



REPUBLIC OF GHANA

SPEAKING NOTES

**HON. MINISTER FOR FINANCE
(KEN OFORI-ATTA)**

**MOVING BEYOND AID: REVENUE MOBILIZATION
COMPACT WITH AFRICA (CWA) DIALOGUE**

4TH – 5TH APRIL, 2018

- ❖ **H.E. THE VICE PRESIDENT OF THE REPUBLIC OF GHANA**
- ❖ **DISTINGUISHED REPRESENTATIVES OF CWA PARTNER COUNTRIES**
- ❖ **COLLEAGUE MINISTERS AND DEPUTY MINISTERS**
- ❖ **THE COMMISSIONER GENERAL, GRA**
- ❖ **THE PRESIDENT AND FOUNDER OF ACET**
- ❖ **DISTINGUISHED INVITED GUESTS FROM VARIOUS INSTITUTIONS AND AGENCIES**
- ❖ **DEVELOPMENT PARTNERS**
- ❖ **REPRESENTATIVES FROM THE PUBLIC AND PRIVATE SECTORS**
- ❖ **OUR MEDIA PARTNERS**
- ❖ **LADIES AND GENTLEMEN**

INTRODUCTION AND CONTEXT

1. Acknowledgement of invitation.

- Good morning ladies and gentlemen. I am delighted to be here this morning, in the company of such a distinguished audience, and to be given the opportunity to make some brief comments ahead of the anticipated key note address

by His Excellency the Vice President of the Republic of Ghana; Alhaji Dr. Mahamudu Bawumia.

- I will therefore try and keep my comments very brief.

2. Appreciation of the organizers of the conference and highlighting its relevance.

- First, I wish to commend our partners the African Center for Economic Transformation (ACET) and the IMF for their role in organizing this dialogue on "*Moving Beyond Aid: Revenue Mobilization. G20 Compact with Africa Dialogue*".
- I am especially encouraged that we have such a diverse group assembled here today with representatives from CWA partner countries as well as institutions such as the IMF, the OECD and the Africa Tax Administration Forum (ATAF).
- It is my firm belief that to understand the main challenges to domestic revenue mobilisation, and how to address them, it is important to interact with experts, and share country experiences with our peers.
- It is instructive to note that over the past few years, revenue mobilization in most developing countries has not kept pace with the ever growing demands of citizens for development projects, and for better services.

- In many countries, this revenue-expenditure mismatch has created an unstable macroeconomic environment. High fiscal deficits, financed through debt, have led to unsustainable debt levels and higher domestic interest rates. Nevertheless, we have as a government managed to bring the fiscal deficit down from about **9.3% of GDP in 2016 to 6% in 2017**, while also reducing the debt ratio from **73.1% of GDP in 2016 to 69.8% in 2017**. Other macro fiscal achievements include:
- Increase in growth rate from 3.7% (end 2016) to 7.9%;
 - Decrease in Inflation from 15.4% to 10.6%;
 - 91-day treasury bill rate falling from 16.4% to 13.3% though lending rates remain stubbornly high; and
 - Primary Balance improved from a deficit of 1.4% of GDP to a surplus of 0.7%.

MAIN SPEAKING POINTS

3. Moving beyond aid: from taxation to production

- Ladies and Gentlemen, governments around the world, especially those in developing countries – including Ghana – are subject to ever-increasing fiscal pressures. Let me paint a stark picture of a new reality facing these countries, which is that, there is the need to transition to a new normal in **Fiscal Management**, where domestic revenue mobilization and not international aid is the **anchor of prudent and sustainable macro-fiscal management**.

- Indeed the President of Ghana, His Excellency Nana Addo Dankwa Akufo-Addo, clearly articulated his **vision of Ghana-Beyond-Aid** during a Press interaction with the French President in December 2017. President Akufo-Addo stated that, *"As a nation we have for a long time relied on aid to sustain our development efforts. However, the truth is that we cannot continue to depend on foreign aid to drive our development agenda"*. Therefore, as we move to Ghana-Beyond-Aid, it is imperative we are able to raise enough revenue domestically.
- The current government has set itself an ambitious economic policy goal of transforming Ghana's economy by moving it from taxation to production. The underlying idea is to abolish nuisance taxes, and to instead use taxation as a fiscal tool to boost productivity in the economy, which should result in more revenue being collected, and therefore more funds available to finance development.

4. Current state of revenue mobilization in Ghana

- The quest to move Ghana-Beyond-Aid will be a gradual and challenging process, which is why gatherings like this are crucial, and I hope this conference will provide strategies and ideas to boost domestic revenue mobilization.
- Ghana has witnessed improvements in domestic revenue mobilization efforts over the past decade. Tax revenue relative to GDP has increased from about **12.7% in 2006 to 16.3% in 2017**. But this is still well below the

average of our Lower Middle-Income peers, which is over **20%**.

- The drive for most developing countries including Ghana to set up an efficient tax system is fraught with formidable challenges. These include the following:
 - ***Broadening the tax base.*** We believe that as a government we must tax much smarter and not only harder. And to achieve this goal, government must endeavor to expand its tax base. For instance, though estimates point to the existence of about **6 million potential individual taxpayers in Ghana, only about 1.5 million are formally registered with the GRA. Of this number 1.36 million are employees**, implying that most self-employed individuals are not registered with the Authority.
 - ***Efficiency in revenue administration and blocking tax revenue leakages.*** Government must work with the GRA to improve voluntary tax compliance through better front-line services and enforcement.
 - ***Harnessing technology to modernize and improve efficiency in tax administration and tax policy formulation and analysis.*** Key challenge for the revenue authority is harnessing technology in a way that reduces administration costs and the burden of tax compliance. On the policy side, digitizing administrative tax data could enhance tax policy analysis, including understanding

the distributional effects of potential or existing tax policy measures.

- ***Fighting illicit financial flows.*** Outright tax evasion, aggressive tax planning and avoidance delegitimizes the tax system and undermines the ability of government to raise revenue. Estimates point to about **US\$1 trillion** illicitly moving out of developing countries annually, shifting primarily into western economies. A study by Global Financial Integrity (GFI) estimated that between **1960 and 2012, Ghana lost about US\$40 billion through trade mis-invoicing while Africa loses US\$50 billion annually in this regard.**
- ***Restoring credibility in the social contract between taxpayers and government.*** Taxation is an important tool for building good governance and the formation of a social contract between governments and its citizens. Where there is evidence of continued misuse of tax revenues or open corruption, the social contract is broken and the efficacy of the nation's entire tax system is questioned by taxpayers.

5. Efforts to enhance Domestic Revenue Mobilization in Ghana.

- Ladies and Gentlemen, successive governments in Ghana have taken steps towards addressing some of the bottlenecks I have just outlined so as to boost domestic revenue mobilization. These include:
 - ***Review of all the major tax laws to make them consistent with the changing economy***

and international best practice. This includes a review of the Income Tax Act (2015), Act 896; Customs Act (2015), Act 891; VAT Act (2013), Act 870 among others.

- **Creation of the Ghana Revenue Authority.** In 2009 the GRA was created by merging the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat into a single, integrated Authority for the administration of taxes and customs duties.
- **Rationalization of taxes in Ghana.** In its 2017 budget, government reduced or abolished about 15 different taxes in Ghana. The aim was to help simplify the tax system which had become relatively complicated and to abolish nuisance taxes which created negative incentives for investments.
- **Introduction of an automated system (*tripsTM*) for domestic revenue and going paperless for trade taxes.** Government is facilitating the deployment of the Total Revenue Integrated Processing System (*tripsTM*) to automate the processes for assessing, filing and paying various domestic taxes. In 2017 government launched the Customs Paperless System in a bid to eliminate the paper documents traditionally accepted for the clearance of goods at the port.
- **National tax campaigns.** Government in a bid to boost voluntary tax compliance has embarked on nationwide tax campaign initiatives to appeal to the patriotic sentiments of Ghanaians to help the cause

of national revenue mobilisation. Recent campaign include the launch of a national campaign in December 2017, titles "Our Taxes our Future Campaign".

- ***Strict adherence to the newly implemented Public Financial Management Act to enhance fiscal transparency and protecting the public purse.*** His Excellency the President of the Republic of Ghana has reiterated government's commitment to protect the public purse time and time again. This pledge should provide renewed confidence that taxpayers' money will be put to good use for the benefit of all.

CONCLUSION

- Developing countries are embarking on a challenging new voyage together, one that requires dramatically improving our domestic revenue mobilization so that we can aggressively pursue poverty reduction and economic development.
- There is no denying the fact that our future as a country depends on the quantum of taxes we are able to raise domestically. No nation has ever developed depending solely on the benevolence of others. Aid must be a supplement to our domestic efforts.
- It is imperative for developing countries to set up tax systems that help raise more tax revenue and also create a positive investment environment. Setting up an efficient and fair tax system is, however, far from simple, particularly for

developing countries that want to become integrated in the international economy.

- The ideal tax system in these countries should enable government to raise essential revenue without excessive government borrowing, and should do so without discouraging economic activity and without deviating too much from tax systems in other countries.
- Even though tax payment has never been a pleasant experience for anybody even in the developed world, it is also a fact that taxation is the price we pay to live in civilized societies.
- Let me digress into Roosevelt's "Man in the Arena" speech in Sorbonne. "It is a bad thing for a nation to raise and to admire a false standard of success; and there can be no falser standard than that set by the deification of material well-being in and for itself. But the man who, having far surpassed the limits of providing for the wants; both of the body and mind, of himself and of those depending upon him, then piles up a great fortune, for the acquisition or retention of which he returns no corresponding benefit to the nation as a whole, should himself be made to feel that, so far from being desirable, he is an unworthy, citizen of the community: that he is to be neither admired nor envied; that his right-thinking fellow countrymen put him low in the scale

of citizenship". Roosevelt continues with his expectation of a citizen where "Character must show itself in the man's performance both of the duty he owes himself and of the duty he owes to the state".

- Jesus said give to Caesar what belongs to Caesar and to God what belongs to God. I would like to focus on what belongs to Caesar. Obviously, the context was about paying taxes and so the essence of 'What belongs to Caesar is not lost on us at all: my taxes, your taxes, our taxes are meant to be given to the Government who as stewards use the taxes for our collective benefit.
- So, I charge all of us: give your taxes to Caesar! Let us rise up to our civic responsibilities. Building our nation and achieving our vision of moving Ghana Beyond Aid mandates you and I to give to Caesar our taxes.
- So, between Roosevelt and the Bible the responsibilities of a citizen vis a vis the Republic is sacrosanct. We must all indeed pay our taxes as moving Ghana Beyond Aid requires a solid revenue base to ensure adequate resources for financing Ghana's economic transformation. Given our stage of development, Ghana's revenue collections are low, with limited fiscal space to support the pace of investments needed to achieve a Ghana Beyond Aid for example compensation of employees and interest payments alone

absorb more than 90% of tax revenues. At the same time, the government is implementing key growth-oriented and job-enhancing flagship projects as well as in the education and health sectors, which are vital to promote inclusive growth. It is essential that we mobilize more revenues from all, in order to ensure that our priority programs are well funded and public services are provided. Our policies will continue to be undergirded by the preferential option for the poor and creation of a vibrant private sector eco-system free from state coercion. To this end, we have launched consultations with key stakeholders on the need to mobilize more revenues. We intend to present to Parliament a package of tax policy measures at the time of the mid-year budget review to ensure sustained funding for our key programs and public services.

- I wish you all fruitful deliberations over the next two days. Thank you very much for your attention and time.

- God bless you and thank you.