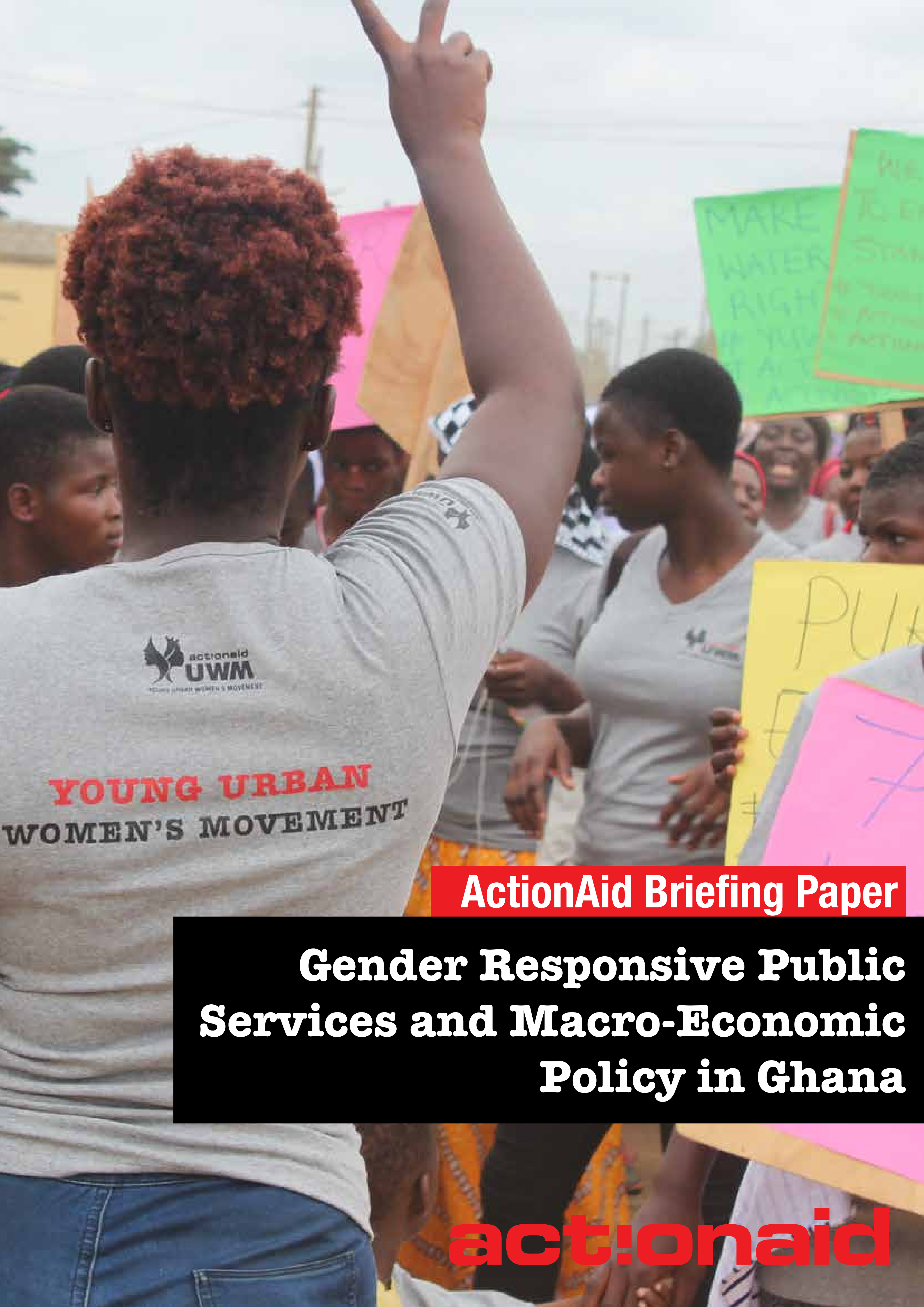

ActionAid Briefing Paper

Gender Responsive Public Services and Macro-Economic Policy in Ghana

actionaid

This paper was written by Dr Eric Osei-Assibey and Nancy Kachingwe, with the critical contribution of Amadeus Bringmann, Yanyuan He, Shay Howard and Natalie Jones, master's degree students at the London School of Economics. Baishali Chatterjee coordinated the process with Margaret Brew-Ward. Valuable comments and inputs were provided at various stages by Emma Burgisser (Bretton Woods Project), Kasia Staszewska, David Archer, Soren Ambrose, Wangari Kinoti and Neelanjana Mukhia. We are grateful to Sumaila Rahman and the ActionAid Ghana team. Special thanks to members of the young urban women's movement in Ghana who provided crucial insights from their everyday experiences.

Foreword

ActionAid works with 10 partners and over 7,000 young women across 13 cities in Ghana, Kenya, India and South Africa through its Young Urban Women: Life Choices and Livelihoods Programme. The programme provides a platform for collectives of young women in urban areas to share knowledge and experiences and take action to claim their rights. Across these cities, young women are organizing in multiple ways to confront the lack of quality public services and infrastructure as the main reason behind their unpaid care and domestic work burden, and as a key impediment to their bodily integrity, their ability to access decent work opportunities and simply live lives of dignity. At the root of their experiences is the reality of macro-economic policies, largely imposed by international finance institutions, that effectively erect structural barriers to social and economic rights while exploiting women's paid and unpaid labour.

In a report titled *The Decade of Adjustment: A Review of Austerity Trends 2010 – 2020*, the International Labour Organization (ILO), South Centre and the Initiative for Policy Dialogue of Columbia University examined International Monetary Fund (IMF) spending projections for 187 countries and identified the main adjustment measures considered by governments in both high income and developing countries. In discussing austerity, welfare and social progress, the report found that austerity was expected to impact more than two thirds of the all countries between 2016 and 2020, affecting more than 80 per cent of the global population, with many of the principal adjustment measures featuring most prominently in developing countries. These include measures such as wage bill caps or cuts – affecting the salaries of public sector workers, the elimination of subsidies (on fuel, agriculture and food) as well as revenue-side measures like introducing or broadening consumption taxes and privatizing state assets and services. So, although this paper looks at the situation in Ghana, it really is about all of us.

Wangari Kinoti
International Policy Advisor, Women's Rights
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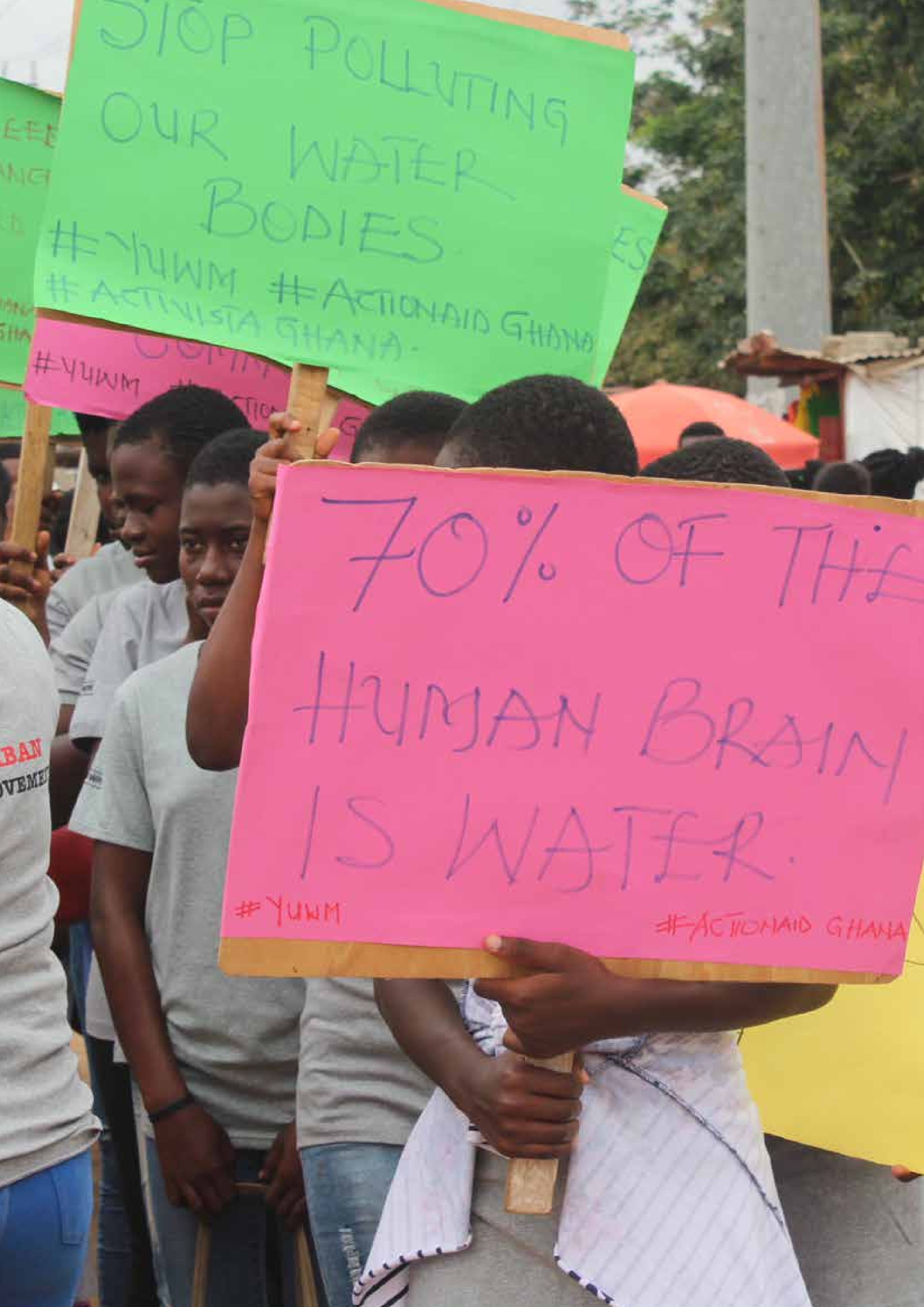
STOP POLLUTING OUR WATER BODIES
#YUWM #ACTIONAID GHANA
#ACTIVISTA GHANA
70% OF THE HUMAN BRAIN IS WATER.
#YUWM
#ACTIONAID GHANA

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Introduction

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"Actually, for the population of the area, the facility is not enough…if you're sick, you have to go there at around 5 am and sometimes you leave there at 3 pm…you have to go and form a queue and literally spend the whole day over there…by the time you're leaving, you get [more sick]"

"The [VIP section] is reserved for anyone who is ready to pay…that is what they have done to it even though it is not supposed to be like that. Even if I have to use the washroom at the hospital, I have to pay"[1]

Improving public services is vital to progress on the fulfilment of girls' and women's rights: to education, to health (including sexual and reproductive health services), to water and sanitation, to childcare, to transport, to bodily integrity and many more. Public services have the potential to create more equal societies, countering social and economic inequalities. Yet all too often, services are under-resourced and inadequate; they do not fulfil women's and girls' human rights but instead reproduce or perpetuate exclusion and injustice.[2]

This briefing paper draws from the findings of an in-depth policy review and field work commissioned by ActionAid's Young Urban Women's Programme to explore the ways that IMF-sponsored macro-economic policies have affected the provision of essential public services, with a special focus on Ghana's health, water and sanitation sectors. Macro-economic policy frameworks are the vehicle for defining government income and expenditure, and are therefore key to the financing of social services. The impacts of macro-economic decisions reverberate far beyond government balance sheets with real consequences for women's well-being and gender equality. This report supports arguments made by women's rights advocates that public spending cuts adversely and disproportionately affect women through three primary and interlinked channels:

- direct losses in income,
- restricted access to services, and
- increased unpaid work and time poverty[3]

1 Osei-Assibey E. 2018. Research Report on Gender Responsive Services in Ghana. ActionAid Young Urban Women Project. Forthcoming

2 ActionAid International. 2018. Gender Responsive Public Services Framework *http://www.actionaid.org/sites/files/actionaid/grps_2018_online.pdf*

3 Bretton Woods Project. 2016. Gender Just Macro-Economics: Engaging the IMF and the World Bank *https://www.brettonwoodsproject.org/wp-content/uploads/2016/10/Gender-Just-Macroeconomics-final-1.pdf*

Macro-economic policies are often associated with the goals of reducing economic uncertainty and risk by increasing financial stability. This includes imposing extremely low inflation targets, insisting on low deficit targets, keeping unemployment rates low, and other mechanisms. A nation's budget, with tax collection on the revenue side and public spending on the expenditure side, is a central part of macroeconomic policy and on both sides this has effects on income distribution and equity.

The public budget, with its function of resource allocation, is a central tool of macro-economic policy but can be viewed as a proxy for a nation's stance on equality. Macro-economic policies may not reach their ultimate goals if their gender effects are overlooked. Recent studies have shown two-way causality between the dynamics of gender and macro-economic outcomes. In other words, gender inequalities produce negative socio-economic outcomes; conversely macro-economic policies may increase or reduce inequalities between men and women.

Public services are critical for the achievement of social and economic development goals and are the means by which governments fulfil their obligations to ensure the progressive realization of social, economic and cultural rights as envisaged in the Universal Human Rights Declaration[4] and the International Covenant on Economic, Social and Cultural Rights.[5] Furthermore, governments' obligations to ensure gender equality as contained in the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and further elaborated in the Beijing Declaration and Platform for Action[6] are most effectively met through gender responsive and universal public services. In the decade since the global financial crisis (2007/2008) increasing numbers of countries have had to go to the IMF due to debt servicing problems, which is the case with Ghana. Loan agreements with the IMF set a large number of macro-economic policy targets which also impact on the funding and approach to public service provision.

This paper looks in particular at the health, water and sanitation sectors in Ghana and the evolution of revenue and expenditure policies that have affected them under the IMF loan agreement. After outlining the main features of the IMF-Ghana loan agreement, we look at social spending in health, water and sanitation respectively. We then examine the approach to financing public services with particular regard to tax and privatization. In addition we provide some perspectives on how these policies translate on the ground as experienced by young women in low income urban communities.

4 Universal Declaration of Human Rights *https://undocs.org/A/RES/217(III)*

5 International Covenant on Economic and Social Rights *https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx*

6 Beijing Declaration and Platform for Action *http://www.un.org/womenwatch/daw/beijing/pdf/BDPfA%20E.pdf*

UNDERSTANDING MACRO-ECONOMIC POLICY AND GENDER EQUALITY

"Macro-economic policies shape the overall economic environment for realising women's economic and social rights through their impact on employment creation and fiscal space in particular. How macro-economic policies are designed and implemented will thus have a direct impact on the likelihood that gender equality is achieved. Two broad categories of macroeconomic policies are fiscal policy and monetary policy. Fiscal policy involves the use of government expenditures, taxes and public borrowing to achieve economic and social goals. Monetary policy operates through financial markets and institutions to influence the money supply, interest rates, credit availability and exchange rates.

Despite its importance to a range of economic and social outcomes, macro-economic management typically focuses on a narrow set of goals such as increasing gross domestic product (GDP) growth rates, or reducing inflation to extremely low levels. Questions of inequality and distribution are absent or poorly addressed. It is often assumed that economic growth will provide solutions to persistent problems such as gender inequality, yet evidence shows that faster growth in itself will not achieve this. If economic and social policies are to support the realization of substantive equality, a rethinking of macro-economic policies is essential.[7]

Macro-economic policies can limit or broaden the possibilities for redressing women's socio-economic advantage through several channels, directly or indirectly:

(i) they have a direct impact on both the quantity and quality of employment opportunities available to women and men;

(ii) they affect the burden of unpaid care and domestic work via their impact on employment, household incomes and living standards;

(iii) they have distributive consequences (eg through taxation) that can either reinforce women's disadvantage, or potentially promote redistribution of resources towards women;

(iv) they influence the resources available to government to financial social policies that can be used to reduce women's socio-economic disadvantage."

Adapted from UN Women State of the World's Women Progress Report 2015-2017

7 UN Women. 2015. Transforming Economies, Realizing Rights: Progress of the World Women 2015-2016. p.194 *http://www.unwomen.org/en/digital-library/progress-of-the-worlds-women*

1.1 Overview of access to health care, water and sanitation in Ghana

Ghana's social indicators show that the country has a long way to go to provide universal access to social services, as envisaged in human rights treaties as well as in development frameworks such as the Millenium development Goals (MDGs) and Sustainable Development Goals (SDGs). This situation was reflected in detailed interviews with groups of young urban Ghanaian women on service provision in health, water and sanitation, by both the public and private sectors. The women interviewed spend considerable time fetching water, which is increasingly costly. With respect to sanitation, women lived in a community where there is only a single public toilet; waste is disposed of in drains in polythene bags, and community members have to pay private individuals to collect household waste.

Ghana is considered a development success story in sub-Saharan Africa, with a democratic political environment, vibrant civil society and a growing economy. Ghana's population is 29.5 million, of whom 56.1% now live in urban areas.[8] According to UNESCO, in 2016, almost 40% of the population was under 14 years of age, with high rates of child poverty. Ghana ranks 14th out of 53 countries in Africa in the UNDP Human Development Index. Despite regional and rural/urban disparities, the country was one of the few in Sub-Saharan Africa to achieve MDG Goal 1, halving extreme poverty; Ghana also halved the proportion of people without access to safe drinking water and achieved universal primary education and gender parity in primary school.

Access to healthcare in Ghana was expected to improve greatly with the introduction of the National Health Insurance Scheme (NHIS) in 2003. While access to certain health services by some groups has improved, the scheme's coverage in terms of services and population groups falls far below universal access with only 60% of the population enrolled. Only 39% of sexually active women of reproductive age (15-49 years) have their family planning needs met with modern methods. While 73.7% of births are attended by skilled health personnel (2014), this figure falls between 40-60% for those in the two lowest wealth quintiles.

Where water provision is concerned, improvements in access to drinking water have been made at a national level with 92.6% of urban population and 84% of rural populations having access to improved water sources (2016)[9], but only 42% of public schools had access to basic drinking water in 2016/17 compared to 74% in private schools. Overall, while half of the population has access to a basic water service, a little over a quarter enjoys a safely managed service, while a fifth have access to a limited service or worse.

Whilst health and water provision have shown mixed results i.e. some improvements despite gaps, the story with respect to sanitation in Ghana remains

8 UN Population Data Ghana Country Factsheet *http://data.un.org/en/iso/gh.html*

9 idem

exceptionally grim.The very low levels of access to sanitation facilities – toilets and handwashing – as well as poor waste management, show the need for much higher levels of public investment at all levels: infrastructure, waste management systems, etc. which would make a real material difference to women and girls in terms of dignity, education, health, care burdens and safety. According to a UN Water Country Overview,[10] Ghana's water, sanitation and hygiene budget allocation amounted to only 0.5% of GDP compared to health (5.2%) and education (6.8%). While Ghana has committed to meet the SDG target on access to sanitation for all, the sanitation budget in 2018 was the lowest in five years.[11]

Even where there has been some upscaling of certain social services, aggregate numbers mask issues of distribution, quality and cost which further exacerbates women's care and domestic burdens, as well as impacting their own health and economic situations. ActionAid's own research on young women's livelihoods in poor urban areas noted that "the urban planning, management and governance agenda is largely concerned with the physical and spatial issues linked to men's work patterns, and ignores the different experiences and needs of poor women around access to water, sanitation, secure tenure, safe transportation and streets, health, education and care facilities."[12]

The Government of Ghana has since 2015 made considerable cuts to public expenditure under its current IMF programme. According to the Ghana SDG Baseline report,[13] government allocations for poverty reduction activities increased progressively from 24.8% in 2013 to 28% in 2015, but then fell to 19.4% in 2016. While the new administration in Ghana launched a new development programme – the Coordinated Programme of Economic and Social Development – the government's fiscal space in delivering that programme is largely determined by expenditure targets defined in its 2015-2018 loan agreement with the IMF, which was extended by a year to April 2019. So, for example, civil society groups pointed out that the commitment to a national social protection floor was affected by a 77% drop in the 2019 Budget for the Ministry of Gender, Children and Social Protection. There is little likelihood that the targets set under the current loan agreement will change; however beyond 2019, when Ghana is expected to exit the loan agreement, there needs to be pressure for a change in macro-economic policy orientations, particularly with respect to austerity.

9 UN Water Ghana Country Overview. 2013. *http://www.unwater.org/publications/un-water-country-briefs-ghana/*

10 Business Ghana. 18 October 2018. Establish Sanitation Fund to Address Financing Challenges. *https://www.businessghana.com/site/news/general/174606/Establish-sanitation-fund-to-address-financing-challenges*

11 ActionAid .2012. Young Women: Life Choices and Livelihoods in Poor Urban Areas *http://www.actionaid.org/publications/young-women-life-choices-and-livelihoods-poor-urban-areas*

12 Ghana SDG Indicator Baseline Report. 2018. *http://www.gh.undp.org/content/ghana/en/home/library/poverty/ghana-sdgs-indicator-baseline-report-2018-.html*

13 Ghana News Agency. 22 November 2018. Pay Attention to Children and Social Protection Issues SEND Ghana By Goodwill Mensah. Accra. *http://www.ghananewsagency.org/print/125370*

The IMF's footprint in Ghana

- Since Ghana's Independence in 1957 the IMF has had 16 separate loan programmes with the country
- They include notably the 1983 Structural Adjustment Programme and the 2001 Enhanced Highly Indebted Poor Country Initiative
- The country completely weaned itself from the IMF in 2006
- From July 2009-July 2012 Ghana turned to the IMF's Extended Credit Facility (ECF), a three year stabilisation programme
- In April 2015 the country entered into a yet another 3 year ECF programme with the IMF. The programme was extended to April 2019 as the country could not meet programme benchmarks.

1.2 Why gender responsive public services?

Public services are the foundation of a fair and civilized society. It is essential that we protect them so they can meet the needs of the future.

Public services extend opportunities, protect the vulnerable, and improve everyone's quality of life. They are essential to our economic development and prosperity. They strengthen our communities and bind us together as a society.[14]

The concept of 'gender responsive public services' refers to public services that support efforts to eliminate those inequalities resulting from gender-based discrimination. Public goods and services are those that are provided or financed by government from budgets. The range of public services provided by governments vary widely and may have objectives that are social (e.g. health or education), economic (e.g. roads, transport) or civic/political (e.g. law and order). The basis of many public services is today rooted in international and national legally binding obligations of governments to promote and fulfil human rights, such as the right to health, food or water.

In African countries, governments' responsibilities to deliver public services are part of post-independence social contracts to address the colonial legacies of impoverishment, dispossession and underdevelopment. While non-discrimination is a basic principle for public service delivery, the prioritization of funding to social services often benefits certain groups over others as a result of existing power imbalances; usually reflecting the interests of more powerful socio-economic groups. Because women have less political and decision-making power, especially

14 UNISON Online Briefing. Undated. Why Public Services Matter *https://www.unison.org.uk/why-public-services-matter/*

in relation to public financing and macro-economic policy, the scope, funding, design and availability of public services that cater to their particular needs or interests tend to be neglected. The concept of gender responsive public services is therefore used to define those public services that support the social, economic and political empowerment of women by directly addressing the disadvantages that different groups of women face.

ActionAid has developed a Gender responsive Public Services (GRPS) Framework[15] which is premised on the vision that public services can play a transformative role in creating more just and equal societies. The GRPS framework lays out a number of principles and criteria to assess how rights based public services regime qualify as gender responsive.

Effective Gender Responsive Public Services should:

- Tackle the different dimensions of power (visible, hidden and invisible) that determine decision making in public services;
- Address both practical and strategic gender needs, with due regard to the heterogeneity of groups of women and gender non-conforming groups;
- Be publicly funded and delivered; gender equitable and universal
- Align with human rights frameworks

To meet the above, we seek to increase:

- The share of budgets spent on key public services
- The size of government revenues overall to fund public services
- The sensitivity of allocations within each service
- The scrutiny needed to ensure that money arrives.

ActionAid places an explicit and clear focus on the role of governments in guaranteeing universal public delivery of publicly funded services. To this end, governments must look to ensure:

- Effectiveness
- Accountability
- Decentralization
- Public ownership

Gender equity and inclusivity in public services requires that they are:

- Free from discrimination and sexism
- Safe
- Inclusive processes for inclusive public services

Quality of public services should focus on ensuring:

- Availability
- Accessibility
- Acceptability
- Adaptability

15 ActionAid International 2018 Framework 2018 Gender Responsive Public Services *http://www.actionaid.org/publications/framework-2018-gender-responsive-public-services*

2 Overview of the Ghana-IMF loan agreement

2.1 Background to the Ghana-IMF 2015 loan agreement

Ghana with a population of 29.5 million has made significant progress in economic development over the last three decades and had been touted by the international community as an exemplar of a successful policy reforms like financial sector reforms and tax reforms often engineered by the Bretton Woods institutions notably the IMF and the World Bank. Until recently, the country has experienced stronger per capita GDP growth rates, averaging about 6.5% over the last decade. This consistently outperformed both Sub Saharan African and global economic growth rates.

Propelled in particular by the onset of commercial oil production in 2010, the country grew by about 14% in 2011 and was considered then as one of the fastest growing economies in the world. This has also helped put the country into lower middle-income status, with per capita GDP increasing from the US$700 in 2007 to US$1,858.2 in 2014. However, the country started experiencing serious economic difficulties from 2013 that led to rapid depreciation of the domestic currency (cedi), rising and erratic rates of inflation, increasing government budget deficits leading to rising indebtedness, high interest rates, trade deficits and pervasive unemployment. This was as a result of the sharp decline in the global crude oil prices and over expenditures linked to the 2012 domestic election. By 2016, real GDP growth had fallen to its lowest level in more than two decades to 3.6%, and debt servicing consumed 42.4% of the budget. Although available statistics show that growth has picked up to 8.5% in 2017, per capita GDP has dipped to US$ 1,508.

The earlier rapid and sustained economic growth rate and increased social spending culminated in significant poverty reduction, making the country one of the few countries in Sub Saharan Africa to achieve, ahead of time, the MDG1 target of halving poverty by 2015. However, there is an indication that, even at its peak, the economic growth was not inclusive; according to the latest Ghana Living Standard Survey report,[20] income inequality has widened over the last decade and while headcount poverty (i.e. those living on under US$1.25 per day) is about a quarter of the population, it remains above 70% in the rural north. Moreover, high growth did not generate many decent jobs and did not close the gender disparity gap. While the employment to population ratio is about 67%, the majority

20 Ghana. Statistical Service. 2014. Ghana Living Standards Survey Round 6 (GLSS 6): Poverty profile in Ghana (2005-2013)

(over 86%) are employed within the informal sector with more than seven out of 10 of these jobs considered as vulnerable[21] and with women disproportionately represented at the bottom of the jobs ladder.[22]

2.2 IMF's central role in Ghana's macro-economic policy

Over the last several decades, Ghana has been in and out of an IMF programme. In fact, since Ghana's independence in 1957, IMF has had 16 separate loan programmes with the country. Notable among them are the Structural Adjustment Programme (SAP) in 1983 and the 2001 enhanced Heavily Indebted Poor Country (HIPC) initiative of the IMF and the World Bank, which had one of the preconditions of having a program with the IMF. After reaching the completion point of the HIPC programme,[23] the country completely weaned itself from the IMF in 2006. Ghana turned to the IMF for the Extended Credit Facility (ECF)[24] a three-year stabilization program from July 2009 to July 2012. And in April 2015, due to difficult economic conditions resulting in a large fiscal deficit, rapid depreciation of the domestic currency, rising inflation and dwindling international reserves, the country formally entered into another three-year ECF programme with the IMF. The programme which was to end in April 2018 was extended to April 2019 as the country could not meet the programmed benchmarks.

The conditions attached to Ghana's current Extended Credit Facility (ECF) agreement confirms common criticisms from within the development sector as well as local civil society activists that the IMF's approach to fiscal consolidation - i.e. austerity – continues to have deleterious social impacts. For example, since 2015 the government has strictly implemented the public sector hiring and wage freeze resulting in a huge backlog of teacher and nursing/midwifery trainees who have graduated but have not been posted.[25] Despite claims by the IMF about national ownership of policies, the content of IMF loan agreements is fairly uniform across all countries. The pressure to meet policy targets within loan agreements is exacerbated by the fact that the relationship with the IMF affects other sources of donor funding and foreign direct investment. In this sense, the IMF plays a crucial role in the global development financing architecture. While the IMF claims that the days of structural adjustment programmes (SAPs) are over, but surveys of its current loan agreements suggests otherwise.[26]

21 Ghana Statistical Service, 2012

22 Also see Ghana National Gender Policy, Ministry of Gender, Children and Social Protection, 2015. *http://mogcsp.gov.gh/index.php/mdocs-posts/national-gender-policy/*

23 Ghana also received debt relief through the Multilateral Debt Intiative MDRI

24 Extended Fund Facility: A financing facility (window) under which the IMF supports economic programs that generally run for three years and are aimed at overcoming balance of payments difficulties resulting from macroeconomic and structural problems. Typically, the member's economic program states the general objectives for the three-year period and the specific policies for the first year; policies for subsequent years are spelled out at the time of program reviews. Source: IMF Glossary of Selected Financial Terms

25 See Box on page number 39

26 Kentekelenis A. et al. 2018. IMF conditionality and development policy space. 1985-2014 *https://www.researchgate.net/publication/303384764_IMF_conditionality_and_development_policy_space_1985-2014*

2.3 Policy measures and targets under IMF-Ghana loan agreement 2015

The core of most of IMF programmes has been fiscal consolidation[27] (austerity) and institutional reforms. Since 2000, the various IMF missions have observed in their reports that Ghana requires large budget adjustments by way of increasing tax revenue collection and expenditure cuts in order to ensure stabilization/ consolidation of its budget position. According to the Fund, revenue generation potential in Ghana has not been sufficiently tapped by the Ghana Revenue Authority. In that regard, the IMF has not only directly provided technical assistance, but also its Article IV Consultation[28] mission has issued several country assessment reports and recommended measures such as tax policy reforms, revenue administration measures, spending controls and improved cash management, all aimed at improving the country's capacity to collect eligible taxes to finance the national budget.[29]

According to the IMF,[30] "the main thrust of the ongoing IMF program with Ghana is to restore debt sustainability through a sustained fiscal consolidation and to support growth with adequate capital spending and a reduction in financing costs.

The programme rests on three pillars –

- restraining and prioritizing public expenditure with a transparent budget process;
- increasing tax collection; and
- strengthening the effectiveness of the central bank's monetary policy."

Behind these three pillars, the ECF agreement contains a much longer list of "performance criteria" that the Government of Ghana must adhere to *(explanations in italics by the authors)*[31] :

- a floor on the primary cash fiscal balance of the government, measured in terms of financing *(a minimum allowable deficit not including interest payments)*;
- a ceiling on gross credit to government by the Bank of Ghana *(government is not able to borrow from the Central Bank above a certain amount)*;

27 Fiscal consolidation is a policy aimed at reducing government deficits and debt accumulation (OECD)

28 Article IV Consultation: A regular, usually annual, comprehensive discussion between the IMF staff and representatives of individual member countries concerning the member's economic and financial policies. The basis for these discussions is in Article IV of the IMF Articles of Agreement (as amended, effective 1978) which direct the Fund to exercise firm surveillance over each member's exchange rate policies. (Source: IMF Glossary of Selected Terms *https://www.imf.org/external/np/exr/glossary/showTerm.asp#127*

29 Over the last two years the IMF team based on the Article IV Consultation and other missions has released several country reports and press statements, notable among them are on the following dates: *June 17, 2013; Sept 18 2013; Feb, 26 May 13; September 26, 2014; February 26, 2015*

30 IMF Country Focus. 2015. IMF Readies for Loan to Support Ghana's Reform Plan. *https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar022615a*

31 Government of Ghana- Letter of Intent and Memorandum. Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

- a floor on the net international reserves of the Bank of Ghana *(the Central Bank is obliged to retain foreign currency reserves at a certain level)*;
- a ceiling on net domestic assets of Bank of Ghana *(limit on the level of lending that the central bank can make locally – e.g. to other banks – thereby limiting printing)*;
- a ceiling on wages and salaries *(government is not allowed to exceed a certain level of expenditure on wages and salaries)*;
- a continuous non-accumulation of domestic arrears *(obliges government to maintain a certain level of repayment on its domestic debt)*;
- a continuous non-accumulation of new external arrears *(obliges government to not fall back on servicing its external debt – interest payments etc)*; and
- a ceiling on the contracting or guaranteeing of new external non-concessional debt *(limits the amount of external borrowing by government, particularly from the private credit institutions that charge market rate interest)*

Tax reforms in Ghana in the last decade or so have been largely driven by various agreements with the international donor community, and particularly IMF-supported government programmes. In this regard, numerous policies have been amended to establish a more attractive investment climate for foreign-owned mineral-exploration and extraction companies. Investment incentives such as tax holidays, exemption for import duties on machinery and equipment, investment allowances and arrangements for profit repatriation have been put in place to bring foreign direct investment (FDI) into the country.

As discussed in further detail below, in order to resolve the contradiction between lower taxes to attract FDI and the need for more revenue collection to finance the budget, governments have resorted increasingly to indirect or consumption taxes such at value added tax to mitigate lost revenues from tax holidays and exemptions to the private sector. Such taxes are regressive, in that they impose a relatively higher burden on low income groups than on higher ones.

Although recent macro-economic indicators show that the programme has largely been on track in achieving targets, significant challenges remain as domestic revenue mobilization has persistently underperformed its target forcing government to cut expenditures in some critical sectors of the economy such as health and educational infrastructure. In particular, the IMF has effectively imposed a number of public wage bill measures such as limiting the nominal increase in the total wage bill to 10%, discontinuation of the 10% cost of living allowance granted in 2014, and strict limits or net freeze on net hiring in the public sector. Although education and health sectors were theoretically excluded, in practice hiring in these sectors has also been largely curtailed or lagged behind normal trends as there are currently huge backlogs of qualified health personnel and teachers who have not been hired because of lack of financial clearance from the Ministry of Finance.

The Fund claims its role is limited to advising on fiscal strategy to increase economic stability and growth, and not to involve itself in sector-level decision making (e.g. health, education), as expenditure priorities are the government's responsibility. However, the nature of many social programmes, which depend on government intervention, makes them particularly sensitive to macro budgetary decisions. Moreover, the Fund has tremendous leverage over foreign aid and as a lending organization it has power in influencing policy. The Fund recognizes its influence, stating that "IMF-supported programs play an important role in mobilizing donor support around country-owned poverty reduction strategies."[32] Giving credence to this claim, Ghana gained 17 new donors starting from 1995 to 2000[33] when the Fund approved a series of loans under the ESAF. As the IMF continues to have a central role in public financing, it cannot continue to pretend that its macro-economic advice and conditions have no direct impact on public services and social policies.

To conclude, the far-reaching nature of the undertakings within the IMF loan agreement mean that this document is in fact Ghana's macro-economic policy framework. It is this framework that determines government's economic and social investments and expenditure, regardless of commitments made in other national and international policy documents.

2.4 BOX: Macro-economic policy, IMF loans, conditionalities and cross-conditionalities

The ownership of development strategies and policies by recipient countries has been recognised by the international community as a critical factor for aid effectiveness. As a consequence, we should carefully assess how these institutions influence economic policy-making in developing countries. This influence can take different forms: conditions attached to financing, research, surveillance and influence on donors' aid allocation and debt relief decisions.[34]

Conditionalities are "Economic policies or structural reforms that [borrowing] members agree to follow as a condition for the use of IMF and World Bank resources [loans] often called performance criteria or benchmarks."[35] Structural conditions (i.e. requiring policy or institutional reforms) attached to loans that countries must adopt to gain access to funding impose burdens on developing governments and often have deleterious consequences on

32 IMF Survey online spoke to Sanjeev Gupta, Deputy Director of the IMF's Fiscal Affairs Department and Catherine Pattillo, Advisor in the Strategy, Policy and Review Department about the role the IMF plays in issues related to health and social policy. *http://www.imf.org/en/News/Articles/2015/09/28/04/53/soint102609a*

33 Pallas, S. et al. 2015. Responses to donor proliferation in Ghana's health sector: a qualitative case study. World Health Organization. Bulletin of the World Health Organization, 93(1), pp.11–18.

34 Stichelmans, T. 2018. How the IMF and World Bank Influence Developing Country Policies. Eurodad Discussion Paper

the poor. Macro-economic targets aimed at cutting public expenditure often restrict growth and prevent the country from investing in essential services.[36] Coordination between the IMF and the World Bank in supervising structural adjustment further constrains borrowing countries, subjecting them to double conditionality. An example of this cross conditionality was under Ghana's 2012 Third Poverty Reduction & Growth Facility and Third Poverty Reduction Support Credit where both institutions required the maintenance of automatic, quarterly electricity tariff adjustments. Instead of maintaining separate areas of responsibility, the collusive nature of cross-conditionality reveals that failing to meet loan criteria for one organization threatens assistance from the other. What this essentially means is that the Fund's presence largely determines a poor country's eligibility to gain access to credit/assistance from other creditors or donors. "The IMF's 'gatekeeper' role makes its conditions hugely potent. If a poor country does not fulfil the conditions that the IMF attaches to its lending, then not only does it forfeit IMF development finance, it will also potentially forfeit all other sources of much-needed donor finance."[37] Evidence also suggests that even when countries are not under an IMF adjustment programme, its influence continues through other mechanisms such as surveillance reports, signalling to donors and markets whether or not to release funds to the country.[38]

Conditionalities and policy space

One of the major criticisms of IMF conditionalities such as those listed above is that they restrict the fiscal space that governments have to finance their development objectives or play a role in responding to crises. Fiscal space is the ability of governments to increase budgets/expenditure sustainably either through development aid, domestic borrowing, tax or expenditure reforms. Research on IMF agreements indicates that IMF conditionalities attached to loans have actually increased since 2008, meaning that loan agreements have restricted rather than reduced fiscal and policy space.[39] More problematic however is the effectiveness of the Fund's uniform policy prescription of fiscal consolidation in putting countries on a path to long term financial stability. Consistently economic justice activists, political economy scholars as well as many UN agencies have advocated for fiscal expansion in response to economic crises (i.e. increasing government spending) to mitigate the impacts of reduced economic activity by businesses or banks

35 Globalisation 101 IMF/World Bank Glossary *http://www.globalization101.org/imfglossary/*

36 UN Women, 2015. op cit

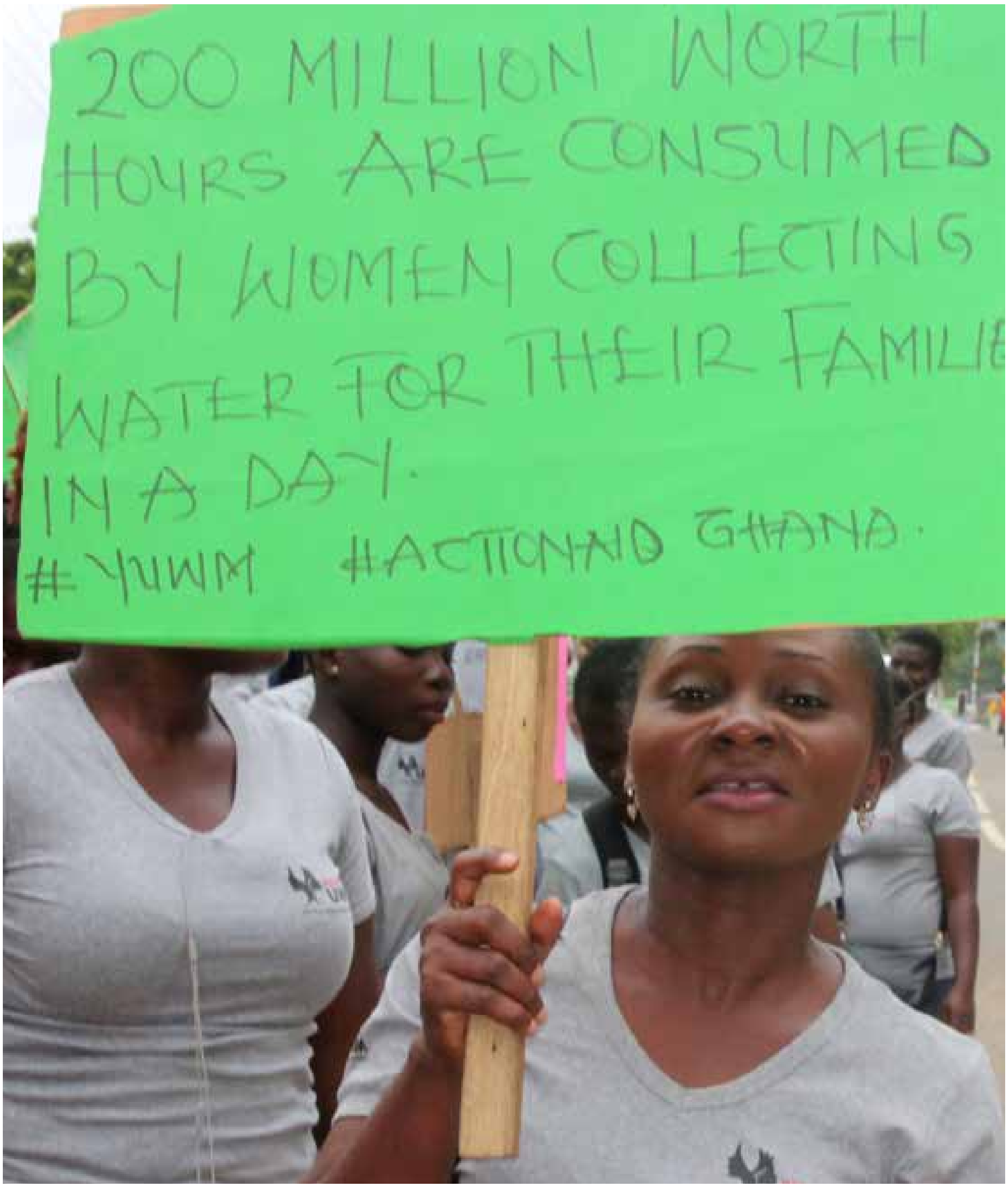
37 Kovach, H. & Lansman, Y. 2006. World Bank and IMF conditionality: a development injustice. European Network on Debt and Development. *http://www.eurodad.org/uploadedfiles/whats_new/reports/eurodad_world_bank_and_imf_conditionality_report.* pdf.

38 Stichelmans op cit

39 idem

(investment, job creation, lending etc). UNCTAD is one of many UN agencies to argue that the increased deficits incurred do not have to be detrimental to the economy if public funds are invested in activities that create employment, protect vulnerable populations, boost productive activity and so forth.[40]

40 For example see UNCTAD Trade and Development Report, 2017



Social spending in the context of the IMF-Ghana loan agreement

3

Despite the recognition of macro-economic disparities between men and women, implementation of gender responsive macroeconomics is not clear in Ghana's fiscal policy making.

This section reviews how austerity targets and structural conditionalities such as privatization have affected various social services and their resourcing (financial and human) with respect to health, water and sanitation and social protection, but also how public service delivery is affected by wage and hiring freezes.

3.1 A glaring absence of gender considerations in policy targets

The IMF's increasing awareness of gendered effects of fiscal adjustments can be inferred from the Fund's research on social aspects of macro-economic policies. Their objective is to "place gender more squarely in the forefront of IMF policy-oriented research." So far, the Fund has undertaken research on this issue but shown little commitment to policy changes in their arrangements with developing countries.[41]

In the month following the signing of the IMF loan agreement in April 2015, Ghana's Ministry of Gender, Children and Social Protection (MoGCSP) published its National Gender Policy (NGP), developed with "insights into the empowerment, rights and access to justice, leadership and accountable governance, gender roles and relations, and economic opportunities for women."[42] The NGP stresses the need to reduce poverty levels and improve living and health standards through "formulat[ing] effective policies that promote gender equality". This requires stakeholders to "take strategic policy actions" to address issues of concern – in particular, the "inequality in macro-economic issues" including taxes, wages and employment.[43] In fact, the NGP specifically sets out as one of its five broad policy objectives: "to improve women's economic opportunities including engendering *macro-economic and trade policies so that the basic and strategic needs of both men and women are addressed.*"[44] Despite the recognition of macro-economic disparities between men and women as a national policy priority, implementation of gender responsive macro-economics does not surface in Ghana's macro-economic policy framework.

41 ActionAid International. 2016. Short Changed: How the IMF's Tax Policies Are Failing Women. *http://www.actionaid.org/publications/short-changed-how-imfs-tax-policies-are-failing-women*

42 Ministry of Gender, Child and Social Protection. 2015. Ghana National Gender Policy.

43 Idem

44 Idem

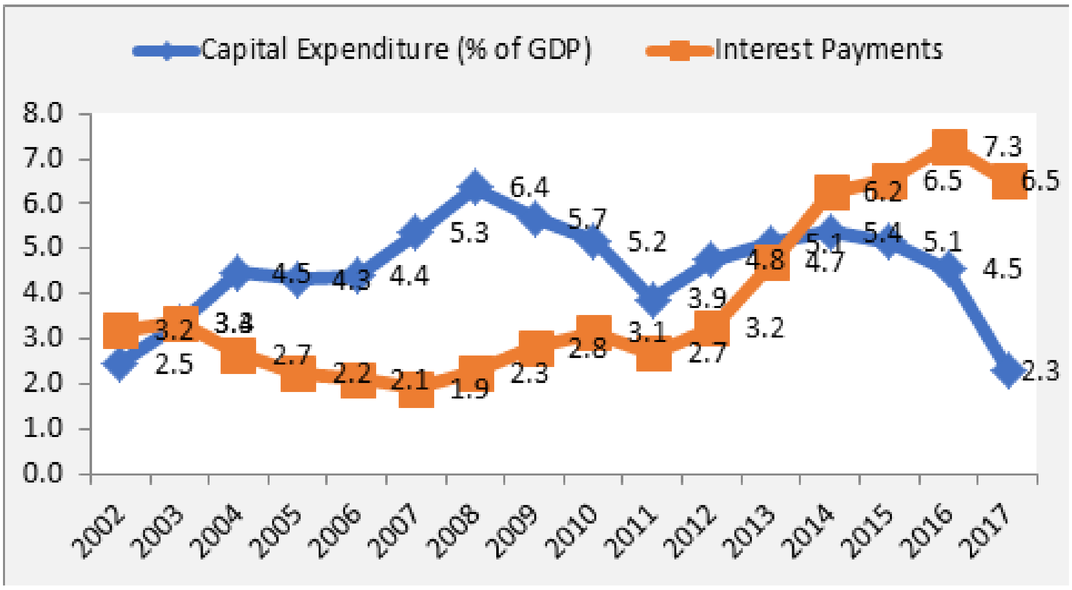
Data from the Ghanaian Ministry of Finance (GMoF) and IMF was merged to observe whether there has been a shift to accommodate gender responsiveness. Whilst a wealth of macro-economic data is accessible, there is a lack of gender-specific data and the IMF literature reviewed does not indicate any consideration of gender-sensitive budget allocations. This absence of targeted data has required deduction (i.e. from surveying fiscal policy and loan conditionalities) of the effects these measures might have on women.

3.2 Overall reduced public investment

A consequence of the current frontloaded fiscal consolidation program with the IMF has been a cut in public investment levels from 5.4% of GDP in 2014 to a projected 2.3% of GDP in 2017 and expected to remain low at 2.8% of GDP by 2018.[45] This represents a sharp decrease from the 2008-2010 period when public investment averaged 6% of GDP and compares unfavourably with those of other developing countries, even across the Sub-Saharan region. A World Bank report[46] observes that the low public investment levels have negative implications for growth, job creation and public service delivery given Ghana's large infrastructure and development needs. The infrastructure funding gap is estimated to be around US$1.5 billion per annum.

Figure 1: Trends in Interest Payments and Capital Expenditure, 2002-2017

Source: Ministry of Finance - Ghana



45 2018 Budget Statement by the Ministry of Finance, Ghana

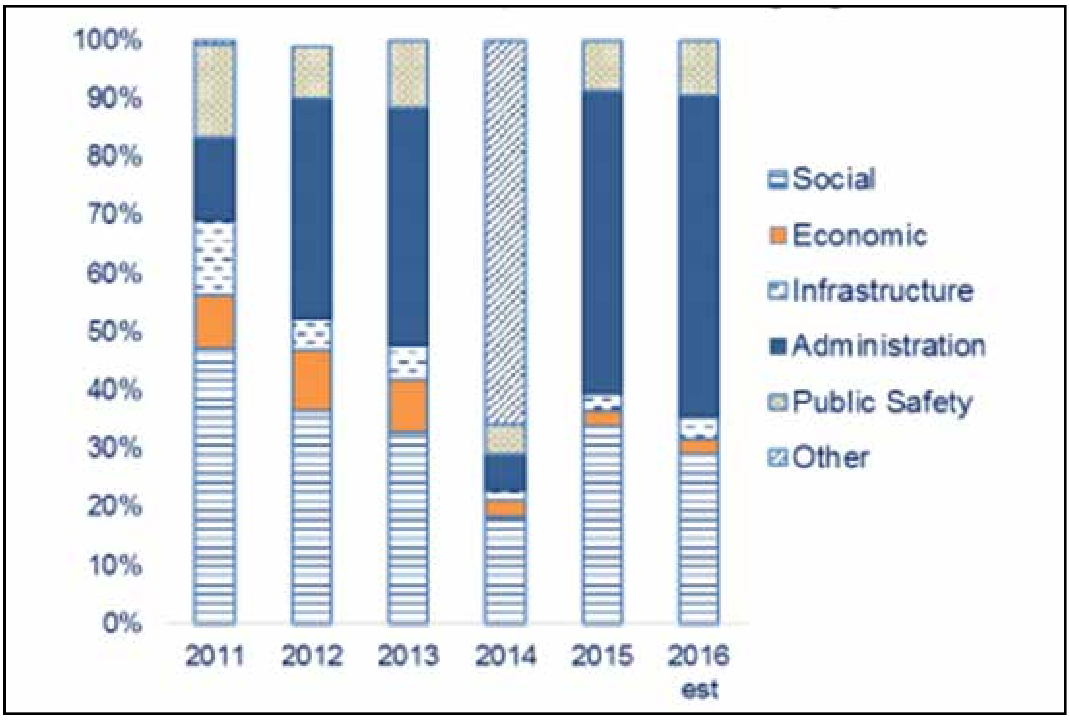
46 Ministry of Finance, 2017. Fiscal data 2008-2017. Retrieved from *www.mofep.gov.gh/fiscal-data*

3.3 Administration and debt repayment takes up a larger share of the budget as social spending is reduced

Data available also indicate that over the last couple of years, the government has shifted the focus of public spending away from the social and economic sectors to administrative spending. The social sectors, including education and health, accounted for the largest share of public spending in 2011 *(Figure 2)*. However, since 2014, the administration category has accounted for more than two-thirds of the total budget.[47] The fact that administrative spending now consumes a higher percentage of the budget does not however indicate an increase in the total amounts spent, but rather indicates the deep level of cuts in other categories. The same goes for interest payments which have increased to 6.5% of GDP, which translates to 43% of the national budget.[48] *(See Figure 2)*

Figure 2: Public Spending by Category 2011-2016

Source: World Bank 2017



47 World Bank, 2003. Ghana: Poverty Reduction Strategy Paper I. Available at: *http://siteresources.worldbank.org/GHANAEXTN/Resources/Ghana_PRSP.pdf.*

48 Ghana Institute of Fiscal Studies. Fiscal Alert No 11. March 2018. *http://ifsghana.org/wp-content/uploads/2018/10/Fiscal-Alert-11.pdf*

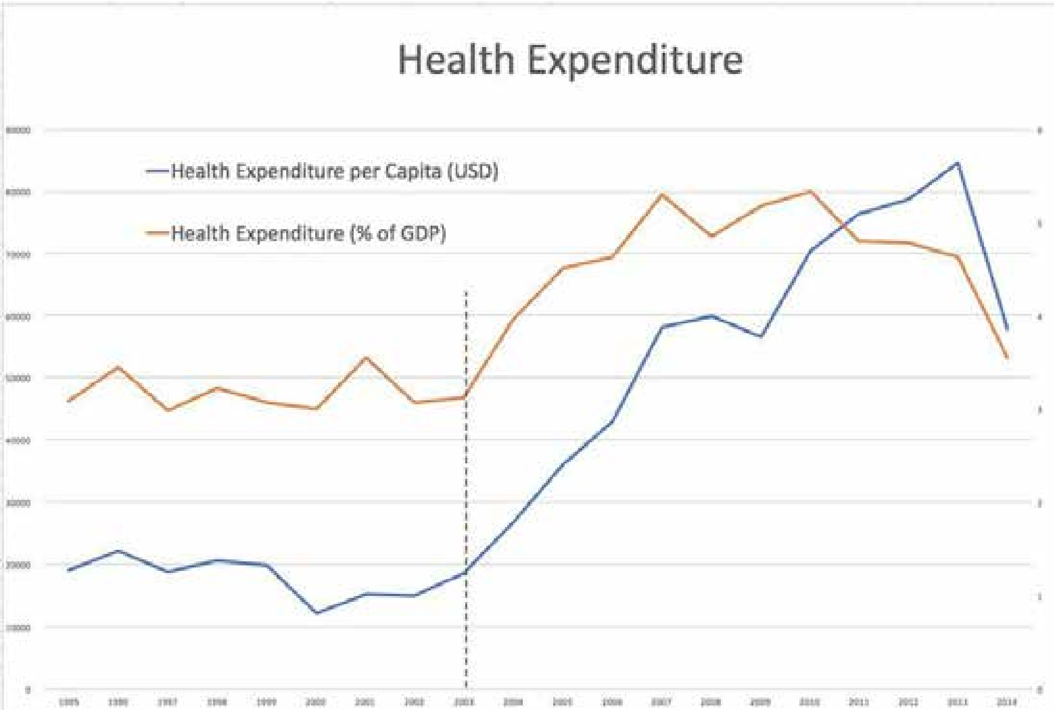
3.4 Falling health expenditure

The introduction of the National Health Insurance Scheme (NHIS) in 2003 saw a large increase in health expenditures, both nominal and percentage of GDP. Nonetheless, the NHIS has been beset with funding problems and is far from universal in its access. The drop in funding after 2013 is perhaps a consequence of donor proliferation: with donors funding 87% of Ghana's health infrastructure[49] outcomes of failures to meet benchmarks attached to receiving aid are severe. After the GMoF's disclosure of a near-tripling of the budget gap in 2012 "donors – including the EU – immediately withheld from honouring some of their existing financial pledges."[50] Such consequences are often aligned with failure to meet IMF loan performance criteria; aid is cut off and attempts to reduce fiscal deficits include tightening social spending and tax increases. Whilst the IMF's insistence on increased revenue collection may increase funding for healthcare, pressure for reductions in the health workforce wage bill can in turn lead to reduced care quality.

It is also important to note that despite the NHIS, out of pocket payments for accessing healthcare remain prevalent in many urban areas as many hospitals

Figure 3: Health Expenditure

Source: Ministry of Finance – Ghana



49 Ghana Web, 2015. Donors fund 87% of health infrastructure. Available at: *https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Donors-fund-87-of-health-infrastructure-353120*

50 idem

have resorted to charging fees because of the government's inability to transfer/ refund user fees in time. There are currently huge payment arrears owed to the NHIS public and private service providers and many of them are charging fees or have threatened to revert to the cash-and-carry system.[51]

National Health Insurance Scheme and Levy

Ghana's National Health Insurance Scheme (NHIS) was created by the National Health Insurance Act of August 2003, and is basically the only effective national-level, health insurance program in sub-Saharan African. A newly-created National Health Insurance Authority (NHIA) was commissioned "to secure the implementation of a national health insurance policy that ensures access to basic healthcare services to all residents".

The NHIS is financed from four main sources: a value-added tax on goods and services, an earmarked portion of social security taxes from formal sector workers, individual premiums, and miscellaneous other funds from investment returns, Parliament, or donors. The 2.5% tax on goods and services, called the National Health Insurance Levy (NHIL), is by far the largest source, comprising about 70% of revenues. Social security taxes account for an additional 23%, premiums for about 5%, and other funds for the remaining two percent. The scheme covers about 95% of disease conditions that afflict Ghanaians.

The insurance scheme seeks to close the equity gap by providing premium payment exemptions to the following categories of people:

• People over age 70;

• Children under 18 *whose parents both enrol and for all children under the age of 5*;

•The "core poor/indigent," defined as being unemployed with no visible source of income, no fixed residence, and not living with someone employed and with a fixed residence; and

• Since July 2008, all pregnant women (however this has not been effective as pregnant women still pay out of pocket to receive healthcare services).

According to a recent NHIS report, these exemptions constitute over 63% of the entire membership of the scheme with children less than 18 years alone making up of about 48%. Ghanaians who are not exempt must pay an annual insurance premium in addition to the registration fees, which is seen as progressive.

51 Full data can be found from the 2018 Budget Statement by the Ministry of Finance, Ghana

However, whether this health insurance scheme is providing equitable access to health care in the country remains questionable in the minds of researchers and many in civil society. Studies have found that the scheme is not equitable in providing access to the poor, even if exemptions are relatively well targeted – as only 12.4% of NHIS subsidies have been found to benefit the poor. Indeed, World Health Organization (WHO) data indicates that out of pocket health payments in Ghana, after declining with the introduction of the National Health Insurance in 2003, have since increased and hovered around 28% of total health costs in recent years. This is consistent with a recent in-depth study in two Southern districts which suggests that the proportion of adults who have ever registered with NHIS was lowest in the poorest quintile, and increased with socio-economic status. The study noted that the most important reason for not registering with NHIS is that the premium is too expensive.

According to the WHO, universal health coverage should meet three main objectives:

- equity in access to health services – those who need the services should get them, not only those who can pay for them
- the quality of health services is good enough to improve the health of those receiving services; and
- financial-risk protection – ensuring that the cost of using care does not put people at risk of financial hardship.

According to the NHIS 2013 Annual Report, NHIS enrolment covered 38% of the total population of which 12.1% were categorised as indigent, 33% were informal workers and 46.5% were children under 18.[52] More women are enrolled than men. The overall results of the NHIS indicate that the scheme has a long way to achieving universal health coverage. However, IMF agreements tend to discourage governments from universal unconditional schemes, preferring targeted or conditional schemes which (in addition to other challenges) exclude large numbers of the poorest. Although the IMF points to the inclusion of social spending floors in its agreements (i.e. minimum spending for health, education and social protection), in most cases, these floors are below the minimum budget required for essential health services with per capita amounts as low as $1.9 in Guinea according to a Eurodad report.[53]

52 Ghana National Health Insurance Annual Report. 2013. *http://www.nhis.gov.gh/files/2013%20Annual%20Report-Final%20ver%2029.09.14.pdf*

53 Brunswijck J. 2018. Unhealthy Conditions: IMF Conditionality and Impacts on Health Spending *https://eurodad.org/unhealthy-conditions*

3.5 BOX: Experiences in access to sexual and reproductive health care services

As part of efforts to understand the sexual and reproductive health issues of young urban women, the researchers had an in-depth interview with two young women in the Medina Municipal, also in the Greater Accra district of Ghana. Their ages were 20 years and 25 years respectively. One had a Basic Education Certificate Examination certificate while the other had West African Senior Secondary Certificate Examinations. They both belonged to households ranging from 6 to about 10 members. Presently, one teaches at a basic school. They are both single and live in the same community – Medina.

3.5.1 Availability and access of healthcare

Both participants indicated that they have at least a hospital and a number of private clinics in their community. The hospital operates an OPD, laboratory services, men's, women's and children's wards, the VIP ward etc. Participant noted the VIP is available to anyone who is willing to pay and at least, you are guaranteed a certain level of care and professionalism. Although unfortunate, access to the best care is about the ability of the patient to pay. In the words of the participant, even if one has to use the washroom at the hospital, he/she is made to pay.

> *"Actually, for the population the area, the facility is not enough…if you're sick, you have to go there like 5am and sometimes you leave there at 3pm…you have to go and form a queue and literally spend the whole day over there…by the time you're leaving, you get more sicker"*

> *"The VIP is reserved for anyone who is ready to pay…that is what they have done to it even though it is not supposed to be like that. Even if I have to use the washroom at the hospital, I have to pay"*

Despite the fact that the facility has the requisite health personnel to provide care, some of these personnel preferred to be tipped in order to facilitate the speed with which care is provided.

> *"You'll find all of them there…some don't care, they rather sit there and do their own thing…others prefer to be given money in order to help you leave there early…so if you don't have money, you'll sit there…"*

The challenge as observed by the participants related to accessing health care during certain times of the day, especially at night. Sometimes, patients who get there at night or early hours of the morning are told the doctor is not yet at post. Other times, the night shift nurses will ask the patient to wait and find a way of pushing the case to the morning shift nurses. Participants thus strongly held the view that the nurses preferred to sleep at night while on duty than to attend to patients.

3.5.2 Procedure and cost of accessing healthcare

A participant recounted the procedure she had to go through to access healthcare recently: on arrival at the facility, she had to join a queue and wait for about three hours before the nurses began to work. The National Health Insurance card was then taken as part of the folder preparation stage after which her vitals were checked. She then was made to join another queue to see the doctor. On seeing the doctor, the patient had to run a few laboratory tests. This called for joining another queue and had to wait for over an hour to get the labs done. The patient had to go back and queue in order to see the doctor to get the results of the lab discussed. By the time she was done she had spent over 10 hours at the facility.

Despite the NHIS, the cost of accessing healthcare in some facilities remains high. Because of the overcrowding and 'no bed' problems in the community hospitals and regional hospitals, poor young girls are pushed to access health care from private providers which could be expensive. The participant remarked that sometimes *"I wish I had the money to go to other hospital because the frustrations in the public hospitals are just unbearable"*. At least she could be guaranteed of some quality care and respect in a private clinic.

> *"I was not satisfied at all…I was in a lot of pain but had to spend the whole day at the hospital going from one point to another without any support…there are specific health facilities that I wished I could access but they tend to be expensive. Although they accept the health insurance cards, there are other cost components that do fall outside the domain of the health insurance, like certain kinds of drugs or sometime the hospital will say no drugs and write the prescription for you to get in a private pharmacy shop. The other reason is that, they tend to have a quicker turnover time. Patients are treated with respect and given good care and support. You hardly will find this at the public facility".*

These frustrations have sometimes led many patients like the participant to consider alternative health options whenever they were sick although the hospital is just about five minutes away by car.

> *"Sometimes, if I feel sick but the thought of going to spend the whole day at the hospital and the kind of treatment I'm likely to get in the*

hands of these nurses gets me to just walk to a pharmacy shop and get a medication or just endure the pain."

Although the facility is very accessible to all manner of persons, the waiting time makes it unattractive to consider accessing health.

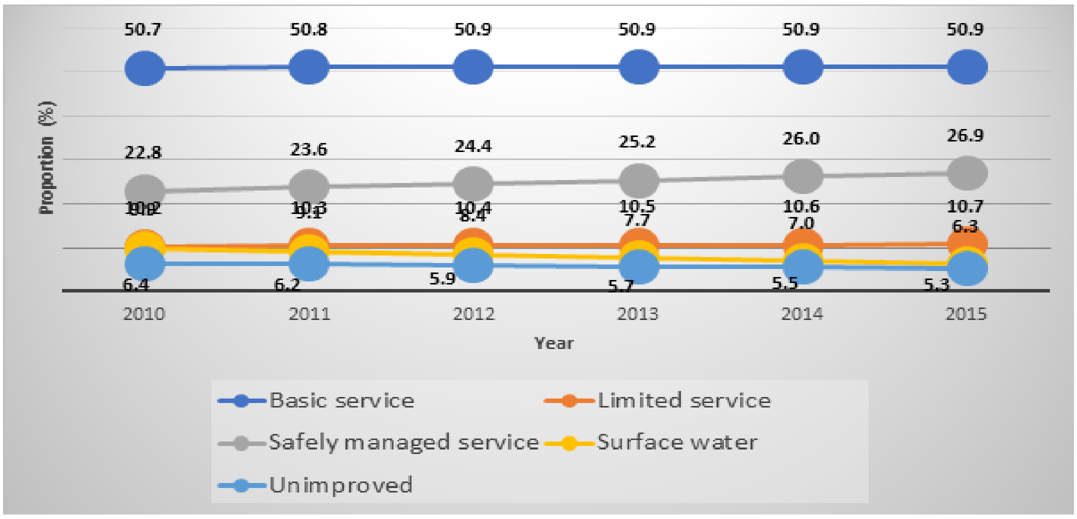
3.6 Costly water provision

In a recent review of the impact of privatization and human rights, the United Nations Special Rapporteur on Poverty and Human Rights noted that the IMF and World Bank continue to advocate for privatization in its interactions with countries.[54] Water privatization involves transferring rights and obligations from public to private sector companies through management contracts, leases or concessions, usually granted in practice to foreign multinationals. Cost recovery entails ending state subsidies; these are replaced by user fees paid by water consumers to cover water system costs. Especially in poor African countries, IMF loan conditions generally include requirements for restructuring the water sector, arguing that many African governments are too poor to provide subsidies for water and sanitation services, hence cost recovery from water consumers is necessary.

Ghana's attempt at full water privatization took place in 2006 when the government leased the Ghana Water Company Ltd (GWCL) to the multinational water company Aqua Vitens Rand Ltd. (AVRL), providing a major urban water service. However, after five years of managing Ghana's urban water services, Aqua Vitens Rand Ltd, a Dutch-South African water corporation, failed to renew

Figure 4: Access to Water

Source: WHO/UNICEF Joint Monitoring Platform (JMP)



54 Report of the Special Rapporteur on Poverty and Human Rights. 2018. *https://undocs.org/A/73/396*

its contract with the GWCL. In its own report in 2011, the company admitted that although the management contract achieved some of its objectives, it failed to reach others.[55] It noted further that while water tariffs increased by 80%, there was no specific target concerning access of the poor to water and that outreach to poor areas did not make any significant progress under the contract.

Though there has since not been any further privatization of the water sector, the IMF's various policy documents have consistently claimed that water tariffs in Ghana are too low to recover service costs and have often prevailed on government to remove all forms of subsidy and rather implement a price deregulation policy. The idea is now to ensure full cost recovery from users and full implementation of the automatic price adjustment. In adherence to this conditionality, the government through the regulator, Public Utilities Regulatory Commission (PURC) approved a 67.2% increase in urban water tariffs in 2015; tariffs were increased from GHS1.78/ m^3 (USD0.45/m^3) to GHS3.01/m^3 (USD0.76/ m^3). Simultaneously, GWCL had requested a 400% tariff increase to cover costs. Since then water tariffs have been adjusted periodically and government subsidies has been removed.

While the privatization of GWCL has been reversed and access to 'improved water sources' is over 80% (rural) and 90% (urban), households still bear a high cost for drinking water, including time to fetch water from community points. Furthermore, only 27% of the population has access to safely managed water (Figure 4) meaning that aggregate figures portray a far more rosy situation than the one on the ground.

3.7 BOX: Experiences in access to water and sanitation services

As part of the young urban women project investigating Gender Responsive Public Services in Ghana, we interviewed five young women from four communities in the urban Ga West District. The discussions took the form of Focused Group Discussions at the Action Aid Young Urban Woman resource centre in Pobiman.

3.7.1 The fraught and time-consuming process of fetching water

All the respondents were directly involved in fetching water for their respective households. The process of accessing water required them to move out of their house to nearby private water vending points to purchase water. The private water vending shops have dug boreholes so the water is pumped to overhead tanks for onward sales. It takes an average of 10 minutes to and from the house to get water. Depending on the queue at the time of arrival, one may access water instantly or wait for up to 20 minutes to fetch a bowl/

55 Vitens Evides International. "Management Contract 2006-2011 for urban water supply in Ghana A Partnership – in and for – development"

bucket of water. For an average household of five members, it takes about two hours or more to get enough water that can last them for two days. Even though there are private water vending points in the respective communities, water could only be accessed at specific times of the day when the owners open their water vending business to the neighbours. A participant of the study puts it this way:

> *"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."*

Another participant said that it takes about 35 minutes to reach the stream/river which is the only source of water for members of the community. This source could only be accessed on specific days in the week. Women and girls who are menstruating are also prevented from going to the stream and this makes it extremely uncomfortable to access water in times of the month when it is needed most.

> *"When you are menstruating, you can't go and fetch [water]. Last term, I was in my menses and nobody was around to fetch the water for me… so I just went round if I could find some children in the community to fetch the water but I did not get anyone so I had to take bucket and head to the stream but I was afraid. I stood at a distance for over 30 minutes [hoping someone will come by] but there was nobody coming. Finally I saw someone coming and I asked him to help me fetch the water for me before I could access water."*

The situation is worst during the dry season where members of the community have to go and queue for hours to access water.

> *"When this issue [water] is solved it will increase productivity because this harmattan season no water and some people have to spend hours to get a bucket of water. Just imagine you have to go and queue in the stream and by the time you finish you're tired…. when you go, there will be about 20 people and by the time the water gets to your turn, it might finish, and you have to wait. That day you will not go to work. For instance, being a teacher, I will go to the school and wait but the children will not come to school, why? There is no water in the community, they have to wait before they get some to bath, cook, give some to their parents before they come to school, and most of these kids are girls."*

Once this water gets home, it has to be boiled and sieved before one could comfortably use it. The above account reflects the daily struggle several young urban women are confronted with in their quest to access water.

In addition to the issues raised, the cost of accessing water also makes it problematic for most people to get their preferred water. For instance, a participant narrates that, although there is a source closer to her house, the cost per bucket could get her four times the quantity if she went a distance farther away from her house. A bucket often cost ¢0.50, and so if you fetch 10 buckets every day you pay ¢5.00. Many of these girls also buy sachet water which could cost ¢3.50 per pack on average for drinking and sometimes for cooking if the pipe borne water becomes scarce or inaccessible. When asked what their preferred sources of water would have been, all participants agreed the pipe borne water would be their preferred source of water, even if it was not in their respective homes.

> *"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."*

3.7.2 Cost of accessing water

Despite the need to make water accessible to all manner of persons, most young urban women continue to spend a lot of time on a daily basis and also a lot of money to access water. Water supply primarily is the responsibility of government, but this critical role of the state has been taken over by private individuals and businesses. This has the potential to increase the price of the commodity without reference to any regulatory body. As private enterprises, the primary motive is profit maximization. This in a way leads to increases in the price of water from time to time. For instance, in the past 12 months, prices of water had gone up between 50 to 100%, depending on the source of the product.

> *…the smaller bucket was 10 Ghana pesewas but now it is 20 Ghana pesewas because of electricity charges for using the pump.*

Unfortunately though, the situation is worsened when society ascribes fetching of water as the role of women (which in most cases is carried out by girls and young women). The cost of accessing water thus becomes a double burden on young women who have to juggle their way in finding money to buy water as well as providing services relating to unpaid care work.

> *"Government has a lot to do in terms of providing water for the communities because, even with the privatization aspects going on,*

> *people are spending a lot of money to get water and demand is also very high…so they should factor that in their budgeting area…and be gender sensitive so that women will spend less amount of time in fetching water and have time for other important tasks… when we talk about being gender responsive, [its not only] for women but everybody….in our school, hospitals etc. It is hard to go to a hospital and go and ask for a washroom…even though they have, they will just designate it as staff only."*

3.7.3 Recommendations from young women to improve water situation

Participants made several recommendations to improve access to water in their communities. They include provision of boreholes or water stands at strategic locations to serve a smaller group of people. These sources of water must be safe and sited in a hygienic environment so that people can drink the water and be safe. One participant believes a borehole should be made to serve a maximum of 25 households:

> *"Assume there are 100 people in a community, the government can drill four boreholes in the community that is 25 is to one but the water should be hygienic and accessible to everyone. I will advise that there should be enough water standpoints where women can freely get time to fetch water. The water should be clean and affordable, because it will get to a time that not everybody can be able to buy a sachet of water to drink so if it is clean then one can take it without boiling it or doing anything to it. In short, there should be cleaner and more affordable water that everybody can access."*

3.8 Barely existent sanitation

While attempts have been made to improve water supply, sanitation continues to suffer from almost non-existent levels of investment and coverage by global standards. Ghana failed to reach its sanitation targets under the MDGs; in order to meet its SDG sanitation target, the country will have to address the sanitation needs of the majority of the population, since over half the population do not have access to improved sanitation facilities. It is difficult to see how this can be achieved if Ghana follows the IMF and World Bank prescription to build infrastructure through public private partnerships (PPPs). Nor does it seem possible that community led approaches will address the magnitude of the problem. While it is certainly true that there are problems with many types of social services and infrastructure, sanitation stands out as one where the starting point is close to zero and where minimalist or piecemeal approaches will surely result in missing this development target yet again.

Although some informal sanitation facilities have been provided by communities, local authorities often refuse to extend disposal services due to overcrowding, legal problems, and lack of planning. The Urban Environmental Sanitation Project (UESP) has been extending Simplified Sewage Systems (SSS) from a few middle-class housing estates to more pilot areas with dense populations. Little success has been achieved in those pilot areas due to difficulties to get landlords and households to share costs.[56] Public toilets continue to be an element of overall sanitation provision as cost recovery policies have turned them into important revenue earners for the city government. Although only registered local companies could be given contracts for installing and running public toilets, corruption in local companies and government rendered the reform unsuccessful.[57]

The SDG target for Sanitation (6.2) promises to achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. Success with other MDGs has shown that Ghana is able to make rapid progress on development goals; that this has not happened in the case of sanitation should therefore be seen as an issue of political will and a lack of prioritization of gender issues on the part of economic planners. Success in attaining this objective will therefore only happen if sanitation is given the same importance in infrastructure development as other projects such as railways and roads, something which is not currently the case.[58]

A UN women discussion paper on Gender and Sanitation notes that during the MDG era, the focus on sanitation was narrowly focussed on ending open defecation (OD). The report advocates for a much broader and gender sensitive approach to sanitation, given that men and women, and girls and boys have very different sanitation needs, for biological and social reasons.

> *[T]oilet programmes cannot stop at defecation and disease; they have to take equally seriously the requirements of hygiene and dignity for daytime urination. Women need more privacy than men when they use the facilities because social norms everywhere demand that they not be seen when relieving themselves. They need to urinate more frequently when they are pregnant. They may need more time in the toilet than men do because they must always sit or squat. They need physical safety when they access outside or public toilets. All women must access such toilets when they are out at school or work, but for some women, public toilets are the primary mode of access. They need multiple daily visits and privacy for changing*

56 Osumanu et al. 2010. Urban water and sanitation in Ghana: How local action is making a difference. Human Settlements Programme. UK: International Institute for Environment and Development (IIED).

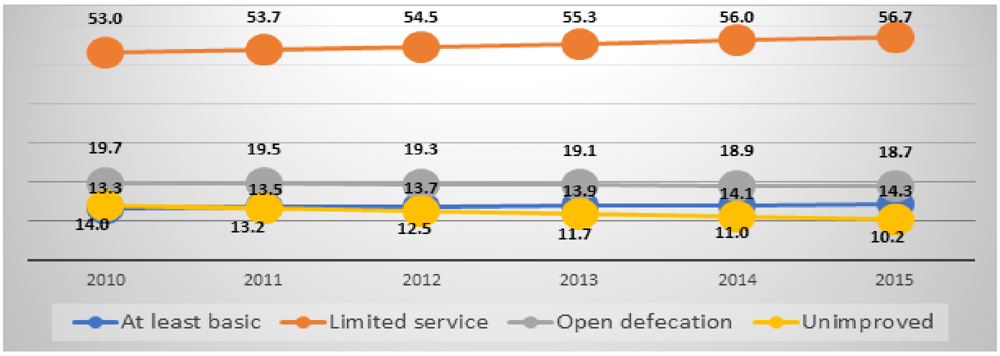
57 Crook, R. 2002. Urban Services Partnerships, ‘Street Level Bureaucrats’ and Environmental Sanitation in Kumasi and Accra, Ghana: Coping with Organizational Change in the Public Bureaucracy. Eynsham Hall, Oxford. pp. 4-5.

58 Government of Ghana 2019 Budget

during their menstrual period. Menstrual hygiene is so "taboo" that it has routinely fallen through the cracks of national and international sanitation promotions and is only now being acknowledged as a critical sanitation gap. Many qualitative studies from Asia and Africa have shown that poor sanitation at school keeps girls from school, or interferes with their ability to learn, when they are menstruating."[59]

Figure 5: Proportion of the population (Ghana) using various levels of sanitation services

Source: WHO/UNICEF Joint Monitoring Platform (JMP), 2012-2016



Ladder for Sanitation Service Level Definition:

Safely managed services	Private improved facility where faecal wastes are safely disposed on site or transported and treated off-site; plus a handwashing facility with soap and water.
Basic service:	Private improved facility which separates excreta from human contact
Limited service	Improved facility shared with other households
Unimproved service	Unimproved facility which does not separate excreta from human contact.
No service:	Open defecation

Source: The Joint Monitoring Platform (JMP) of WHO/UNICEF

3.9 BOX: Living without sanitation

The issue of sanitation was drawn from a focus group discussion with young urban women in the Old Fadama township also known as Agbogbloshi. They have all been living in their community for close to six years on average. The women engage mainly in petty trading enterprises or providing labour to other individuals who may need their services.

59 Burt, Z., Nelson, K. and Ray, I. 2016. Towards Gender Equality Through Sanitation Access. UN Women Discussion Paper *http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2016/towards-gender-equality-through-sanitation.pdf?la=en&vs=5952*

The only drains according to the participants are those found along the main road. Members of the community collect their waste water and manually pour it into the main drain. The community boasts of only one public toilet which is used by several thousand people in that area. The challenge relates to the length of time it takes to access the facility on a daily basis, especially in the morning when everyone is accessing the facility. The other relates to when the need arises to use the facility in the middle of the night. These challenges make most people resort to the use of polythene bags to relieve themselves and add them to the waste for onward disposal. This the participants admitted is the cause of several other illnesses.

Unlike most communities in the Old Fadama Township, there are no community waste bins or private waste bins. This is partly due to the nature of the community where it is practically impossible to have vehicles move from one end to the other. Community waste is collected by private individuals on tricycle who charge per every sack of waste they collect from individuals. For instance, participants indicated they had to pay about ¢0.05 for every waste sack that is collected. Depending on the size of the household, a household may have to pay this amount two to three times in a week.

Participants were also of the view that government and civil society groups working in the field of sanitation have not done enough in the provision of good sanitary conditions as well as other social services in the town. As a result, the stress of getting a basic livelihood need such as toilet can end up wasting a lot of time and affect other aspects of their livelihoods.

We wake up by 3am and work so hard to access water, even to use the toilet, we have to go and queue…after all of this, there are no schools or hospital in the community, so we have to either pay so much to drivers to take our children to school or take them ourselves. What time will be left to work and take care of the family?

If the government could provide us with big waste bins, it will save us a lot of money as well as contribute to improving our health in the community.

3.10 High donor dependency and low coverage of social protection 09programmes

Despite mention of a number of social protection measures in the IMF ECF agreement, the public budget for social protection[60] remains extremely low relative to the level of need. Ghana's social assistance programmes include the Livelihood Empowerment Against Poverty (LEAP) the country's flagship cash transfer program for the needy (orphans and vulnerable children (OVC), elderly, and the indigent), in-kind assistance programs (school feeding and free uniforms and exercise books), a labour-intensive public works for the poor unemployed (LIPW), and education and health insurance fee waivers; a scholarship program; a three-tier social security system which covers both the formal and informal sector; and a number of youth programs.

However, challenges remain to consolidate a social protection system, to build a “coherent portfolio of programs that work together to deliver resilience, opportunity and equity” and make it effective and sustainable. Coverage of the extreme poor by LEAP is still low (less than one-third of extreme poor families) as is the coverage of LIPW, health insurance and social security. Despite doubling in coverage in recent times, LEAP transfers are relatively small compared to the basic needs of the beneficiaries and often target the rural poor even though urban poverty is increasing.[61] Again, programs such as Free Senior High School and Scholarships are also poorly targeted as they tend to disproportionately benefit the better-off youth who know about the programmes and know how to claim them.

The main reason for the low coverage of these social protection programs is that Ghana spends little on social protection and major social assistance programs. Ghana spends 1.4% of GDP on social protection, 0.5% of GDP on social assistance and 0.9% on pensions. Social assistance represented only 1.7% of total public expenditures. Here again, the IMF and World Bank influence in promoting targeted or means tested or conditional cash transfers is at fault. A universal social protection approach in which benefits are available for all those in a certain group would be more effective at increasing social protection coverage. The World Bank itself has advocated for an expansion of social protection coverage but the type of programme that it supports and the constraints on public spending imposed by the IMF work against this aspiration.

Finally, the issue of dependence on donor support for social protection needs attention. To quote the UN Special Rapporteur on Poverty and Human Rights following his visit to Ghana:

> *“Given the very low level of social spending in the Budget in general, and the fact that some 90% of the Ministry of Gender, Children and Social Protections’ goods and services spending is said to come from donor partners, the commitment to a Ghana Beyond Aid raises more questions than it answers. Commercial sectors will doubtless be able to make up for decreasing aid, as will some other government programs, but there is a risk that much of the*

60 Comprehensive social protection systems consist of policies and programmes designed to secure protection from, among other things, lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, and general poverty and social exclusion; they also ensure access to basic health care, and provide family support, particularly for children and adult dependants (ILO)

61 UNICEF. 2018. The study also observes that the ‘urbanization of poverty’ in Ghana has created problems such as overcrowded housing, limited access to sanitation, and outbreaks of communicable diseases.

burden of diminishing aid dependence will fall upon the social protection sector unless dramatic steps are taken to change the existing approach."[62]

3.11 Public Sector Wage Bill and hire freezes

Ghana's public-sector wage bill has grown rapidly since 2010 and is now the largest component of public spending. The wage bill rose from 6.9% of GDP in 2009 to 11.4% in 2012, then fell dramatically back to 7.9% in 2015 and declined again to 7.0% in 2017. As part of the IMF sponsored fiscal consolidation program launched in 2014, the government accepted the key programme conditionality of "public sector wage rationalization" to contain and reduce the wage bill. This included the government implementing a hiring freeze across most government agencies, and the cap on nominal wage increases. The Fund maintains that the government can reduce the wage bill by limiting the growth of average wage rates while maintaining the current hiring freeze and allowing attrition to decrease the size of the public sector workforce. This IMF imposition of wage bill caps goes against the pledge made by the IMF in 2008 that it would no longer use public sector wage bill caps as a routine condition on its loans. That pledge was made precisely because of the negative impact of wage bill caps on teachers and health workers.

Despite an overhaul of the payment scheme and civil service reform to improve efficiency, the public-sector workforce has been cut, with evident implications for service delivery, staff workloads and morale. For example, although a key public health concern has been how to reduce maternal and infant mortality, one of its key causes is the low availability of skilled professionals during pregnancy and childbirth particularly in rural and suburban areas. This is not because of a lack of trained professionals, but rather because the wage freeze has resulted in a huge backlog of nursing/midwifery trainees who have graduated for a long time but have not been posted. It is also important to recall that half of Ghana's population is under 14 years, meaning that in the coming years, there will be a ballooning of health (particularly sexual and reproductive health) and educational and other social needs as members of this age cohort transition into young adulthood.[63] Provision of the needs of this group in terms of social services is labour-intensive (social workers, teachers, child care providers etc). Issues of ghost workers are a concern and action has been taken to address this, but the overriding preoccupation with the size of public sector wage bill should be tempered with these concerns for particular groups in planning for public sector recruitment. The IMF claim to protect certain sectors like health and education staff but in practice the Ministry of Finance cannot do this when placed under such tight fiscal restraints attached to the IMF's loan conditions.

62 Press Release: Special Statement of Visit to Ghana by Professor Philip Alston, Special Rapporteur on Poverty and Human Rights. 18 April 2018. *https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=22951&LangID=E*

63 Institute for Statistics, Economic and Social Research. 2014. Ghana Social Development Outlook 2014. *http://isser.edu.gh/images/Publication_files/Ghana_Social_Development_Outlook_2014__OVERVIEW.pdf*

"**CLOSAG worried about IMF always targeting Civil Service in rationalisation programmes**" (GhanaNews, Dec. 24 2015). Members of the Civil and Local Government Staff Association of Ghana (CLOGSAG), have expressed worry about the decision of government to lay off workers. "We are worried about the IMF always targeting the Civil Service in rationalisation programmes.

"If the dwindling size of the Civil Service to the workforce in the public services is taken cognizance of, it would show that using the Civil Service as a trigger is misplaced," … He said the IMF and the World Bank have always sought to use the Civil Service, which is less than two percent of government's workforce as a "sacrificial lamb". the group said.

"**5000 unemployed nurses to picket at Flagstaff House**" (Ghana News Agency) of Monday, 19 October 2015)

Over 5,000 trainee nurses and midwives who have completed their studies but yet to be posted have besieged the Flagstaff House (the seat of government) today. They have picketed and occupied the presidency for hours over delays in their postings. The agitated nurses and midwives say several attempts to get government to address their concerns have failed, despite completing training several years ago.

These nurses who have not been posted for over three years want the government to direct its agencies under the Ministry of Health to post nurses from private accredited Health Training Institutions or be ready to refund posting form fee with high interest. Read more: https://yen.com.gh/49021-photosfrustrated-unemployed-nurses-picket-flagstaff-house.html#49021 "Coalition of unemployed nurses to picket at Flagstaff House"- Ghanaweb Health News of Monday, 10 July 2019

"**We'll resist any attempt to reduce public sector wages**"—TUC (Business News of Friday, 27 July 2018)

The Trades Union Congress (TUC) is warning that government must discard any idea of holding public sector wages stagnant even after the country exits the IMF programme by end of this year. In addition, the union has cautioned that it will not consent to any move to reduce public sector wages in 2019.

According the president of the Union, "We have cautioned in the paper we issued to the minister that if they continue to push wages down as they have done through 2010, it is going to affect service delivery in the public service, it is going to affect productivity in the public service. We have to be very very cautious,"

4 Financing public services: Taxes for the poor, exemptions for the rich?

4.1 An increasingly inequitable tax regime creates increased inequality

One of the biggest challenges to Ghana's ability to provide adequate public services to its people is the low and persistent underperforming of domestic revenue mobilization (tax collection). Tax revenue in Ghana remains low, averaging 16% of GDP which is lower than regional standards and below its estimated potential. UNCTAD argues that a tax to GDP ratio of 20% is the minimum needed for a country to be able to provide universal basic services and Thomas Piketty argues that states with lower ratios are mere 'regalian States' that cannot perform the basic functions of a modern state in providing services. The tax regime in Ghana has witnessed a number of changes in recent times that appear to have made it generally more regressive than progressive. While direct tax contributes the highest to the total tax revenue, revenue growth has consistently come from indirect taxes – Value Added Tax (VAT) on both domestic and international trade commodities. The annual average growth rate of domestic indirect taxes such as VAT and excise tax is 33.5% while that of trade tax is 23%, compared to the 29% of the direct taxes. The burden of paying such taxes falls disproportionally on women.[64]

Although indirect taxes are generally seen as regressive, Ghana has created some specific links between indirect taxes and social services with a view to providing equitable access. This has been done by ring-fencing of 5% of VAT revenues for education and health financing and imposing a communication services tax of 20% for a national youth employment scheme.The VAT rate was increased to 12.5% in 2000 with the 2.5% difference earmarked to finance education in Ghana under the Ghana Education Trust Fund (GET Fund). In 2004. the rate was again increased by 2.5% and the expected revenue was to partly finance the National Health Insurance Scheme (NHIS) (*see details in the health section)*. However, there are problems with earmarked taxes.They may appear to raise more revenue for a specific services but this is of little value if existing allocations from other taxes are not benchmarked and guaranteed.

64 ActionAid International. 2018. Progressive Tax Briefings: Value Added Tax *http://www.actionaid.org/sites/files/actionaid/value_added_tax.pdf*

The VAT rate was again increased by 2.5% in 2013 purposely to finance infrastructure development. This then brought the VAT rate to 17.5%.[65] Moreover, in 2014, in a bid to widen the tax net, a new VAT Act was introduced to extend VAT to fee-based Financial Services and the Real Estates which were hitherto fell outside the taxable activities. This fee-based financial service tax appears far from being progressive since it is completely borne by the bank customers and not the banks. In this regard some analysts have pointed out that it has the potential of further increasing financial exclusion because of the increasingly high cost of financial transactions which most poor people cannot afford. Although petrol and diesel products as of 2014 were exempted from VAT, in November {2017), a VAT of 17.5% (translating into a 3% increase in the ex-pump price) was imposed on petrol and diesel products as part of the IMF advised tax enhancement to increase revenue.

Under the influence of the IMF, Value Added Tax (VAT) has grown over the past ten years, alongside broadening of the income tax base. Increases in consumer taxes are often associated with a larger burden for poorer households and marginalised women. However, despite these reforms, *the overall tax to GDP ratio has not witnessed any significant changes* over the last decade, averaging about 16%. This indicates a redistribution of the percentage share of tax revenue towards consumers (e.g. VAT) in order to make up for reduced tax revenues in other areas. Given concerns about rising inequality in Ghana, there is certainly a strong case for rebalancing this trend. ActionAid has done an analysis of eight different forms of taxation[66] to illustrate how they are progressive or regressive and how to make those that are regressive more progressive (such as through zero-ratings on VAT). There is an urgent need for a holistic review of national tax policy in Ghana.

4.2 The introduction of tax stamp in the informal sector

The country has a huge informal sector employing about 86.7% of the active population, the majority of which are women. The government in 2005 introduced the Tax Stamp, which is a *presumptive income tax*[67] system, targeting the informal sector activities. This is a tax collected from small-scale self-employed persons in the informal sector on quarterly basis. Under the Tax Stamp System, business operators in the informal sector are grouped according to business type e.g. dressmakers, *susu* collectors, chop bar owners, butchers etc. The business types are further grouped by class/size to arrive at equitable rates to

65 In summary the VAT rate is 15% plus 2.5% National health Insurance levy. The Increasing the VAT threshold has also increased from GH¢90,000 (US$28,125) in 2011 to GH¢120,000 (US$63,829.78) in 2012 and introducing 3% and 6% presumptive taxes on persons who are not required to register for VAT

66 ActionAid International. 2018. Progressive Taxation in 8 Briefings. *http://www.actionaid.org/2018/10/progessive-taxation-explained-8-briefings*

67 Presumptive taxes are based on estimates of tax payable, based on simple indicators of business performance or on visible characteristics such as the number of seats in a bus, and often paid ad lump sums. (ActionAid Progressive Taxation Policy Brief: Informal Sector Taxes)

be paid according to both type and size. Every quarter or so the Ghana Revenue Authority (GRA) officials go round and ‘sell’ tax stamps to these informal sector workers. The amount to be paid is embossed on the stamp and it depends on the business type and the duration of payment – whether semi-annually or quarterly. The payee is expected to display the stamp in his/her shop for inspection when another official visits.

4.3 Corporate tax exemptions and tax holidays: Unfair and counterproductive

TAXING GHANA’S INFORMAL SECTOR: THE EXPERIENCE OF WOMEN[68]

“In practice, the tax system – at least for women in the informal sector – is not accountable, responsive or fair, and therefore is not building a strong relationship between the state (or local government) and its vulnerable citizens. The study found that 95% of women surveyed pay taxes, but 57% say they do not feel well informed on why they should pay tax (beyond the legal requirement to pay), and more than 50% say they do not see their tax money going towards service provision or public works projects. Thirty percent of women report encountering very harsh attitudes in their interactions with tax collectors, and, anecdotally, the study showed that women do not feel they have a way to make complaints about tax collectors’ behaviour or service provision.”

Multiple taxation of informal traders in Ghana

In 2017, ActionAid Ghana carried out a study in Ga West Municipal Authority (GWMA), a rural area of Ghana close to Accra. Most women there were engaged in informal business activities such as market trading, hairdressing, soap-making or dressmaking. The women paid a national ‘tax stamp’ (displayed in shops by those who have paid), a flat fee aimed at informal sector businesses, which were grouped according to business size and type. The tax stamp raised 1% of national-level revenues collected from the area. The local taxes included licence fees and market tolls, which were levied on informal as well as formal businesses. The threshold for paying personal income tax in Ghana was ¢2,592 (US$541). Some of the informal traders made more than this and some less; for many, it was impossible to say as they did not keep records. Nevertheless, they all had to pay the tax stamp and local market tolls. A focus group in the GWMA area discussed

64 ActionAid International 2018 Progressive Tax Briefings: Value Added Tax *http://www.actionaid.org/sites/files/actionaid/value_added_tax.pdf*

issues of taxation of the informal sector. The group had 17 participants, of which 13 were women and 4 men. Their observations included:

• They questioned why the revenue authority and the Municipal Assembly do not determine their incomes in a participatory way before imposing taxes on their businesses, and they said that some businesses that made little profit were taxed heavily. Such objections to the perceived arbitrary nature of presumptive taxes are common. (They are supposed to register for the tax stamp, which could mean less arbitrary assessment, but they were unaware of this.)

• They did not feel they were seeing much in terms of development and service delivery in return for their taxes.

• They have no advance notice of the tax collectors' visits, meaning they sometimes have to borrow to pay.

In a wider survey (where the large majority of the participants were also women), most felt it was right to pay tax but that they had to pay too much, again because they felt they did not see development or service improvement.[69]

In respect of Ghana's location tax incentive regime, the study finds that contrary to popular assertions, tax incentives on their own do not attract FDI but other factors such as skills pool, availability of social and infrastructural facilities such as good schools, health facilities, road network, electricity etc. may also count as significant considerations in investment decisions.[70]

In order to attract investment, Ghana provides a wide range of tax exemptions and incentives designed to reduce the tax burden on certain economic sectors and income groups. However, many of these measures have disadvantaged local businesses relative to foreign ones, in addition to resulting in the loss of potential tax revenue. It is well-documented that 'tax incentives' became a prominent feature of developing countries strategies for attracting foreign direct investment (FDI) in the period of the IMF/WB inspired structural adjustments of the 1980s into the 1990s and has been maintained to date without assessing their real negative or positive impact.

69 ActionAid International 2018 Progressive Tax Briefings: Value Added Tax *http://www.actionaid.org/sites/files/actionaid/value_added_tax.pdf*

70 ActionAid Ghana (see Box below)

4.3.1 BOX: *'Outrageous tax incentives harming local businesses' – Ghanaweb Business News of Monday, 6 August 2018*

The current tax incentives arrangement for foreign investors looking to invest in key sectors of the economy ends up financing multinationals to the detriment of local businesses who continue to wobble under severe taxation, Marwan Ansah, Western Regional Chairman, Senior Staff Union of the Electricity Company of Ghana (ECG), has said. He said if the government really wants to create jobs through the private sector, it should reconsider its "outrageous" tax incentives to retain some revenue for development.

"We think that the current arrangement for tax incentives are outrageous; even though the intention is to woo investors, the current arrangement is not prudent as it is inimical to Ghanaians. Tax incentives are not wrong, but it appears we are giving too much away and not getting anything in return," he told the B&FT in an interview at a forum on "Illicit financial flows and the needed revenue for public services development" organized by the Friedrich Ebert Stiftung (FES), in Dodowa, Accra. Per the current arrangement, he said, it is as if the government is financing foreign investors with such outrageous tax incentives for them to make money and ship them out instead of us [country] benefiting from them.

Ghana's corporate tax regime has seen a number of changes since 2000. Its contribution to the total revenue has increased from about 15% in 2000 to about 19% in 2016. Out of this, the mining sector contributes 30% on the average. Except for companies engaged in mining, which pay a corporate tax of 35%, the average corporate tax rate is 25%, representing a decline of more than 7% from the 2000 level. Compared to other African countries such as Burkina Faso (27.5%), Gabon (35%), Cameroon 38.5% and Kenya (30%/37%), Ghana's corporate rate is low. Although the Income Tax Act establishes a 25% tax rate on firm profits, it also offers numerous tax incentives to specific industries, sectors, and economic activities, and it varies widely across different sectors, activities and locations. For example, while companies engaged in non-traditional exports pay only 8%, those listed on the Ghana Stock Exchange (GSE) pay 22% *(Table 1)*. Moreover, since 2004, agro-processing companies are completely exempted from paying corporate tax within the five years of their establishment.

4.3.2 Table 1: Tax incentives provided to firms under the Internal Revenue Act 2000
(Source World Bank 2017)

Income from Activity	Tax Incentive
Cocoa farming	Indefinite tax holiday
Farming tree crops	10-year tax holiday
Livestock (other than cattle), fish farming, and cash-crop production	5-year tax holiday
Cattle farming	10-year tax holiday
Agro-processing	Indefinite tax holiday for firms located in the Northern, Upper East, and Upper West Regions; 5-year tax holiday followed by a reduced rate of 20% for five years for firms located in Accra/Tema or 10% for firms located in other regional capitals
Real estate and construction activities of firms associated with the development of low-cost housing	5-year tax holiday
Firms located in specified “free zones”	Indefinite tax holiday for firms located outside regional capitals and in the Northern, Upper East and Upper West regions; 10-year tax holiday followed by a rate of 4% for agro-processors in Accra/Tema and regional capitals and for garment and textile manufacturers, or 5% for other manufacturers located outside regional capitals (this provision was subsequently changed in 2013).
Venture Capital Financing Company	10-year tax holiday
Rural Banks	10-year tax holiday
Waste Processing and Recycling	7-year tax holiday
Companies listed on the Ghana Stock Exchange	22% tax rate for the first three years after the initial public offer
Manufacturing companies located outside of Accra/Tema	75% of the regular rate of Income Tax for firms located in regional capitals and 50% of the regular rate of Income Tax for firms located elsewhere
Hotels	20% tax rate
Income derived from loans to farming enterprises and leasing companies by a financial institution	20% tax rate
Income of exports for Companies engaged in nontraditional exports	8% tax rate

4.3.3 *BOX: Investment incentives to Ghana: The cost of social and economic development (Source ActionAid Ghana)*[71]

Ghana's trade policy and development agenda have over the years been dictated by the desire to attract Foreign Direct Investment and to increase export earnings. Tax incentives have, therefore, been a major strategic tool to achieve these goals. The result is that, trade taxes have declined, and currently Ghana has one of the overall lowest tax rates in the West Africa sub-region. While this may have boosted Ghana's competitiveness, it has tended to, at the same time, undermine the harmonisation of trade and investment regimes across the sub-region through initiatives such as the ECOWAS Common External Tariffs (CET).

Ghana's trade and investment strategy has invariably contributed to the "race to the bottom" phenomenon that has bedevilled the sub-region in the last three decades. While some gains have been realised–in the form of marginal increase in investment and exports – these may return negative values when set against the numerous tax incentives granted these investors. Ghana's Free Zones in particular have shown significant improvement in financial performance since 2007, but the fact that the country's trade balance is still in the negative suggests that the Free Zones concept has so far failed to turn the trade balance in Ghana's favour.

In respect of Ghana's location tax incentive regime, the study finds that contrary to popular assertions, tax incentives on their own do not attract FDI but other factors such as skills pool, availability of social and infrastructural facilities such as good schools, health facilities, road network, electricity etc. may also count as significant considerations in investment decisions. In estimating the value of revenue lost through tax incentives, largely as a result of inadequate official data sources, the study relied on alternative data sources such as national budget statements to arrive at the overall tax losses.

The study estimates that Ghana may be losing close to US$1.2 billion annually as a result of tax incentives. This is usually about half the entire annual Government of Ghana budget for education. While the study recognizes some usefulness of tax incentives, it emphasizes the need to gauge how much is given as tax incentives against the expected benefits. The study particularly identifies as a major problem, the arbitrariness or the discretion in tax incentive administration in Ghana, such as the use of permits at the ministerial level without recourse to procedural steps set out in the statutes.

71 Actionaid Ghana. 2014. *http://www.actionaid.org/sites/files/actionaid/investment-tax_incentives_in_ghana_-_an_actionaid_research_report.pdf*

In almost all cases, parliamentary approval is required in the granting of tax incentives but evidence from this study shows that parliamentary approval is sometimes by-passed, resulting in excessive and unregulated granting of tax incentives.

The study cites as an example, the case of SINOPEC, the Chinese firm undertaking the construction of Ghana's Western Corridor Gas Infrastructure Project, which has been granted exemption from import duties, VAT, and corporate income tax by the Ghana Gas Company without prior parliamentary approval. In response to public pressure, the Minister of Finance and Economic Planning is now putting together the necessary documentation for parliamentary ratification.

[…] The study estimates that Ghana lost about US$90 million dollars between 2011 and 2012 in the mining sector alone as a result of the stability agreement. In the Oil and Gas sector, the estimate is about US$70 million in two years, resulting from an ambiguous tax law, which could not be fully applied as a result of varied interpretation of the law.

4.3.4 BOX: Ghana on the average loses US$1.4 billion annually in the natural resources sector to illicit financial flows (IFFS), a report has indicated.[72]

IFFs refer to money that is illegally earned, transferred or utilised. If it breaks the laws in its origin, movement or use it merits the label, according to the GFI [Global Financial Integrity].

A tax expert, Mr Abdallah Ali-Nakyea, has said that looking at the stated figures, it was unnecessary for Ghana to go to the International Monetary Fund (IMF) to borrow US$930 million for three years.

“So, you see we don’t need to borrow because if you are losing US$1billion and you are borrowing on average US$330 million a year, are you a net creditor or a net debtor?” he asked, at a workshop for selected members of the Institute of Financial and Economic Journalists (IFEJ) in Koforidua in the Eastern Region, on Mineral Revenue Management in Ghana.

The report by the Africa Centre for Energy Policy (ACEP) on IFFs and the extractive industry in Ghana stated that in 2013, IFFs from illegal mining alone cost the nation US$1.7 billion.

“That’s the value we are losing to galamsey.[73] They are not registered, they

72 *https://www.businessghana.com/site/news/business/167549/Nation-loses-US-1-4bn-yearly-Illicit-financial-flows-in-extractive-sector-to-blame*

73 Informal artisanal miners (considered to be operating illegally)

don't pay tax, they don't eat gold, they don't bank in gold, but they produce this value and its nowhere to be found. Where did it go? What did we get in return?" he asked.

He said developing countries had weak tax systems that also contained several tax incentives that were a subject of abuse and misuse. He stated that in Ghana, the natural resources sector was a significant area of concern in the above regard, and imports and exports also showed such IFF tendencies, through over-invoicing and under-invoicing.

"One of the ways of IFFs was trade mispricing and that is the challenge Ghana has in the mining sector if they overprice the inputs they are using because that increases cost and then it will reduce profit, or else, they could increase the price of their assets and they can get higher capital allowances," he said.

ACEP also estimated that from 1960 to 2012, IFFS through trade mis-invoicing in Ghana amounted to US$40 billion.

4.4 The fallacy of public private partnerships and the challenges of financing public services

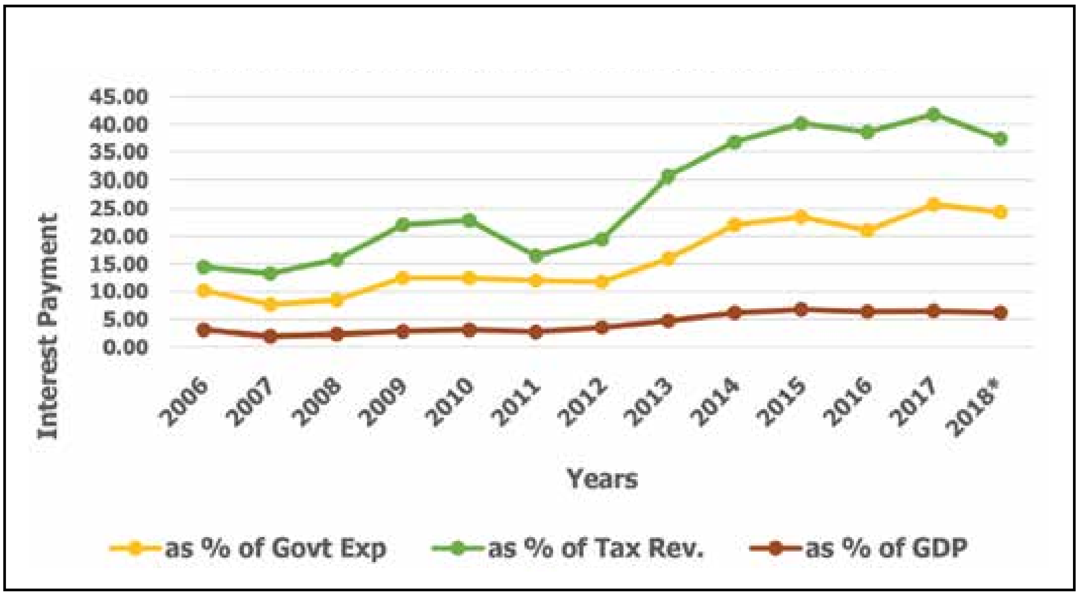
There is no doubt that Ghana faces critical challenges in financing public services. Currently there is much concern around the country's debt sustainability, although it is also important to note that this is not exceptional for many countries in Sub-Saharan Africa and internationally. According to a report published by the Jubilee Debt Coalition, Ghana is in a debt trap: as mentioned above, almost half of Ghana's budget is goes towards servicing its international debt. On the one hand, the response to this situation has been austerity, a second response has been to promote public private partnerships to fill the infrastructure financing gap, including in health, water and sanitation. However, the report notes, public private partnerships tend to be more expensive on the public purse – even doubling the cost of projects –while also hiding debts from public view (see Box).

A Eurodad report has also noted that "the debt burden of developing countries has reached the highest level ever seen" and the UN has warned of a high risk of sovereign debt crises.[74] This suggests that punitive country by country austerity measures, or back door (off balance sheet) solutions like PPPs are unlikely to bring long term solutions to public financing challenges that are influenced by transnational factors.

74 UNDESA.2018. Financing for Development: Progress and Prospects *https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF_2018_Overview.pdf*

Figure 6: Interest Payment on Public Debt 2006-2018

Source: Ghana Institute of Fiscal Studies



4.4.1 BOX: The real cost of public private partnerships

Ghana has previously undertaken PPPs in the power sector. In the late 1990s, the Takoradi 2 Oil Power Plant was built in Ghana by US company Consumer Michigan Services, and subsequently sold to TAQA, an Abu Dhabi- controlled company. This power plant has a 25-year agreement under which the government has guaranteed to pay a minimum amount, which increases as fuel costs rise. This guaranteed payment is also denominated in dollars, rather than in cedis. This was estimated at the start of the contract at an annual 20% return on the company's investment, but it could turn out to be higher. Meanwhile the government bears all the risk of depreciation of the cedi against the dollar.79 Because payments are guaranteed in dollars, currency devaluation over the contract's first ten years rapidly increased the cost of electricity from the plant, with the Ghanaian government protecting consumers to some extent by providing subsidies so the full cost of these increases was not passed on to them. The IMF has now demanded that fuel subsidies are cut, which means that electricity tariffs have increased substantially. But government expenditure on the subsidies may continue to increase anyway because of the PPP agreement, since the escalating costs that the government is contracted to pay cannot be covered purely by tariff increases.[75]

(Excerpt Jubilee Debt Campaign – The Fall and Rise of Ghana's Debt)

75 Jones T. 2016. The Fall and Rise of Ghana's Debt: How a new debt trap has been set *https://jubileedebt.org.uk/wp-content/uploads/2016/10/The-fall-and-rise-of-Ghanas-debt_10.16.pdf*

To compound the situation regarding debt, Ghana's reclassification from lower income country to a lower middle income country has also impacted on public finances and expenditure. A joint Ministry of Finance and UNDP paper notes that aid declined significantly from approximately 25.2% of GDP to 9.8% in 2008. ODA then rose to 14.6% in 2009 but fell to 12.8% by 2010. The report notes that aid place a critical role in funding for the capital expenditure and goods and services components of the budget, especially in the context of the social sectors. The report states that the shift to LMIC status unleashed a number of complexities "by way of reorganization of institutional responsibilities, system changes and implications for aid flows and pattern of development cooperation."

The argument that IMF favoured austerity or fiscal consolidation policies in response to debt crises in developing countries has proven to be false. Many UN organizations, economic justice activists and women's movements have called for an end to austerity. Austerity has been shown to be particularly vicious towards women, particularly poor women. They argue against the narrative that there is no alternative to austerity and on the contrary advocate for a massively increased injection of public funding into services to reboot the global economy and address poverty and inequality. Furthermore, they note, fighting climate change and building social and economic resilience to increased disasters can only be done through public spending.

75 Jones T. 2016. The Fall and Rise of Ghana's Debt: How a new debt trap has been set https://jubileedebt.org.uk/wp-content/uploads/2016/10/The-fall-and-rise-of-Ghanas-debt_10.16.pdf

Conclusions 5

Gender responsive public services are a critical component of reducing gender inequality; the provision of such services in both urban and rural areas is being hampered by IMF-backed austerity policies that increase rather than reduce gender inequalities. As a result, millions of Ghanaians continue to see their social and economic rights violated: gender exacerbates these inequalities primarily by increasing women's unpaid care work burden, as recounted by the experiences of young women interviewed. This invisible tax still remains deliberately unaccounted for in macro-economic policy, including by institutions like the IMF that claim a position of macro-economic policy leadership.

While Ghana has made progress in meeting certain development challenges, its impressive growth rates have failed to address many of its social challenges through the provision of better quality public services. Much of this is due to the embrace of neoliberal policies and repeated rounds of structural adjustment under IMF loan agreements. Our policy review of the IMF Agreements with the Government of Ghana, in particular the current 2015-2019 ECF agreement, does not indicate any attention to the social impacts of adjustment programmes apart from extremely limited social safety nets for those in extreme poverty – who are even then, rarely reached effectively. As well as ignoring its own work on gender, the IMF-agreed targets fail to reference to local policy frameworks such as the National Gender Policy in which the Government of Ghana has committed to engendering macro-economic policy. Indeed, in Ghana there is a lack of explicit gender-focused policy design in the Fund's conditionality programme. In practice, the IMF conditions have barely changed from the time of their notorious structural adjustment programmes and it is shocking to see them re-imposing constraints on public sector wage bills that have such a well-proven negative impact on spending for education, health and other essential services

There are many options to responding to economic or budget difficulties that do not require extreme austerity measures. Ghana does face a serious crisis with debt – spending 42% of its budget in debt repayments, which takes money away from essential public services. While it is certainly true that internal public finance management problems should be addressed, the economic difficulties that resulted in Ghana's need for an IMF loan also had external causes, e.g. the collapse in oil prices, meaning that punitive fiscal adjustment measures will not address all the causes of economic crisis. It would make more sense for the IMF to help Ghana reschedule its debt repayments rather than impose such harsh austerity measures. One way or the other, the approach of fiscal consolidation that is consistently advocated by the IMF has adverse implications for gender equality, whether this is as a result of cutting social services, reducing health and education staffing levels, applying user fees for basic services, increasing consumer taxes, inadequate spending for vital social infrastructure, maintaining miserly social protection levels, and disregard for human rights norms. In the meantime, increased inequality means that the new wealth that has been created in Ghana is being unfairly distributed, a situation that is not ameliorated by the adoption of regressive tax systems in which those who could pay more are paying less, and those that have little have seen their share of the fiscal burden increase.

6 Recommendations for gender responsive macro-economic policy and public services in Ghana

The following recommendations are directed towards the Government of Ghana particularly with a view to what it does after exiting the current loan agreement with the IMF.

6.1 Reorient macro-economic policy frameworks

There is a need to reorient macro-economic frameworks to address social development imperatives and targets set for example within the framework of the SDGs . Most importantly macro-economic policy needs to be grounded squarely within a rights-based framework, in line with international and constitutional obligations of the government. In this respect, macro-economic policy needs to be informed by strong data regarding women's diverse social and economic circumstances so that policies and budgets are designed to meet the needs of the most marginalized and excluded groups.

6.2 Prioritize social spending that supports gender equality (gender responsive public services)

Government must prioritize spending on social protection and gender responsive public services such as water and sanitation, education, and health, including all aspects of sexual and reproductive health. Services should be designed to address the unfair social organization of care – by reducing and redistributing the care and domestic work burden or improving the environment in which care work occurs, such as through improving access to energy (gas and electricity) and reliable public transport. Investing in care services also means ensuring that paid care workers enjoy decent working conditions with full labour rights and social protections. Women must be involved in the formulation of social policy as well as the macro-economic policy that underpins it. There should be consistent monitoring and reporting on women's access to various gender responsive services. While social services must be tailored to address women's needs across the life cycle, it is important to highlight the need to cater for the current demographic in which young people are the vast majority, but where adolescent and young women's needs tend to be overlooked.

6.3 Finance development through fair and efficient tax systems, not IMF loans

From a tax justice perspective Ghana's tax system has become increasingly regressive and predatory towards the poor, while letting those that capture the lion's share of wealth creation off the hook. The expansion of the tax bracket to the informal sector where the majority of women are employed constitutes a double tax on women when little is done to reduce their care and domestic work burden which benefits the nation as a whole. The trend where the poor and middle classes bear the increasing share of tax compared to corporations and the wealthy has to be reversed. Further efforts to increase public revenue collection should be concentrated on the top where the public purse currently loses billions through tax avoidance, unwarranted exemptions, lax tax regimes or illicit financial flows. There are many ways in which Ghana could expand its tax revenue in a progressive way and the government needs to look at options to do this rather than accept the IMF prescriptions. Tax systems should not only generate sufficient public revenue, but also distribute the contributions fairly and serve to bridge economic and gender inequalities.

6.4 Make public service delivery the primary responsibility of the public sector

The approach of handing responsibility for public service delivery to the private sector has not resulted in better, cheaper and more equitable service delivery, as witnessed by the case of water privatization. Most social services require government to play a lead role both in terms of financing as well as in delivering and managing those services. The issue of sanitation is a case in point where the level of need is so great that state action is needed to marshal the resources, human capacity and coordination to address the challenges rapidly and cost-effectively where the needs are greatest. Ending privatization and outsourcing of public services can create more decent jobs for women, limit rent-seeking behaviour and corruption, ensure affordable services to those most in need and kick-start social development into a new era for present and future generations.

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