

# **TAX JUSTICE AND GENDER JUSTICE IN AFRICA**

## **STUDY ON TAX AND PUBLIC SERVICES IMPACT ON WOMEN AND GIRLS IN GHANA**



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# STUDY ON TAX AND PUBLIC SERVICES IMPACT ON WOMEN AND GIRLS IN GHANA

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Appendix A1: Break Down of Government of Expenditures 2007-2017 (in current prices)

Appendix A2: Break Down of Government of Expenditures 2007-2017 (in constant prices of 2010)



## EXECUTIVE SUMMARY

**T**ax revenues are critical for a country's development, especially, to finance the provision of public goods/services. The African continent, with its vast natural resources, is still faced with high incidence of poverty and underdevelopment especially in the provision of public services. Most African countries are not able to raise enough revenues to finance developmental projects and investments- as most revenues are lost through tax evasion and avoidance. Tax evasion and avoidance is a global phenomenon, but the African continent suffers adversely. Furthermore, women share a greater burden with respect to issues of tax avoidance and evasion in developing countries since they are more likely to live in poverty as compared to men. They are generally paid less and work more hours, increasing their exposure to discrimination and violence. Government institutions tasked with detecting illicit financial flows through tax avoidance and evasion are underfunded coupled with limited legal and auditing experts.

A major hurdle in most developing nations is the limited access to public services provisions such as education, health, water and sanitation. The few public services available are overstretched mainly to high population growth. This research report explores Ghana's case of the effects of tax evasion and avoidance on the ability of the state to facilitate development for women and girls, with a focus on how public services are starved by tax evasion and avoidance. Also, it seeks to answer the effects of investment in these public services in closing the gender gap. This research report also in a way provides insights into ways of achieving target 17.1 of the Sustainable Development Goals (SDGs) which seeks to "strengthen domestic resource mobilization, including through international support to developing countries to improve domestic capacity for tax and other revenue collection".

The objectives of this study are achieved by analysing the current official data of public tax institutions of the last decade i.e. 2007-2017, analysing the national budget approved for the same decade and the governmental expenditures on key public services provisions (education, health, water, sanitation, care) and by comparing the figures of tax evasion and evasion with public investment of the above public services. Lastly, it analyses the impact of these investment on women and girls by focusing on two critical areas in public services provision i.e. education and health.

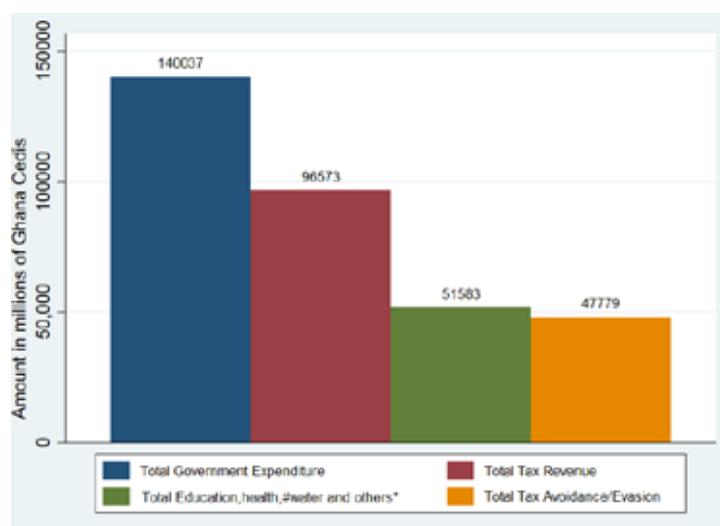
A careful overview of Ghana’s budget over the last decade (2007-2017) shows a budget deficit (a situation where expenditures exceeding revenues) with government resorting to borrowing from international markets i.e. through bonds and loans. This partly explains why the country in recent years has been saddled with high debts and in some cases request to the IMF for bailout. There is also the reliance on donor funds and grants to finance most developmental projects in the annual budget and economic statements. Despite this, there is an agenda by the government of the day to move the country beyond aid. Ghana has since 2014 been operating Program Based Budgeting (PBB) which essentially ties planned expenditures to a set of policy objectives. The budget of Ghana acknowledges the different roles that men, boys, women and girls do play in the economy. Hence, it takes key policy initiatives with women in focus, but this is yet to reach full potential due to inadequate gender budget experts, capacity constraints and technical support.

One of the aims of this study is to analyse overall government expenditures and expenditures dedicated to critical public services provisions such as education, care, health, water and sanitation. This is done by referring to the budget and economic policy statements from the Ministry of Finance and Economic Planning covering 2007-2017. The focus here is on funds solely from the Government of Ghana. This is primarily done to put the issue of tax evasion/avoidance in perspective and also provide some recommendations to “Ghana beyond Aid” agenda currently being undertaken by the current government.

An attempt is made in this research report to provide estimates on tax avoidance and evasion schemes like transfer pricing abuses in the extractive industry. The emphasis is on tax avoidance in the extractive sector as majority of Ghana’s foreign exchange earned is primarily attributed to this sector and to highlight the scale of global tax avoidance by multi-national companies in developing countries.

From [Figure E1](#), Estimates show that total Government of Ghana budget from 2007 to 2017 amounted to GH¢140 billion (in constant prices of 2010). Investment in public services provisions i.e. education, health, water and sanitation over the same period amounted to ₵51 billion representing 37% of overall Government of Ghana total budgets (excluding foreign financed capital expenditures). Tax revenues realized within this period amounted to GH¢ 96 billion but a whopping GH¢ 47 billion (representing 49% of tax revenues realized from 2007 to 2017 and 34% of Government Budget) was lost through tax avoidance and evasion. Tax

**Figure E1. Government of Ghana budget, tax revenue, tax avoidance/evasion estimates and total public provision estimates 2007-2017 (In Constant Prices of 2010)**

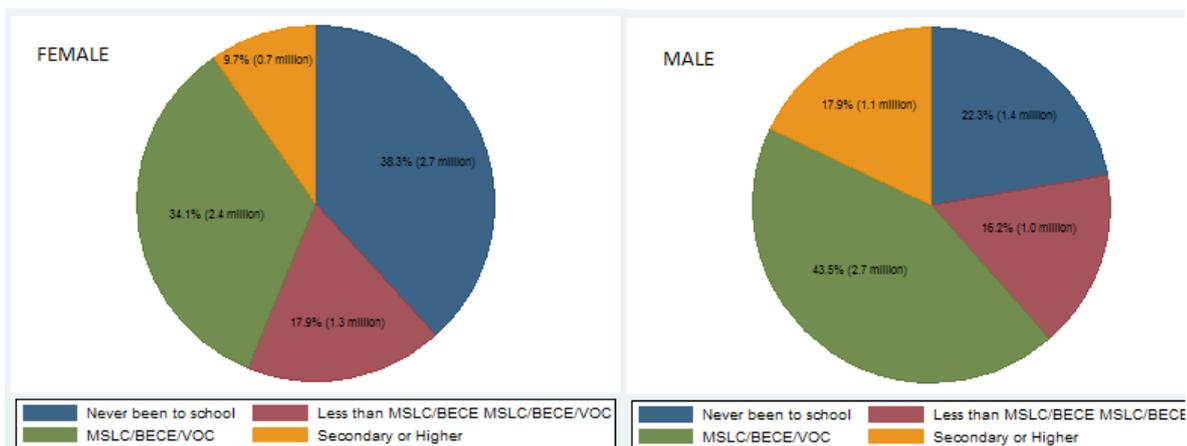


Source: Author’s calculations based on Budget Statements (2007-2017)

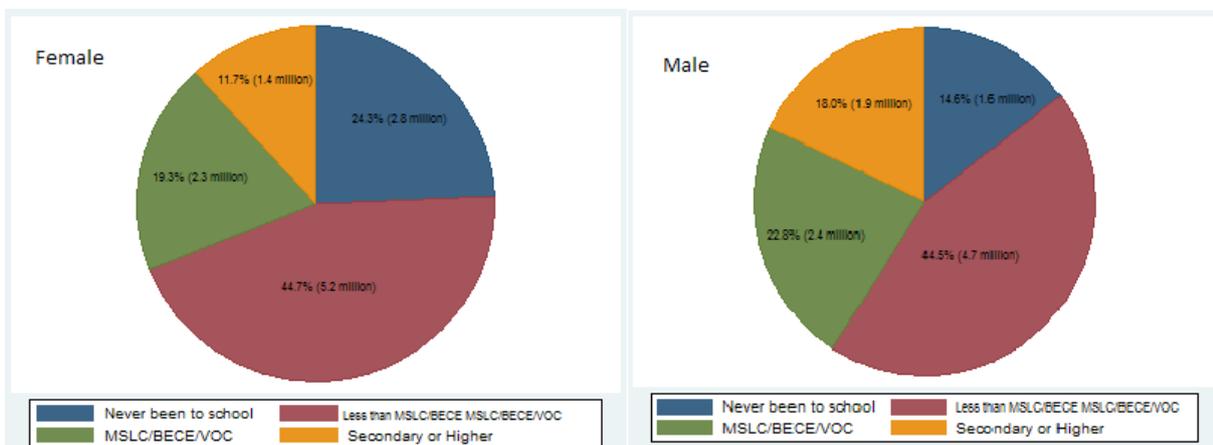
avoidance and evasion estimates in this report involved the informal sector (self-income) and transfer pricing abuses in just the extractive sector. Estimates could be higher if other sectors are captured.

This report sought to analyse the impact of investment in public services on women and girls focusing on the education and health sectors. In principle, the existence of public services is to ensure no one is discriminated especially in access to basic services provisions. Despite the enormous contribution to the country's economic development by women, they are often at odds ends with regards to participation in public provision services. Over the past years in Ghana, there have been some national legislations and policies to ultimately empower women and increase their participation in public services provisions. However, there happens to be disconnect between theory and practice in terms of actual results i.e. reducing gender disparities in public services provisions. For example, there remains gender gaps in the educational and health sectors which need urgent attention of investment and policy direction. In the education sector, women and girls still lag in terms of acquiring basic and secondary school qualifications. From Figure E2 and E3 respectively, there are more women and girls who have never been to school compared to that of males. In this setting, it shows it would be difficult for women and girls to acquire the needed skills to be competitive in the job market. These gaps deny women and girls their fundamental human right to formal education which would

**Figure E2. Population aged 15 years and older, by educational attainment and sex. [NB: Data from GLSS 5 survey (2008), Ghana Statistical Service]**



**Figure E3. Population aged 15 years and older, by educational attainment and sex. [NB: Data from GLSS 6 survey (2014), Ghana Statistical Service]**



provide skills to be self-sufficient thereby escaping poverty. The desired impact of closing the gender gap has not been achieved and this can partly be attributed to inadequate budgetary allocations/funds in the education sector.

In the health sector, there is a worrying trend that statistics for maternal deaths/maternal mortality ratio remain high. These are critical indicators which adversely affects women and their right to good health. It is a basic/fundamental human right to live and there should not be any scenario where any woman's life to be cut short particularly through childbirth or pregnancy or other related maternal care. Table E1 shows that statistics for maternal mortality remain high and this can be partly attributed to inadequate budgets/funds for this critical sector. There should be no circumstance in which any woman should be discriminated and denied the right to live because she cannot access quality antenatal care, health and nutrition services, skilled health personnel at delivery and emergency obstetric care services. Despite the high rates of maternal death and maternal mortality ratio, it is worth noting that the free maternal health care initiative under the NHIS played a leading role in cases where there was a reduction i.e. 2007-2010.

**Table E1: Maternal and Maternal Mortality Ratio 2007-2015**

Year	Maternal Deaths	Maternal Mortality Ratio
2007	996	230.2
2008	953	199.7
2009	889	170
2010	932	163.2
2011	1122	195
2012	889	152
2013	1012	154.5
2014	941	143.9
2015	926	141.9

**Source: Ghana Health Service (2016)**

Based on these worrying outcomes, this research report makes a number of recommendations that the Government of Ghana can undertake in tackling tax avoidance and evasion which has great potential towards increased domestic resource mobilization, increased budgetary allocation for health and education, with special consideration to the peculiar needs of women and girls.

- The Ghana Revenue Authority (GRA) ought to be strengthened with more skilled auditors and other experts to conduct rigorous audit of companies in the extractive sector. This should lead to companies paying fair taxes; strategies to combat excessive tax planning by multinational companies; sanctions for multinational companies due to any form of tax evasion and avoidance.
- There should be a clear-cut policy with targets as to how effective domestic resource mobilization should lead to sufficient government expenditure on education, especially girl child education; maternal health care and recruitment of health personnel, especially nurses to improve patient to nurse ratio in the hospitals.
- Government of Ghana needs to provide urgent technical support and training to various Ministries and Departmental Agencies to ensure compliance with Gender Responsive Budgeting across board.





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## INTRODUCTION

The contribution of women to economic development and poverty reduction particularly on the African continent cannot be underestimated. For instance, according to the International Labour Organization (ILO), estimates show that 62.5% of women in Africa were employed in the agricultural sector in 2012 compared to 61.8% of men (International Labor Organization 2012). Despite this, the attention given to pertinent issues affecting women in their development in most countries in Africa is yet to reach full potential. Women on the continent often have limited access to public services provisions such as education, health, water, and sanitation. Over the past years, the African continent has seen little development in the provision of these essential public services and often access to these public services have been a major hurdle in developing nations due to financial constraints. The few public services available are overstretched mainly to high population growth, thereby, increasing exposure of women who form majority of the population and working class to discrimination and violence.

Tax revenues are critical for a country's development specially to finance the provision of public goods/services. Often, Governments of low income countries are not able to raise enough tax revenues to finance its development. According to Moore (2013), some reasons for these low tax revenues are due to "large amounts of potential tax that are given away routinely by governments in the form of unjustified 'tax incentives'; the under-taxation of land and property; evasion by those transnational corporations that use transfer mispricing to relocate their profits to the places in the world where they pay little or no tax; the under-taxation of the profits of mining companies; and the under-taxation of the wealth and incomes of very rich individuals". There is a rising phenomenon at the global level in tax avoidance/evasion<sup>1</sup> with the African continent suffering most. According to the High-Level Panel on Illicit financial flows from Africa in 2015, the African continent losses over US \$50 billion in illicit financial flows (UNECA 2015). The African continent with its vast natural resources is still poor and it is worrying that in the abundance of these resources the continent is mired with high incidence of poverty. What if these illicit financial flows were stopped and funds channelled to the provisions of public services on the continent? This research report explores Ghana's case of the effects of tax evasion/avoidance on the ability of the state to facilitate

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1. Tax evasion is defined by the OECD as "illegal arrangements where liability to tax is hidden or ignored, i.e. the taxpayer pays less tax than he is legally obligated to pay by hiding income or information from the tax authorities" while tax avoidance is described as "the arrangement of a taxpayer's affairs that is intended to reduce his tax liability and that although the arrangement could be strictly legal it is usually in contradiction with the intent of the law it purports to follow".

development for women and girls, with a particular focus on how public services are starved by tax evasion/avoidance. Also, it seeks to answer the effects of investment in these public services in closing the gender gap. This research report also in a way provides insights into ways of achieving target 17.1 of the Sustainable Development Goals (SDGs) which seeks to “strengthen domestic resource mobilization, including through international support to developing countries to improve domestic capacity for tax and other revenue collection”.

The objectives of this study are achieved by analysing the current official data of public tax institutions of the last decade i.e. 2007-2017, analysing the national budget approved for the same decade and the governmental expenditures on key public services provisions (education, health, water, sanitation, care) and by comparing the figures of tax evasion/avoidance with public investment of the above public services. Lastly, it analyses the impact of these investment on women and girls by focusing on two critical areas in public services provision i.e. education and health. Estimates show that total Government of Ghana budget from 2007 to 2017 amounted to GH¢140 billion (in constant prices of 2010). Investment in public services provisions i.e. education, health, water and sanitation over the same period amounted to ₵51 billion representing 37% of overall Government of Ghana total budgets (excluding foreign financed capital expenditures). Tax revenues realized within this period amounted to GH¢ 96 billion but a whopping GH¢ 47 billion (representing 49% of tax revenues realized from 2007 to 2017 and 34% of Government Budget) was lost through tax avoidance/avoidance. Tax avoidance/avoidance estimates in this report involved the informal sector (self-income) and transfer pricing abuses in just the extractive sector. Estimates could be higher if other sectors are captured. There still remain gender gaps in the educational and health sectors which need urgent attention of investment and policy direction. From the education sector women and girls still lag behind in terms of acquiring basic and secondary school qualifications. There are more women and girls who have never been to school compared to that of males. In the health sector, there is a worrying trend that statistics for maternal mortality remain high and this can be partly attributed to inadequate budgets/funds in this critical sector.

This research report has been written with minimal technical terms to appeal to all category of readers and to serve as an advocacy tool on the need to combat tax evasion/avoidance if provision of excellent public services and its associated positive impact on women is desired. The study is hampered by data constraints- as critical data in public institutions are either unavailable or in cases where available were incomplete. Nevertheless, these crude estimates highlight the urgent need to tackle tax avoidance/avoidance as it has adverse effects on the provision of public services. The rest of the research report is arranged as follows: Section one discusses an overview of Ghana’s development. Section two provides an overview of Ghana’s national budget discussing expenditures and investment in key public services provisions (education, health, water, sanitation, care). Section three provides the methods used and section four highlights the results and analysis. Section five discusses the analysis of the impact of investment in public services focusing in education and health sectors. The research report ends with a conclusion.





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# 1. OVERVIEW OF GHANA'S DEVELOPMENT

Ghana was the first country in sub-Saharan Africa to gain independence from the British in 1957. Despite some military rule, it returned to democratic rule with a multi-party democratic system in 1992. The population of Ghana was projected at the end of 2016 to be little over 28 million with slightly more females than males (i.e. females representing 51%). [Table 1](#) details the actual population and projected population.

**Table 1: Projected population by sex, 2010-2016**

Sex	*2010	2011	2012	2013	2014	2015	2016
<b>Total</b>	24,658,823	25,235,268	25,824,920	26,427,760	27,043,093	27,670,174	28,308,301
<b>Male</b>	12,024,845	12,319,770	12,621,125	12,928,916	13,242,709	13,562,093	13,886,734
<b>Female</b>	12,633,978	12,915,498	13,203,795	13,498,844	13,800,384	14,108,081	14,421,567

\* Actual Population

**Source: Data Protection Unit, Ghana Statistical Service, 2016**

Although the country has an enviable record when it comes to democracy on the African continent, only 31 out of 275 parliamentarians are women and the country currently lacks an affirmative action law which would guarantee the equality of women at all levels of governance. Ghana is endowed with abundant natural resources and among the leading exporters of Gold, Bauxite and Manganese. Additionally, it discovered oil in 2008 and began commercial production in 2010. [Table 2](#) provides selected export commodities from Ghana.

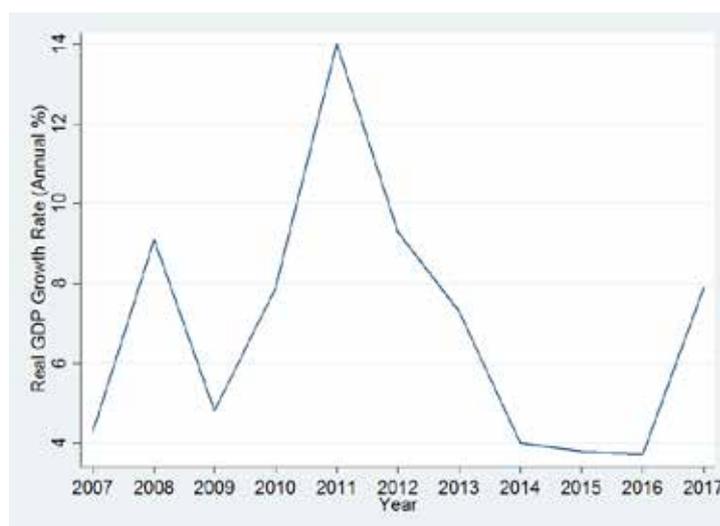
**Table 2: Selected Export Commodities, 2011-2013**

Selected Export Items	GH¢ million		
	2011	2012	2013
Gold bullion	5111.7	8947.7	8155.8
Petroleum oils and oils obtained from bituminous minerals, crude	4325.8	6613.7	5885.9
Unwrought gold (incl. gold plated with platinum), non-monetary	1395.2	2338.3	2106.8
Wood	90	66	382
Bauxite Ores	15	58	71

Source: Ghana Revenue Authority, Ghana Customs Management System (GCMS)

In the last decade, Ghana had mixed results regarding its economic performance indicators with annual real GDP growth peaking in 2011 (14%). However, as seen in Figure 1, it witnessed a slump in economic activities and had an annual real GDP growth to 3.7% in 2016. However, recent estimates by the Ghana Statistical Service shows the economy expanded by more than 7% in 2017. The nation over the decade witnessed a lot of external debt accumulation and in

**Figure 1: Annual Real Gross Domestic Product growth rate 2007-2017**



Source: Data from the Budget Statement, Ministry of Finance and Economic Planning

some cases relied on the International Monetary fund (IMF) for bailout in its finances- with the recent one coming in 2013. Ghana is endowed with lots of natural resources and much of the growth in the economy is due to the mining and oil sectors. In spite of all these vast natural resources, it has not translated to real economic development among citizens including the access to basic services such as education, health, water and sanitation.





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## 2. GHANA'S BUDGET

Every year, Ghana's Minister of Finance on behalf of the President is mandated by the constitution of Ghana to present to Ghana's Parliament, a budget and economic policy statement for the financial year (January-December) for approval. Usually, budget statements are presented in November and is a consultative process which involves various actors of the economy including Civil Society Organizations. Typical annual budget and economic planning statements of Ghana contain macroeconomic performances and targets, performance of various sectors of the economy and key policy initiatives. Specifically, it includes planned, projected revenues and expenditures borne out of costs of salaries, procuring goods, services and assets. It also contains grants, loans and expenditures of various Ministries, Departments and Agencies (MDAs) as well as Municipal, Metropolitan and District Assemblies in Ghana. Ghana has since 2014 been operating Program Based Budgeting (PBB) which essentially ties planned expenditures to a set of policy objectives. The budget of Ghana acknowledges the different roles that men, boys, women and girls do play in the economy. It has taken key policy initiatives with women in focus. Gender Responsive Budgeting was piloted in the health, agricultural and education sectors in 2009. However, this is yet to reach full potential and across other MDAs due inadequate gender budget experts, capacity constraints and technical support. [Box 1](#) explains an overview of Gender Budgeting in Ghana.

A careful overview of Ghana's budget over the last decade (2007-2017) shows a budget deficit (a situation where expenditures exceeding revenues) with government resorting to borrowing from international markets i.e. through bonds and loans. This partly explains why the country in recent years has been saddled with high debts and in some cases request to the IMF for bailout. There is also the reliance on donor funds and grants to finance most developmental projects in the annual budget and economic statements. Despite this, Ghana's

## Box 1: Gender Budgeting in Ghana

Ghana has been implementing gender budgeting since 2008. Gender budgeting does not only focus on spending. The purpose of gender budgeting in Ghana is to ensure that gender matters are recognized and considered when developing tax, revenue, budget spending policies and other budget-related activities. For Ghana, gender budgeting is not a separate budget for women. Rather, it is an attempt to assess government priorities as they are reflected in the budget and to determine the impact the policies have on men and women.

Ghana follows the five-step gender responsive budget process that was initially developed as part of South Africa's Gender Budgeting Model. The process contains the following five step approach to carrying out gender budgeting:

Step 1 – Situational analysis which involves analyzing the situation of women, men, boys and girls at the sector level.

Step 2 – Gender analysis which is performed to assess the gender responsiveness of policies.

Step 3 – Budget allocation that aligns gender sensitive policies to resources.

Step 4 – Monitoring spending and service delivery that confirms if MDAs are spending their money on approved programs and activities.

Step 5 – Assessing outcomes to determine if gender equality commitments have been met.

**Source: Budget Operations Manual, Budget Division of the Ministry of Finance, Ghana**

current President, Nana Akufo-Addo has served notice to move the country beyond aid. He recently inaugurated a 13-member committee to develop a charter for the “Ghana beyond Aid” agenda.

Tax Revenues emanate from three broad sources within budget statements. They include direct taxes i.e. taxes on Income and Property, Indirect taxes i.e. taxes on domestic goods and services, and International trade taxes. Table 3 indicates the various forms of tax revenue which makes up the national budget. The Ghana Revenue Authority (GRA) which is under the Ministry of Finance is responsible for the collection, protection and accounting for tax revenue on goods and services. One of its core function is to “combat tax fraud and evasion and co-operate to that effect with other competent law enforcement agencies and revenue agencies in other countries”.

**Table 3: Classification of Taxes in Ghana**

TAXES ON INCOME & PROPERTY	TAXES ON DOMESTIC GOODS AND SERVICES	TAXES ON INTERNATIONAL TRADE
Personal	Excises	Imports
Self Employed	VAT	Exports
Companies	Communications Service Tax	
Other direct taxes	National Health Insurance Levy	
National Fiscal Stabilization Levy		
Airport Tax		

This research report looks at solely Government of Ghana expenditures (excluding foreign financed capital expenditures) in critical public services provision sectors such as health, education, water, sanitation among others in budget statements over the period 2007-2017. Within these Government of Ghana expenditures are expenditures that are directed at the provision of basic public services in education, health, rural water etc. with the aim of reducing of poverty. To put in perspective, these were/are expenditures the Government of Ghana directed to basic public services provisions with the aim of meeting the Millennium Development Goals (MDGs) and more recently to meet the Sustainable Development Goals (SDGs). Details of these expenditures would be discussed in the methods section. ■



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## 3. METHODS

One aim of this study is to analyse overall government expenditures and expenditures dedicated to critical public services provisions such as education, care, health, water and sanitation. This is done by referring to the budget and economic policy statements from the Ministry of Finance and Economic Planning covering 2007-2017. The focus here is on funds solely from the Government of Ghana. This is primarily done to put the issue of tax evasion/avoidance in perspective and also provide some recommendations to “Ghana beyond Aid” agenda currently being undertaken by the current government. The study also estimates tax evasion/avoidance over the period 2007-2017 by referring to public tax institutions.

Values of total Government Expenditure (solely Government of Ghana) from 2007-2017 were derived from the national budget and economics policy statements. Government expenditures on education, health, care, water and sanitation estimates from the budget were seen under health sector expenditure, education sector expenditure, works and housing

### Estimating Expenditures

sector expenditure and other expenditures. See [Box 2](#) below for details of these expenditures. The estimates of total Government of Ghana expenditures and expenditures dedicated to these public services provisions i.e. health, education, care, water and sanitation are year-end expenditures. In other words, the expenditures are provided each year from 2007 to 2017. Hence, there is the need to convert these estimates to one particular year (technically referred to as base year) to make them comparable. This is done with the reasoning that for example government expenditures in 2007 will differ in prices from say expenditures in 2013. For this report, the year 2010 is our reference year (base year) as a result of the series taken from the UN Statistics. [Table 4](#) provides estimates in constant prices of 2010.

## Box 2. Overview of Expenditures used

### Health Sector Expenditure

The ministry responsible for the implementation of health projects is the ministry of health. In the budget statements, apart from expenditures which are dedicated to the health sector, there are also expenditures which are solely Government of Ghana funded dedicated to the provision of primary healthcare. Some examples of primary healthcare include the provision of antenatal care, provision of health and nutrition services, access to family planning services, access to skilled health personnel at delivery.

### Education Sector Expenditure

The ministry responsible for education projects is the ministry of education. In the inclusion of expenditures that make up education sector are basic education expenditures. Some examples of these basic expenditures include the provision of subsidies to Senior High Schools (SHS), Basic Education Certificate Examination (BECE) subsidies, provision of free exercise books, feeding grants to colleges of education, provision of free school uniforms and feeding grants of special schools.

### Works and Housing Expenditure

Water and sanitation feature in the works and housing expenditure. It was not until 2017 when a ministry of water and sanitation was created separately. Examples of rural water expenditures include expenditures to increase the access of rural folks to potable water, promote good health and promote economic usage of water in rural areas.

### Other expenditures

These expenditures (lumped as one) in the budget statements are important in our study as they are poverty-reduction expenditures which involve a mix of social care and women empowerment. They include Social Welfare, Governance, Drainage, Human rights, Public Safety, HIV/AIDS, Vocational/Employable Skills, Road Safety, Women/Children's Affairs, Population Management, Rural Housing, Livelihood Empowerment Against Poverty (LEAP), Local Gov't support Unit, Environmental protection and Disaster Management.



# Estimating Tax Avoidance/Evasion

This research report provides estimates on how much the government lost through tax avoidance/evasion from 2007-2017 by searching through Government own tax institutions. Knowing exactly how much Ghana lost within this time frame through tax avoidance/evasion represents one difficulty faced by tax authorities. Presently, there is no database with estimates on tax evasion/avoidance in public tax institutions. Access to reliable data and complex tax avoidance schemes particularly with transfer pricing<sup>2</sup> abuses makes it a hindrance to obtain accurate estimates. This notwithstanding, this research paper attempts to provide crude estimates of Income Tax evasion (i.e. in the informal sector) and estimates on Tax avoidance schemes like Transfer Price abuses in the extractive industry. The emphasis is on tax avoidance in the extractive sector because as majority of Ghana's foreign exchange earned is primarily attributed to this sector and also to highlight the scale of global tax avoidance by multi-national companies in developing countries.

For transfer pricing abuses, this study uses estimates provided by the finance minister in his presentation of the 2017 budget and economic planning to Parliament. MOFEP (2017) shows "Ghana loses an estimated amount of GH¢2.0 billion from Transfer Pricing abuses solely from the Extractive Sector". This estimate is assumed as an annual value in this paper's analysis although it represents just one sector of the economy. This is a conservative value compared to research done by other international organizations on illicit financial flows from Ghana<sup>3</sup>. It is also important to emphasize that the tax authority i.e. Ghana Revenue Authority did not have a Transfer Pricing Unit (TPU) until 2012 when one was established to detect transfer pricing abuses. As done with expenditure dataset, tax avoidance estimates are converted to prices in 2010 as it represents the latest base year of comparison.

To provide crude estimates of income tax evasion, this study uses employment data estimates and direct income tax estimates (specifically income tax paid by the Self-employed) presented in the budget statements (2007-2017). Excerpts from MOFEP (2012) show that "only 1.5 million out of a projected 6 million gainfully employed are paying direct tax". A recent statistic of 1.2 million paying tax was used as it reflected in statements presented by the Commissioner-General of the Ghana Revenue Authority in 2017. He remarked that "out of the 1.2 million registered taxpayers [in Ghana], about 1 million is from the formal sector with only 200,000 coming from the informal sector"<sup>4</sup>. Holding all other factors constant, it is assumed that the remaining 4.8 million workers who are potentially evading taxes are in the informal sector<sup>5</sup>. It is then possible to provide crude estimates of tax evasion of potential informal sector workers based on the proportion of self-employed tax reported in annual budget statements. As done with expenditure estimates, income tax evasion estimates are converted to base year of 2010. Table 5 provides estimates on tax avoidance/evasion while Figure 2 shows the proportion of each category.



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2. Defined as the price of transactions occurring between related companies i.e. usually companies within the same multinational group

3. For example, the Global Financial Integrity (GFI) in 2014 estimated that Ghana lost on average about US\$1.44 billion per year or US\$14.39 billion cumulative of gross illicit flows from 2002-2011 through trade mis-invoicing. Trade mis-invoicing here refers to "the intentional misstating of the value, quantity, or composition of goods on customs declaration forms and invoices, usually for the purpose of evading taxes or laundering money". The authors of this report analyzed bilateral trade flows from the UN Comtrade database to arrive at the values

4. <http://www.gra.gov.gh/index.php/ar/explore-2/what-s-new/14-sample-data-articles/245-gra-launches-national-tax-campaign-1-11-2017>

5. About 80% if the working population in Ghana belong to the informal sector (Hormeku, 1998)

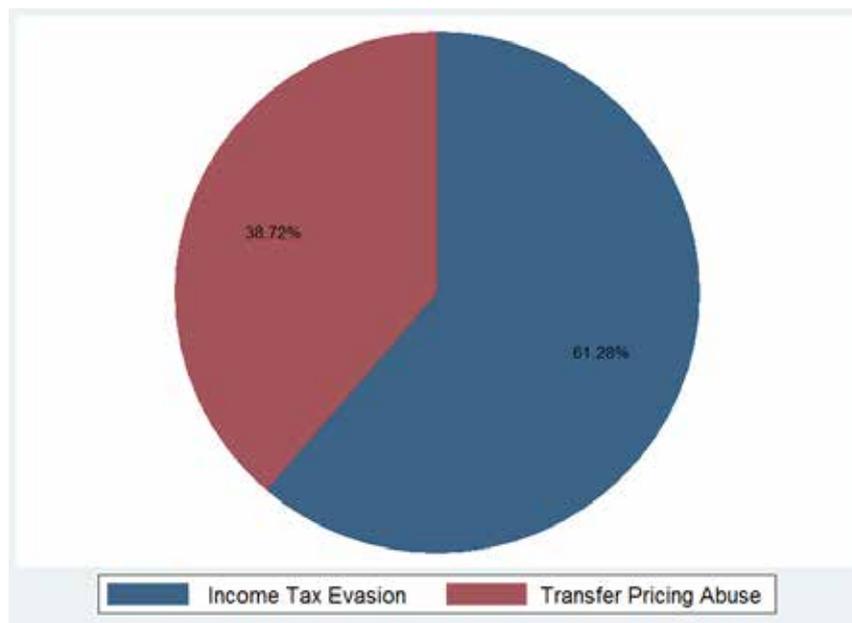
**Table 5: Tax Avoidance/Evasion Estimates in Constant Prices of 2010**

YEAR	Transfer Pricing Abuse Estimates	Income Tax Evasion Estimates	In GH¢ million
			Total Tax Evasion/Avoidance Estimates
2007	3,221	2,005	5,226
2008	2,697	2,214	4,911
2009	2,332	2,065	4,397
2010	2,000	2,404	4,404
2011	1,756	2,754	4,510
2012	1,524	2,998	4,521
2013	1,319	3,665	4,983
2014	1,130	2,890	4,020
2015	971	3,188	4,159
2016	822	2,337	3,160
2017	728	2,759	3,487
<b>Total</b>	<b>18,499</b>	<b>29,280</b>	<b>47,779</b>

Note: Transfer Pricing Abuse estimates just based on one sector of the economy

Source: Author’s calculations based on Budget Statements (2007-2017)

**Figure 2: Tax Avoidance/Evasion per category**



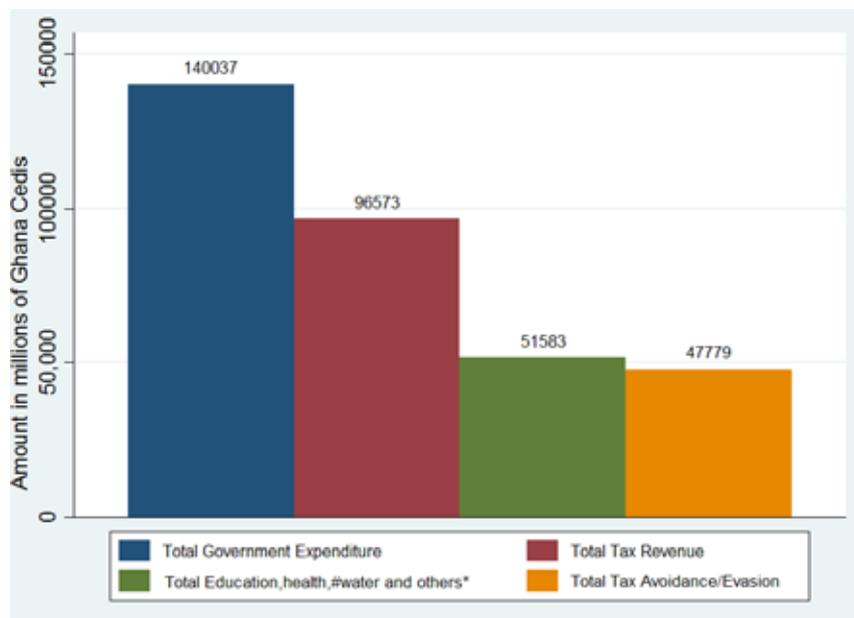


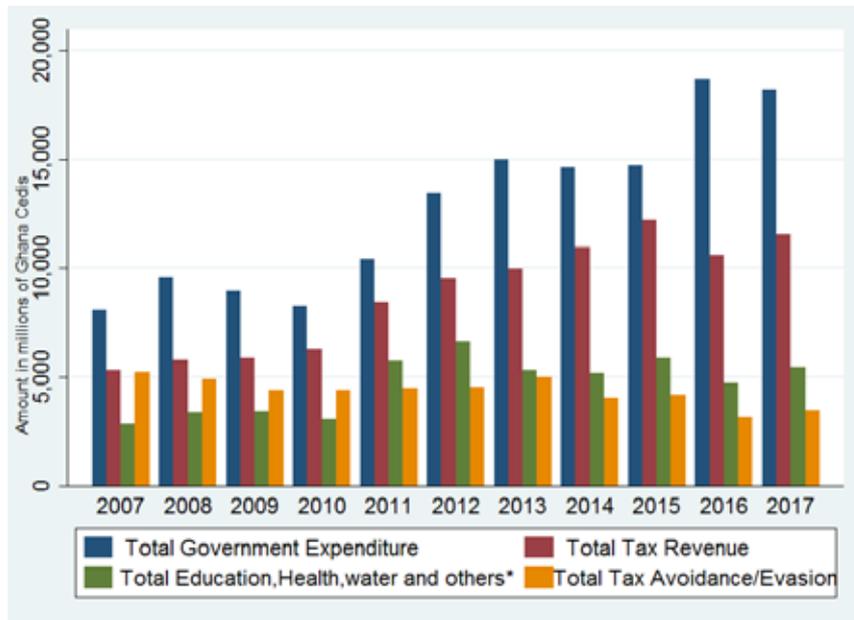
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## 4. RESULTS AND ANALYSIS

Estimates of Government of Ghana expenditures for 2007-2017 amounted to GH¢140 billion. Investment in public services provisions i.e. education, health, water and sanitation over the same period amounted to GH¢51 billion representing 37% of Government of Ghana Budget (excluding foreign-financed capital expenditures). Tax revenues realized within this period amounted to GH¢ 96 billion but a whopping GH¢ 47 billion (representing 49% of tax revenue realized from 2007-2017 and also 34% of Government budget) was lost through tax avoidance/evasion. Figure 3 provides year by year comparisons. Tax Avoidance/evasion estimates show GH¢ 47 billion with transfer pricing abuse constituting about 39% and Income evasion constituting about 61% (See Figure 2)

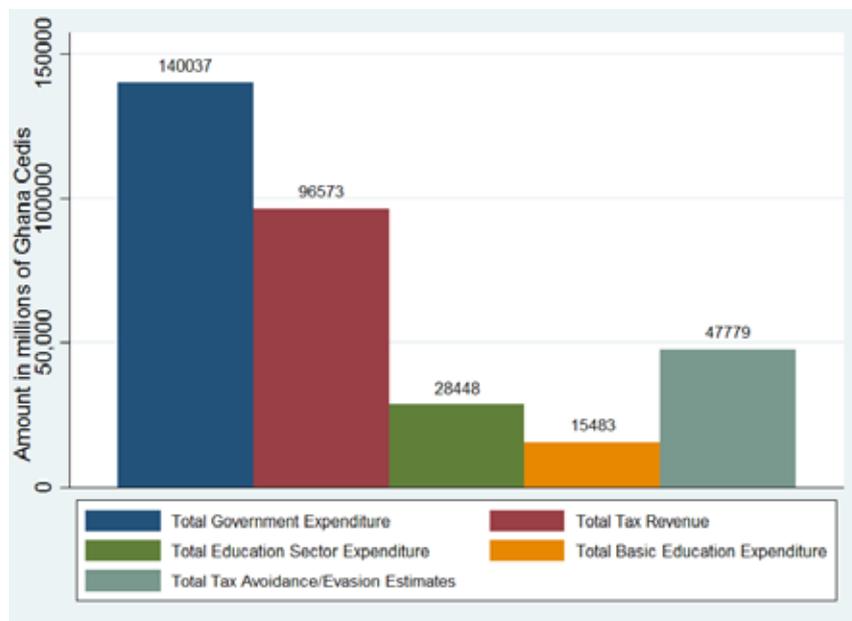
**Figure 3: Government of Ghana budget, tax revenue, tax avoidance/evasion estimates and total public provision estimates 2007-2017 (In Constant Prices of 2010)**





Source: Author’s calculations based on Budget Statements (2007-2017)

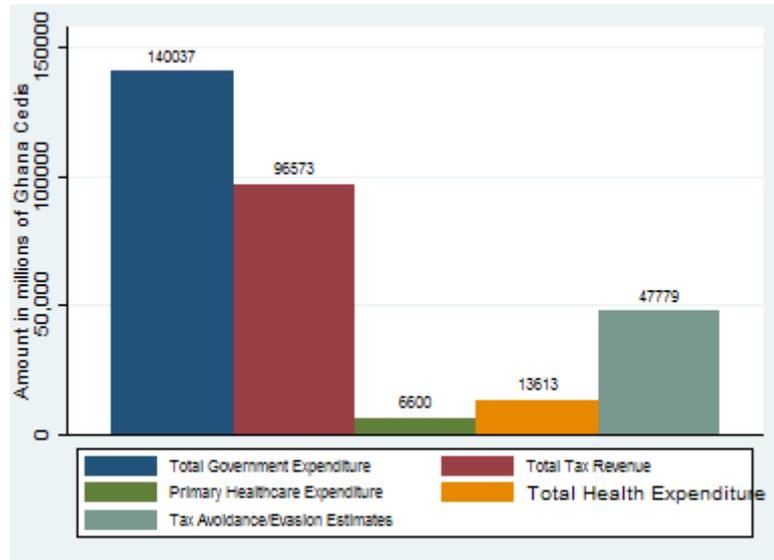
Figure 4: Government of Ghana budget, tax revenue, tax avoidance/evasion estimates and education sector estimates 2007-2017 (In Constant Prices of 2010)



Source: Author’s calculations based on Budget Statements (2007-2017)

The scale of transfer pricing abuses should not be underestimated as these estimates are just from one sector of the economy i.e. extractive sector. Income tax avoidance/evasion especially among the informal sector in Ghana is a worrying phenomenon. Ghana’s economy is highly dominated by the informal sector with about 80% of the working population thriving there (Hormeku, 1998). The amount lost to tax evasion/avoidance could have doubled the amount dedicated to health, education, water and sanitation projects over the decade.

**Figure 5: Government of Ghana budget, tax revenue, tax avoidance/evasion estimates and health sector estimates 2007-2017 (In Constant Prices of 2010)**



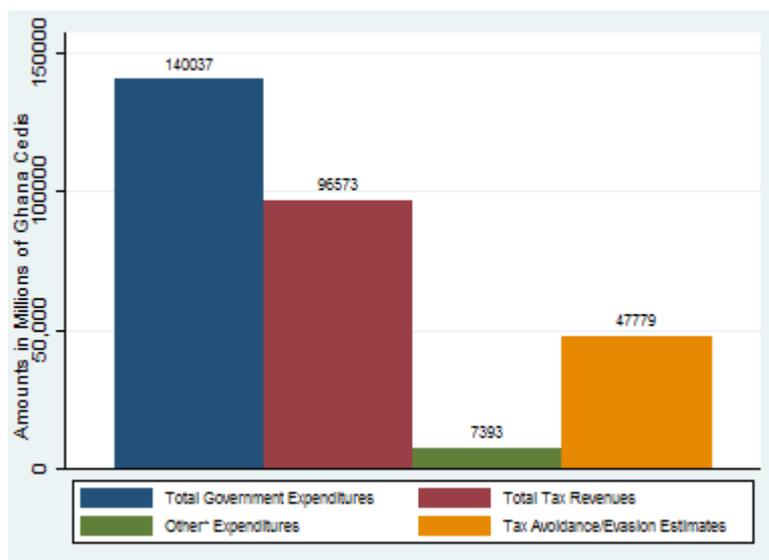
**Source: Author's calculations based on Budget Statements (2007-2017)**

Over the period 2007-2017, total education sector expenditures amounted to GH¢2488 million representing 11% of total government budget. The proportion of education expenditures constituting Government of Ghana expenditures have been on average 20%. Allocations to basic expenditures education expenditures constitute an average of 55% to education sector expenditures over the decade under consideration. Access to basic education has always been a problem in Ghana's economy. It would have been possible to more than triple the amount dedicated to basic education expenditures based on tax avoidance/evasion amounts to complement development initiatives undertaken during the period of review i.e. provision of free exercise books, feeding grants to colleges of education, provision of free school uniforms and feeding grants of special schools, the provision of subsidies to Senior High Schools (SHS), Basic Education Certificate Examination (BECE) subsidies etc.

The health sector over the time period considered in this study saw GH¢ 13613 million representing an average of 10% of Government of Ghana budget invested there. Hence, Ghana was not able to meet the Abuja declaration component which required at least 15% of annual budget to improve the health sector. Access to primary health care which has long been considered a major problem was about 48% of allocations to the entire health sector expenditure. The health sector could have seen massive funds allocated as investment was tax avoidance/evasion curbed.

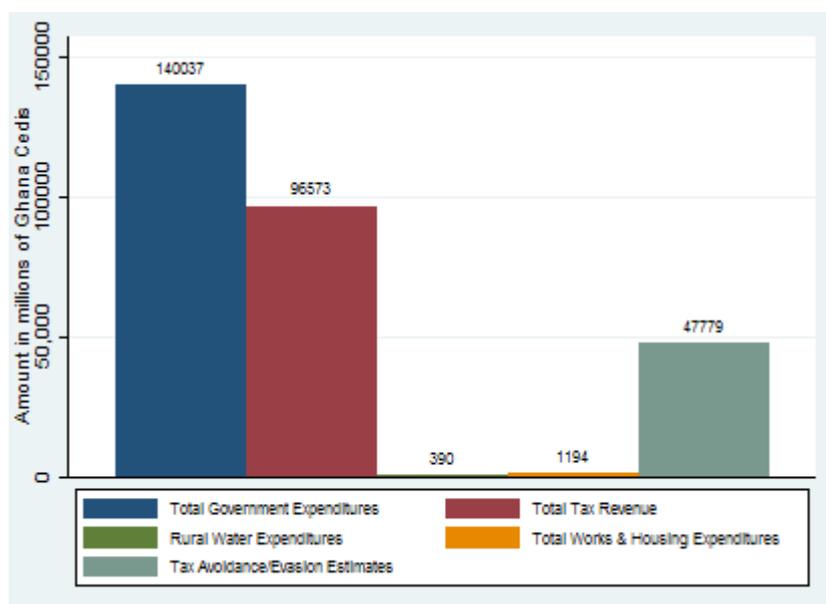
Funds allocated to the works and housing sector (a broad name given to water, sanitation and other infrastructure) over the decade analysed just saw the least of funds invested. Total investment over 2007-2017 saw a total of GH¢ 1194 million which represents about 1% Government of Ghana budget invested. One possible explanation could be that investment in this sector was foreign financed. Access to basic water provision especially in rural areas of Ghana saw about 33% of expenditures dedicated to the sector to increase access of rural folks to potable water, promote good health and promote economic usage of water in rural areas. It would have been possible to increase massive funds to this sector were tax avoidance/evasion curtailed.

**Figure 6: Government of Ghana budget, tax revenue, tax avoidance/ evasion estimates and works sector estimates 2007-2017 (In Constant Prices of 2010)**



An area of interest in relation to public services provision are expenditures dedicated to social care and women empowerment. Recall, these were classified as other expenditures in this report, a mix of several components. A breakdown include Social Welfare, Governance, Drainage, Human rights, Public Safety, HIV/AIDS, Vocational/Employable Skills, Road Safety, Women/Children’s Affairs, Population Management, Rural Housing, Livelihood Empowerment Against Poverty (LEAP), Local Gov’t support Unit, Environmental protection and Disaster Management.. Through 2007 to 2017 these expenditures saw GH¢ 7393 million- an average of 5% of total Government of Ghana expenditures as investment. It would have been possible to increase the amount allocated as investments to this sector were tax avoidance/evasion prevented. □

**Figure 7: Government of Ghana budget, tax revenue, tax avoidance/ evasion estimates, other expenditures estimates 2007-2017 (In Constant Prices of 2010)**



Source: Author’s calculations based on Budget Statements (2007-2017)



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## 5. IMPACT ON WOMEN AND GIRLS

This report sought to analyse the impact of investment in public services on women and girls. In principle, the existence of public services is to ensure no one is discriminated especially in access to basic services provisions. Despite the enormous contribution to the country's economic development by women, they are often at odds ends with regards to participation in public provision services. Over the years in Ghana, there have been quite a number of national legislations and policies to ultimately empower women and increase their participation in public services provisions. However, there happens to be disconnect between theory and practice in terms actual results i.e. reducing gender disparities in public services

### Education

provisions. Women are still discriminated and are disadvantaged despite being bread winners of most households. This section focuses on two areas- Education and Health which are critical in the development of women and girls.

In trying to assess the impact of education on women and girls, this research report focuses on house-holds. Any effects of macroeconomic policies set out by governments are best felt at the household level. In other words, Government spending/investment in public services provision under any macroeconomic setting should translate or trickle down into well-being of citizens. Reference is made "Education attainment" which considers the level of education of the adult population aged 15 years and over in the Ghana Living Standards Survey (GLSS). The GLSS is a nation-wide survey which involved the collection of household-level data

and covers a wide range of variables such as population, education, health, employment, migration, housing conditions and household agriculture among others. It provides valuable insights into living conditions of Ghanaians and these surveys are produced by the Ghana Statistical Service. Education plays an important role in the lives of citizens as it provides the platform to learn skills and empower the less privileged in escaping poverty related issues.

For the purpose of this research report, the fifth and sixth round of the survey (i.e. GLSS 5 and GLSS 6) are used in the analysis. Data collection in the GLSS 5 covered a time period of 2005-2006 while GLSS 6 covered 2012-2013 making it an idle reference point considered in this research report (2007-2017). From [Table 6](#), it can be seen that there was a clear gender gap in education attainment as women and girls lagged behind in terms of basic/

**Table 6: Population aged 15 years and older, by educational attainment and sex (percent)**

LEVEL OF EDUCATION ATTAINMENT	PER CENT			ESTIMATES (MILLIONS)		
	MALE	FEMALE	BOTH SEXES	MALE	FEMALE	BOTH SEXES
Never been to school	22.3	38.3	30.8	1.4	2.7	4.1
Less than MSLC/BECE MSLC/B- ECE/VOC	16.2	17.9	17.1	1.0	1.3	2.3
MSLC/BECE/VOC	43.5	34.1	38.6	2.7	2.4	5.1
Secondary or Higher	17.9	9.7	13.6	1.1	0.7	1.8

Source: GLSS 5 survey, 2008

primary and secondary education qualification. There was an estimated 13.6% (1.8 million) of adults with secondary qualification or higher (with females making up 9.7% (0.7 million) and males 17.9% (1.1 million). Also, 38.6% of adults (5.1 million) had a qualification of Middle School Leaving Certificate (MSLC)/Basic Education Certificate (BECE)/Vocation (with females making up 34.1% (2.4 million) and males making 43.5% [2.7million]). More staggering is the proportion of the population which had never been to school. Here, adults made up 30.8% (4.1million), with 38.3% (2.7 million) being females compared to males making 22.3% (1.4 million).

One would have envisaged that investment in education services especially that of basic education provisions demonstrated in the national budget would have translated into closing the gender gap and also increasing the level of education attainment of the adult population. Unfortunately, this was entirely not the case in subsequent years after this 5th round of survey. As seen from the 6th round of GLSS (i.e. GLSS 6 survey) in [Table 7](#), there were still gender disparities in level education attainment. Although there appeared to be no gender gap in the population of individuals with less than basic education certificate qualification, the number of females who have never been to school is 24.3% which is much higher than that of males 14.6%. Additionally, females with Secondary Education qualification or higher constitute just 11% compared to that of males which is 18%. With government of Ghana just spending an average of 20% of its budget on education provision was inadequate to increase the educational attainment of particularly females at all levels and closing the disparity between female and male.

**Table 7: Population aged 15 years and older, by educational attainment and sex (percent)**

LEVEL OF EDUCATION ATTAINMENT	PER CENT			ESTIMATES (MILLIONS)		
	MALE	FEMALE	BOTH SEXES	MALE	FEMALE	BOTH SEXES
Never been to school	14.6	24.3	19.7	1.6	2.8	4.4
Less than MSLC/BECE MSLC/BECE/VOC	44.5	44.7	44.6	4.7	5.2	10
MSLC/BECE/VOC	22.8	19.3	20.9	2.4	2.3	4.7
Secondary or Higher	18	11.7	14.7	1.9	1.4	3.3

Source: GLSS 6 survey, 2014

In a nutshell, there are still gender gaps in the basic and secondary school attainment/qualifications the population 15 years and older. In this setting, it shows it would be difficult for women and girls to acquire the needed skills to be competitive in the job market. These gaps deny women and girls their fundamental human right to formal education which would provide skills to be self-sufficient thereby escaping poverty. It further exposes them to discrimination and violence. In policy terms, gender responsive budgeting was piloted in the education sector in 2009. Additionally, Ghana started Program Based Budgeting in 2014- effectively tying budgets to a set of policy outcomes. However, the desired impact of closing the gender gap has not been achieved and this can partly be attributed to inadequate budgetary allocations/funds in the education sector. Currently, Ghana is providing free senior high school education but the sustainability of policy is under threat due to lack of funds. If tax avoidance/evasion can be tackled aggressively, more funds could be allocated to the education sector especially basic education to increase enrolment of girls to school and acquisition of basic, secondary school or higher qualifications.

**Table 8: Maternal and Maternal Mortality Ratio 2007-2015**

Year	Maternal deaths	Maternal Mortality Ratio
2007	996	230.2
2008	953	199.7
2009	889	170
2010	932	163.2
2011	1122	195
2012	889	152
2013	1012	154.5
2014	941	143.9
2015	926	141.9

Source: Ghana Health Service (2016)

## Health

The health sector, although critical for Ghana's development, has not received attention in terms of allocation of budget/funds needed for a healthy citizenry. Expenditures dedicated to the health sector over the period 2007-2017 amounted to about 10% of Government of Ghana expenditures. In assessing the impact of these investments in the health sector on women, this report focuses on maternal deaths/maternal mortality ratio. These are critical indicators which adversely affects women and their right to good health. It is a basic/fundamental human right to live and there should not be any scenario where any woman's life to be cut short particularly through childbirth or pregnancy or other related maternal care.

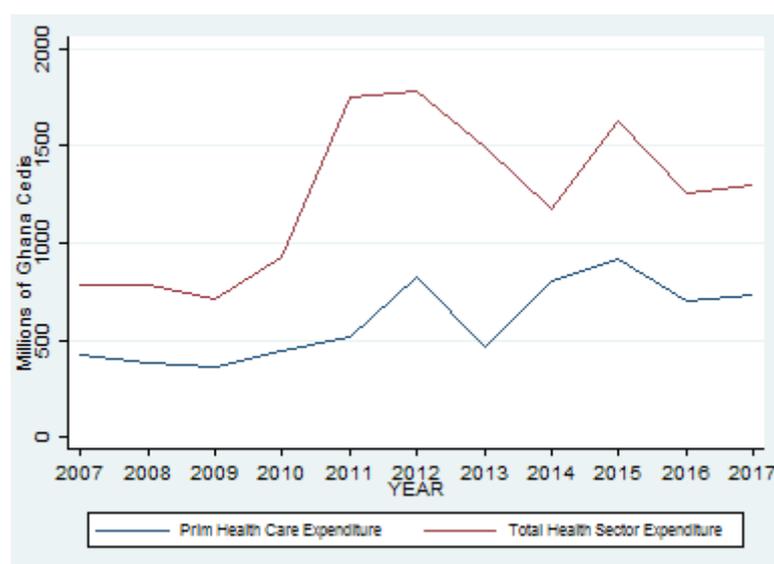
Table 8 shows the Institutional maternal deaths and Maternal Mortality Ratio (MMR) -defined as the number of maternal deaths occurring in health facilities per 100,000 live births. There is a worrying trend in institutional maternal deaths over the period with the highest of 1,122 deaths (occurring in 2011). These are deaths recorded in registered health institutions only, with deaths outside such facilities likely to have an impact on total values. The United Nations estimates that in 2013 alone, the number of women who died from pregnancy and childbirth related cases in Ghana was about 3100. Although much of the causes of maternal deaths are known, there are still knowledge gaps, huge infrastructural deficits of which if enough investments are devoted, will go a long way to impact positively on maternal well-being. Women cannot be discriminated by simply not allocating enough investments to the health sector particularly on maternal health related expenditures. Their ability to engage in any activity be it economic or social depends on good healthcare.

The MMR which represents the likelihood of a woman dying also remains relatively high. Inadequate health facilities, poor access to health facilities, quality antenatal care, inadequate health and nutrition services, access to skilled personnel at delivery, unavailability of emergency

obstetric care services pose are real threats to women receiving timely treatment. Lack of funds by the population particularly females to receive quality and timely healthcare remain a hindrance. In order to reduce the financial burden on households in accessing healthcare, the National Health Insurance Scheme NHIS was introduced in 2003 as a social intervention program to provide financial access to quality healthcare. Funding for the NHIS includes 2.5% levy on goods and services under the Value Added Tax, 2.5% of social security contributions, premium by informal sector subscribers amongst other allocations from the government. Free maternal care policy within the NHIS was introduced in 2008 and during the first four years (2008-2011) of this policy, there was an increase in facility based deliveries- with more than 3,000 maternal lives being saved (Hera and Health Partners Ghana 2013).

Despite the high rates of maternal death and MMR, it is worth noting that the free maternal health care initiative under the NHIS played a leading role in cases where there was a reduction i.e. 2007-2010. There were clear signals in 2013 that this social health insurance model coupled with the free maternal healthcare component could not be sustained without an increase in domestic fiscal space (Hera and Health Partners Ghana 2013). There is an urgent need to look for alternative funding of this social intervention program which would guarantee the rights of women to live and ultimately to good health especially with maternal care. Additionally, health investments need to be scaled up especially with primary healthcare allocations. Figure 8 shows the trend of primary health and total health sector expenditures. If tax avoidance/evasion could be clamped down and potential lost funds invested in the health sector then the objective of women receiving quality health and longevity would be realized quickly.

**Figure 8: Primary Health Care and Total Health Sector Expenditures 2007-2017 (In Constant Prices of 2010)**



**Source: Author's calculations based on Budget Statements (2007-2017)**

In policy terms, Gender Responsive Budgeting was piloted in the health sector in 2009 in addition to Program Based Budgeting in 2014- effectively tying budgets to a set of policy outcomes. However, the desired impact has not reached full potential and this can partly be attributed to inadequate budgetary allocations/funds in the health sector, inadequate gender budget experts and other capacity constraints. □

## 6. CONCLUSION

This research report has provided estimates on how much Ghana lost through tax avoidance/evasion and investments in key public services provisions such as health, education, water and sanitation among other sectors from budget statements. Tax avoidance/evasion estimates covered two areas. One area is the scale of transfer abuses in the extractive sector as majority of Ghana's foreign exchange earned is primarily attributed to this sector and also to highlight the scale of global tax avoidance by multi-national companies in developing countries. The second area researched includes income tax evasion in the informal sector as majority of the Ghana's population thrives in informal arrangements.

This research also sought to analyse the impact of investment in these public services provisions. The education and health sectors were considered as they remain critical services in the development of women and girls. Under the years of review (2007-2017) there were clear gender gaps in education particularly in the attainment of educational qualification at the basic and secondary level. Women and girls lagged behind in terms of acquiring basic and secondary education qualifications compared to their male counterparts. Additionally, the number of females who have never been to school was higher than that of males. The health sector was also explored and reference was made to maternal deaths/maternal mortality ratio. There is a worrying trend that statistics for maternal mortality remain high and this can be partly attributed to inadequate budgets/funds in this critical sector. There should be no circumstance in which any woman should be discriminated and denied the right to live based on the fact that she cannot access quality antenatal care, health and nutrition services, skilled health personnel at delivery and emergency obstetric care services. It is also important to note that the free maternal care policy introduced in 2008 was crucial in times where the statistics of maternal deaths went down.

Financing of investments especially by the government of Ghana has long been an issue due to insufficient funds. Ghana is currently providing free senior high school education with the hope that there would be increases in the populations with at least secondary school qualification. However, the sustainability of this policy is under threat due to lack of funds. It is also important to note that, possibly one means through which government loses tax revenue can be attributed to tax incentives it grants multinational companies. It could be useful to estimate how much Ghana lost within the last decade which could have been used to finance developmental projects in the health, education and other sectors.

Based on these worrying outcomes, this research report makes a number of recommendations that the Government of Ghana can undertake in tackling tax avoidance and evasion which has great potential towards increased domestic resource mobilization, increased budgetary allocation for health and education, with special consideration to the peculiar needs of women and girls.

- The Ghana Revenue Authority (GRA) ought to be strengthened with more skilled auditors and other experts to conduct rigorous audit of companies in the extractive sector. This should lead to companies paying fair taxes; strategies to combat excessive tax planning by multinational companies; sanctions for multinational companies due to any form of tax evasion and avoidance.
- There should be a clear-cut policy with targets as to how effective domestic resource mobilization should lead to sufficient government expenditure on education, especially girl child education; maternal health care and recruitment of health personnel, especially nurses to improve patient to nurse ratio in the hospitals.
- Government of Ghana needs to provide urgent technical support and training to various Ministries and Departmental Agencies to ensure compliance with Gender Responsive Budgeting across board.



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Appendix A2: Break Down of Government of Expenditures 2007-2017

(In Constant Prices of 2010)

											In GH¢ millions
	EDUCATION EXPENDITURE				HEALTH EXPENDITURE		WORKS, HOUSING & WATER EXP				
YEAR	Total Gov't Expenditure	Total Tax Revenue	Basic Education	Total Education	Prim Health Care	Total Health	Rural Water	Total Works & Housing	Other* Exp	Total Education, health, water & other*	
2007	8,079	5,335	974	1,622	427	781	22	45	373	2,820	
2008	9,579	5,798	1,009	2,085	386	788	29	85	424	3,382	
2009	8,943	5,889	1,190	2,220	365	715	10	52	423	3,410	
2010	8,259	6,295	821	1,653	443	932	30	47	455	3,087	
2011	10,438	8,440	1,295	2,708	516	1,747	107	494	341	5,289	
2012	13,434	9,538	1,916	3,804	831	1,787	5	77	987	6,655	
2013	15,017	9,974	1,646	2,642	470	1,490	92	144	1,019	5,296	
2014	14,642	10,961	1,715	3,151	804	1,179	10	36	802	5,168	
2015	14,725	12,196	1,693	3,238	921	1,633	22	69	917	5,857	
2016	18,709	10,580	1,656	2,638	700	1,261	16	48	784	4,731	
2017	18,213	11,568	1,569	2,687	737	1,300	46	97	869	4,953	
<b>Total</b>	<b>140,037</b>	<b>96,573</b>	<b>15,483</b>	<b>28,448</b>	<b>6,600</b>	<b>13,613</b>	<b>390</b>	<b>1,194</b>	<b>7,393</b>	<b>50,647</b>	







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