

Public finance for sanitation: Analysis of the sanitation surcharge in Akuapem North Municipality

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Quick read...

- Akuapem North Municipal Assembly (ANMA) introduced a surcharge of GHC 5 to the property tax in 2013. Revenue raised through this mechanism is to supplement the municipality's funds for sanitation
- Residents of Akuapem North consistently pay their property rate, and collection rates tend to be high. Those living in newer houses are significantly less likely to pay the tax as their homes have not yet been valued by ANMA and they are not billed
- The revenue collected through the surcharge is added to ANMA's general pool of internally-generated funding and is not ring-fenced or tracked
- Taxpayers are broadly supportive of the surcharge and its purpose to improve sanitation.
- 62% of respondents in ANMA were willing to pay an extra amount per month to improve environmental sanitation, and the pro-poor spending of revenue collected through the surcharge was highly supported by taxpayers

Rationale

Ghana's 254 Metropolitan, Municipal and District Assemblies (MMDAs) are legally mandated to provide social services, including sanitation infrastructure and services, to their residents. MMDAs have full discretion over how they spend internally generated funds. However, of Ghana's total spending on sanitation, only 2% is raised through domestic public finance.

ANMA is one of the few MMDAs to have introduced a mechanism specifically for the purpose of raising the municipality's internal funds for sanitation. A flat rate of GHS 5 added to the property tax, this sanitation surcharge has been in effect since 2013.

This project analysed the effectiveness of the surcharge in terms of amount collected and disbursed to date, as well as its level of support from the taxpayers and policy-makers of ANMA.

Methods

- Desk study of relevant policies, reports and other literature
- Interviews with staff from the Environmental Health and Sanitation Directorate of the Ministry of Sanitation and Water Resources, Municipal Budget Officers, Municipal Development Planning Officers, Municipal Environmental Health Officers and Landlords/ladies Associations
- Focus groups with homeowners
- A structured questionnaire for 409 homeowners/property owners across the municipality's revenue zones, in Adawso, Tinkong, Akropong, Larteh, Mamfe, Amanokrom, Mampong, Obosomase and Osabene

Urban Sanitation Research Initiative Ghana

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Findings

Sanitation in Akuapem North

Households in ANMA spend an average of GHS 20 each month on sanitation, roughly 1.5% of their total monthly expenditure. This is below the World Bank/World Health Organisation's sanitation affordability threshold of 5% and the lowest of the three municipalities included in this project (Akuapem North, Ga West and Kumasi). However, 'sanitation' in Ghana tends to have a wide definition that includes other services such as solid waste management, so expenditure on liquid sanitation services like pit emptying and toilet construction/management will likely be lower than 1.5%.

Akuapem North's rate of open defecation is nearly 9%. Most residents that do not have a household toilet rely on public toilets (70%) or a neighbour's toilet (19%). However, around 43% were dissatisfied with state of their public toilets, judging them to be inadequate facilities that are poorly maintained.

Taxpayer experience of the property tax

Awareness of the tax was very high at nearly 96%, and 92% reported paying their property tax every year. The most common reason given for not paying the property tax is that the task force or revenue collectors had not asked property owners to pay. In ANMA, those who own older buildings were more likely to pay the property tax – nearly all of those who lived in buildings more than 30 years old paid, compared to only around two-thirds of those living in buildings less than 5 years old. This is most likely because a number of new buildings have not been valued by ANMA, so these homeowners are not billed.

Despite this, property rate collection in ANMA has been fairly efficient, with 98-99% of the estimated total property rate included in the ANMA budget collected in 2014, 2015 and 2017 (with a slight dip to 76% in 2016).

Sanitation surcharge: collection and disbursement

Only 2.2% of surveyed taxpayers in Akuapem North are aware of the sanitation surcharge, which is a flat rate of GHS 5 applied to the property rate. ANMA has not ring-fenced any revenue raised through the surcharge, and no dedicated account exists for sanitation spending. All revenue raised from the property tax (including the surcharge) is added to the Assembly's pool of internally generated funds (IGF) so expenditure of surcharge revenue cannot be tracked.

The records of total spend of IGF on sanitation demonstrate that only 7-10% was spent on sanitation from 2015-2017. The amount raised by IGF remains dwarfed by that provided by external grants such as the District Assembly Common Fund.

Support for surcharge

62% of 135 respondents were willing to pay an extra amount per month to improve environmental sanitation in their neighbourhoods. The mean amount offered by respondents was GHS 23.50, with a range of GHS 1-100. Male property owners were more willing to pay than female taxpayers; as were those with primary and secondary education.

There was also support for spending part of the surcharge's revenue in poorer neighbourhoods, even if residents of those neighbourhoods paid less – around 66% of respondents either strongly or somewhat supported this idea. This was motivated partly by altruism and funding for more equitable development and service delivery. Others supported the surcharge because they perceived direct own-benefit from a reduction in sanitation-related disease and other environmental hazards caused by inadequate services.

Stakeholders within MSWR and ANMA accept the aims of the surcharge and believe that it could alleviate sanitation issues such as the provision and management of public toilets and support to households to construct their own toilets.

Recommendations

- Given taxpayers' support for pro-poor spending of the surcharge's revenue, ANMA should develop an implementation plan that targets poorer residents of Akuapem North
- Tracking and documenting expenditure will increase the transparency of the sanitation surcharge, and counter property owners' concern about the proper use of their taxes, encouraging higher rates of payment
- Re-assessing the property rate determination, including unassessed properties, is a clear way to increase revenue from property, and does not have to be an expensive process. Under the Land Tenure Regularisation programme, for example, nearly all of Rwanda's freehold and leasehold titles were issued at an average cost of only USD 6 per parcel - significantly less than the USD 46-76.50 per property/land parcel in Ghana

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