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Opinion

Digitisation, best way forward

By Prof. Augustin Fosu & Dr
Bjorn Lomborg

WHEN President Nana Addo Dankwa Akufo-Addo was recently sworn in for the second time, he emphasised how Ghana is set to become one of the most digitised economies in Africa over the next few years.

This, he pointed out, can drive the enterprise and ingenuity of the nation, and help push economic prosperity.

Of course, no government, no matter how rich or powerful, can do all things. Even President Akufo-Addo will have to prioritise which policy areas his second term will focus on.

But digitisation is an excellent place to start.

Digitisation can help streamline bureaucracy and cut down waiting time and uncertainty for ordinary citizens when applying for a passport, selling or buying property, or setting up a new business. It can help reduce the inefficiencies and, with less human involvement, diminish opportunities for corruption.

By making government work better, digitisation can definitely help unleash the economy.

We know this not only in general, but specifically for Ghana and for revenue collection. We know this because digitisation was the very top outcome of Ghana Priorities, a collaboration between the National Development Planning Commission (NDPC) and the award-winning think tank, the Copenhagen Consensus, aiming to identify the most cost-effective solutions for the country.

Over the last year, 28 teams of economists analysed more than 80 interventions to find the ones that would yield the highest return for each cedi spent in economic, social and environmental terms.

When all the research had been conducted, an eminent panel heard evidence across all these policies to identify the very best opportunities for Ghana.

The Eminent Panel consisted of the former Minister of Finance Mr Ken Ofori-Atta, the Minister of Planning, Prof. George Gyan-Baffuor; a former Finance Minister, Prof. Kwesi Botchwey; Professors Augustin Fosu, Ernest Aryeetey and Eugenia Amporfu along with Nobel Laureate Finn Kydland.

Of all the more than 80 interventions, the Panel found that the most effective policy for Ghana was to ramp up digitisation for property and business fees. Why is that?

As Prof. Botchwey pointed out, digitisation is vital for local governments to generate their own income, while other panel members also recognised the potentially transformative nature of digitisation.

Digitising property and business fees can make tax collection much more efficient, and this will help municipalities to provide the best possible services to citizens.

How?

How can Ghana achieve that? The nation has a legal decentralisation framework that allows for the fiscal autonomy of the Metropolitan, Municipal and District Assemblies (MMDAs) with important planning and coordination functions.

The MMDAs are responsible for infrastructure and service delivery in key sectors of public life: waste management, transport, roads, housing, disaster prevention, births and deaths, among others.

However, Ghana's MMDAs still depend on central government transfers to fund their development, generating only approximately 20 per cent of their total budget with their own resources.

Streamlined, digitised revenue collection has the potential to improve their autonomy.

One option is to use the District Local Revenue (dLRev) software which has been developed jointly by Ghana's Ministry for Local Government and Rural Development (MLGRD) and the Governance for Inclusive Development (GovID) programme of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

dLRev

With a digital address map of a district, a spatial database and a fiscal cadastre of revenue items, digital revenue collection can manage data, billing, and collection, and do so both more effectively and with less risks for corruption.

dLRev has already been tested in nine municipalities that have been using the software throughout the year 2019, and using that data, we can estimate its costs and effectiveness.

Previously, the identification of business and property ratepayers was manual, lasting approximately 120 man-days per 10,000 parcels.

With digitisation, the data collectors undergo training and use tablets to upload new information immediately to the address map, which reduces the time of data collection to 20 man-days per 10,000 parcels.

Before

Before dLRev, most assemblies also issued demand notices to clients for the payment of the rates, rents and other bills, but most of them were hand-written. Even the distribution of bills posed a major challenge for the revenue collectors, as most buildings were not numbered.

The cost ranged from 15 to as many as 80 days, with an average of 25 days. With digitisation, this time decreased to only two days for the average municipality.

As a result, both the number of ratepayers and the compliance rate increased, and the revenue collected grew by an average of 54 per cent in the first year of implementation.

The total benefits of the implementation calculated for an average MMDA are GH¢4.3 million, which means each cedi spent on this intervention yields a return nearly nine times higher.

Just a few months ago, the Minister of Local Government and Rural Development launched a larger digital roll-out.

The President is right to emphasise the digital opportunities for Ghana. Across all possible policies, the Eminent Panel of Ghana Priorities has concluded that digital revenue collection is the best policy to embark upon; it will indeed transform the whole Ghanaian economy toward most desirable development.

The writers are Professor in the Institute of Statistical, Social and Economic Research (ISSER) at the University of Ghana and President of the Copenhagen Consensus, respectively.

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