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POLICY BRIEF

actionaid ghana

Leveraging Domestic Taxation for Sustainable Financing of the Education Sector in Ghana

1 Executive summary

This policy brief examines the dwindling state of education financing in Ghana and its impact on learning outcomes and inequality. Despite the government's commitment to free and compulsory education, the brief demonstrates that the budget for education is insufficient and sometimes not fully disbursed. It further reveals that the underfunding of education in Ghana has led to public schools charging unauthorized levies while delivering poor quality education. This has led to an increase in private schools, which are also not well regulated and supervised to ensure the maintenance of minimum quality standards.

The policy brief has been developed from desk and case studies conducted by ActionAid Ghana in 2017. This study also showed that Ghana is losing huge sums of money estimated at $1.2 billion annually (ActionAid, 2012) in harmful tax incentives. Even if only 20% of the colossal amount lost in needless incentives had been allocated to education, it could have paid for additional places in school for the 319,000 children estimated to be out of school or about a 10,000 additional teachers or free school meals for 557,892 children. The policy brief, therefore, recommends the plugging of tax loopholes to grow Ghana's stagnating Tax to GDP ratio. This will enable government to increase the resource envelope to education to about 20% of the national budget and help reduce the cost of education on parents while improving quality in education.

2 Introduction

Education is the foundation for social equity and development, as it equips people with the knowledge and skills they need to fully develop their potential in order to participate in socio-economic development. It provides rewarding avenues for people to escape the intergenerational cycle of poverty and take control of their destinies. Public investment in education contributes to higher productivity by improving skills and health of the citizens of a country, thereby contributing to economic growth.

The Constitution of Ghana (Article 25) affirms that "basic education shall be free, compulsory and available to all." The Education Act, 2008 (Act 778) and the Children's Act, 1998 (Act 560) guarantees the Right to Education in Ghana. The Government of Ghana is, therefore, mandated to provide free access to basic education for all. The Free Compulsory Universal Basic Education (FCUBE) reforms of 1996 were designed to enforce the objective of ensuring free and compulsory basic education to all children of school going age. However, inadequate financing due to insufficient revenues, low efficiency in allocation as well as inefficiencies in the utilisation of current funding, remain the major impediments to providing free quality basic education in Ghana.

School building

3 Results and Implications

3.1 State of Financing Education in Ghana

The desk study showed that despite its commitments, Ghana's resource allocation to the education sector has not kept pace with the increasing enrolments and accompanying demands of new reforms in the sector. The share of education as total government expenditure has declined from 27.2% in 2012 to 13.5% in 2016. This is well below the international benchmark.

The decrease shows that the percentage of other sectors of the total national budget was increasing or new sectors are being introduced at the expense of education. This widens the financing gap in meeting the needs for basic education for children. As more and more children have enrolled in schools, already constrained budgets have been stretched even thinner, with governments neglecting critical areas and/or compelling schools to turn to unauthorized levies to be able to function. Privatisation of basic education tends to increase social inequalities and promotes a stratified social system that denies equal opportunities in the country.

3.2 The poor are shouldering the funding burden

According to the GLSS 6 Main Report, a typical household spent GH¢ 459 (US$ 137) per household member attending school per year in 2012/2013. Expenditure on education accounts for 15% of total expenditure for urban households, and 11% of spending for rural households. The ActionAid Ghana study showed that the average cost of sending a child to a public school was much higher when all fees were taken into account, that is, GH¢ 811.55 per year.

However, sending a child to a private school cost GH¢2,028.49 per year, that is, more than twice the cost in a public school. These costs have led to 18% of the parents in the survey sample, having withdrawn their children from school with the main reason being lack of money for school fees (63%). However, as education is a priority for many families (81.5% of the respondents), they would send their children to school if there was a reduction of school costs or a bursary was available. Until this support comes, they will continue to make huge sacrifices in terms of providing for other needs or prioritising some children over others.

3.3 Inadequacy in education financing fuels Inequality

The main effect of the liberalization of education in Ghana has been that it has become commercialized, as opposed to being a public good, leading to unequal educational opportunities. It promotes social and economic inequalities in society, as the rich go to private schools which are perceived to be able to deliver quality education, enable children obtain good grades and progress along the education ladder. This has in turn been attributed to the government's failure to adequately fund public education.

The regulation of private school providers is not effective. For instance, the majority of the teachers of private schools are untrained (only 8.1% were trained, in comparison to 75% of trained teachers in the public sector (EMIS, 2014/15). The Ministry of Education Report has admitted that *"…once registration is granted, the proprietors of private schools make supervision difficult and information received from most of the schools tend to be unreliable"*[1]. There is a need to ensure the necessary supervision regarding the conditions of enrolment, the quality of education provided while promoting transparency and efficiency in the management of education resources.

3.4 Finding a Solution in Domestic Progressive Taxation

Ghana's ambitious education laws and its strategic plans over the years will fail unless they are adequately and sustainably financed. Domestic revenue taxation is the most predictable and sustainable way of financing education and other national expenditures. However, one of the challenges faced by the country is a narrow tax base that translates into limited public resources.

On average, Ghana's revenue has staggered at only 15% of her GDP partly because the country loses huge resources through harmful tax incentives estimated to amount to $1.2 billion each year (ActionAid 2012). These lost revenues could have, otherwise, enabled the government to finance education. Specifically, these additional resources could have paid for an extra school place for each of the 319,000 children estimated to be out of school, about 10,000 additional teachers and free school meals each year for 557,892 children.

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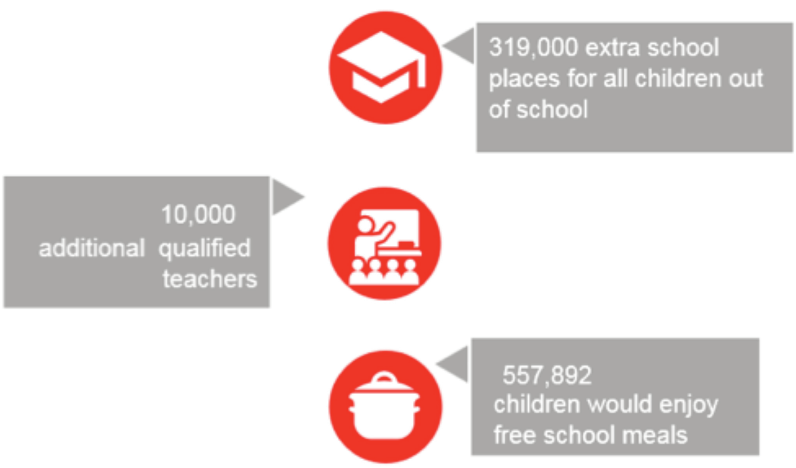
If 20% of the $1.2 billion lost to tax incentives annually was used for education, this $240 million could pay for:



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RIGHT TO EDUCATION PROJECT

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[1] Education Sector Review Final Team Synthesis Report, 2002

3.5 Plugging Tax Leakages by Curbing Corruption

Corruption is another source of revenue leakage that deprives education of much-needed funds. Corruption continues to undermine government efforts to provide public services like education, as it results in diversion of public or corporate resources to private use. Corruption, for example, compromises school quality when funds intended for infrastructure or school supplies are diverted into private pockets.

4.0 Policy Recommendation and Conclusion

From its study, AAG has, therefore, concluded that increased allocation to the education sector are key to improving education outcomes but this is only possible with the availability of increased domestic tax revenues. Unfortunately, Ghana has a narrow tax base, is plagued by low levels of compliance from the business sector and is overshadowed by overly generous tax breaks granted to multi-national corporations operating in the country. This has compelled the country to rely more on indirect taxes such as Value Added Tax (VAT) which impacts more negatively on the poor because it is regressive in nature.

AAG, therefore, recommends that the government pursues the following to increase its human and economic development through quality public education:

a) Revise tax treaties and stop harmful tax incentives, strengthen the tax system and curb corruption so as to increase domestic revenues for the country' development, including investment of education;

b) Allocate sufficient resources to the education sector, at least 20% of the national budget, with a view to improving infrastructure and facilities of public schools, including sanitation, working conditions of teachers, and teaching materials;

c) Strengthen provision of public education by improving quality of learning, recruiting sufficient teachers, increasing the number of contact hours in schools and improving the retention and learning outcomes of rural girls and other disadvantaged groups;

d) Strengthen regulations and improve monitoring and oversight mechanisms for public and private education institutions;

e) Curb the increase in private schools and establish mechanisms to monitor the compliance of existing private schools with minimum educational standards, meet curriculum requirements and qualification of teachers.

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