

## Research around sanitation surcharges included in property rates in Ghana

Synthesis of findings in Akuapem North, Ga West and Kumasi



- Prof Kwabena Biritwum Nyarko, Department of Civil Engineering, KNUST
- Dr Charles Yaw Oduro, Department of Planning, KNUST
- Dr Eugene Appiah-Effah, Department of Civil Engineering, KNUST



# Contents

- 01** Introduction
- 02** Profile of study areas
- 03** Approach and methodology
- 04** Presentation of key findings
- 05** Recommendations
- 06** Conclusions

## Introduction

- Sub-Saharan Africa is threatened by poor sanitation resulting from urbanisation.
- However, funding for sanitation is a major challenge for most MMDAs.
- Main sources of funding for MMDAs are:
  - District Assemblies Common Fund (DACF)
  - Internally Generated Funds (IGFs)
  - Central Government Budget Allocations to institutions such as the Environmental Health and Sanitation Directorate (EHSD) of MSWR.
  - Donor support through programmes and projects
- Despite these financial arrangements, Ghana is still bedeviled with sanitation challenges.
- The main reason for these challenges is the failure of MMDAs to mobilize adequate resources for the effective management of sanitation

## Introduction

- To address the challenges of sanitation financing, sanitation surcharges have been introduced in the Akwapim North and Ga West Municipalities
  - In 2013, the Akuapem North Municipal Assembly introduced an annual flat levy of GHC 5 as the surcharge, which is added to property rate.
  - Similarly, with support from WSUP, the Ga West Municipal Assembly approved and introduced in October 2016 a 10% surcharge on property rate
- The aim of the initiative is to generate additional revenue to supplement existing sources of funding for sanitation service delivery
- Revenue from the surcharge is supposed to be ring-fenced for the delivery of sanitation services in the two municipalities
- The sanitation surcharge approach is new in Ghana and little is known about whether and how it is working in the two districts
- The Department of Civil Engineering, KNUST, was commissioned by WSUP to research the implementation of the surcharge in the two districts

## Objectives

The main objective of the research was to help identify ways of ensuring that sanitation surcharges are:

- a) collected effectively (i.e. in significant amount), and
- b) disbursed in a cost-effective and pro-poor manner.

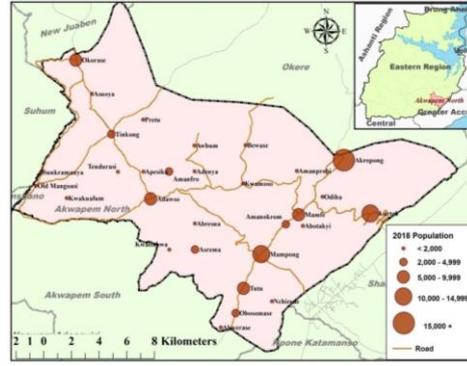
The specific objectives were to:

- assess the history — process, magnitude and use — of the surcharge to date
- explore taxpayer attitudes to the [existing or potential] surcharge, through both qualitative research and large-scale survey;
- explore decision-maker attitudes to the [existing or potential] surcharge; and
- identify, through structured stakeholder consultation and financial analysis, possible expenditures of revenues generated.

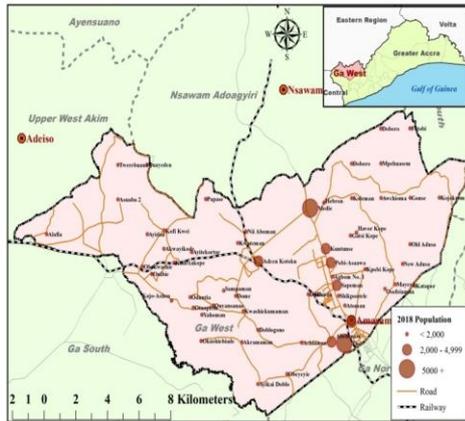
For KMA: The main objective of the research was to explore the possibility of implementing the sanitation surcharge.

# Study areas

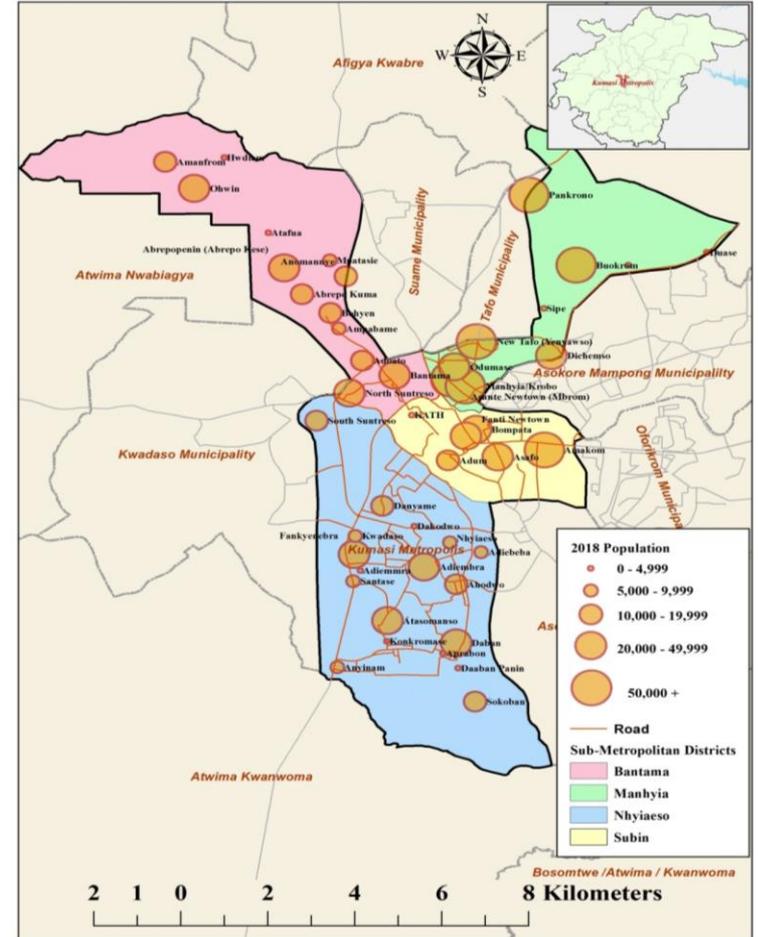
## Akuapem North



## Ga West



## Kumasi



## Approach and methodology

The study was conducted between May and November 2018 and utilised the following data gathering methods:

- Desk study
- Semi-structured interviews with key informant
- Focus Group Discussions
- Structured questionnaire administration to property owners

Key informants interviewed included:

- The Environmental Health and Sanitation Directorate of the MSWR
- Municipal Budget Officers
- Municipal Development Planning Officers
- Municipal Environmental Health Officers
- Landlords and Landladies Associations

This approach provided a comprehensive picture of how the policy has been implemented in the two Municipalities and prospects for its implementation in the Kumasi Metropolis.

## Key findings

### Akuapem North and Ga West Municipalities

#### **Assemblies' perspectives on what constitutes sanitation**

Both Akuapem North and Ga West Municipal Assemblies define sanitation to include a broad range of activities that promote environmental health.

- Collection and sanitary disposal of wastes, including solid wastes, liquid wastes, excreta, industrial wastes, health-care and other hazardous wastes;
- Storm-water drainage;
- Cleansing of thoroughfares, markets and other public spaces;
- Control of pests and vectors of disease;
- Food hygiene;
- Environmental sanitation education;
- Inspection and enforcement of sanitary regulations;
- Disposal of the dead;
- Control of rearing and straying of animals;
- Monitoring the observance of environmental standards (Ministry of Local Government and Rural Development, 2010)

## Key findings

### Akuapem North and Ga West Municipalities

#### Taxpayers' attitudes to the property rate

- Most taxpayers in the two municipalities have a positive attitude towards property rate, in terms of their awareness, willingness and actual commitment to its payment.
- The level of property owners' awareness about property rate is very high, particularly in Akuapem North where 96% of respondents said they were aware.
- The proportion of property owners who are willing to pay property rate is less than the proportion that is aware of the existence of the tax.
- The main reasons cited by property rate defaulters for non-payment were:
  - either revenue collectors of the Assemblies failed to go to them to collect it or nobody had ever requested them to pay the rate.
  - respondents did not trust the Assemblies to put funds generated from property rate to good use or utilize the funds in a manner that would benefit them (respondents).

## Key findings

### Akuapem North and Ga West Municipalities

#### Messaging of the sanitation surcharge policy to taxpayers

- The policy had not been effectively communicated to taxpayers since an overwhelming majority (98–99%) of property owners were not aware of it
- However, Assembly officials in both municipalities indicated taxpayers had duly been informed about sanitation surcharge
- Communication methods on surcharge to property owners are:
  - Invitation of representatives of property owners and other taxpayers to the Assembly during fee fixing sessions;
  - Directing Assembly Members and the sub-district structures (Town/Area Councils) to relay information about sanitation surcharge and other policies of the Assembly to communities within their jurisdiction; and
  - Public announcements using the Assembly's information vans.

## Key findings

### Akuapem North and Ga West Municipalities

#### **Decision-makers' attitudes towards the sanitation surcharge**

- Decision-makers indicated that the sanitation surcharge is a good policy that has the potential to improve sanitation service delivery.
- Despite this acceptance of the policy, commitment to its implementation was very low, which could also mean that issues of sanitation are not a top priority for the Assemblies.
- The low level of commitment to implementation of the policy was evident in the failure of the Assemblies to put in measures to track the collection, disbursement and utilization of proceeds from sanitation surcharge.
- Revenue collected through the surcharge is not ring-fenced for sanitation improvement.

## Key findings

### Akuapem North and Ga West Municipalities

#### Taxpayers' attitudes towards the sanitation surcharge

- Most taxpayers are opposed to sanitation surcharge. A small minority (21-23%) of property owners in the two municipalities explicitly expressed willingness to pay.
- Among property owners who expressed their willingness to pay something extra for sanitation improvement, males were more likely to be willing than females.
- Property owners with at least primary education were more likely to be willing than those without formal education while those whose household income belonged to the fifth quintile were more willing than those in other income brackets.
- However, in Ga West, willingness to pay did not have a statistically significant association with gender, education or income.
- The level of taxpayers' support for the sanitation surcharge policy in the two municipalities is generally low.
- However, most few taxpayers who knew about the policy said they supported it. This implies that stepping up awareness creation and sensitisation among taxpayers could increase their support for the policy.

## Key findings

### Akuapem North and Ga West Municipalities

#### Stakeholders' attitudes towards pro-poor spending on sanitation

- Officials of both Akuapem North and Ga West Municipal Assemblies indicated their support for pro-poor spending of revenues generated from sanitation surcharge.
  - However, there had not been any conscious effort or commitment on the part of the assemblies to ensure that this happened in reality.
  - Officials believe that the Assemblies' spending on sanitation had always been pro-poor by default. This was because, although the rich pay more in property rate than the poor (since the former occupy high-value properties), most of the sanitation services delivered by the Assemblies benefit poor households, especially in the provision of solid waste and toilet facilities.
- Despite their general opposition to sanitation surcharge, most property owners in both municipalities support the idea of spending proceeds from the surcharge in a pro-poor manner.
  - However, there is a significant minority (one-fifth) of property owners who oppose the policy because they do not trust the Assembly to use proceeds from the surcharge for the intended purpose or they think such spending is not their priority.
  - Others also think the rich are not responsible for financing sanitation in poor communities.

## Key findings

### Akuapem North and Ga West Municipalities

#### **Mobilisation and management of revenue from the sanitation surcharge**

- Assessing the contribution of the sanitation surcharge to revenue generation and expenditure on sanitation has been difficult because revenue from the surcharge has not been ring-fenced.
- IGF spending on sanitation, of which sanitation surcharge forms a small portion, accounts for less than 10% of the Assembly's total expenditure on sanitation.
- Neither Assembly has reviewed their sanitation surcharge (flat rate of GHS5 / 10%) per property since their introduction in 2013 and 2016 respectively.
- In Ga West, the Assembly's performance in mobilizing revenue from property rate has been poor and this translates into poor performance in sanitation surcharge collection.
- Close to half of property owners admitted they did not pay property rate, and about one-fifth of those who claimed to be paying the rate had defaulted payment for at least two years.

## Key findings

### Kumasi Metropolitan Assembly

#### Taxpayers' attitudes towards the property rate

- Most taxpayers in Kumasi have a positive attitude towards property rate in terms of their awareness, willingness and actual commitment to its payment.
- The level of property owners' awareness about property rate is very high—99% of respondents said they were aware.
- The proportion of property owners who said they paid their property rate was higher than the proportion that expressed willingness to pay.
- The main reasons cited by property rate defaulters for non-payment were:
  - Either revenue collectors of the Assembly failed to go to them to collect it or nobody had ever requested them to pay the rate.
  - Taxpayers did not trust the Assemblies to put funds generated from property rate to good use or utilize the funds in a manner that would benefit them (respondents).

## Key findings

### Kumasi Metropolitan Assembly

#### **Stakeholders' attitudes towards pro-poor spending on sanitation**

- Officials of the Kumasi Metropolitan Assemblies indicated their support for pro-poor spending of revenues generated from sanitation surcharge.
- The proportion of property owners who support the idea of spending proceeds from sanitation surcharge in a pro-poor manner, should such a policy be introduced to the city, was less than half (43%).
- Over a third (38%) of them were explicitly opposed to it because:
  - They did not trust the Assembly to make good use of revenue (33%);
  - They thought the construction of toilets is the responsibility of landlords (32%);
  - They would not benefit from it directly (13%).

## Conclusion

- The study sought to shed light on how the attitudes of policymakers (technocrats) and taxpayers (property owners) might affect the policy of imposing sanitation surcharges on property owners using property rate as a channel for collection.
- Policymakers' acceptance and approval of pro-poor sanitation surcharge have failed to translate into effective implementation of the policy, mainly as a result of lack of commitment on the part of technocrats and failure to appoint somebody to champion and coordinate the implementation process.
- Level of compliance with property rate payment is low in Ga West, mainly as a result of the failure of the Assembly to demand payment from them as well as mistrust in the Assembly.
- Property owners' support for the pro-poor sanitation policy was found to be fairly high in the two municipalities but quite low in the Kumasi Metropolis.
- Some property owners did not support the policy because of mistrust and negative perceptions about the Assemblies. Therefore, in order for the sanitation surcharge to receive popular support, there is the need for the Assemblies to address the issues of public mistrust and negative perceptions.
- Lack of effective communication and engagement with taxpayers.

# Recommendations

## **Prepare an implementation strategy**

An implementation strategy with clearly defined targets, actions and responsibility assignment should be prepared to guide the implementation of the sanitation surcharge policy

## **Improve upon performance in property rate collection**

Since the sanitation surcharge is tied to property rate, Assemblies should therefore improve upon their performance in property rate collection

## **Reconsider the GHS 5.00 flat rate (Akuapem North)**

Assembly adopts the proportional approach where the surcharge is assessed as a percentage of how much the taxpayer pays in respect of property rate

## **Effectively communicate and engage with taxpayers**

Assemblies need to devise strategies to effectively communicate and engage with taxpayers and the public at large to gain public trust and cooperation.

- making their annual revenue and expenditure statements available to the public , publicising development projects and other activities they undertake, and creating a system for eliciting and receiving feedback from citizens
- A mix of communication methods (periodic town hall meetings at the community level, community forums/durbars, radio announcements and discussions, and digital marketing (such as SMS messaging, WhatsApping and other social media modes) should be explored for this purpose.