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Attitudes towards fiscal policy in Ghana

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- Under the current IMF programme, the government of Ghana is working to restructure public debt, improve revenue mobilisation, and rationalise expenditures. The aim is to restore macroeconomic stability and debt sustainability while building resilience and laying the foundation for stronger and more inclusive growth.
- In this policy brief, we summarise ordinary people's views on possible revenue and expenditure measures to improve fiscal balances.
- The results indicate strong support for policies aimed at broadening the tax net, improving compliance, and more effectively collecting property taxes.
- Most people want the government to continue spending the same amount or even more on some prominent items including: the free Senior High School (SHS) programme (71%), the construction of roads, highways, and interchanges (94%), the railway system (74%), and electricity infrastructure (94%) as well as subsidies for petroleum (85%) and utilities (88%). However, there was little support for more expenditure on government appointees (13%) and the National Cathedral (29%).
- In order to reduce government expenditure, the respondents favoured adopting policies that improve efficiency rather than simply cutting back on a programme or project.

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Introduction

In this study, we surveyed ordinary people in Ghana to discover their thoughts on some suggested revenue and expenditure measures that could help meet the targets of the 2023 IMF programme and restore macroeconomic stability. The Ministry of Finance has undertaken a deeper and more rigorous set of analyses on several options and has also held focused consultations with several recognised groups (such as organised labour, trade unions, academics, and bondholders) who are more informed about the issues at stake. However, this study attempts to extend the consultations to ordinary persons across the country by gathering broad public opinions on some general fiscal policy issues. The survey targeted a random sample of adult respondents from 3,000 households in seven regions: Northern, Savannah, Ashanti, Bono, Greater Accra, Volta, and Western regions.

The results are not meant to prescribe specific policy options but rather to give policymakers an indication of what to expect from public opinion.

Key results on government expenditures

Figure 1: Views on selected government expenditure items

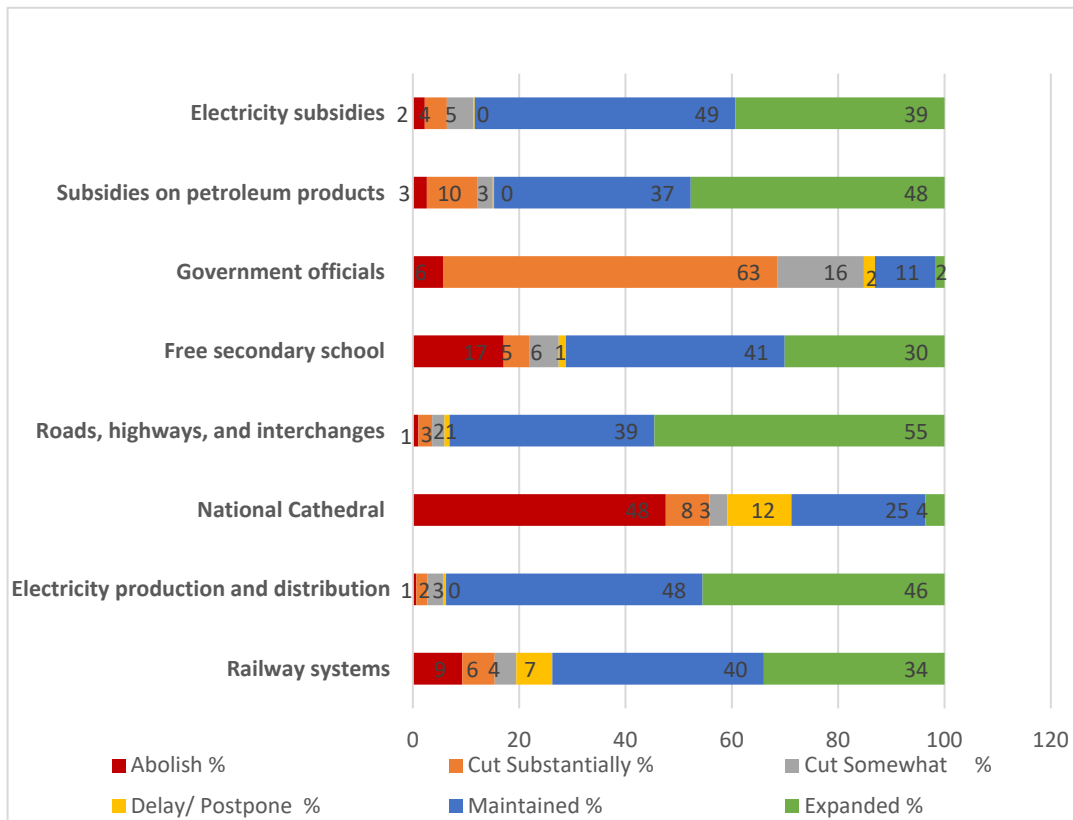


Figure 1 shows that apart from expenditure on government officials and investments in the National Cathedral, respondents were highly in favour of the other six government expenditure items they were asked about. In fact, respondents wanted to see the expenditure on the six items either maintained or expanded. In particular, 71% of the respondents wanted to see Free SHS maintained or expanded, 94% of people wanted investments in electricity production and distribution expanded or maintained, and 74% of people wanted the investments in the intercity railway system to continue. The results also show that 94% of people were either happy with or wanted more investment in roads, highways, and interchanges. People were also generally in favour of subsidies for electricity and petroleum products.

Figure 2: Percentage of respondents in agreement

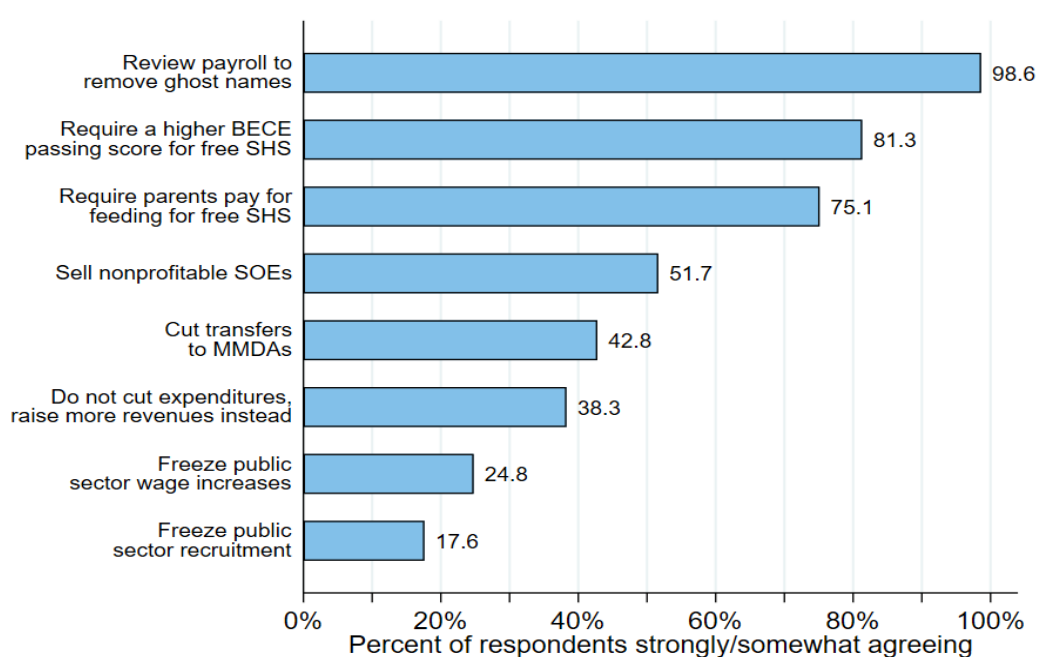


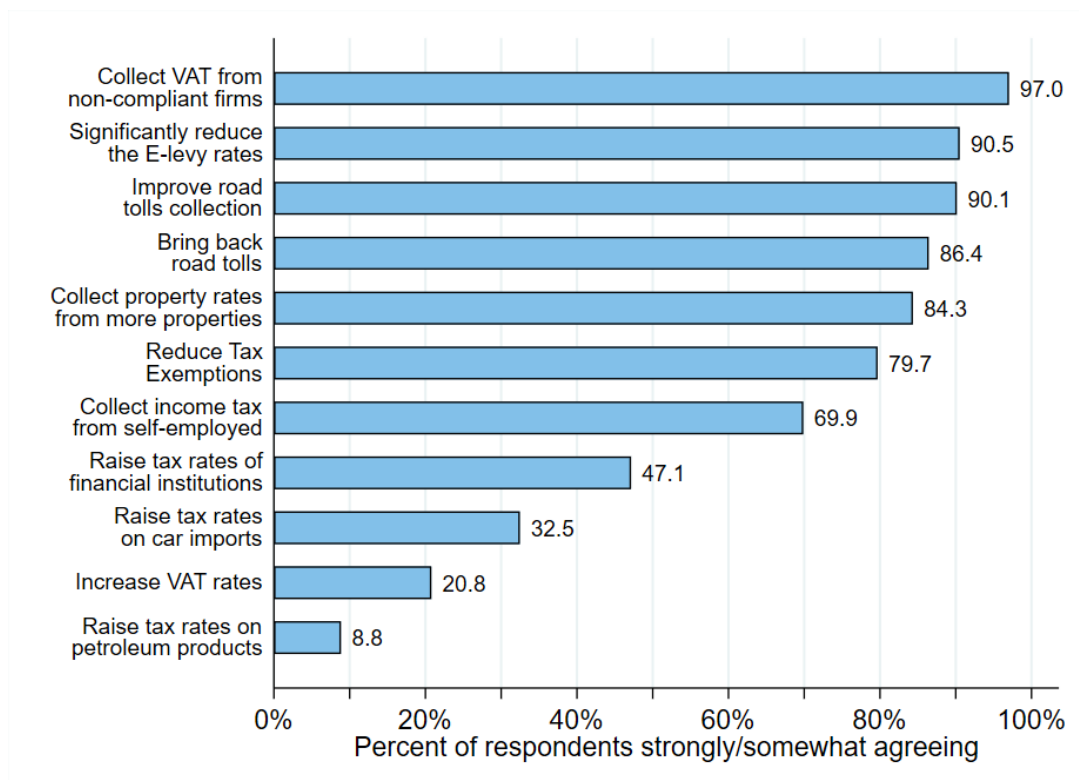
Figure 2 shows that a minority (38%) of the respondents would like the government to focus on raising more taxes rather than cutting expenditures. But even with cutting expenditures, the results indicate the broad types of cuts the public will support. For example, only 20% of respondents supported the view that the government should freeze government-sector hiring over the next year. This could indicate that the public does not think there are sufficient public-sector workers. They also did not agree that public-sector wage increases should be frozen for a year to cut expenditures in the short term. Less than half (47%) of the respondents did not agree that central government transfers to MMDAs should be reduced to improve the budget balance. However, most respondents (98%) agreed that steps should be taken to remove ghost names from government payrolls. Most people also agreed that some steps should be taken to improve targeting for the free SHS programme and that state-owned enterprises that are making losses should be privatised. This set of responses indicates that the

public will support measures that can reduce government expenditure by making it more efficient and offering stronger value for money.

Key results on government revenues

Overall, there was very little support for increasing the various tax rates. Rather, there was general support for measures that seek to improve tax administration by increasing compliance and broadening the tax net. Almost all of the respondents (97%) favoured measures that expand efforts to collect VAT from non-compliant firms. The response was unanimous across rural and urban respondents, female and male respondents, and more and less educated respondents. Also, 91% felt that the government should significantly reduce the E-levy rate to minimise tax avoidance and encourage the use of mobile money services. The support for this tax measure was also almost unanimous across the board. Interestingly, 86% of respondents wanted the government to reintroduce the road toll, with 90% saying the government should improve the collection of road tolls when reintroduced. The percentage of respondents who said that the government should improve the collection of road tolls if reintroduced was consistently similar across the different subsamples. The share of urban respondents who wanted the reintroduction of road tolls was 5% more than the share of rural respondents. Also, male respondents and more educated respondents were 9% and 6% more likely to agree with this proposal, respectively.

Figure 3: Views on ways to increase revenues



Note: This figure shows the percentage of respondents who either somewhat agree or strongly agree with each statement as a measure of increasing government tax revenues. The other options available for the respondents to choose from were “somewhat disagree” and “strongly disagree.”