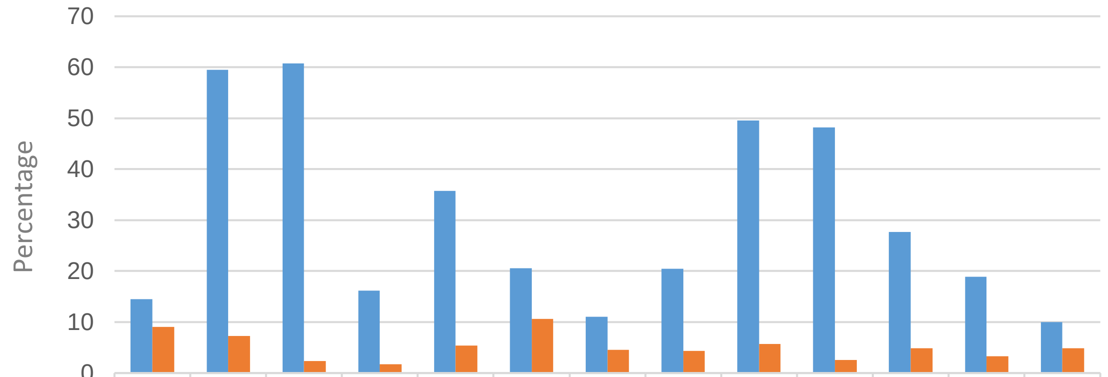


Sources: Constructed using data from AMA (2004–2015); TaMA (2004–2015) ; GEDA (2004–2015); GWDA (2004–2015); SEDA (2004–2015); SWDA (2004–2015)

As a proportion of external transfers, GEDA's actual property rate revenue of GHC 3.1 million was equivalent to 10% of its total external transfer income of GHC 31.2 million and 16.8% of its total IGF. GEDA's lowest actual property rate revenue of GHC 102,404.42 was recorded in 2007 which was equivalent to 16.2% of external funding for that year and 6.3% of its IGF. Its highest rate revenue of

GHC 557,741.78 was collected in 2008 which represented 35.7% of its external funding and 44.9%% of its IGF (see Figures 5a and 5b). GWDA's performance was broadly the same. Its total property rate revenue during the period under review (2004–2015) of GHC 1.9 million was equivalent to 4.9% of its total external transfer income of GHC 40.7 million and 9.5% of its IGF, which totalled GHC 20.7 million (see Figures 5a and 5b).

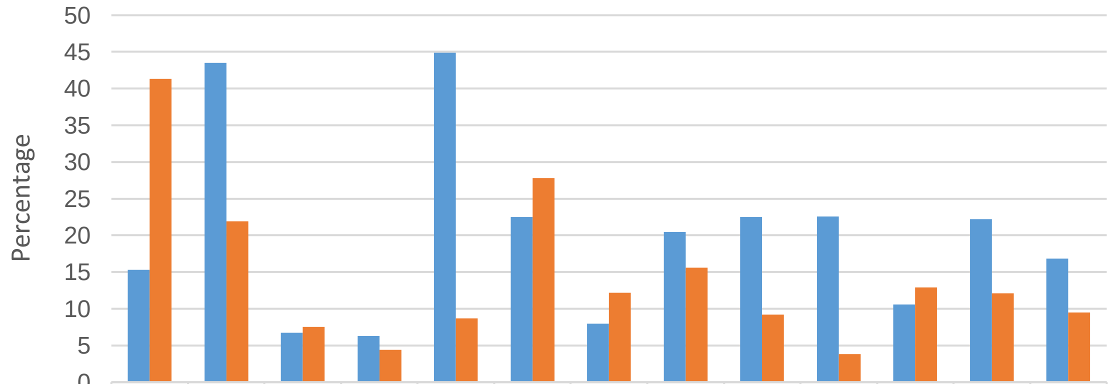
Figure 5a: Property rate as percentage of external funding of Ga East and Ga West



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2004-2015
Ga East	14.5	59.5	60.7	16.2	35.7	20.6	11	20.5	49.6	48.2	27.7	18.9	10
Ga West	9.1	7.3	2.4	1.7	5.4	10.6	4.6	4.3	5.7	2.6	4.9	3.3	4.9

Sources: Constructed using data from GEDA (2004–2015); GWDA (2004–2015)

Figure 5b: Property rate as percentage of IGF for Ga East and Ga West

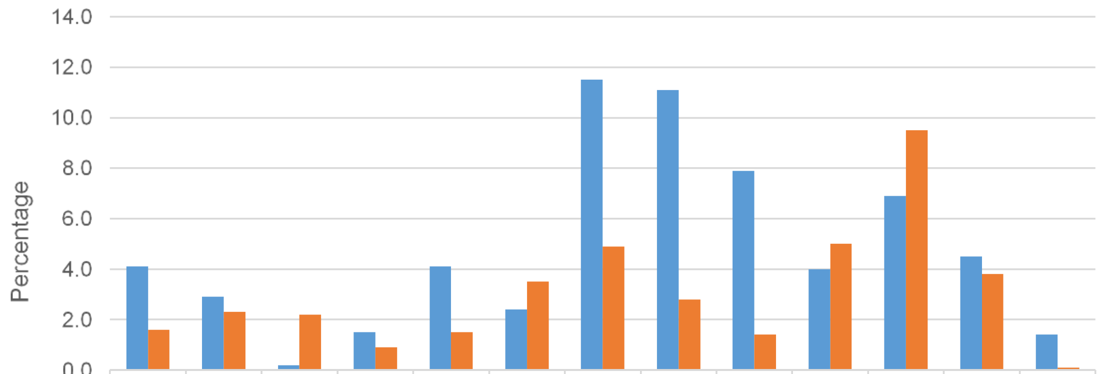


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2004-2015
Ga East	15.3	43.5	6.7	6.3	44.9	22.5	8.0	20.5	22.5	22.6	10.6	22.2	16.8
Ga West	41.3	21.9	7.5	4.4	8.7	27.8	12.2	15.6	9.2	3.8	12.9	12.1	9.5

Sources: Constructed using GEDA (2004–2015); GWDA (2004–2015)

The picture in SWDA and SEDA is even more concerning. SEDA aimed to collect GHC 616,097.00, but even so it actually collected 62.1% with GHC 382,521.04 – underperforming its target by GHC 233,575.98 (37.9%). Its total actual property rate revenue of GHC 382,521.04 was equivalent to 1.4% of its external transfer income and 29.5% of its total internally generated funds (see Figures 6a and 6b).

Figure 6a: Property rate as percentage of external funding for Sissala East and Sissala West

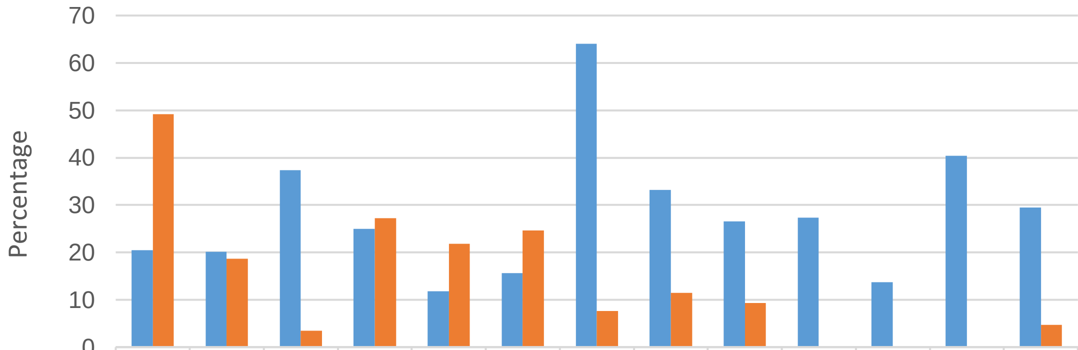


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2004 - 2015
Sissala East	4.1	2.9	0.2	1.5	4.1	2.4	11.5	11.1	7.9	4.0	6.9	4.5	1.4
Sissala West	1.6	2.3	2.2	0.9	1.5	3.5	4.9	2.8	1.4	5.0	9.5	3.8	0.1

Sources: Constructed using data from: SEDA (2004–2015); SWDA (2004–2015)

SEDA still performed better than SWDA, however. SWDA budgeted to collect GHC 167,670.20 from property rates but realised just GHC 36,121.06 – equivalent to a negligible 0.1% of its external transfer funding and just 4.7% of its IGF (see Figures 6a and 6b). As mentioned earlier, budgeted amounts are not centrally imposed but are based on factors such as property growth rate, inflation rate, and the tax rate, as well as councils' desire to please assessors of their performance on the District League Table.

Figure 6b: Property rate as percentage of IGF of Sissala East and Sissala West



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2004-2015
Sissala East	20.5	20.1	37.3	25	11.8	15.6	64	33.2	26.6	27.3	13.7	40.4	29.5
Sissala West	49.2	18.7	3.45	27.2	21.8	24.6	7.6	11.42	9.31	0	0	0	4.7

Sources: Constructed using data from: SEDA (2004–2015); SWDA (2004–2015)

Moreover, its fluctuations in yearly performance were even larger than those of SEDA, as Figure 4 shows. Such wide fluctuations in revenue do not provide predictable streams of revenue over time. As one councillor in AMA bemoaned, *"This distorts planning for local service delivery"* because, he explained, *"demand for services grows over time and outstrips revenue deriving from erratic property rate income."*

It is clear from the above findings that small and rural districts are performing dismally in terms of both IGF and property rate collection. They therefore depend more on external transfers than their urban counterparts to meet their obligations.

Causes of gap between property rate potential and performance

Property rate potential is determined by the respective values of the total stock of the different categories of rateable properties multiplied by their respective tax rates and then summed up. The Ghana Statistical Service (GSS) conducts censuses of not only the population but also the property stock (residential, industrial and commercial) (GSS 2010). This enables the GSS to project the population growth rate and the property stock growth rate. Local governments then use the growth rate of the property stock to assess the total stock of rateable properties in the local government jurisdictions. The property rate potential of the local governments is therefore a realistic gauge. Respondents in this study were asked what they thought was responsible for the gap between property rate potential and performance. The reasons suggested include, in descending order: the politics of taxation (95.0%); ethnically homogeneous communities (93.0%); elections and tax collection (92.0%); intergovernmental transfers (91.5%); lack of appreciation of justification for property rate (90.0%); lack of geo-property information (89.9%); resistance due to elitist design (88.2%); lack of transparency and accountability (86.6%); access to public information (85.0%); mismatch between tax income and service provision (83.3.%); and weak monitoring and evaluation (78.2%). In several cases new information was gleaned about the reasons for property tax non-payment; reasons which have not previously been discussed in the academic literature and which call into question the assumptions mentioned in the 'theoretical framework' section above. These issues are discussed below.

The politics of taxation

In regard to the politics of taxation, respondents were asked the following question: Do you think politics influence the design and implementation of property rates in your council? In response, 95.0% of respondents said yes. To illustrate, a senior Local Government Officer (responsible for supervision of tax collectors) observed that:

> *the two major political parties, the National Democratic Congress (NDC) and New Patriotic Party (NPP) are in keen competition for voters' hearts and are therefore not keen on collecting local taxes in general and property rates in particular, because the people view taxes as unnecessary impositions which increase cost of living.*

A Budget Officer at the same council concurred, arguing that, *"because the gap in votes between the NDC and NPP is very narrow the victory in any election can swing to either side … neither party wants to incur the displeasure of voters by descending hard on tax resistance or tax default."*

A District Finance Officer went further to argue that this approach was a false economy that:

> *acting tough on tax resistance and tax default would rather produce the opposite effect … because if governments act tough on tax non-compliance it would raise the needed revenue*

to provide the goods and services the people desperately need….Once services are provided in the right quantities and quality this will increase government legitimacy, shore up political support, and ultimately win votes.

Ethnically homogeneous communities

Against the backdrop of the ethnically diverse communities in the districts (see box 1), respondents were asked whether they thought ethnic homogeneity affected tax compliance. Ninety-three percent (229) of the respondents believed that ethnically homogeneous communities were another cause for the gap between property rate potential and actual performance. The general view was that indigenous populations tend to believe that land is given to them free of charge by God, and bequeathed to them by their ancestors, and as such should not incur taxes or rates. As a finance officer in TaMA put it, *"This perception about the unjustifiability of property rate is nearly universal among indigenes, [such] that they resist payment of the levy."* Similar sentiments were expressed by indigenes in SEDA and SWDA. For example, an indigene property owner in SEDA queried that:

It is inconceivable to ask us to pay tax on our land because the Almighty Allah [God] made it available to us free of charge. Our great grandfathers, grandfathers and fathers developed and accommodated themselves on the land free of charge. They bequeathed the land free to us and we in turn will bequeath it free to our children and children's children. Why then should a worldly authority impose a charge on something that is granted to us free by a heavenly power?

The population of the research site by ethnicity

The ethnic composition of AMA is such that although the Ga-Dangmes are the indigenes of the land they make up only 29.7% of the population while migrants consisting of Akan (39.8%), Ewe (18%), Mole-Dagbani and other ethnic groups such as Hausa, Fulani and foreigners make up the remaining 12.5% (GSS 2010). The ethnic makeup of TaMA is such that 80.7% are Dagombas (who are the indigenes). The remaining 19.3% are made up of such diverse ethnic groups as Nanumba, Konkomba, Mamprusi, Moshie, Gonja, Hausa, Akan, and Ewe (GSS 2010).

The GDA consists of several ethnic groups including Gas, Akans, Ewes, Gurs and Danbges. Although Ga people are the indigenes of the land the size of the Akan population is slightly bigger than that of the Ga (44% as against 42%) (GSS 2010). The other ethnic groups constitute the remaining 14%. Ghanaians make up 97.5% of the population whereas foreigners constitute the remaining 2.5% (GSS 2010). GWDA is similarly ethnically constituted: Akan (44.5%), Ewe (25.7%), Ga-Dangme (19.1%) (GSS 2010). Thus, although the Ga-Dangmes are the indigenes of the land their population is far less than the migrant population.

For SEDA the ethnic composition is Sissala (88%), Kasena (5%), Dagaaba (3%), Moshie (2%), and other ethnic groups (2%) (GSS 2010). This clearly shows that the indigenous Sissala population is in the majority while the migrant population is in the minority. Likewise, the indigenous Sissala population dominate (81%) in SWDA. The migrant population, which is made up of Dagaabas, Kasena, Moshie, Wale and other groups constitute the remaining 19% (GSS 2010).

The full picture is, however, more nuanced. The possibility of deference by tax collectors was highlighted by one AMA revenue inspector, who suggested that wealthy or influential indigenous residents were not always even asked to pay:

> *There is a perception out there, especially among revenue collectors, that economic elites have both the economic and political muscle to resist tax payment … [revenue collectors] therefore ride on that perception and fail to present them with demand notices although they are willing to pay.*

There were also other respondents who felt the picture of indigenes as wilful non-payers was too harsh. One said, *"Many of the well-educated indigenes are property tax compliant and come willingly to pay rather than wait to be served with demand notices."* Another commented, about poorer indigenous residents, that *"their non-payment of property taxes has less to do with resistance but more to do with their inability to pay"* adding that, *"this is particularly the case with the urban poor who although acknowledge their tax obligations are unable to honour them as regularly and without default as would be desired."*

One residential property owner in a porch suburb confirmed that he is tax compliant:

> *I always honour my property tax obligation when it is due. Although no tax collector has ever presented me with a demand notice, I go to the offices of the local authority and request to know the amount of my property tax obligation and when the information is given and I am convinced that the amount is correct I pay without hesitation.*

A commercial property owner also said that:

> *I own this property and have been operating business here for the past ten years but no revenue collector has ever presented me with a demand notice in relation to my property tax obligation. As a result of my busy schedule, I am not able to go to the local authority offices as regularly as I would have wished to pay my property tax. However, I can assure you that although I pay belatedly, I have never had property rate payment arrears. There should be convenience in the payment of tax so if revenue collectors can come here regularly with demand notices, I will promptly pay my property rates.*

Generally, however, migrant residents were perceived much more willing to pay property tax than indigenous residents. As a councillor of TaMA put it:

> *Migrant residents are largely compliant with residential, industrial and commercial property rates … [they] fear that if they default or resist tax payment they could become the target of repressive local authorities' policies or incur the wrath of the indigenes who would accuse them of benefiting from the city's opportunities but failing to contribute to its development.*

This perception was borne out by a migrant property owner who disclosed that:

> *I am an Akan and I have lived in Tamale for over a decade. I own two houses here and a wholesale mother and baby care shop as well as a retail shop. I pay taxes on these properties promptly. Tamale has given me a lot and I must reciprocate by honouring my tax obligations.*

A Labanese resident of Tamale intimated that:

> *I own these sawmills and I always pay property rate on it promptly. Not only do I feel that as a good resident I should honour my tax obligation but I also fear that failure to do so may be penalised by tax authorities.*

This seems to be borne out in AMA, which is the biggest, most cosmopolitan metropolis (where indigenes constitute 29.7% of the population and migrants take up a disproportionate 70.3%) and the seat of the national government, and which faces much less tax resistance. One Indian businessman said:

> *I own a chain of supermarkets in different parts of the city. I pay property tax on these assets regularly. Tax evasion is a serious offence in India and I fear that it is equally so in this country.*

Another migrant (Ewe) residential property owner asked:

> *Why should I delay payment of property rate until the tax authorities come clamping down on me? I fear that by delaying or defaulting tax payment I will incur reputational costs in the eyes of fellow residents and the tax authorities.*

According to a revenue inspector of AMA, *"The migrant population of the city is not only overwhelming but also they own a disproportionately large portion of industrial, commercial and residential properties."* He added that *"The migrant population is comparatively more acquiescent to authority compared with their indigenous counterparts."* This deference of migrants, explained a councillor, *"is responsible for their lower tax resistance compared to indigenous residents."*

Election and tax evasion

Respondents were asked: Do you think elections have an effect on tax collection? Two hundred and twenty-six respondents (92.3%) said yes, while 12 (5.0%) said no and 7 (3.0%) said they did not know. One chief bureaucrat thought that being appointed, rather than elected, increased the power of a local leader to be able to enforce tax compliance: *"The appointment rather than election of mayors in Ghana implies they can embark on austerity and aggressive tax collection and reform measures since their tenure of office is not determined by voters."* However, it was felt by others that it was national, not local, elections which influenced local leaders when they considered their local tax-raising strategies. A TaMA councillor said: *"These measures [local tax-raising drives] are rarely embarked upon by mayors because local dynamics affect electoral fortunes of ruling parties in national elections."* Further, a resident of AMA explained, *"The two major [national] parties, NDC and NPP, are locked up in keen competition for votes and so they restrain mayors from embarking on aggressive tax enforcement and sanction measures."* Nor does it seem to matter whether individual mayors favour the ruling party or the opposition. A revenue collector said: *"This is not true for only NDC members, but it is equally true for opposition party supporters, who are let off the hook in order to woo them from the ruling party."* Regardless of their political affiliation, it appears that local authorities are unable to discourage tax evasion because of the perceived electoral consequences of such an action.

Intergovernmental transfers

Turning to intergovernmental transfers, respondents were asked: Do you think central government transfers have an effect on your council's tax efforts? Two hundred and twenty-five respondents (91.5%) said yes, 17 (6.9%) said no, and 4 (1.6%) did not express a view. Those respondents who answered yes were further asked: How do intergovernmental transfers constrain local tax efforts? An AMA councillor explicated that, *"the scope of local government revenue assignments is narrow and instead of expanding it intergovernmental transfers are used to compensate for inaction in that respect."* By this, the respondent means that the sources from which councils derive their revenue are limited and instead of finding ways to diversify the sources most of the councils rather wait for the external transfers to boost their income.

A revenue inspector said, *"councils' own-source revenue generation is circumscribed due to the cap on rate-setting ... born out of government's fear of the electoral consequences of tax hikes ... [so it makes] huge transfers to the councils to compensate for the caps imposed."* This shows that central government sets ceiling on the rate of tax so local governments cannot increase tax. The government fears that high taxes impose hardship on the people and this has adverse electoral consequences.

A budget officer added that, *"in addition to the caps on taxes the poor revenue performance of councils is exacerbated by dishonest revenue collection practices."* A revenue collector revealed further that, *"some districts are not endowed with natural resources; they are not economically viable and they have extremely narrow tax bases and therefore their tax yields are negligible."* This response means that for certain councils that are economically distressed intergovernmental transfers have no bearing on their tax efforts. This is because no matter how hard they strive there is just no tax base on which to levy taxes as there are largely no productive activities in the local government jurisdiction. This implies the effect of intergovernmental transfers on tax efforts is negative in some councils while in others it is neutral.

The secondary evidence seems to buttress these primary findings. With the exception of AMA, increases in external transfers are not matched by corresponding increases in IGF in the case study local authorities – as Figures 1 to 6 above show. Another point on intergovernmental transfers is that releases are characterised by delays, defaults, and statutory deductions. Central directives also dictate how councils should spend the money, rather than supporting the priorities approved and budgeted for by councils. The example of the central government's 'One Village One Dam' project, on which implementation commenced in 2017, was cited in this regard by a District Coordinating Director. Councillors in GEDA, GWDA, SEDA and SWDA also confirmed that the quarterly releases from the District Assembly Common Fund (DACF), an arrangement by which central government allocated 5% (and 7.5% since 2001) of its yearly total revenue for distribution by a certain formula to local governments purposely for capital expenditure, always feature mandatory statutory deductions which reduce drastically the amounts actually received.

Lack of appreciation of justification for property rate

On the issue of lack of appreciation of the justification for property rate, 222 (90.2%) of the interviewees said that ratepayers could not understand why they should be obliged to pay property tax. The remaining 24 (9.8 %) respondents appreciated the need to pay taxes irrespective of whether they received services or not. One residential property owner at AMA queried that, *"I do not get any service in return for the taxes that I pay."* A similar sentiment was expressed by a TaMA residential property owner when he charged that, *"the chorus we property owners sing is that our properties are largely not supplied with water and waste water reticulation, storm water drainage, paved intra-city roads and household garbage collection."* In the absence of these services, she added, *"there is no justification for the local authority to continue to collect property rates from residents."*

Similar sentiments were expressed by respondents in the other districts. For example, one SEDA resident said, *"Why should I pay property rate without water, sewage and storm water and drainage facilities to my house."* A GWDA resident queried that, *"I dislike the property tax because it offends indigenous land rights."* A revenue collector confirmed these concerns of residents when he said that:

> *we often encounter ratepayers who angrily retort upon notice to pay their rates that we don't know whether the local government exists at all because there is even no place of convenience in our crowded public places like the markets.*

Lack of geo-property information

Concerning lack of geo-property information, 221 (89.9%) of the respondents agreed that it is responsible for poor rate performance. The remaining 25 (10.1%) could not express a view. One of the respondents who conceded that the absence of geo-property information is a problem averred that, *"there is absence of a formal count of properties for the purposes of property taxation."* He said, *"This is responsible for councils' inability to accurately estimate property tax potential."* A valuation officer revealed that, *"in the rural districts [GEDA, GWDA, SEDA and SWDA] most settlements are not covered by comprehensive cadastres if at all."* Another valuation officer said that, *"in the urban districts [AMA and TaMA] although cadastres exist, they are not regularly updated so they are obsolete."* For example, the most recent master, divisional and block plan for AMA dates as far back as 1995 (AMA 2007). He added that, *"taxable properties are not adequately described in the fiscal cadastres and property owners may find it difficult to identify."*

The fiscal cadastre forms the information base for property taxation in every country. It comes in the form of an electronic, digitised or paper-based map. So the lack of fiscal cadastre undermines the efficiency and effectiveness of property tax administration in Ghanaian local governments. To compensate for this deficiency, the local governments use the growth rate of property stock computed in the population and housing census by the Ghana Statistical Service (GSS). Since the GSS conducts the census at long intervals (four years at least) this may not adequately reflect the reality.

Resistance due to elitist design

Pertaining to resistance due to elitist design, respondents were asked the following question: Is tax design an inclusive process in your council? In response, 217 (88.2%) of the informants said no, claiming rather that it is elitist and exclusionary. As one resident of AMA lamented, despite government guidelines *"in practice the councils do not consult citizens in determining the tax structure and rates."* Many entrepreneurial respondents also felt that properties and businesses were often wrongly or unfairly classified; this view was expressed, for example, by a hotelier in AMA, a private high school proprietor in TaMA and a wholesaler in SEDA.

However, not all respondents agreed. A senior bureaucrat at AMA pointed out that *"notices of invitation are usually sent out well in advance of the scheduled dates for the consultations but few people actually honour the invitations."* He said that, *"Proposed tax structures, classification of taxable units and the respective tax rates agreed at the consultative sessions are usually sent out to taxpayers for comments before their final ratification in the assembly."* A Municipal Coordinating Director at TaMA concurred, stating that, *"In the case of our council not only do we consult with taxpayers but the proposed levies are sent to the taxpayers with ample time to make comments before reverting to the council."* Some respondents, however, claimed that such consultations were 'tick-box' exercises only.

A resident of TaMA noted:

> *The council rarely consults taxpayers, and on the rarest occasions when it does, it conducts manipulative consultations because decision-makers come to the table with prepared proposals and participants are merely asked to endorse them … The authorities do not allow for a process of genuine exchange of ideas, negotiations, bargains and consensus building at the consultative forums.*

Lack of transparency and accountability

Pertaining to transparency and accountability, 213 (86.6%) of respondents thought it is one of the major factors responsible for the poor property rate performance of councils. Twenty (8.1%) respondents did not subscribe to this view, whereas the remaining 10 (5.3%) could not express a view. Those informants who agreed that opaqueness and lack of accountability are culpable for poor tax efforts intimated that rate impost is usually set arbitrarily without opportunity for public input. A TaMA resident charged that, *"the inability of local governments to provide even basic services heightens suspicion surrounding the accountability deficit."* A GEDA resident said that, *"some local governments have had bad press for impropriety and fund mismanagement."* A property owner in AMA expressed similar misgivings, saying that, *"despite the huge sums of money local authorities collect from property tax, household garbage suffers infrequent collection."*

The accountability problem is confirmed by Mohammed (2019) and the Auditor-General's reports on local government financial management 2001–2016. For example, the 2007–2016 reports made mention of persistent internal control weaknesses and management inefficiencies which manifest in misappropriation and misapplication of revenue, suppression of value books, unrecovered loans, advances and unsubstantiated payments. The financial values of these irregularities are in excess of GHC 10 million. These excluded revenues collected with over 1,722 revenue collection books wrongfully retained by revenue collectors and therefore not accounted for (Auditor-General 2017).

Access to public information

Interviewees were asked the following question: Does your council give the public information about how much revenue it raises and what it spends it on? Two hundred and nine (85.0%) of the respondents answered no while the remaining 37 (15.0%) said they did not know. Elaborating on the negative response, respondents were aware of what should be happening, and scathing about the gap between principle and reality. A resident of SEDA said: *"As electorates we vote the councillors into office and they are supposed to account to us."* She explained that one of the ways of accounting to voters is to *"furnish them with the annual statement of financial accounts for them to know how much revenue the local government raised in a year and what it spent the money on and to what effect."* But, she claimed, this was not happening. Other respondents pointed out absurdities in the system. A GWDA resident noted: *"The financial statements of account are given to central government only … so without access to the financial statement of accounts citizens cannot determine: the quantum of money the council raised in the previous year; the expenditure for that year, the items of expenditure; and the effects or outcomes of the expenditure."* A teacher at GEDA commented: *"Even if the information is furnished it is usually dated, unreliable and of a technical nature that is difficult to read and understand."* This view was echoed by a farmer at SWDA who lamented that, even if the reports were provided the *"information would still be meaningless because majority of us are illiterate and cannot read let alone understand the reports … so making information available in English without explaining it to us in our native languages is tantamount to providing no information."*

As might be expected, the District Coordinating Directors (chief bureaucrats) and District Finance Officers denied these charges. They variously pointed out: *"Information on the activities of the council including financial statement of accounts are usually posted on the notice boards of the council"*; *"We lodge information in the form of newsletters and reports at the town halls and public libraries so that they can be accessible to members of the public"*; and *"Some information is also provided on the council's website."* But structural problems with communication remain. As a resident of SWDA pointed out, *"Many districts do not even have libraries or town halls to serve as repositories for councils' reports."* A SWDA resident agreed, saying, *"The council's website is not active and when it does become active no information in the form of reports, newsletters and articles can be found."*

Mismatch between tax income and service provision

The 60 respondent property owners were asked the following question: As a property owner do you pay property rate? Fifty (83.3%) respondents answered no, 7 (11.6%) answered yes and 3 (5.1%) did not express an opinion. Those respondents who answered in the negative were further asked: Why do you resist or evade property levy? A variety of responses were given, but the most common was dissatisfaction with the level of council services provided. The following from one AMA resident exemplifies this, *"The revenues from the property levies are supposed to provide services like garbage collection, sewer reticulation, and water to households ... [but] ... the AMA does not provide any of these services to properties except garbage collection which frequency of removal is erratic."* A resident of TaMA agreed: *"People in Tamale here arrange to procure water from private water tankers for a fee and our properties are not even served with garbage collection."*

A SEDA resident questioned: *"For what purpose was the council established?... I am asking this question because as residents we have to procure our own water, arrange our own sewer reticulation, dispose our garbage and manage our own drains."*

In rural GWDA, a resident charged that *"although rural water supply together with sanitation and storm water drainage services is the responsibility of the council, it does not deliver those services".*

When asked about the lack of services to properties, a number of causes were cited. Taking the example of water supply and sewage management, a budget officer of AMA pointed out that *"urban water supply is the responsibility of the Ghana Water Company and not the AMA."* He acknowledged that sewage reticulation and discharge service *"has recently been added as a function of local government"* but pointed out that *"the transfer of sewage functions to councils was not accompanied by a commensurate transfer of means and capacity to discharge that mandate."*

Interviewees were then asked: Have you put pressure on your council to deliver the required services? In response 18.3% (11) of the respondents answered yes. A TaMA respondent noted: *"We have on several occasions organised protest marches and demonstrations, a few of them violent, against the lack or poor delivery of services ... I remember, we stormed the offices when the assembly was in session and the meeting was temporarily disrupted."* Despite this citizens' pressure, he confirmed that *"service provision has not improved due to lack of resources, requisite machines and tools as well as capacity."*

Weak monitoring and evaluation

Weak monitoring and evaluation were also identified by 192 (78.1%) of the respondents as militating against efficient property rate collection. Twenty (8.1%) informants thought that monitoring and evaluation is not a problem, while the remaining 34 (13.8%) could not express a view. A District Coordinating Director revealed that, *"there is absence of a legal person to take up the tasks of processing defaulters for court."*

A SEDA Development Planning Officer observed that, *"the polygamous nature of families in northern Ghana makes it difficult to identify an individual on whom the incidence of property rate should fall* *after the death of the first owner."* A TaMA resident concurred, explaining that, *"A deceased first owner's property is shared among his/her many children [usually they are given individual rooms in the compound house]."* So *"no one of them can confer full ownership of the property on himself/herself."* This evidence is confirmed by Issah (2011) when he revealed that such compound ownership of a property is especially so for third-class houses which disproportionately make up 72% of houses in TaMA (Issah 2011).

Discussion

Several lessons can be drawn from these findings. First, tax efforts and tax reform require both technical action and political will. However, this study suggests otherwise: the evidence here indicates that tax resistance rather emanates mainly from ordinary citizens whose influence derives from the fact that Ghana's de facto two-party political system has turned their national-level votes into tax resistance cards. This evidence appears to contradict prevailing assumptions (e.g. Labonte 2012). It reflects the power of ordinary citizens who have no economic clout but who as a group, constitute an electoral powerhouse that political leaders ignore at their peril.

Second, ethnic homogeneity does not necessarily promote tax compliance, as the literature would suggest. Instead, the evidence here shows that indigenous ethnic homogeneity rather provides a source of strength to oppose local taxation. It appears to enable indigenes in TaMA (who are Dagombas), and their counterparts in SEDA and SWDA (who are Sissale) to mobilise and resist payment of residential property rates. This resistance stems from the belief that land is given free by God, so its development for residential purposes should also be free of taxes. Equally persuasive is the finding in cosmopolitan AMA, with its huge ethnic diversity, that migrant residents are disproportionately tax compliant partly because they fear reprisals otherwise. This is consistent with previous findings by Prichard (2010) and Jibao and Pricharch (2015) who report that it is easier to overcome tax resistance within a more mixed, and less cohesive, community.

The received academic wisdom that homogeneous groups are easier to raise taxes from is therefore challenged in TaMA, SEDA and SWDA who are rather tax resistant. In cosmopolitan AMA, however, with greater heterogeneity there is greater tax compliance particularly from migrants. As migrants are compelled to shoulder a disproportionate part of the tax burden because they lack political influence and local connections, then this can further exacerbate inequality, and a rise in local tax revenue can be seen as regressive rather than redistributive.

Third, this study found that intergovernmental transfers do not necessarily disincentivise local government tax efforts, contrary to previous analysis (e.g. Weingast, 2009). While they may, sometimes they may also spur tax efforts or have no effect on them. The interplay of factors is complex, and depends on contextual conditions such as levels of local natural resources, motivation of leaders, and the size of the local economy. Councils like SEDA and SWDA lack natural resources and their economies are also very small. They thus have limited property tax bases, and are likely to be unable to raise more than 10% of their total income from own-source revenue, however hard they try. Intergovernmental transfers thus have no effect on their tax efforts. By contrast TaMA has a large and vibrant economy, and a much wider tax base, particularly for property – and yet it still generates less than 25% of its total revenue from internal sources. TaMA's case therefore supports the claim that central transfers weaken tax efforts. AMA, meanwhile – the national capital and also the most populous and cosmopolitan city – is in the third category, and seems to benefit from a 'virtuous circle' in which its wide tax base enables it to derive on average more than 55% of its total revenue from internal sources, while still receiving large intergovernmental transfers.

This study does, however, bear out the existing academic consensus across the developing world (see, for example, Brollo and Nannicini 2012) that politicisation of intergovernmental transfer impacts local tax efforts adversely. A good example is the directive by central government to re-route DACF transfers to fund the 'One Village One Dam' project as described above, which respondents believed was directly linked to a national government campaign promise in the previous election. Respondents in AMA also expressed a fear that further politicisation was likely at critical junctures – and this fear could have spurred it to intensify own tax revenue mobilisation, but such an effort will be thwarted by the national government because of its adverse electoral consequences.

Finally, it seems clear from the study that elitist and exclusionary approaches to the design and implementation of tax systems, and lack of transparency in how tax revenue is spent, enrage local residents and contribute to tax resistance. This is especially true if citizens feel they do not benefit in terms of service provision. This speaks of the enormous barriers to true citizen participation that still exist at local level in developing countries, despite the 'third democratic wave' dating to as far back as the 1990s.

Conclusion

This paper set out to investigate whether there a disjunction between property rate potential and performance of Ghanaian local governments. Interview information and secondary evidence from six local authorities were used to determine whether there is a gap between the two variables (potential and actual rate performance). The gap which was found between the two variables is blamed on a multitude of complex causes (political, cultural, legal, administrative and educational), many of which are interrelated and which are discussed in detail and supported by sector and citizens views. The author concludes that unless the local context is fully understood and addressed, and all the detailed factors discussed above are taken into account in tax design, implementation and reform efforts, the emergence of an efficient and effective property rate regime in Ghanaian local governments will remain elusive.

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