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GHANA NATIONAL POLICY BRIEF

WHO CARES FOR THE FUTURE – FINANCE GENDER RESPONSIVE PUBLIC SERVICES!

This summary briefing for Ghana draws on data and analysis from the global report Who Cares for the Future: Finance Gender-responsive Public Services which was published in April 2020 to coincide with the virtual IMF / World Bank Spring Meetings

SUMMARY

The Covid-19 crisis has revealed the extent to which public services have been under-funded for a generation across Africa, with women in the poorest communities often having to take the strain and fill the gaps through unpaid care and domestic work. This crisis is however an opportunity for some fundamental changes, with governments looking for structural solutions and new ways forward, in short to build back better. Ghana is spending 59% of its revenue in debt servicing[1], the second highest in the world.

This must be suspended in the short term (through to end 2021) to allow for a comprehensive response to Covid-19, and then renegotiated in the medium term to ensure that debt repayments do not compromise the spending on public services needed to deliver on the SDGs. To rebuild public finances Ghana needs to rapidly and fairly expand its domestic tax revenue (from its low base on 12.6% of GDP)[2], aiming to increase by at least 5% in 5 years, which would allow a doubling of spending on most public services.

Action is also needed to push back on IMF policy advice that has pressurised the government in recent years to freeze public sector wage bills, undermining the capacity to employ more teachers (to match the scale of expansion), doctors, nurses, care workers (to respond to Covid) and other essential frontline staff. By taking a combination of actions on tax, debt and austerity the government of Ghana could transform the quality of all public services and start shaping a sustainable economy that cares for both people and the planet.

INTRODUCTION

On average women spend four hours and 25 minutes daily doing unpaid care and domestic work, in comparison to men's average of just one hour and 23 minutes. In Ghana, ActionAid's research found that this was even more acute: rural women spend at least six hours per day on unpaid care work, which is almost ten times more than men[i]. Globally this is changing by less than a minute per year. If properly valued this work would constitute at least 9% of global GDP or US$11 trillion[3].

When women spend several hours a day caring for children, provision of free public schools and early childcare can be transformative. When women are expected to care for the sick and elderly at home, access to health services can reduce the burden. When women spend hours collecting water, access to clean water close to home can transform lives. Indeed, the provision of gender responsive public services is key both to delivering on human rights and the SDGs, and to transforming women's lives. Quality provision of early childcare, public education, health care, water and sanitation, are crucial – alongside investments in energy, agriculture and social protection.

Unfortunately, around the world and particularly in Africa, different public services have been chronically underfunded for decades, leaving countries unable to deliver on people's rights, way off target for achieving the SDGs and unable to respond as effectively as they could to COVID-19.

YOUNG URBAN WOMEN AND WATER

People often assume that collecting water is a more time-consuming task for women in rural areas than in urban areas – but our recent research shows this to be untrue. ActionAid's recent report in Ghana on Gender Responsive Public Services and Macro-economic Policies documents how IMF policies have squeezed the financing of essential public services and

[1] IMF Country Report Ghana No. 19/367 – December 2019
[2] It was 12.6% in 2018 according to World Bank data https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS - but it may have risen since then - though the IMF recently raised concerns about accurately measuring this rate in the context of COVID-19 – see IMF Fiscal Affairs Special Series on Challenges in Forecasting Tax Revenue 2020
[3] https://www.ilo.org/asia/media-centre/news/WCMS_633284/lang--en/index.htm

UNPAID CARE WORK

AVERAGE WOMEN SPEND
4hr.25m per day

9%
of Global GDP

MEN SPEND ONLY
1hr.23m per day

accelerated privatisation, especially of health and water. The impact on the unpaid care work of young women has been devastating.

In Ga West District near Accra, young women gave insights into the complexities involved in fetching water in the context of privatised provision. They are now largely dependent on private water vending points to purchase water. These may be within a 10-minute walk but are only open at certain times of the day and long queues often form.

"Until they are ready or comfortable to sell water, they will not open up the place for us. So, it is not like you need water and you just go and fetch it ... at times when you go it is closed till maybe evening. Sometimes they don't even open it at all. In that case, you have to go farther to access water."

Each time the water has to be paid for. A single bucket costs ¢0.50, and to serve an average household you would need to fetch 10 buckets every day so the total cost is significant – and even though the water is close the accumulated time taken can be significant.

Of course, even small costs can be prohibitive for families with little cash income and so many choose to go further to collect water – which involves at least a 35-minute walk to the nearest stream – and further in the dry season. Once you get to the stream, queues can also be long. And once this stream water gets home, it has to be boiled and sieved before it can be used – extending the unpaid labour involved.

This situation could be easily solved. As one young woman observed: "The pipeline from Accra passes through the community... so we know there are pipelines around, but the problem is that we don't have the state tap in the community, and we don't know who to ask."

For now, these young urban women continue to spend a lot of time and money on simply accessing water every day. What should be a critical role of the state has been taken over by private individuals and businesses who can increase prices without reference to any regulatory body. As private enterprises, the primary motive is profit maximisation – so prices have doubled in the past year. In the context of Covid it is likely that this will be even worse with water for washing hands becoming ever more crucial for public health and saving lives. The government could and should prevent this by providing public boreholes or water stands – this would transform the unpaid care work of young urban women, enabling them to assume more productive and rewarding roles.

BEYOND BUDGET SHARES

Those fighting for more funding for public services often fight against each other for a greater share of the budget, for example seeking at least 20% for education or 15% for health, but too often this sets public services against each other. If one public service gains it is at the expense of others. It is time to re-focus attention, encouraging different public services to work together to increase the total budget, addressing the strategic financing issues which affect all of them. Our evidence and analysis show that action on debt, austerity and tax could deliver system change for all public services in Ghana. Of course this depends on ensuring that the extra resources are allocated and spent both transparently and effectively, with a strong focus on increasing equity and with clear oversight both from local communities and the national parliament.

ACTION ON DEBT

There is a new debt crisis that is squeezing public spending in low income countries and it is getting worse. ActionAid's new research shows that those countries which spend more than 12% of their budgets on debt servicing are invariably forced to cut their spending on public services. Ghana is substantially above this threshold, and indeed has the second highest debt servicing ratio of the 56 countries we studied – spending 59% of its national revenue just on paying back debts. In 2019 Ghana spent over three times more in servicing its external debt ($4.1 bn) than it spent on health ($1.28 billion)[4].

After benefitting from multilateral debt relief in 2006, Ghana came back to the IMF for loans in 2009, and has continued to incur heavy debts since then, including from substantial bond issues. A bond issue in 2019 exceeded $3 billion, and some of the debt (the portion being used to repay an earlier, higher-interest bond issue) is not due to mature until 2051, putting the

[4]See Table 2 in the full report of Who Cares for the Future: https://actionaid.org/publications/2020/who-cares-future-finance-gender-responsive-public-services

country at lasting peril. This is not an unusual pattern. The new debt crisis arises in part from some irresponsible borrowing but also from irresponsible lending (owing to historically low interest rates in rich countries and capital therefore seeking higher interest in new markets), plummeting commodity prices, insufficient action on raising more tax revenue, dubious advice from international institutions, falling aid, and increasing natural disasters due to the climate crisis.

In the context of Covid, suspension of debt payments is now on the global agenda – but it tends to be too little (not covering all debt) and for too short a time (just to the end of 2020 when it will be needed at least to the end of 2021 leaving time also to establish a restructuring of the debt). The government of Ghana should be at the forefront of a pan-African call for more sustained debt cancellation. This needs to go hand in hand with a re-negotiation and re-scheduling of longer-term debt payments – and a commitment to reform debt contracting processes so that all future loans are agreed following a transparent and accountable process. This is the moment for the government of Ghana to be bold on the international stage, insisting on its right to spend the revenue it raises on providing a comprehensive and sustained response to Covid-19 and invest to meet the SDGs, rather than paying old debts.

ACTION ON TAX JUSTICE

Ghana urgently needs to take bold action on progressive tax reform. Ghana has a tax to GDP ratio of just 12.6%. This is below the average for low income countries (just 17% tax to GDP ratios on average, compared to 34% in OECD countries and over 40% in Scandinavia) and in line with most developing countries, taxes in Ghana are largely regressive, targeting the poor more than the rich[5].

Our research shows that countries like Ghana can expand their tax bases both rapidly and fairly through taking action on ending tax incentives, raising corporate taxes on the biggest companies, improving taxation of the extractive industries, supporting fairer property taxes and targeting luxury consumption. Unfortunately, present IMF advice includes reducing VAT exemptions, which would hurt the poor. This scale of increase in tax to GDP ratio is broadly in line with what is proposed in the "Ghana beyond aid" strategy, launched last year, which targets an increase to 18% by 2023 – but the progressivity of the reforms is key. It would be important to support the work being done on developing a Fair Tax Monitor in Ghana.

Just by ending what the IMF themselves deem to be harmful tax incentives, the government of Ghana could raise $1.2 billion a year. As an illustration, if just 20% of this was allocated to education (a fair share), that would be enough to enrol all 319,000 children presently out of primary school, to recruit 10,000 new teachers and to pay for free school meals for over half a million children. Action is also urgently needed to prevent aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals. Strengthening the national

[5]See Page 68, Who Cares for the Future: https://actionaid.org/sites/default/files/publications/Who%20Cares%20for%20the%20future%20Full%20Report.pdf

revenue authority is crucial – but equally Ghana needs to promote regional cooperation and add its voice to calls for global action on tax havens and the setting of global tax rules.

ActionAid estimates that countries like Ghana could expand their tax to GDP ratios by 5% over 5 years, i.e. by 2025. This would raise an extra $7.8 billion in revenue, enabling the government of Ghana to double its present spending on education, health, social protection and water and sanitation – and still have $3 billion to spare. Ghana is clearly able to mobilise sufficient resources domestically to guarantee quality universal basic services.

ACTION ON AUSTERITY AND PUBLIC SECTOR WAGES

Our new research in all low-income and many middle-income countries shows that the IMF holds down public spending by imposing unnecessarily low inflation targets (in 80% of countries) and deficit targets (in 96% of countries) and by freezing or cutting of public sector wage bills (in 78% of countries) – so most governments cannot employ more teachers, doctors, nurses or care workers.

In the case of Ghana, inflation is running at 9% and the IMF[6] is putting pressure to reduce this – and yet most independent research suggests that a healthy developing economy can thrive with inflation rates up to 20%. IMF advice in the area of inflation is an extreme, even fundamentalist position that restricts the capacity of the country to spend more on priority services. Likewise the IMF is advising the government to increase its present budget surplus from the present rate of +2.5% which would also restrict scope for increase spending. Indeed, the very notion of a developing country running a budget surplus is concerning; Ghana should be mobilizing all resources possible for necessary spending, and aim for a manageable deficit level of something like -3%.

Perhaps most worrying though is the IMF's advice in respect of Ghana' spending on public services and on wage bills. The government spent 21.6% of GDP in public services in 2018 but is urged by the IMF to reduce this to 20% by 2021. In respect of Ghana's public sector wage bills (which makes up 6.5% of GDP), the advice is to freeze this, even though there are many shortages of frontline workers[7]. The IMF gave the government of Ghana some leeway to recruit more teachers but this was not sufficient to match the government's ambitious expansion of secondary education and in practice the government of Ghana has had to hold down both pay and recruitment of other public sector workers to satisfy IMF expectations.

It is time for the government of Ghana to unequivocally reject the ideology of austerity as promoted by the IMF, and to invest urgently in public sector workers, especially doctors, nurses, teachers and care workers.

CONCLUSION

The government of Ghana, like most governments across Africa, have been subject to the loan conditions or coercive policy advice of the IMF for too long. This has limited the potential to explore alternative economic models. Our research shows that the government could achieve a sea change in investment in public services over the next five years. Action on debt alone could release billions of dollars and action on tax could lead to a doubling of revenue for most essential public services. This is the scale of ambition needed to achieve the SDGs, but to pursue such ambitious change means moving away from the IMF's sphere of influence. It means working with other countries across Africa to promote alternative economic models. The Covid-19 crisis can and must be the turning point – the moment when Ghana and Africa as whole pursue more expansionary economic policies that can truly deliver the financing to achieve all development goals. All new resources generated must be allocated and spent with a new commitment to transparency and accountability, so they reach the most excluded group and truly transform the country. There are ten years to the SDG deadline of 2030. It is not too late to build a sustainable economy that truly cares for both people and the planet.

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[6] See Table 5, page 53 https://actionaid.org/sites/default/files/publications/Who%20Cares%20for%20the%20future%20Full%20Report.pdf
[7] See data tables based on review of IMF documents:
https://actionaid.org/sites/default/files/publications/IMF%20documents%20country%20analysis.pdf

Vida Tibil balances a pan of water on her head with her son strapped to her back in the Damol-Tindongo community in the Upper East Region of Ghana.

Elizabeth Dakurah does laundry while her daughter, Caroline, leans into her in their home in Tizza in the Upper West region of Ghana.

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