

Public finance for sanitation: Analysis of the sanitation surcharge in Ga West, 2017-2019

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Quick read...

- Ga West Municipal Assembly introduced a surcharge of 10% to the property tax in October 2016. Revenue raised through this mechanism is to be ring-fenced for improving sanitation in the municipality
- More people in Ga West expressed willingness to pay the property tax (72%) than actually did so (54%). Revenue collected through the property tax in 2017 was around half that collected in 2014 (from GHS 306,000 to almost GHS 151,000)
- The amount raised through the newly introduced sanitation surcharge to the property tax has therefore been very low since it came into effect in January 2017
- Taxpayers are broadly supportive of the surcharge and its purpose to improve sanitation. 60% of respondents were willing to pay an extra amount per month to improve environmental sanitation, and pro-poor spending of revenue from the surcharge was highly supported by taxpayers
- The sanitation surcharge is an already existing legal mechanism to increase revenue for GWMA, but has been under-utilised since its inception

Rationale

Ghana's 254 Metropolitan, Municipal and District Assemblies (MMDAs) are legally mandated to provide social services, including sanitation infrastructure and services, to their residents. MMDAs have full discretion over how they spend internally generated funds. However, of Ghana's total spending on sanitation, only 2% is raised through domestic public finance.

GWMA introduced a financial mechanism to increase its internal funds for sanitation, one of the few MMDAs to do so. The sanitation surcharge was approved in October 2016, came into effect in January 2017 and consists of a 10% surcharge applied to the property tax. Revenue raised through the surcharge is to be ring-fenced for sanitation improvement in Ga West.

This research analysed the effectiveness of the surcharge in terms of amount collected, ring-fenced and disbursed to date, as well as its support among the taxpayers and policy-makers of GWMA.

Methods

- Desk study of relevant policies, reports and other literature
- Interviews with staff from the Environmental Health and Sanitation Directorate of the Ministry of Sanitation and Water Resources, Municipal Budget Officers, Municipal Development Planning Officers, Municipal Environmental Health Officers and Landlords/ladies Associations
- Focus groups with homeowners
- A structured questionnaire for 423 homeowners/property owners in seven communities: Amasaman, Fise, Hebron, Kuntunse, Medie, Pobiman/Pobi-Asaawa and Sarpeiman

Urban Sanitation Research Initiative Ghana

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Findings

Sanitation in Ga West

Household spending on sanitation in Ga West is 1.7%, below the World Bank/World Health Organisation's sanitation affordability threshold of 5%; however, 'sanitation' in Ghana tends to have a wider definition that includes other services such as solid waste management, so expenditure on liquid sanitation services like pit emptying and toilet construction/management will likely be even lower.

Of the three municipalities studied (Ga West, Akuapem North and Kumasi), **Ga West had the highest rate of reported open defecation – nearly 10%**. Most residents that did not have a household toilet relied on pay-per-use public toilets (72%) or a neighbour's toilet (17%). **More than half were dissatisfied with the sanitary conditions of their area** (street cleanliness, drains, odour etc.) and none reported that the sanitation situation in their neighbourhood had changed over the last 5 years.

Taxpayer experience of the property tax

Total awareness of the tax was high at nearly 81%, but willingness to pay the tax was lower at around 72%. Only **54% of taxpayers surveyed reported paying the property tax** (although around 16% of those had not paid property tax within the last year). Of the respondents who reported not paying the tax, **one-fifth did not do so because they did not believe that it would be spent wisely**. The next largest group of non-payers reported that no one had collected the tax or that they had not been asked to pay. There was also a lack of awareness about how and where to pay.

As a result, **property tax revenue in Ga West fell to GHS 151,000 in 2017**, less than half of the GHS 306,000 raised in 2014. From 2012-2017, the **property tax only accounted for 3-11%** of Ga West's total internally generated funds.

Sanitation surcharge: collection and disbursement, 2017-2019

Only 1.2% of surveyed taxpayers in GWMA knew about the existence of the sanitation surcharge. As the sanitation surcharge is only 10% of property rate, **at most just over GHS 15,100 can have been collected in 2017**.

GWMA staff reported that any **revenue from the surcharge had not been ring-fenced for sanitation** or released to the Environmental Health/Sanitation Unit of GWMA. Despite the development of action plans and budgets for sanitation, the required funding has not been released to the relevant bodies and the surcharge's effectiveness cannot be fully assessed.

Support for surcharge

60% of 162 respondents in Ga West were willing to pay an extra amount per month to improve environmental sanitation. Of those who named a specific amount, the average was GHS 31.92 per month, and amounts offered ranged from GHS 2-200. Support for pro-poor spending on sanitation was motivated partly by altruism and funding for more equitable development and service delivery. Others supported the surcharge because they perceived direct own-benefit from a reduction in sanitation-related disease and other environmental hazards caused by inadequate services.

Stakeholders within MSWR and GMWA accept the aims and implementation of the surcharge and believe that it could alleviate sanitation issues such as the provision and management of public toilets and support to households in the construction of their own toilets.

Recommendations

- The sanitation surcharge is a law enacted, passed and gazetted by GWMA and so should be fully implemented, with revenue properly ring-fenced for sanitation
- Given taxpayers' support for pro-poor spending of the surcharge's revenue, GWMA should develop an implementation plan that targets poorer residents of Ga West
- Tracking and documenting expenditure will increase the transparency of the sanitation surcharge, and counter property owners' concern about the proper use of their taxes
- Increasing revenue for sanitation relies on an improvement in property tax billing and collection:
 - Residents are willing to pay but cite barriers to doing so that include lack of contact with the Assembly's revenue task force; improving internal capacity for revenue collection should alleviate this issue and others like it
 - Re-assessing the property rate determination, including unassessed properties, is a clear way to increase revenue from property, and does not have to be an expensive process. Under the Land Tenure Regularisation programme, for example, nearly all of Rwanda's freehold and leasehold titles were issued at an average cost of only USD 6 per parcel - significantly less than the USD 46-76.50 per property/land parcel in Ghana

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