IncluCity's Virtuous Cycle

A Case Study of Global Communities' work with the Accra and Sekondi-Takoradi Metropolitan Assemblies in Ghana

Global Communities

April 2015

Global Communities
Partners for Good

Contents

The IncluCity Program

Global Communities is implementing IncluCity – Improving Governance and Services for Ghana's Urban Poor, a four-year, $4 million governance program in Ghana funded by the Bill and Melinda Gates Foundation begun in October 2011. Inclu-City seeks to constructively connect the urban poor and local government to improve service delivery.

IncluCity builds on the governmental systems and structures developed over the past decade by the Government of Ghana, with the help of donors. These systems and structures are the essential tools for building the public finance capacity of Metropolitan, Municipal, and District Assemblies (MMDAs).[1] Instead of launching plans that do not directly relate to the official government framework, IncluCity uses the government systems as the foundation for support to the Accra Metropolitan Assembly (AMA) and Sekondi-Takoradi Metropolitan Assembly (STMA) to promote effectiveness, efficiency and process improvements. IncluCity works collaboratively with the government, not independently of it.

IncluCity is being implemented in two of Ghana's largest cities, Accra and Sekondi-Takoradi, with two main objectives:

1. Increased constructive participation of slum residents in governance, inclusive planning and budgeting processes;

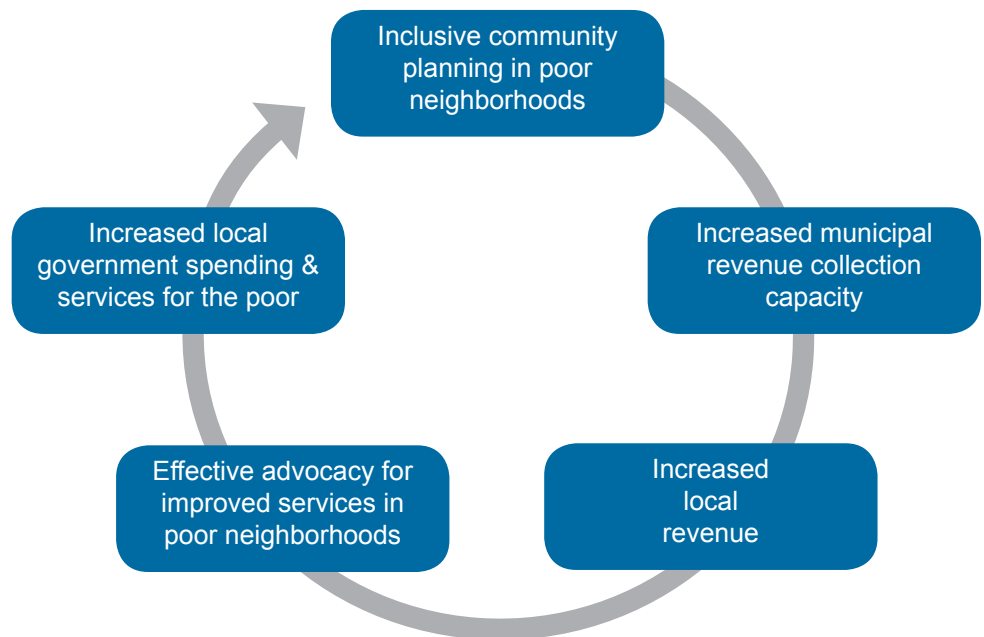2. Increased municipal revenue generation enabling increased service provision.

In September 2014, as IncluCity was about to begin its fourth and final year, Global Communities hired an external local governance expert to determine the extent to which IncluCity's activities are succeeding in building the capacity of AMA and STMA to increase internally-generated funds and promote more inclusive governance. This report presents the findings of that assessment.

Hypothesis

Our assessment in September 2014 tested the hypothesis that **creating inclusive planning and budgeting processes and improving city capacity to collect internally-generated funds can improve service delivery to poor communities.**

If the hypothesis is correct, internally-generated funds will increase as citizens understand the obligation and benefits of financially supporting local government, and local assemblies improve their ability to effectively collect fees, fines, rents and taxes. Ultimately, a better understanding of governance and increased revenue leads to improved public participation, and results in a virtuous cycle that improves service delivery to poor communities.

IncluCity's Virtuous Cycle

- Inclusive community planning in poor neighborhoods
- Increased municipal revenue collection capacity
- Increased local revenue
- Effective advocacy for improved services in poor neighborhoods
- Increased local government spending & services for the poor

---

[1] In Ghana, a local assembly is the administrative subdivision below the region. The 216 local assemblies are categorized by population size as either Metropolitan (6 with population over 250,000), Municipal (49 with population 95,000-250,000) or District (169 with population 75,000-95,000).

Learning Questions

1. How can the public, including the business sector, be engaged to improve tax compliance?

2. Which strategies to increase internally-generated funds in AMA and STMA are working?

3. What can be done to keep the public and elected and appointed officials motivated?

Context

IncluCity's Target Population

The IncluCity program is implemented with two city governments—AMA and STMA—and targets a total of 59 communities. **Accra** is the national capital and largest city in Ghana with an estimated population of 2.5 million. Of Accra's 76 communities, IncluCity works in 24 of the poorest communities, where approximately 1 million citizens reside.

IncluCity also works in Ghana's third largest city, **Sekondi-Takoradi**, which has an estimated population of 560,000. Of the 48 communities in Sekondi-Takoradi, IncluCity selected the 35 poorest, which have an estimated residential population of 250,000.

Current MMDA Revenue Sources

Internally-Generated Funds

According to 2014 Annual Reports, internally-generated funds account for 51% of total revenue in AMA, and 47% in STMA. Internally-generated funds are principally generated from property taxes, various fines and fees, permit fees, royalties, rents and investment returns. These funds are particularly important because the assemblies have more authority and control over funds generated in their own jurisdiction than they have over funds from other sources. Internally-generated funds allow local governments discretion in tax, fee and rent imposition and use of funds, support fiscal decentralization and self-sufficiency, and offer an opportunity to formulate and execute tax policy.

Sources of non-internally-generated funds

As for non-internally-generated funds sources, MMDAs also receive funds through transfers from the central government, such as the **District Assemblies Common Fund**, which is financed by the Ghanaian government, and the donor-funded **District Development Facility**[2] and the **Urban Development Grant**.[3]

---

[2] Donors include the Agence Française de Développement, Canadian Department of Foreign Affairs, Trade and Development, the Danish International Development Agency and Kreditanstalt für Wiederaufbau (KfW).

[3] This grant is available only to the 54 Municipal and Metropolitan Assemblies (MMAs) and began in 2011 as part of Ministry of Local Government and Rural Development's Local Government Capacity Support Project which is supported by the World Bank.

Charts 1 and 2 demonstrate the volatility in revenue sources for AMA and STMA for 2013[4] and 2014.[5] While internally-generated funds increased for both, other sources of funds swung widely, making it very difficult for these large cities to plan activities with realistic budgets attached to them.

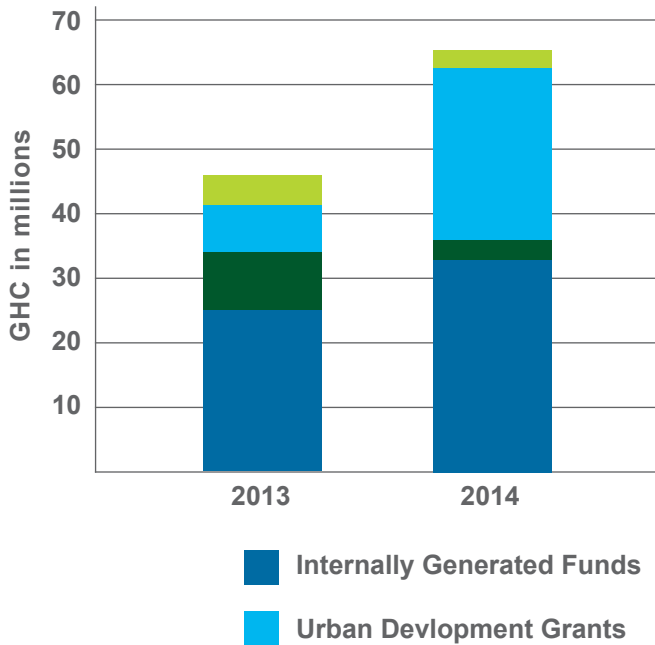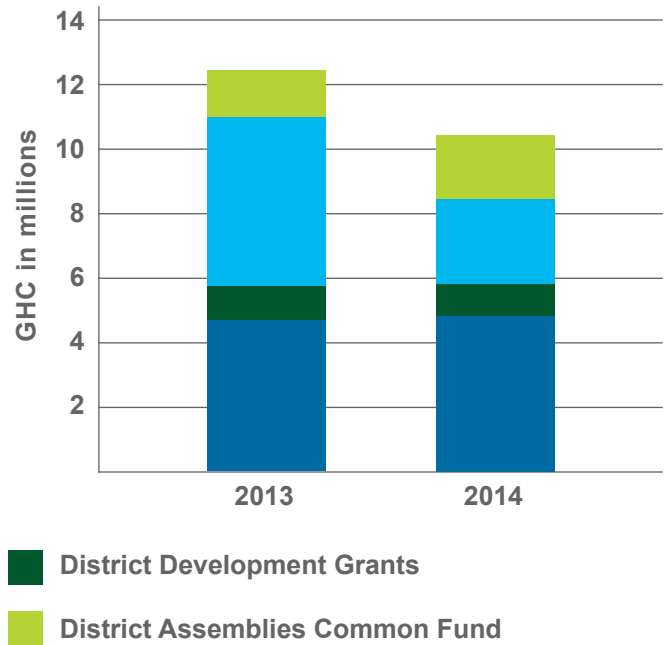**CHART 1: Comparison of AMA 2013-14 Revenues* by Category**

CHART 2: Comparison of STMA 2013-14 Revenues* by Category

Legend:
- ■ Internally Generated Funds
- ■ District Development Grants
- ■ Urban Devlopment Grants
- ■ District Assemblies Common Fund

*Revenues in these charts do not represent total revenues. Revenues that are not tied to performance have been excluded. Not accounted for here are distributions from the Government of Ghana, school feeding, and funding from development partners, NGOs and donors.

Funds from the District Development Facility and the Urban Development Grant are distributed to MMDAs according to their scores on annual assessments using the Functional and Organizational Assessment Tool (FOAT). Each MMDA in the country participates in annual assessments of performance measures in nine areas: management and organization; transparency, openness and accountability; planning system; human resource management; relationship with sub-district structures; financial management and auditing; fiscal capacity; procurement; and environmental sanitation management. The distribution formula provides an incentive to MMDAs to seriously participate in the government program to improve their financial management capabilities. The Ministry of Local Government and Rural Development oversees this program and preserves the integrity of the process by hiring consultants to audit FOAT scores each year.

Funding Trends

So far, AMA and STMA have reaped the rewards of high FOAT scores. However, as other MMDAs increase their capacity and achieve higher FOAT scores, the funds from the District Development Facility and Urban Development Grant will be spread among more districts, so the amounts distributed to AMA and STMA may decrease.[6]

Further, MMDAs also anticipate increasing competition for other external funds—largely distributions from the central government—at the same time as the national budget is tightening and the amount of funds available is shrinking. In September 2014, the International Monetary Fund (IMF) announced its intent to lend Ghana $1.6 billion. The IMF loan is likely to have conditions that may force the government to reduce transfers to the MMDAs through the District Assemblies Common Fund. It is believed that IMF conditions will reinforce the need to prioritize capital spending, limit budget deficit financing, reduce public-sector wage costs, reduce tax exemptions and improve tax administration, and eliminate

---

[6] USAID/Ghana Country Development Cooperation Strategy, 2013-2017, December 2012, footnote 15, p. 17.

subsidies, while simultaneously expanding social protection programs.[7] If constraints pressure the central government to reduce distributions to local governments, MMDAs will become increasingly dependent on internally-generated funds. In May 2014, President John Dramani Mahama requested that MMDAs increase internally-generated funds to support local development.[8] Thus local government leaders are well aware of the increasing need for internally-generated funds to support their operations and service delivery.

IncluCity Interventions

Both cities experienced significant growth in total internally-generated funds since IncluCity began. While many of the strategies and interventions for increasing revenue in AMA and STMA are similar, there were some differences, summarized in the table below:

Interventions to increase internally-generated funds in AMA and STMA		
Both AMA and STMA	AMA	STMA
Produced Community Action Plans in all targeted communities	City employee revenue collectors print and deliver bills	Outside of IncluCity, engaged private collection firm to widen tax net, improve collection efficiency
Produced Revenue Improvement Action Plans 2011-2014	Established tax payment kiosks in neighborhoods	Meticulously mapped and geocoded parcel data for input into LUPMIS internally-generated funds module
Named streets and numbered parcels		Revalued property in 2013

Objective 1: Inclusive governance

Citizens Report Card

In Sekondi-Takoradi, Global Communities assisted the STMA in surveying 834 households to produce a 2012 Citizens Report Card. The Citizens Report Card provides the Metropolitan Assembly and relevant ministries with feedback on citizens' perception of the condition of ten public services. It is an essential tool for budgeting and capital planning, while also serving to increase government accountability in these processes. The 2012 Citizens Report Card revealed citizens' top three priorities: water, basic education and public health services, along with detail of where citizens observed strengths and weaknesses. The 2012 Citizens Report Card established benchmarks that will be used to measure changes in the public's perception of improvements in service delivery and government performance when the next Citizens Report Card is conducted in 2015.

Education and Training

In partnership with Ghana's Institute of Local Government Studies (ILGS), AMA, STMA and local NGOs, over 45,000 flyers on citizen rights and responsibilities produced by the IncluCity program were distributed to the general public in all 59 communities targeted by the program. Global Communities and ILGS developed two manuals for use in training government representatives and community members together:

- **Inclusive Governance** covers the local government system and rights and responsibilities of citizens, the legal framework for accountability and participation, advocacy and activism, community outreach, networking and engagement, and conflict resolution.

- **Participatory Planning and Budgeting** covers citizen involvement in planning and budgeting, community mobilization and communication, data collection for land and asset mapping, community development planning, and participatory monitoring and evaluation.

---

[7] Transcript of a Press Briefing by Gerry Rice, Director, Communications Department, International Monetary Fund, Washington, D.C., Thursday, September 25, 2014, https://www.imf.org/external/np/tr/2014/tr092514.htm

[8] Ghana New Agency, May 7, 2014, Initiate Innovative Measures to Improve internally-generated funds – President, http://www.ghananewsagency.org/economics/initiate-innovative-measures-to-improve-internally-generated funds-president-74395

The Institute of Local Government Studies used the manuals and associated curriculum to train community and government representatives, as summarized in the table below.

IncluCity Trainings					
Training Topic	Total Participants	Community Representatives		Government Representatives	
		Male	Female	Male	Female
Inclusive Governance	491	279	174	26	12
Participatory Planning and Budgeting	577	324	211	27	15

Community Action Plans

Once trained, officials, assembly members and community leaders set out to mobilize neighborhoods and conduct public meetings to develop annual Community Action Plans.

As background, the National Development Planning Commission (NDPC) guidelines envision Medium-Term Development Plans based on aggregated community needs as reflected in sub-district plans.[9] However, during consultations with NDPC, AMA and STMA at the beginning of the program, IncluCity staff realized that the two cities were not developing sub-district plans because city staff and elected officials had limited capacity and resources to organize community meetings and lacked a strong community base. It was this gap that the Community Action Plans were developed to address, and Global Communities helped city staff work with the communities to prepare Community Action Plans. The plans reflect community needs and aspirations, which can then be articulated and addressed in the Medium-Term Development Plan, and subsequently funded and addressed in annual implementation plans. This approach is approved by the NDPC and builds inclusive, grassroots government.

Each of the 59 IncluCity communities completed a Community Action Plan with a list of prioritized projects. Communities posted their ranked project list from the Community Action Plan on notice boards to facilitate citizen awareness and monitoring. Community leaders and assembly members then used these lists to advocate for projects to be included in the Metropolitan Assembly budget and to solicit other funding.

Small Grants

The work of community and assembly members in producing the Community Action Plans is substantial, but budget processes are lengthy, requiring budget proposals, review, preparation, and formal approval, and then funding obligation and procurement processes before a project can begin. To stimulate real and immediate results from community-Metropolitan assembly cooperation, IncluCity developed and funded a small grants program to make it possible to move forward on the priority projects. Awarded competitively, the grants required a match of community, government and donor contributions. Specifically, the grants were intended as incentive to:

1. sustain public engagement,

2. help elected officials develop a successful record, and

3. provide "seed capital" for communities to leverage funding from the city and other sources for additional projects.

Over three years, a total of 210,000 GH (US$98,000) in grants (maximum amount $2,000) was disbursed in the two cities. On average, each $1 in grants was matched by $2.90 in contributions from local, Metropolitan Assembly or other sources, either in cash or in-kind contributions of labor and supplies.[10] The Metropolitan Assemblies were able to provide matching

---

[9] National Development Planning Commission, Guidelines for the Preparation of District Medium-Term Development Plan under the Medium-Term Development Policy Framework 2010-2013, 11. "Sub-District Council Plans, which were prepared through participatory processes, are relevant and should be considered as representing community perspective on current needs and aspirations of the Sub-Districts. Where Sub-District Development Plans do not exist, community perspective on current needs and aspiration should be compiled through consultation with the people in the Sub-District Council."

[10] IncluCity staff gathered estimates of matching contributions from Metropolitan Assembly project expenditure reports and community representatives familiar with the development of these projects.

appropriations to demonstrate quick results from community planning. Projects supported by the small grants included public toilets, water kiosks, library renovations, information and communications technology centers, market sheds and health clinics.

210,000 GH¢ in Small Grants Leverage
601,600 GH¢ in Community Projects (2.9X)

AMA - 2.4 times leverage				STMA - 3.3 times leverage			
Year	Cost of projects	Grant value	Community match	Year	Cost of projects	Grant value	Community match
2012	182,500	37,400	145,100	2012	247,000	37,000	178,000
2013	999,500	41,800	72,900	2013	217,000	41,800	123,600
2014	64,000	26,000	38,000	2014	70,000	26,000	44,000
Total	**1,246,000**	**105,200**	**256,000**	**Total**	**534,000**	**104,800**	**345,600**

Objective 1 Findings

As Objective 1 is focused on improving participation of poor communities in governance and planning, the results of these activities will be most vividly represented in citizen's perceptions of their local representatives' performance in service delivery and inclusive planning. In STMA, the results of the Citizens Report Card exercise later this year will be compared with the 2012 results, and thus will help measure STMA's progress toward achieving this objective. Other evidence that can be used in both STMA and AMA to measure IncluCity's progress in this initiative is the continued use of Community Action Plans, and certain anecdotal evidence and proxies, for example whether local government representatives are re-elected.

Assembly members and community leaders in all 11 communities[11] visited by the author reported their intent to continue to produce annual Community Action Plans and hold regular community meetings because these tools had value in budget planning and advocacy, and promoted inclusive governance. Community meetings are currently being held every two weeks to every three months and are viewed by participants as appropriate forums to promote tax compliance and discuss barriers.

Another way of gauging community satisfaction with the projects from the Community Action Plan process is the popularity of the elected assembly members who participated in the Community Action Plan – as measured by their prospects for re-election (elections have been postponed to later in 2015). The assembly member in Alogboshie reported that before IncluCity, the neighborhood was neglected and had never received support from the AMA for any project. As a result of the Community Action Plan, community advocacy, and the small grants program, Alogboshie now has a new access road, drainage, public tap and clinic in the last three years. The assembly member is running unopposed for re-election.

Another assembly member, Bruce Horatio Crossfield from Sofokrom, Sekondi-Takoradi, leveraged fees collected from a newly-constructed water point and a small matching grant to fund a toilet facility. But most remarkably, because the Community Action Plan provided a project list reflecting community preferences, the Sofokrom assemblyman was prepared with a plan when an opportunity arose for World Bank funding and he was able to win a grant for a community school. The lessons of planning have resulted in the recently-named "Best Assembly Member" from STMA carrying a set of plans for his sprawling community with him, so that he can take advantage of other funding opportunities as he meets with local and national authorities and donors. Recently he obtained an expansion of the electric system to an unserved part of his neighborhood. Like his colleague from Alogboshie, the assembly member expects to be re-elected in 2015 and will run on a record of inclusive decision making and service delivery.

Objective 2: Activities to Increase Internally-Generated Funds

Revenue Improvement Action Plans

Since 2008, Revenue Improvement Action Plans (RIAPs) have been required by the FOAT. However, although MMDAs produced plans, they were often written by the finance team alone with limited data and without stakeholder buy-in. The

---

[11] In September 2014, the author visited 11 of the 59 communities targeted by IncluCity, five in Accra and six in Secondi-Takoradi.

FOAT requirement thus provided an excellent opportunity for IncluCity to build upon government systems and policies to further build the capacity of city finance operations.

In AMA and STMA, IncluCity introduced a methodology and format that required the finance, budgeting, and planning departments and related sub-committees to engage, analyze and debate the proposed revenue strategies, agree on criteria, and set targets. Specifically, IncluCity brought together and facilitated meetings of the assembly's Revenue Mobilization sub-committees, Finance and Administration sub-committees, and heads and staff of the Budgeting and Rating, and Finance Departments. IncluCity supported the purchase of computers, GPS equipment, printers, server, and refurbishment of a plotter, which helped the Metropolitan Assemblies develop and update their database systems. IncluCity also facilitated activities related to revenue collection and management and identified Planning Departments, and sub-metropolitan revenue collectors for workshops and on-job training sessions to prepare RIAPs. Through consultants, IncluCity also sponsored specialized training on specific topics, such as training for revenue collectors in AMA; and costing, property valuation, and street addressing in STMA. Sustainable capacity has been built and the recent RIAPs are more useful because they represent the input of a larger group.

Technical assistance from IncluCity and the financial incentives of the FOAT's District Development Facility and Urban Development Grant contributed to improvement in AMA and STMA FOAT revenue management scores over time. Evidence of the importance of the RIAP process is seen not only in the development of the plans and performance of the revenues, but also in the Metropolitan Assembly Annual Performance Reports. AMA acknowledges that preparing the RIAP had the greatest impact of all revenue generation efforts.[12] The Budget and Rates Director explicitly states in presentations that the RIAPs developed with the support of IncluCity have helped internally-generated funds growth.

Land Use Planning Management Information System (LUPMIS)

LUPMIS, which uses GIS to identify parcels and roads for planning purposes, is the official land use planning system promoted to cities by the Town and Country Planning Department (Ministry of Environment, Science and Technology). The fact that LUPMIS had government acceptance and was already widely used provided a solid base for the creation of a modern local government revenue system. IncluCity worked with the government to develop a new revenue module for the LUPMIS software to allow MMDAs to record residential and commercial property by owner, occupant, assessed value, tax due, tax payment status, and address in a geo-coded format. The data can then be used to track and improve local revenue generation related to property and business permitting and taxation.

In STMA, IncluCity began by working with the Physical Planning Director and GIS staff who provided specifications to the IncluCity contractor to develop a useful internally-generated funds module which would integrate with LUPMIS. IncluCity supported the Physical Planning Department to build a highly-skilled GIS team to implement and populate the internally-generated funds LUPMIS revenue module through intensive training and the purchase of necessary IT equipment. Before the data could be recorded, IncluCity assisted STMA to identify and label street names and numbers through a participatory process[13] and to update existing property and business records. That exercise served as a learning case for the massive national street naming and numbering project ordered by the President. The end result is a functional automated property and business operating permit system to assist STMA to bill, collect and record revenue. AMA opted to name streets and number parcels without geo-coding, and thus did not participate in the property tax and business operating permit module of the LUPMIS revenue model, but the Budget Director says AMA does intend to use geo-coding.

The property and business data loaded into the LUPMIS revenue module is now ready for area-wide implementation in STMA. The Mayor and other city officials have been thoroughly briefed on the system and commenced full implementation in 2015; they are now printing bills based on the system. Property tax valuations are calculated using a formula that considers value of the structure and relative desirability of the neighborhood.[14] Business operating permit fees are driven by the size of the business, number of employees, and location. There is progressivity in the impost rate[15] schedule for property tax and business operating permits to ensure tax equity.

---

[12] Accra Metropolitan Assembly, 2013 Annual Performance Report, p. 140.

[13] For more info see Global Communities: "Where the Streets Now Have Names" http://www.globalcommunities.org/node/37730

[14] Desirability in this context refers to the categorization/classification of neighborhoods according to income levels and availability of services. The city has been subdivided according to zones as—first class, second class and third class. A previous Gates-funded Global Communities program contributed to this effort by preparing poverty maps that played a key role in determining these neighborhood classes.

[15] "Impost rate" is the term used in Ghana for the percentage rate charged on a property's value.

The LUPMIS revenue module makes it is easier to find and assess new and improved properties and include them on the tax roll since LUPMIS is the official Ghana system to record building permit information. Estimates from 2014 are that the number of registered properties in STMA has increased from 22,000 to 37,881 since the establishment of the new module.[16] The LUPMIS module produces color-coded payment status maps as shown in the figure below.
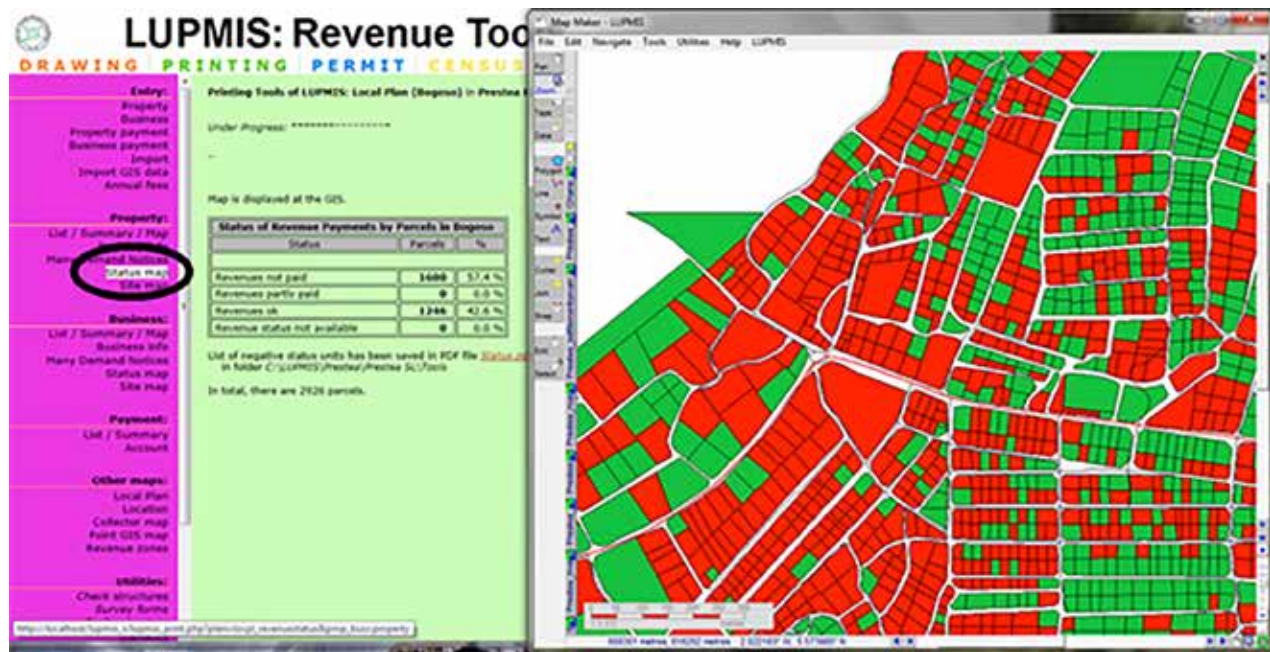
Red is unpaid, Green is paid—making it easier to direct tax collectors and more difficult for residents and business owners to avoid payment, thus enhancing effective tax administration. Efforts to replicate this approach are under way at the national level, where STMA's use of the LUPMIS revenue module is being seriously considered for recommendation by Ghana's Ministry of Local Government and Rural Development as a final step in the national street naming initiative. Other MMDAs have named streets but are not yet leveraging the initiative to collect and process revenue data.

Revenue Collection Kiosks

With IncluCity support, the AMA opened ten neighborhood revenue collection kiosks to make payment easier for residents. The kiosks also function as field offices for city revenue collectors, and are open daily during regular working hours. To complement the kiosk system, the AMA provides mini buses for the collectors to use in the field. Based on the perceived success of the IncluCity-supported kiosks, AMA has opened additional locations with their own funds.

In contrast to AMA's experience, STMA previously had collection booths, but found they were not as effective as anticipated, so they reduced the number. The STMA Mayor believes that the kiosks may be appropriate in the future, when citizens better understand their responsibility and the value of paying taxes, and do not require as much prompting to pay their bills.

Automated Rate Calculation Tool

As a standard practice, once the annual municipal budget is determined, MMDAs calculate the gap between estimated revenue and the level of funding required to support the budget. Tax impost rates that will yield the adequate revenue are then calculated. Because property tax rates are progressively associated with the status of the neighborhood (low, medium, high), IncluCity developed an automated calculation tool for the LUMPIS revenue model. It is now easy for policy makers to estimate the revenue associated with various rates, which in turn makes it easier for assemblies to consider "what if" scenarios to generate the amount of revenue necessary to fill the budget gap and preserve progressivity. This is an important contribution to moving MMDAs into the area of policy development, as it enables local governments to adjust tax rates on different types of properties.

---

[16] The assembly believes that the baseline of 22,000 contains duplicated data and that its accuracy is about 75%. Prior to the new system there were many properties that they could not locate to distribute bills; they do not have accurate data on how many bills they were able to distribute. IncluCity has made several attempts to determine the true baseline, but more accurate information will be unavailable until full implementation of the new system later in 2015.

Objective 2 Findings

The available revenue data (see the graphs below) show that the IncluCity assistance for implementation of the RIAPs coincided with an increase in internally-generated funds. While available data does not yet allow us to draw a causal link between the RIAP support provided by IncluCity and the increase in internally-generated funds, anecdotal evidence suggests that IncluCity interventions improved the quality of RIAPs and helped Metropolitan Assemblies demonstrate that RIAPS are being implemented regularly.

Assembly officials, including the Budget Director in AMA and the Mayor in STMA, expressed their intent to continue the annual RIAPs not only because they are required by the FOAT, but because they believe that the improved RIAP process has led to increased revenue collection. The AMA Budget and Rates Director now conducts routine quarterly revenue reviews to reveal which categories of internally-generated funds are over- or under-performing. From those reviews, staff are directed to take appropriate and – importantly—*timely* actions. Conducting periodic reviews and recognizing problems or potential problems early allows time to take action to mitigate or prevent significant revenue shortfalls.

The following graphs show internally-generated funds in AMA and STMA from 2006-2014.[17] Both Metropolitan Assemblies report continued, steady nominal increases in internally-generated funds during the four years of IncluCity interventions. (2010-2014 nominal IGF growth was 160% in AMA and 99% in STMA)

AMA Internally Generated Funds (IncluCity Begins 2011)
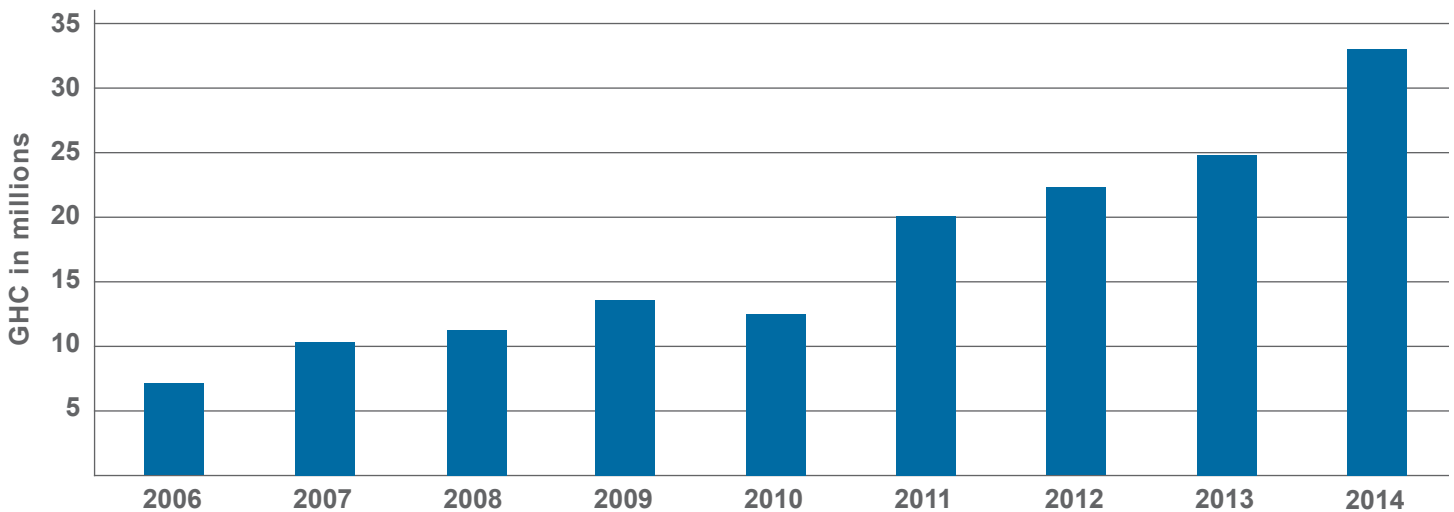
STMA Internally Generated Funds (IncluCity Begins 2011)

---
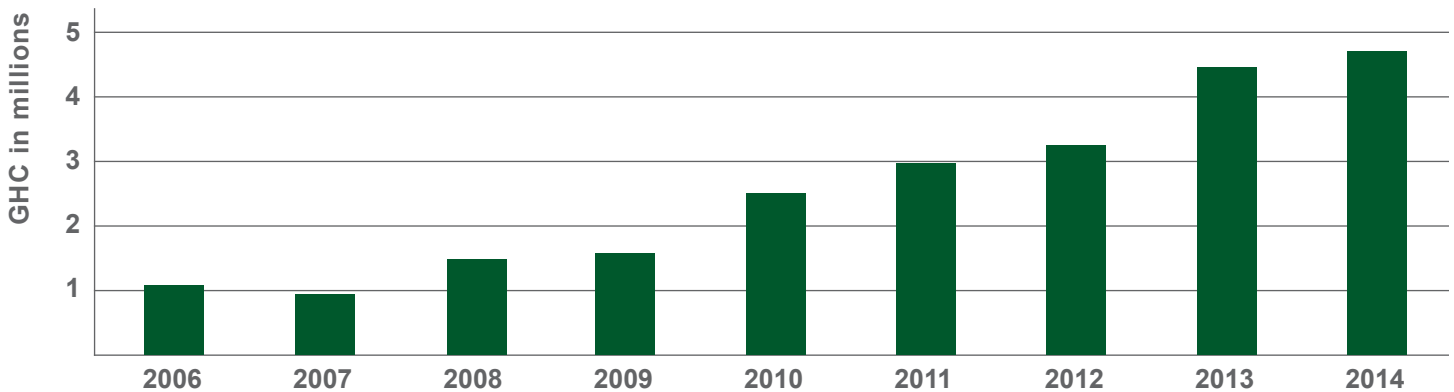
[17] AMA 2013 Annual Performance Report; AMA IGF 2006-2009. Spreadsheet, AMA Budget Office, 2014; AMA. Revenue Improvement Action Plans; 2013, 2014 & 2015; STMA Revenue Improvement Action Plan 2013, 2014 & 2015; Trend Analysis of IGF 2006-2011, STMA spreadsheet provided by STMA, 2014.

A more detailed analysis of the internally-generated funds categories indicates that in STMA, a considerable portion of the revenue increase came from the rates (property tax) category, indicating a possible association with:

- the 2013 property revaluation completed with IncluCity financial support,

- meticulous mapping that was done to populate the new internally-generated funds LUPMIS revenue module,

- training in coordination with the Land Valuation Division of the Lands Commission, and

- the intensive LUPMIS training and development support provided by IncluCity as described above.

Although, AMA did not revalue property, an effort to collect delinquent revenue in 2014 initiated by the assembly as part of their RIAP fueled strong internally-generated fund growth in the same 2010-2014 time period.

Lessons Learned

Internally-generated funds provide local governments with flexibility in planning and providing public services. However, as opposed to government transfers, they are generated through direct fees or taxes on constituents and therefore create the expectation of commensurate service delivery. A virtuous cycle of increased citizen participation in governance leads to increased revenue and improved service delivery. Global Communities designed the IncluCity program as a comprehensive set of activities to foster this virtuous cycle, and implementation has produced a number of lessons on the effectiveness of different programmatic activities.

Quality data is a top priority for improved governance

Information provided by the assemblies has shortcomings that prevent MMDAs from analyzing funding trends and planning and budgeting future investments in an effective and timely manner. This also impedes the central government's ability to make comparisons and measure performance across municipalities. Revenue data is revised, but the revisions are not explained and a corrected data series is not always published. Additionally, revenue and expenditure data reporting is not concise or easily understood by elected officials and the public. Even basic information—such as total revenues, expenditures, and taxes imposed—is not reported in consistent formats between MMDAs, or over time within the MMDAs. Similarly, municipal revenue data are not currently adjusted for inflation. Inflation running at 17% in 2014[18], means that if tax bases including ratable values, rents and fixed fees are not adjusted more frequently, it will be difficult for government to preserve purchasing power without significantly increasing tax rates.

The same data shortcomings hinder efforts to measure the impact of IncluCity efforts. Neither AMA nor STMA can provide data to tie increased internally-generated funds to increased expenditures to serve citizens of poor communities. Metropolitan Assembly data on project awards and expenditure by community is partially available, but it will require additional staff effort to collect and analyze. IncluCity staff members began working with their city counterparts to gather data necessary to understand whether service delivery project awards and expenditures have increased in the IncluCity communities since 2011. The planned 2015 Citizens Report Card in STMA will also provide information on changes in the public's perception of service improvements, although it will not be disaggregated by neighborhood.

Trust building comes first

It is clear from the perceptions of IncluCity participants that the significant outreach done to sensitize constituents (residents and business owners) and train local officials is vital to building the trust necessary to build IncluCity's Virtuous Cycle. Individual and business taxpayers who participated in the IncluCity processes of developing the neighborhood Community Action Plans and monitoring their progress understand the link between paying taxes and building better communities. The elected officials and community leaders who participated in the IncluCity-developed and -spon-

> *"This is the way we want to go – transparency, democracy, accountability and good governance."*
>
> —Mr. Mohammed Ali,
> Presiding Member, STMA

---

[18] http://www.imf.org/external/country/GHA/index.htm

sored training on inclusive governance and participatory planning and budgeting, delivered in 2011-2014 by the Institute of Local Government Studies, also understand this link–specifically, their responsibility for ensuring that internally-generated funds are used to provide services that respond to community needs.

Small grants were a very useful and cost-effective tool to build this trust while the program invested in building municipal capacity to increase internally-generated funds. Over the past three years, the IncluCity small grants leveraged funds to implement the highest-ranked projects in communities' Community Action Plans and

> *"It means our democracy is maturing – people expect their needs will be satisfied…"*
>
> —Cpt. Anthony Cudjoe (Ret), Mayor of Sekondi-Takoradi

connected the public planning process to timely improvements in service delivery. Businesses and community members participating in the process observed firsthand the pay-off from participatory planning and paying taxes when they saw new community water, education, health, road improvements and sanitation projects completed.

Build on successful government-approved initiatives and tools

While currently available data is unable to prove that IncluCity interventions are responsible for increases in internally-generated funds in AMA and STMA, it is apparent that IncluCity activities have set a strong foundation for increased internally-generated funds growth not only in AMA and STMA, but in the rest of the country as well. Much of IncluCity's success in this area has stemmed from its strategy of building on already-established government of Ghana programs and tools. The development of the LUPMIS revenue module is a smart way to build a revenue generation solution onto existing land use software. Street naming and mapping efforts build on President Mahama's national street addressing campaign and complement the LUPMIS revenue model effort. These initiatives also facilitate future property revaluation. The IncluCity team has begun consultations with the Ministry of Local Government and Rural Development, the Ministry of Finance, the Ministry of Planning, and relevant donors and organizations such as the World Bank USAID and ILGS to encourage use of the LUPMIS revenue module in all other MMDAs.

Similarly, the effort to improve RIAPs by AMA and STMA builds on an existing practice required by the FOAT assessment. AMA and STMA officials' adoption of these improved RIAP processes demonstrates that they value the additional information provided by more rigorous revenue projections and budget planning.

City-to-city exchange visits and forums organized by IncluCity seek to create momentum for nationwide expansion and self-perpetuation of program activities. These exchanges have grown to include the five largest cities in Ghana. Participants interviewed said the meetings were the source of new and practical ideas to improve local government. The five MMDAs participating in the city-to-city initiative agreed to fund the bi-annual event, and the Institute of Local Government Studies will provide technical facilitation.

Discussion Questions

There are still a number of open questions about what are the best practices for increasing internally-generated funds in Ghana.

1. How can municipal data collection and analysis be improved to allow for more informed policymaking? What additional information is necessary to make the link between increased municipal revenues and improved service delivery for poor communities?

2. The LUPMIS revenue model piloted in STMA is a simple, effective tool for increased internally-generated funds. What is the best way to scale up the different interventions to increase internally-generated funds for MMDAs across Ghana?

3. IncluCity's virtuous cycle is built on the idea that constituent engagement, participatory planning and budgeting will improve tax compliance. What can be done to keep the public and elected and appointed officials motivated beyond the life of the program?

Anna Lamberson, *PhD, the author of this case study, is an international development consultant in democracy and governance with over 25 years of experience in state and local governance, policy development and implementation, management, public administration, public finance and budgeting, legislative drafting and analysis, service delivery and capacity building. For the past six years she translated her experience as a US state and local government official to governance capacity building assignments in the post-conflict environments of Iraq, Yemen, and Afghanistan where she was posted as a Team Leader, Senior Public Finance Advisor, Economist and Budget Advisor. She managed staffs and developed work plans, monitored field activities and coordinated reports. Prior to international assignments, she was the executive director of the Legislative Finance Committee for the State of New Mexico, as well as Director of Finance and Administration, Budget Officer and Chief Financial Officer for the City of Albuquerque. She holds a BS, MS and PhD in Economics and served as Assistant Professor of Economics at New Mexico State University and as adjunct faculty in the Graduate School of Public Administration at the University of New Mexico.*

Ishmael Adams *is an urban, governance and youth development practitioner with about 10 years experience in urban governance and development; youth development and research. He holds a BS in Planning; a MS in Development Planning and Management both from the Kwame Nkrumah University of Science and Technology (KNUST), Kumasi, Ghana and is a certified/professional planner. He is currently a Project Director at Global Communities (Ghana) where he has worked since 2008 having managed private sector funded urban development, governance and youth development projects, currently managing the IncluCity Project leading the planning and execution of program interventions that built municipal staff and community representatives' capacity to deliver needed services to communities. Prior to joining Global Communities, he worked as a consultant building capacity of local government entities as well as served as a Teaching and Research Assistant in the Department of Planning of the Kwame Nkrumah University of Science and Technology, Kumasi Ghana.*