

POLICY BRIEF

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## Financing Education in Ghana



How Progressive Taxation can Increase Government's Spending on Public Basic Schools and Reverse Education Privatisation





# **Financing Education in Ghana**

**How Progressive Taxation can Increase  
Government's Spending on Public Basic Schools  
and Reverse Education Privatisation**

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# BACKGROUND

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## Policy Framework

The education sector in every nation is the foundation for human development, productivity and economic transformation. Ghana's Education Strategic Plan (ESP) 2018 – 2030 and the Education Sector Medium Term Development Plan (2018-2021)<sup>1</sup> spell out the strategies of Government for the education sector over a period of 12 years. The objectives of the ESP include improving equitable access and participation in quality education at all levels; bridging the gender gap in access to education; improving quality of teaching and learning; promoting science and technical education at all levels; and improving the

management of education service delivery. Since 2010, the Ghana Shared Growth and Development Agenda (GSGDA I& II), which was implemented over a period of six (6) years, emphasised the reduction of poverty and inequalities and advocated for access to quality education, child development and protection. It also called for equitable participation of women and girls, youth and people living with disability.

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<sup>1</sup> The Education Strategic Plan (ESP) 2018 – 2030 and the Education Sector Medium Term Development Plan (2018-2021), Ministry of Education, Ghana.

The priority interventions in the GSGDA II for basic education include strategies to accelerate the enforcement of the compulsory component of the Free Compulsory Universal Basic Education (FCUBE), implement the policy and integrate persons with special needs into mainstream education while strengthening institutions responsible for training persons with disabilities.

However, the GSGDA failed to achieve these objectives in the period. As a result, private education, which is affordable by only a privileged few, continues to dominate the basic education sector in Ghana.



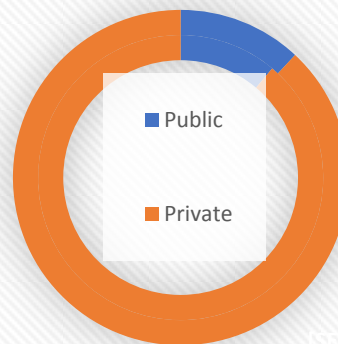
## Privatisation in the Education Sector

Privatisation in education is a growing phenomenon worldwide. According to the Education for All Global

Monitoring Report 2008, between 1991 and 2004, private primary school enrolments increased by 58%

(from 39 to 62 million), while public school enrolments increased by just 10% (from 484 to 530 million) worldwide.<sup>2</sup> In Ghana, the statistics is alarming, particularly with the skewed increases in the number of private schools. Private primary schools recorded an astronomical increase of 222% between 2001 and 2018, while public primary schools recorded only 22.7% in the same period. This pattern also reflected in the enrolment levels in these schools, with enrolment figures heavily skewed towards private schools. Enrolment levels increased by 9.4% in private primary schools compared to 3.8% for public primary education between 2001 and 2015.<sup>3</sup>

## Rate of Increase in Public Vrs Private Schools (2001-18) in Ghana



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<sup>2</sup> Background paper prepared for the Education for All Global Monitoring Report 2008 Education for All by 2015

<sup>3</sup> ActionAid (2017). Tax, privatisation and the right to education

<sup>3</sup> ActionAid (2017). Tax, privatisation and the right to education Report.

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([http://www.actionaid.org/sites/files/actionaid/tax\\_privatisati\\_on\\_report\\_online.pdf](http://www.actionaid.org/sites/files/actionaid/tax_privatisati_on_report_online.pdf))







The reasons for the increase in private schools and enrolments are:

- (i) insufficient supply of public school spaces;
- (ii) low quality of public schooling; and
- (iii) a public education system that fails to meet the diverse, differentiated needs of families.

### **What are the problems?**

The problems in financing public education in Ghana have largely been created by competitive demands from various sectors of the economy on limited public resources. Another challenge is the poor financing of public education and the State's abdication of the responsibility of education financing to private providers. This has adversely affected access and quality of public basic education over the years.

The government's education sector expenditure has not been regular over the years. While it achieved

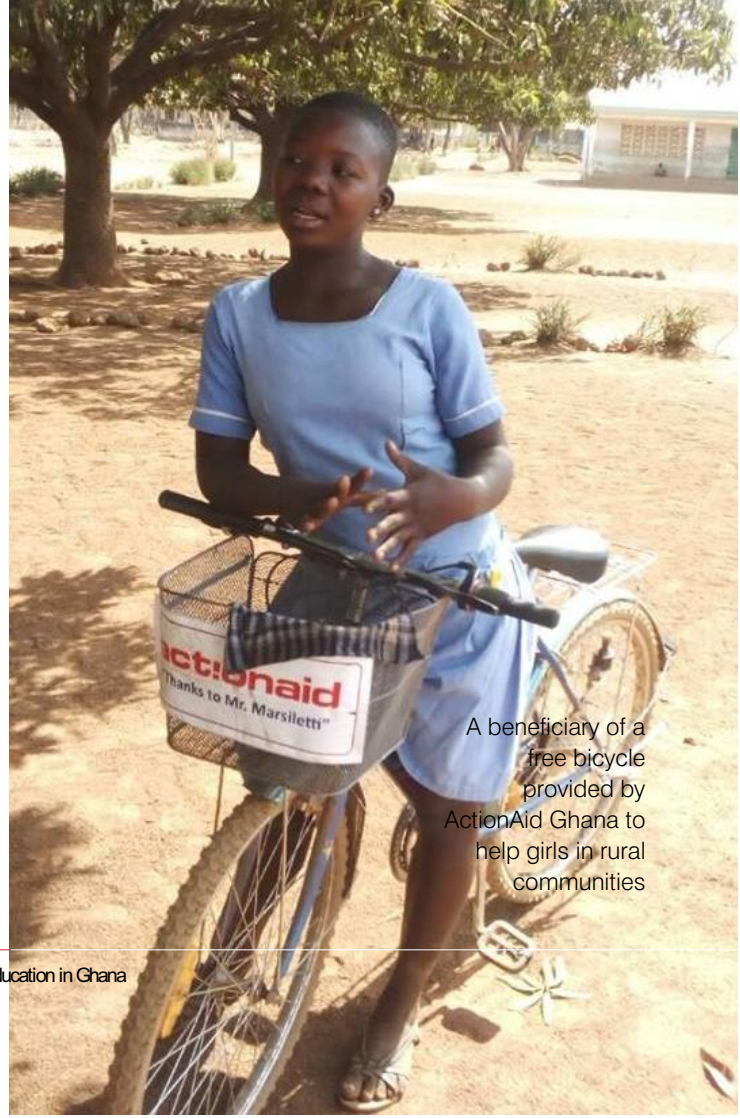
recommended levels above 20% of all Government allocations for the education sector, these occurred in only a few years, between 2011 and 2013. The projection, however, shows a decreasing trend in Government allocations to the education sector<sup>4</sup>.

According to the Global Education Monitoring (GEM) Policy paper in May 2018, closing the education financing gap would require a six-fold increase in levels of aid, as much as 42% of education costs<sup>5</sup>. While domestic financing, particularly regarding the capacity of developing countries' (low and middle-income) to raise their own revenues for education is projected to cater for a substantial portion of about \$19 billion annually, this effort is yielding little result due to the inability to adequately plug tax loopholes or grow their economies to provide the needed extra funds to finance education.

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<sup>4</sup> Budget appendix, 2018 Government Economic Policy and Budget Statement, Ministry of Finance, Ghana

<sup>5</sup> The Global Education Monitoring Policy Paper (May, 2018)



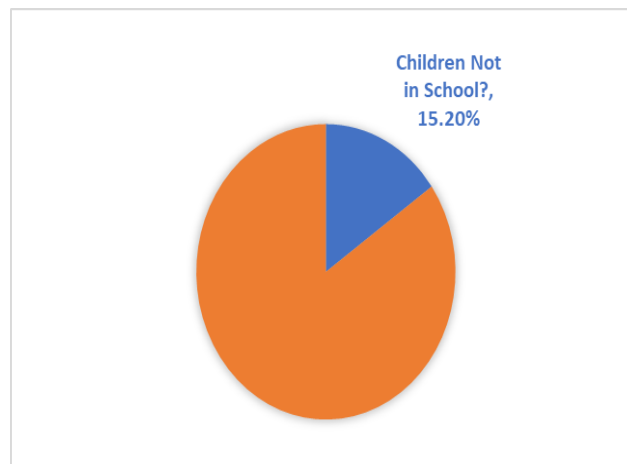
A beneficiary of a free bicycle provided by ActionAid Ghana to help girls in rural communities

## What is the specific problem in Ghana?

It has been speculated whether governments over the years have engineered the privatisation of basic education in Ghana. Private schools are increasing at a rate of almost eight (8) times more in 2018, from a previous rate of three (3) times in 2001, compared to public schools<sup>6</sup>.

In a case study of the Ga South Municipality, which has predominantly sub-urban characteristics, it was evident that about two-thirds of basic education is provided through private schools. Most families cannot afford to send their children to private schools. Meanwhile, public schools are not free. Children have to pay exam fees, uniform fees, PTA dues, etc which keep many away from school. Out of the 336 households sampled in the Ga South Municipality, 51,

representing 15.2% had pupils who were out of school, mostly due to financial difficulties.



This confirms a high dropout rate as recorded by the Ghana Education Management Information System (EMIS). The very low Gross Enrolment Rate (GER) at the basic level, which is worse at the higher levels

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<sup>6</sup> Education Management Information System (EMIS) data, Ghana Education Service (2001-2018)

attest to this fact. The municipality achieved only 63.6% in its GER, compared with the national average of 83.8% from 2011 to 2018.

The case above is common in many poor districts and communities across Ghana, where basic education delivery is increasingly being pushed to private providers. As a result, the government's commitment to provide free and compulsory basic education for all has also been questioned.

Public school pupils writing on the floor



## How did the problem come about?

Generally, the government's initiative to promote universal basic education system through private participation has produced a two-tier basic education system where the rich and middle class citizens send

their children to quality basic private schools while the poor patronise poor public basic schools. This has caused neglect, low demand and apathy towards public basic schools in Ghana.

In the Greater Accra Region, years of neglect of public basic schools and the inability of the Government to keep pace with urbanisation and

## What can be done?

While the education sector has suffered resource constraints and policy implementation challenges, lack of adequate infrastructure has been found to limit school access and quality in Ghana. More than 70% of the government's financing, being the largest share, goes into goods and services, with little to invest in infrastructure. However, international agreements and protocols such as the Convention on the Rights of the Child (CRC), International Covenant on Economic, Social and Cultural Rights (ICESCR) and the Constitution of Ghana provide for equitable investment and funding for the promotion of public education. Extra targeted funding is required to actualise these rights. The government must begin to

settlement expansion have resulted in the huge gap in public basic education financing in the region.



**Deplorable learning conditions in a public school**

see education, especially at the basic level, as a right, so that the poor are not left out in the increasing privatisation of the basic education system.

Discrimination is already taking place in different forms and levels in Ghana's education system. Introducing unfettered market principles in education serves just a few, entrenches and increases social stratification. Good quality private schools are very expensive in Ghana and only high and few middle-income earners can afford to send their children to such schools. The poor is excluded from enjoying quality education, which is usually guaranteed in expensive private schools. Meanwhile, public schools

produce majority of students who end up in the country's free senior high schools and tertiary institutions. This is creating a class system where the poor remains poor while the rich continues to benefit from quality education. The government must reconsider its promotion of education privatisation by increasing financing and making public basic schools truly free and compulsory. This will ensure that more children from deprived economic backgrounds enjoy their right to quality education.

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## **What is at stake?**

In many aspects of social and economic life in Ghana, there are increasing levels of exclusion, discrimination and inequalities, which could lead to the destruction of the national fabric. In many failed states, huge sections of their people are neglected,

giving rise to social revulsion and instability. To promote equity and fairness across all sectors of the society, the education system must ensure that it leads to the reduction of inequality in all aspects of national life.

## What is Government doing?

As part of its commitment to make education accessible to all, the government has over the years met international benchmarks for education financing, but this has not reflected adequately in the public basic education sector.

Currently, the government is implementing a “free senior high school” financing system, which has

mostly been lauded by many Ghanaians. However, majority of the poor who send their children to poorly financed public basic schools are required to qualify through a nationally competitive basic examination system before they can enjoy the tax funded free senior high education. This is largely discriminatory because there is no common performance baseline for all children, rich or poor.

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In 2015, the Addis Ababa Action Agenda on public financing of the SDGs including education, encouraged Governments to ‘redouble efforts to substantially reduce illicit financial flows by 2030 including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation’ in order to address the funding gap and commit to the 2030 benchmark

## What else can be done?

The government must look at its tax system again. Countries are enjoined by the Addis Ababa Action Agenda to commit to “redouble efforts to substantially reduce illicit financial flows by 2030, including combating tax evasion and corruption through strengthened national regulation and

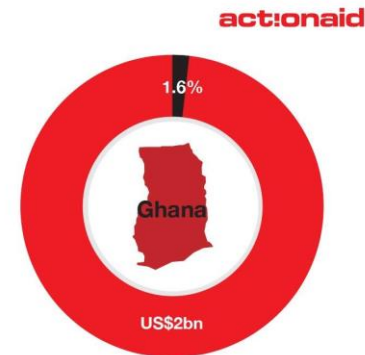
increased international cooperation". A further tax avoidance by incorporating anti-abuse clauses into tax treaties. Countries also committed to ensure that "all companies, including multinationals, pay taxes to the governments of countries where economic activity occurs and value is created" (United Nations, 2015)<sup>7</sup>.

However, while Ghana continues to give outrageous tax incentives to multinationals, it has also signed tax laws and negotiated treaties that do not inure to the benefit of the country. Saving even 20% of tax incentives (estimated from annual losses)

commitment was made to reduce opportunities for could yield about \$240m annually to solve some of the problems in the basic education sector.

**Ghana loses an estimated US\$2 billion each year to tax incentives. Just 1.6% of this could educate all 289,456 girls currently out of primary school.**

**#FundTheFuture**



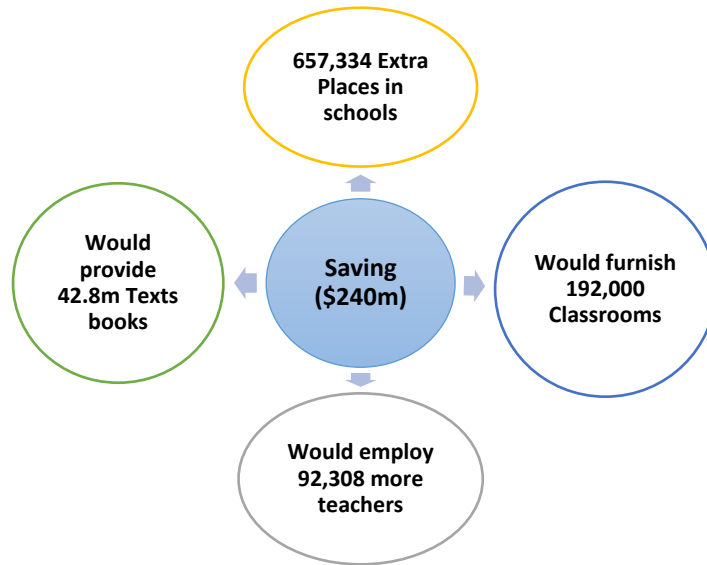
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<sup>7</sup> United Nations. 2015. Addis Ababa Action Agenda of the Third International Conference on Financing for Development. New York, United Nations.



Ghana's tax incentive regime comprises a varied range of tax exemptions and several forms of preferential tax treatment. This was estimated by the World Bank to cost the Government of Ghana an estimated 5.2 percent of GDP (about Ghc10 billion) in foregone revenue in 2013 alone (World Bank, 2017)<sup>8</sup>.

These tax incentives, if curtailed, could yield additional resources for the government to finance basic education, as illustrated above.



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<sup>8</sup> Fiscal Consolidation to Accelerate Growth and Support Inclusive Development: Ghana Public Expenditure Review, (May 8, 2017). World Bank Group.

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