

# Financing the future: delivering SDG 4 in Ghana

## »» Progress on meeting SDG 4

In 2015, world leaders agreed to 17 Global Goals (officially known as the Sustainable Development Goals or SDGs). As part of that they promised **equitable, inclusive** and **quality** education for all.

The first target was to ensure that all girls and boys complete free, equitable and quality primary and secondary education. **With just a decade to go, how is Ghana doing on this commitment?**

### Ghana free education from pre-primary to secondary education

Ghana stands out among sub-Saharan African countries of a similar income for its impressive achievements in increasing access to fee-free education at pre-primary, primary and secondary levels. More recently, the government commitment to dropping schools' fees for senior high school saw 90,000 more students at the start of the 2017 academic year. Available statistics showed that, previously, between 2013 and 2016 about 100,000 students were unable to enroll due to financial challenges (most of them coming from low income families).

This also added to the 2008, government commitment which made pre-primary education free and compulsory for at least two years – making education free all the way from preschool to 15 years old.

#### Box compiled from following sources:

1. Oxfam (2018). Building a More Equal Ghana
2. Government of Ghana (2019). Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development- June 2019.

- Ghana has made huge progress in access, UIS estimates less than 1% of children are still out of primary school in 2019,<sup>1</sup> and only 10% out of lower secondary school. Even upper secondary now stands at only around 30%.<sup>2</sup> In part, this progress has been supported in recent years by the introduction of free secondary schooling.
- Ghana made remarkable progress on pre-primary education with enrolment reaching 99% in 2014.<sup>3</sup>
- However, quality of education requires more action. At primary school, only 22% of pupils could meet basic proficiency in math's and 37% in reading.<sup>4</sup>

### Ghana has an unequal education system

- Gender parity has been broadly achieved at both primary and secondary level.<sup>5</sup>
- Some populations continue to be extremely marginalized: it is estimated that everyone in five children or young people aged 6 to 24 years in Ghana have not attended school.<sup>6</sup>
- Completion by wealth also continues to be an issue, 27% of the poorest quintile compared to 76% of the richest complete lower-secondary education.<sup>7</sup>
- Regional disparities remain the main equity issue in Ghana where primary completion rate is 42% for girls from the Northern Region but 79% for girls in the Ashanti region – but this can also overlay with other disadvantage - primary school completion for the poorest girls from the Northern Region is around 32%, compared to 87% of girls and 90% for boys from the richest quintile living in Ashanti region.<sup>8</sup>
- The inequality patterns in access and progression are broadly reflected in learning: the poorest students consistently perform at lower levels than their wealthier peers, but when location and gender are factored in this is further amplified; for instance, 48% of the richest urban males in Ghana leave lower secondary school having learned the basics in mathematics, only 7% of the poorest rural girls do.<sup>9</sup>

**This SDG target 4.c commits substantially increasing the supply of qualified teacher, because “teachers are a fundamental condition for guaranteeing quality education”.**<sup>10</sup> The UN recommends a pupil-teacher ratio of only 40:1 at primary school level, and 30:1 at secondary level.<sup>11</sup> In Ghana, there is a severe shortage of teachers, especially trained teachers

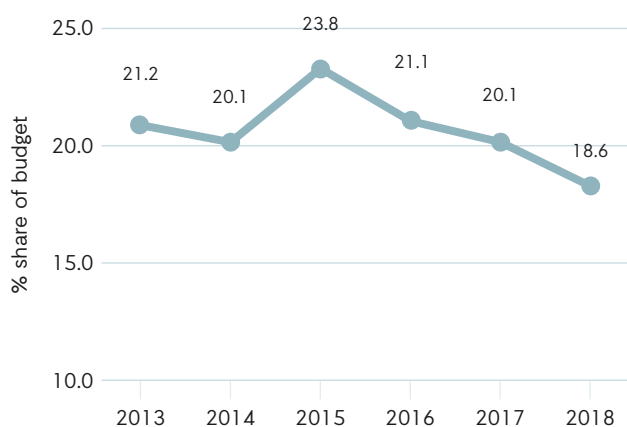
- There is a pupil (trained) teacher ratio of 62:1 at primary school, 73.1 at lower secondary level and 85:1 at upper secondary -- this has grown with the secondary expansion in recent years.<sup>12</sup>
- This is marginally better when counting all teachers (i.e. trained and untrained) at 43:1, 18:1, 23:1, respectively.<sup>13</sup>

### Financing SDG 4 requires at least 20% of the budget

To finance SDG 4 the UN recommends that at least 15-20% of budget go to education, or 4-6% of GDP. **Ghana has been close to the upper end of these benchmarks for over the last few years (see Figure 1 and 2).**<sup>14</sup>

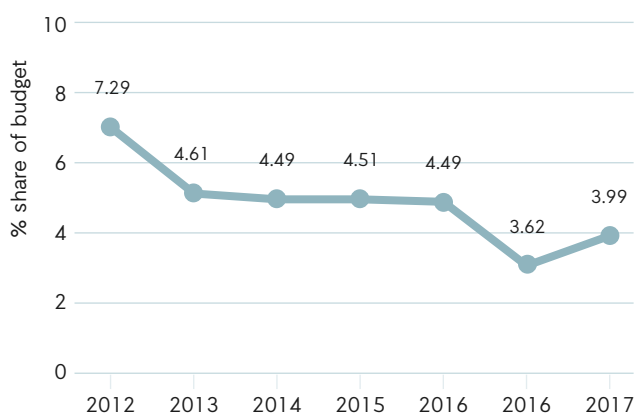
However while the share of budget has been, somewhat, maintained - a measure of government commitments in tough fiscal times - the share of GDP has been harder to maintain as debt has constrained the governments purse – after plunging from an all-time high of 7% in 2012.<sup>15</sup>

**Figure 1:** Ghana share of the budget on education, 2012-2019



Source: UNESCO Institute of Statistics (2018, latest available year)

**Figure 2:** Ghana share of GDP to education, 2012-2018



Source: UNESCO Institute of Statistics (2018, latest available year)

### Spending must allow for both SDG 4 quality and equity targets to be met...

#### Is the spending fair or equitable?

- Government spending on education has been shown to be progressive in Ghana, due to a high share of public spending on pre-primary, primary, and junior high school and majority of children making it through to this level of education - much more other sub-Saharan African countries - so the poor get more of the education 'pie'.<sup>16</sup>
- Significantly, in 2013 Ghana spent 7% of its education budget on pre-primary education, which has been shown have an equalizing impact (as pre-primary schooling has been shown to support the poorest to learn better throughout their school life).<sup>17</sup> However, this has reduced in recent years, so too has primary as a share of the budget – Ghana must be careful to keep its equitable enhancing spending patterns as more children make it through school.<sup>18</sup>
- Spending has also had to keep pace with teaching requirements and ensuring enough teachers to guarantee quality: this is particularly important in these times of increasing fiscal restraints, with wage freezes imposed by austerity measures from the IMF. As such, Ghana needs to both grow their recurrent and capital spending in education to address equity and quality – this has to be done through new increases to the overall revenue pie.

## Reaching SDG4 will require governments to grow their budgets overall.

Ghana requires new public funds to meet the sustained costs required to meet SDG 4, over the long term. Yet, in a time of increasing fiscal pressures on the budget this will become ever more difficult.

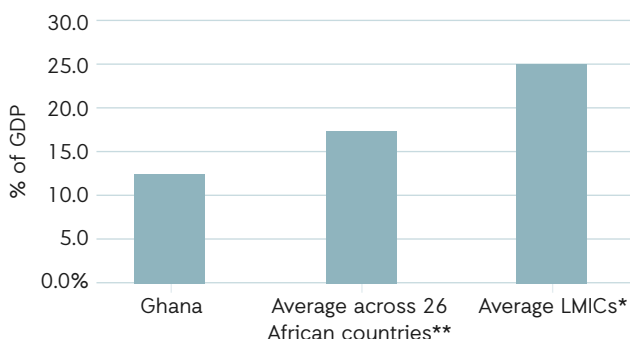
This means raising new revenues become increasingly important. According to the UN a minimum of at least 20% tax-to-GDP ratio is needed to deliver on the Sustainable Development Goals.<sup>19</sup> Ghana relies on tax revenue as key source of domestic revenue, but is not currently collecting as much revenue as it could. In sub-Saharan Africa, and across low-middle income countries, Ghana's tax-to-GDP ratio is below average, at 12.4% (see Figure 3 and 4 above). It also has one of the largest gaps between actual and potential revenues.<sup>20</sup>

It is increasingly important for Ghana to increase taxes, given that debt servicing is sucking away precious revenues. This progress is currently under threat from debt crisis with **over 50% of government revenue allocated to debt service** in 2018.<sup>21</sup>

Studies suggest that for many countries a goal of increasing their tax-to-GDP ratios by 5% in the medium term (3-5 years) is ambitious, but reasonable.<sup>22</sup>

**ActionAid has estimated that if Ghana did this it could lead to an astonishing US\$7.8 bn by 2023,**<sup>23</sup> of which, if the government allocated just 20% of new tax revenues, as per international benchmarks, this could increase the education budget by US\$1.5bn – **nearly 60% of the 2019 education budget.**<sup>24</sup>

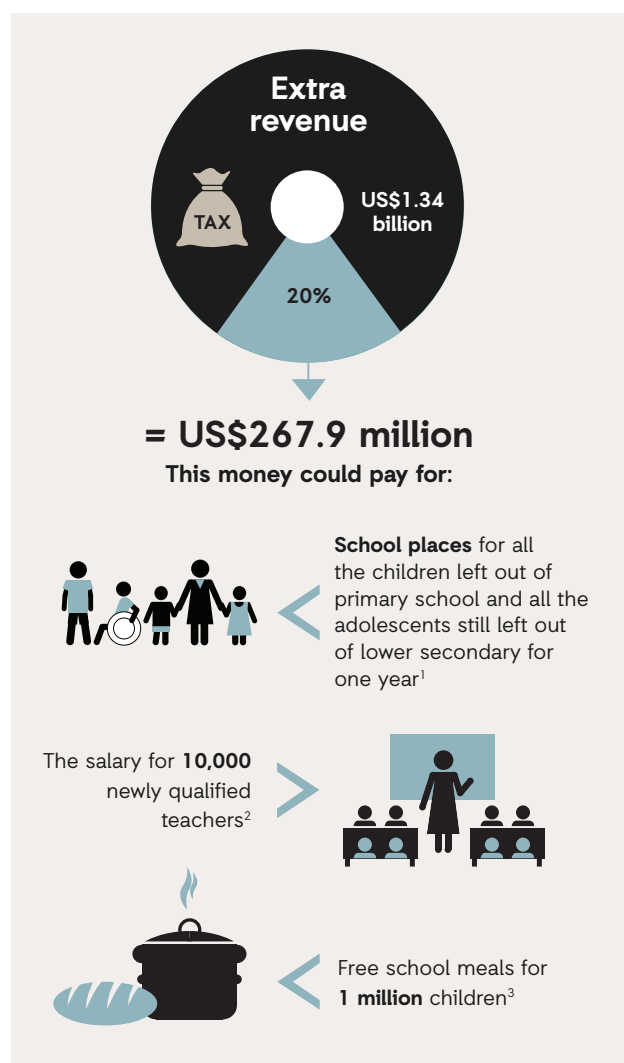
**Figure 3:** Tax-GDP ratios in 2007, Ghana and comparable country groups



\* ICTD/UNU-WIDER Government Revenue Dataset

\*\* based on OCED Africa revenue statistics.

However, this must be done progressively, with attention to this falling on the richest. One area of particular are to focus on raising new funds progressively is from corporate tax exemptions, because **the Ghanaian tax system is characterized by large tax exemptions, deductions and incentives**, targeted especially to large multinational companies – severely limiting the country's tax-raising potential.<sup>25</sup> The government has also negotiated a wide range of ad hoc deals giving companies lower tax rates.<sup>26</sup> In 2019, the IMF<sup>27</sup> estimated that tax expenditures (that is, revenues foregone through tax incentives and exemptions) amounted to at least 2% of GDP.<sup>28</sup> ActionAid has estimated that this amounts to US\$1.34bn in lost revenues.<sup>29</sup> ActionAid has calculated what this could pay for if 20% of this was allocated to education, as per international recommended benchmarks – **at US\$267.9 million what could pay for?**



1. UNESCO Institute of Data shows lower secondary OOS to be 299,372 and primary to be 35,432 in 2018 data (latest year), per pupil spending is US\$234.13 at lower secondary and 114.8 at primary this is from 2014 (latest year available). All data downloaded in July 2020. <http://data.uis.unesco.org/#>

2. We used the official salary scales for all school teachers (provided from gov Ghana based on data provided to AAI Ghana) of Ghana Cedi 18,648 annually converted to average US\$ 2018 figures (using World Development Indicator data)

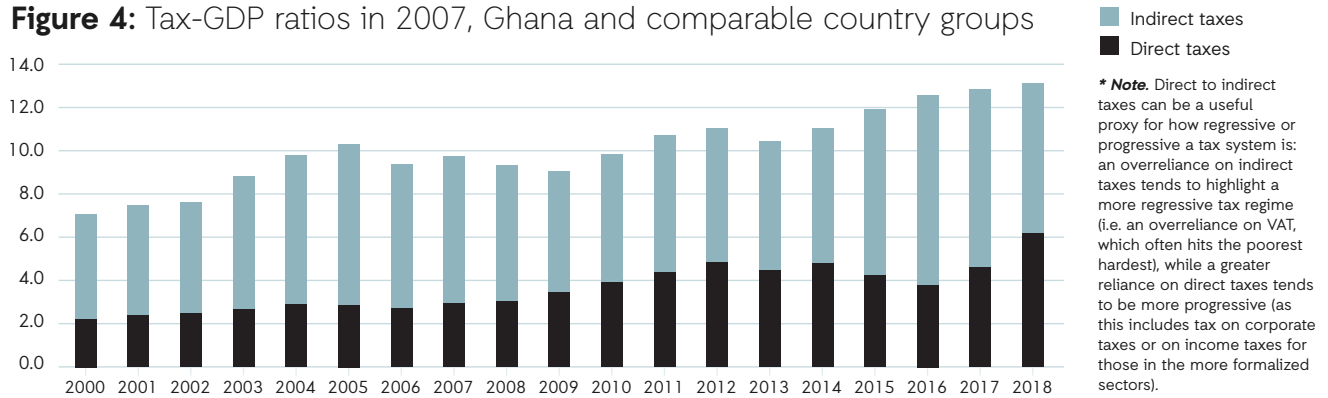
3. The following paper estimated it cost around \$0.33 dollars per day per pupil for the "homegrown school feeding programme", we then added this to the 197 school days per year to get a per pupil annual spend of US\$65. See "A School Meals Program Implemented at Scale in Ghana Increases Height-for-Age: A Cluster Randomized Trial" <https://academic.oup.com/ijn/article/149/8/1434/5491288>. We then estimated cost to reach 1 million --the homegrown feeding programme aimed to reach 1.6 million children, so we took this for the amount of children to be covered (see MTEF The ministry of gender, children and social protection 2018-21)

## Progressive and regressive taxes in Ghana

Over the period 2007-2017, Ghana has done too little to improve their tax-to GDP ratio. However, they have worked to also reduce the overreliance on indirect taxes,

versus direct taxes during the same period, suggesting the tax system has become increasingly progressive.\* Moreover, broadly, the tax system includes a large number of progressive indirect taxes, and some direct taxes that are really progressive.<sup>33</sup>

**Figure 4:** Tax-GDP ratios in 2007, Ghana and comparable country groups



## A Call to Action

ActionAid calls on the government of Ghana to take the following measures needed to fully finance quality, inclusive public education and achieve SDG 4:

1. Increasing the **SHARE** of the budget allocated to education, by continuing to exceed the UNESCO's benchmarks of 20% of national budget and/or 6% of GDP.
2. Increasing the **SIZE** of the overall budget, maximizing the availability of resources for investment in public education by:
  - Mitigating the effect of macro-economic policies that limit the amounts available for public spending (e.g. by reducing debt and borrowing, seeking reductions on debt servicing and limiting austerity policies). Improve scrutiny, to allow for a better understanding of borrowings and loans, to ensure a better understanding of the appropriateness of these.
  - Setting targets to increase the tax-to-GDP ratio, including setting-out an urgent timetable to reach a tax-to-GDP ratio of at least 20%. The IMF has noted that countries should aim to meet an ambitious (but realistic target) to increase the tax-to-GDP ratio by 5% in the medium term (3-5 years). To do so, governments should focus on:
    - Ending harmful incentives;
    - Reviewing tax and royalty agreements in the natural resource / extractive sector, in particular;
    - Closing loopholes which enable tax avoidance and evasion in the private sector;
    - Promoting and enforcing fair corporate tax;
    - Promoting and enforcing progressive taxes on personal income and wealth.
3. Increasing the **SENSITIVITY** of national education budgets by:
  - Focusing on equity in public expenditure to redress inequality and tackle discrimination (e.g. stipends for children with disabilities; increased investments in incentives for teacher postings in poor rural areas).
  - Developing nation-wide equity funding formulae which explicitly addresses disadvantage and inequality.
4. Enhancing the **SCRUTINY** of national education budgets by:
  - Actively encouraging scrutiny of education budgets and expenditure to promote transparency and accountability and improve efficiency through timely disbursement of funds and that funds are spent effectively (especially in disadvantaged areas) e.g. by enabling or formalizing community and civil society oversight.

## Contact Us

**Address:** 3rd Asoyi Lane, East Legon, Accra P. O. Box AN 19083, Accra-North  
**Tel:** +233(0) 30 254 4714/5 **Cell:** +233 (0) 24 431 6392 **Fax:** + 233 (0) 30 276 4930  
**http://ghana.actionaid.org** **Email:** aaghana@actionaid.org



@actionaidghana