

**FINDING A BALANCE:
TAX, TECH AND THE PEOPLE OF SHAMA DISTRICT IN GHANA**



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In Ghana, paying market levies and tolls might appear burdensome for a small-scale trader trying to make ends meet in a small open space market. For others, this holds real potential, the recognition of which spurs them on for consistent tax payment. Their claim is: as long as they see and feel visible impacts of revenues collected, there should be no doubts.

This reality may have sunk in the hearts of tax authorities but also presents a double tragedy for them. Authorities deal with the quest of raising funds to provide services for which they have a contractual arrangement –the social contract – with their citizenry. They must also invest these funds in ways that stimulate trust in the tax system.

Many years of multilevel [advocacy](#) on social accountability and local tax governance in Ghana led by Oxfam and [Friends of the Nation](#) corroborates this and leads us to one novel effort, the GEOTAX initiative in a small local government area, [Shama](#), in south western Ghana.

Building off from advocacy asks, the local government authority in Shama bought into a collaborative initiative with Oxfam and Friends of the Nation. In this initiative, they put to test, one of the basic principles of tax adequacy and accountability through the lens of public service provision. The GEOTAX [Initiative](#) is what it is called!

Set up in 2020, this novel effort sought to answer two simple questions: *are the people of Shama getting a share of services for which they have been levied*, and *how does this spread over space based on the quantum of tax payments in each area council?*

The initiative is a web-based Geographic Information System (GIS) platform designed to collate and map social amenities such as hospitals, schools, public restrooms and others in specific administrative units called area councils under Ghana's decentralization structure. This information is then analyzed according to tax revenues from each area.

So far up to 2000 separate property from six area councils (lowest administrative units in the sub-national governance structure) have been mapped. These include markets, community centers, health facilities, schools etc and are estimated to hold a tax revenue collection potential of up to \$73,000.

It will foster analysis of tax receipts from each area vis-à-vis the social amenity spread. While so far data on tax payments between 2018 and 2019 have been mapped, there is already a lot to be intrigued about with the pattern that is seen.

Preliminary analysis reveal stark inequities in allocation of social amenities regardless of the pattern of tax revenues generated in specific areas of similar demographic and social profile.

For example, average revenues collected between 2018 and 2019 from Supoma Dukwa Beposo area council are more than ten-fold that of Assorko Essaman area council, yet in terms of upscale or referral health facilities (hospital), there is none in Supoma Dunkwa Beposo. At the same time, Assorko Essaman records one hospital. When looked at from the provision of recreational facilities, the picture is no different. Whereas Assorko Essaman benefits from eight football facilities, there is only one in Supoma Dunkwa Beposo.

Learning from the concerns of citizens about the need for tax payments to be reflected in the quality and quantity of public services provided, is critical. Tax planners in Shama will need to dive deeper into these nuances and to interrogate the data and its current and future policy of spatial distribution of services.

Area Council	Share of total revenue (tolls, levies, taxes) in 2018 in Shama District	Share of total revenue (tolls, levies, taxes) in 2018 in Shama District	Population (projected)	Quality of health service (based on availability of upscale facility: hospital)	Public recreational facility
Supom Dunkwa-Beposo	34%	36%	15,620	0	1
Assorko Essaman	6.3%	6.8%	15,722	1	8

What else does that tool present?

In 2019, the Global Reporting Initiative introduced a tax [standard](#), GRI 207 which took effect in 2021. Among other requirements, these standard grounds tax strategy transparency and approach as well as citizen engagement publicity to guide organizations to be better in managing ethics of taxation.

For the government of Shama District, the GEOTAX initiative presents a tool to be a model for companies in the extractives sector. The opportunity here is to use the data patterns to shape their transparency and accountability discussions with the average taxpayer in their jurisdiction.

Amongst its peers in sub Saharan Africa, Ghana has one of the [lowest](#) tax-to-GDP ratios, at about 13%. Now obviously amidst a pandemic and a dire need for funding its post-covid economic recovery tax is even more crucial.

Would central government tax strategy mirror the sub-national experiences on tax adequacy especially from Shama District and its new collaborative tax initiative? That is not a question to answer in this write up but opens up space to broach the topic.

For Shama District and partners, learning from this initiative and maintaining a concrete database of social services for tax purposes remains central in the future. They will explore using Geographic Information Systems for development at scale and lessons from the GEOTAX initiative is an entry point.

As an Open Government Partnership (OGP) member in Ghana, Shama was [selected](#) among 56 local government bodies around the world. This commitment adds responsibility to its mandate and it is expected that it will extend and concretize the governance principles required by this standards-driven movement in the long term, to include taxation.

One of the potential commitments of Shama's OGP Action for 2021 is to leverage on the wealth of the extractive industry to establish a Quarry Development [Fund](#). Currently, the quarry operations contribute 8.8 percent of the Assembly's Internally Generated Revenues. Developing effective strategies to tax industrial minerals (specifically wealth of quarry operations) in the District to address inequality in alignment with the aims of the GEOTAX initiative sets a notable example for future advocacy.

For now, addressing the tax needs of its relatively small working population is central to its transformation and it is obviously not a one size fits all exercise. Achieving a balance will require a combination of strategies and technology comes in handy.

The tool presents a potential panacea for informal sector taxation challenges including evasion and compliance. Available [data](#) shows that the informal sector of Ghana accounts for approximately

80% of all economic activities carried out in the country and 85% of all [employment](#) is informal. Surprisingly, the sector contributes only 2% of the tax [revenue](#) collected by the Ghana Revenue Authority.

Often the economics of compliance is chiefly the reason for this and draws from the widely-held [theory](#) that an average tax payer will weigh the economic benefits of non-payment of a tax against the penalty system for defaulting. This is true but is insufficient a reason for tax compliance.

The experiences from Shama district suggest that a local ownership holds the key to an enhanced voluntary compliance of informal sectors taxes and not necessarily the economics of it. This is where the GEOTAX initiative comes in both as a tool and a means to fostering citizen approach to tax compliance

