



**RESEARCH REPORT IDENTIFYING AND DETAILING THE COST IMPLICATIONS
OF THE GAPS, DELAYS AND OTHER INEFFICIENCIES (QUANTITATIVE
AMOUNTS) ON PRIVATE SECTOR BUSINESSES AND THE OPPORTUNITY FOR
UNAUTHORIZED FINANCIAL DEMANDS BECAUSE OF THE GAPS, DELAYS AND
OTHER INEFFICIENCIES**

**UNDER THE
STRATEGIC PARTNERSHIPS TO PREVENT AND FIGHT ADMINISTRATIVE
CORRUPTION IN GHANA PROJECT**

**PREPARED FOR:
PRIVATE ENTERPRISE FEDERATION (PEF)**

**PREPARED BY:
CLARA BEERI KASSER-TEE (CONSULTANT)**



List of Acronyms and Abbreviations

Companies Act	Companies Act, 1963 (Act 179)
DFI	Department of Factory Inspectorate
EPA	Environmental Protection Agency
GIPC	Ghana Investment Promotion Centre
GRA	Ghana Revenue Authority
IPPA	Incorporated Private Partnerships Act, 1962 (Act 152)
LSPA	Land and Spatial Planning Authority
MMDA	Metropolitan/Municipal/District Assembly
PEF	Private Enterprise Federation
RGD	Registrar General's Department
SDC	Service Delivery Charter
SSNIT	Social Security & National Insurance Trust
TCPD	Town and Country planning
TIN	Tax Identification Number
VAT	Value Added Tax

	Page Numbers
Table of Contents	
1.0 Executive Summary and Key Findings	4
1.1 Introduction	4
1.3 Summary of Findings	4
1.4 Summary of Recommendations	5
2.0 Discussion	6
2.1 Introduction	6
2.2 Project Background	7
2.3 Approach and Methodology of Research Report	7
3.0 Key Research Findings	7
3.1 Overview of administration of questionnaires and interviews	7
3.2 The findings from administration of questionnaires and interviews to ascertain the actual cost of administrative corruption	8
3.3 The Findings from Administration of Questionnaires and Interviews to Confirm the PEF Research Report	9
4.0 Activity Reports	9
5.0 Recommendations and Conclusions	9
a. Use of Electronic Application Process	9
b. Collaboration of by the Agencies	9
c. Involve Private Sector in Fixing Fees	10
d. Fees be fixed in a manner that reflects the services rendered, and the existing laws be amended to enable the Administering Agencies retain all fees rather than pay same into the Consolidated Fund as currently required by law.	10
e. Publication of Charters	10
f. Reminders sent by Agencies to Public	10
Conclusions	10

1.0 Executive Summary and Key Findings

1.1 Introduction

Private Enterprise Federation, (PEF) with the assistance of Star Ghana is engaging other stakeholders to form a strategic partnership to prevent and fight administrative corruption in Ghana, (the “**SPPACG Project**”). This will be a nationwide project that seeks to achieve the following objectives:

1. A transparent, efficient, cost effective, and fair service delivery to the private sector and citizenry by the administering public institutions.
2. Adoption of a mandatory electronic application system (at least two of the crosscutting licensing requirements).
3. The generation of requisite data to support advocacy positions on the cost of corruption (monetary terms and denial of prompt service delivery) to the country.
4. Well informed private sector and citizenry on their roles and responsibilities in preventing and fighting administrative corruption.

PEF has contracted Clara Beeri Kasser-Tee as Consultant on this Project. The Project is supported by Star Ghana, UKAID, DANIDA and the European Union.

1.2 A Research Report

This Research Report exclusively identifies and details the cost implications of the gaps, delays and other inefficiencies (quantitative amounts) on private sector businesses and the opportunity for unauthorized financial demands because of the gaps, delays and other inefficiencies. It (this Report) constitutes an essential component of the SPPACG Project, and is the product of administration of questionnaire on the cost of corruption and stakeholder engagements on research findings on the cost of corruption in the licensing regime for businesses in Ghana.

1.3 Summary of Findings

The research analysis of administration of questionnaire on the cost of corruption and stakeholder engagements on research findings on the cost of corruption in the licensing regime for businesses in Ghana reveal that:

1. The estimated cost of administrative corruption to businesses is a total of between Ghc1, 000 and Ghc10, 000 per each business for the completion of each process. This translates to between Ghc500, 000, 000 to Ghc5, 000,000,000 for every 500,000 businesses registered¹.

¹ Total businesses registered (number) in Ghana was reported at 802176 in 2003, according to the World Bank collection of development indicators, compiled from officially recognized sources; as at 2011, 603,441 - <https://www.ghanaweb.com/GhanaHomePage/business/Many-registered-businesses-are..>

2. The estimated loss to businesses as a result of unnecessary delays is between Ghc24, 000 and \$20,000 per each business. This translates to a loss of between Ghc12, 000, 000, 000 to US\$10, 000,000,000 for every 500,000 businesses registered.
3. Business Owners, Observers and Staff of Administering agencies recognize that “facilitation fees”, (unofficial payments) that they make to staff of the Administering Agencies to avoid delays in the licensing regime constitutes administrative corruption. The givers justified their actions on the grounds of wanting to avoid unnecessary delays and its attendant costs to their businesses, and staff of Administering agencies justified taking these fees for personal use or as transportation to the field, which indeed facilitates the process.
4. Business owners and staff of the Administering agencies estimate that out of ten personnel at the agencies an average of 9 persons are believed to engage in administrative corruption, while Observers estimate that out of ten personnel at the agencies an average of 7 persons are believed to engage in administrative corruption.
5. Senior staff of Administering agencies believe that it is generally Junior and Middle Level Staff who engage in administrative corruption.
6. The Administering Agencies do not deliver the listed services within the stipulated timelines, in the absence of payment of “facilitation fees” from customers. This is because whereas it takes between two weeks to three months on average to complete license, permit or certification processes on payment of “facilitation fees”, it took three months to a year on average to complete similar processes on failing to pay “facilitation fees”.
7. Delays in the licensing regime is as a result of: (i) sluggishness and incompetence of staff mostly; (ii) lack of resources at these Agencies; and (iii) layers of bureaucratic and several documentation processes required for the licensing, permit and certification of businesses.
8. Businesses find the business permit, license, and certification processes in Ghana difficult and frustrating.
9. There has been pressure on the administering agencies in recent times to involve the private sector when reviewing applicable fees, and there was visible improvement in the manner in which the agencies worked as a result.

1.4 Summary of Recommendations

Consultant’s recommendations include:

1. The fees that administering agencies charge must reflect the services rendered.

2. The laws be amended to enable Administering agencies maintain user fees, rather than payment of such fees into the Consolidated Fund.
3. Effective use of electronic applications would not only reduce the timelines for issuance of permits/licenses/certificates, but would reduce drastically, if not eliminate corruption in the business licensing/permit/certification regime in Ghana.
10. A collaborative process between the Administering agencies, will be more efficient particularly where there is need for inspections. It is therefore important for the RGD to put in place an effective and efficient platform that links all administrative agencies in a manner that enables them share information and draw from the different expertise and strengths of each agency. This will also reduce drastically if not eliminate the submission of fictitious or forged documents, as Administering agencies will have access to the documents in the RGD database.

2.0 Discussion

2.1 Introduction

Administrative corruption is generally defined as profiteering from public posts. It includes a public officer's abuse of roles, powers, or resources in public bureaucracies.² Ghana law defines a public official to include any person holding an office by election or appointment under any enactment or under powers conferred by any enactment³. Employees of Administering Agencies are therefore "public officers" for purposes of administrative corruption as these persons are appointed under an enactment and exercise their powers pursuant to an enactment. A public officer who, to do or for doing an act required of him or her as a public officer, secretly accepts, or agrees or offers secretly to accept any valuable consideration for his or her personal benefit is presumed by law to have acted corruptly.⁴ The presumption of corruption by a public officer therefore applies irrespective of whether the valuable consideration was received before or after the act by the public officer on account of the public office⁵.

The greatest challenge identified in the business registration regime in Ghana is the intentional and/or unnecessary delays by the officials of administering state agencies with the perceived motive of extracting money from applicants. These applicants who are usually desperate to obtain the applicable licenses, permits and certificates to enable them operate their business, and who directly lose business as a result of these delays most often than not are 'alleged' to make

² See Perry, J.L., 2015. Revisiting the core of our good government ethos. *Public Administration Review*, 75(2), pp.186-187.

³ Section 3, sections 244 and 245 of the Criminal and Other Offences Act, 1960 (Act 29).

⁴ Section 244, *ibid*.

⁵ See sections 244 and 245, *ibid*.

“unofficial payments” to officials of administering state agencies in order to facilitate the issuance of the license, permit, or certificate, thereby becoming unwitting participants in administrative corruption.

This Research Report is the product of a review of the legal regime for permit/licensing/certification of businesses to enable them operate in Ghana, and administration of questionnaires and interviews to ascertain the actual cost of administrative corruption and confirm implementation of certain parts of the recommendations contained in the PEF Research Report.

Stakeholders and participants included: the various levels of staff at the respective agencies, the business community, civil society and staff of the Ministries, as contained in the Inception Report included in this Report as **Appendix 1** and the Baseline Report is included as **Appendix 2**.

This Report begins with an overview of the administration of questionnaire to three categories of persons:

- Private individuals and Business Owners;
- Staff of Administering agencies; and
- Observers, (i.e. civil society).

The Questionnaires are included in this Report as **Appendix 3**.

The Report next presents the findings from the administration of Questionnaires and Interviews to ascertain the actual cost of administrative corruption. The Report then concludes and states the Consultant’s recommendations and qualifications.

2.2 Project Background

The background to this Project is as described in **Appendix 4**.

2.3 Approach and Methodology of Research Report

The sampling technology, approach and methodology resulting in the findings contained in this Report are contained in the Inception Report and Baseline Report included in this Report as Appendixes 1 and 2.

3.0 Key Research Findings

3.1 Overview of administration of questionnaires and interviews

Pursuant to the Inception Report and Baseline Report, (i.e. Appendixes 1 and 2 of this Report), the Questionnaires were administered at the various workshops mentioned above, and to three categories of persons:

- Private individuals and Business Owners;

- Staff of Administering agencies; and
- Observers, (i.e. civil society).

The responses from the write ups of the participants in this study sounded genuine and unrehearsed. They discussed honestly the issues covered by the questionnaires and interviews, and their realistic expectations when their businesses/organisations deal with administering agencies. Copies of the category of questionnaires are contained in **Appendix 3** of this Report.

3.2 The findings from administration of questionnaires and interviews to ascertain the actual cost of administrative corruption

These questions tested the impact of corruption on businesses and the cost attributed to corruption. The findings from administration of questionnaires and interviews to ascertain the actual cost of administrative corruption are as follows:

- a. For businesses, abetting administrative corruption, (i.e. paying facilitation fees) is what incentivizes staff of the Administering agencies to achieve speedy registration in spite of bottlenecks at the Agencies.
- b. The unofficial payments made to the different Administering agencies vary. The business persons interviewed admitted to paying facilitations fees of as low as Ghc50 and as high as a Ghc1000 each to staff of the Registrar General’s Department alone, and a total of between Ghc2, 000 and Ghc20, 000 per each business for the completion of the entire process. This translates to unofficial payments of between Ghc1, 000,000, 000 and Ghc10, 000,000,000 from every five hundred thousand businesses that apply for licensing, permit and certification of their businesses.⁶ There are currently over 802,176 registered businesses in Ghana.⁷
- c. Some business owners estimated their losses due to delays to range between Ghc24, 000 and \$20,000 per each business. It therefore made economic sense for businesses to abet administrative corruption in the hope of reducing avoidable losses. This translates to a loss of potentially taxable income of between Ghc12, 000,000,000 and \$10,000,000,000 from every five hundred thousand businesses that apply for licensing, permit and certification of their businesses,⁸ with corresponding losses in revenue that government would have generated from taxes on such incomes. The explanations given by the 18 clients on the loss of business included their inability to either commence or complete their businesses to make profits as they anticipated. For instance, some clients stated that; it was impossible to import fertilizer which was his business, the process was so frustrating that their business partners got fed up. Another

⁶ The total number of registered businesses in Ghana was reported at 802,176 in 2003 according to a World Bank Report.

⁷ Supra

⁸ Supra.

participant lost a contract to supply chippings due to delays in acquiring Tax Clearing certificate.

- d. There has been pressure from the private sector on the Administering agencies in recent times to involve the private sector when reviewing official fees for the business licensing, permit and certification regime in Ghana.

A comprehensive overview of administration of questionnaires and interviews to ascertain the actual cost of administrative corruption is contained in Appendix 5.

3.3 The Findings from Administration of Questionnaires and Interviews to Confirm the PEF Research Report

The findings from administration of questionnaires and interviews to confirm implementation of certain parts of the recommendations contained in the PEF Research Report has been submitted to PEF. A copy of this Report is included herein as **Appendix 6**.

4.0 Activity Reports

This Research Report includes activity reports for the 1st breakfast meeting of 23rd January 2019 as **Appendix 7** and activity reports for the second breakfast meeting of February 8, 2019 as **Appendix 8**,

5.0 Recommendations and Conclusions

This Report makes the following Recommendations:

a. Use of Electronic Application Process

Electronic applications would not only reduce the timelines for issuance of permits/licenses/certificates, it would also reduce drastically, if not eliminate corruption in the licensing/permit/certification regime in Ghana.

b. Collaboration of by the Agencies

Collaboration between the Agencies will not only prove faster and more efficient in avoiding unnecessary delays in the license/permit and certification of businesses regime in Ghana, it would also reduce drastically if not eliminate completely the submission of forged and/or fictitious documents to some of the Administering agencies in the license/permit and certification process. Some members of the General Public sometimes provide the agencies with fictitious documents, which could be avoided if the Agencies collaborated amongst themselves.

It would therefore improve the ease of doing business in Ghana if the Registrar General's Department is able to link all other Administering Agencies to its database for purposes of

confirming registration details of business entities and for sharing of information where necessary in the license, permit and certification process.

c. Involve Private Sector in Fixing Fees

The Private Sector ought to be involved in the fixing of Fees. Obtaining their goodwill in this regard makes for effective regulation.

d. Fees be fixed in a manner that reflects the services rendered, and the existing laws be amended to enable the Administering Agencies retain all fees rather than pay same into the Consolidated Fund as currently required by law.

The formula for setting fees must reflect the cost of services rendered, otherwise, where such fee do not represent or reflect the cost of the stated service, it takes on the character of a tax.

It is also recommended that the law be amended to allow for fees to be retained by the administering agencies rather than paid into the consolidated fund. The current law which requires that fees be paid into the consolidated fund is unhelpful, as it serves to blur the lines between “fees” properly so called and taxes.

e. Publication of Charters

A Service Delivery Charter is an expression of an understanding between citizens and a provider of a public service on quantity and quality of services. The Service Delivery Charter must therefore be a widely publicised document that defines the type, quality, and magnitude of service that the citizenry can expect from the particular State Institution. Employees of the Administering agencies must be involved in the drawing up of the Charter, and, the general public must be aware of and have access to these service delivery charters.

f. Reminders sent by Agencies to Public

It was recommended that Agencies should create a data base of its customers and send them reminders to renew their permits/licenses/certificate or suffer penalties for lateness.

Conclusions

The quest to provide quality services to the Ghanaian public is a quest to achieve the realisation of a Constitutional right. It is the duty of every public officer to exercise all powers given them by law for the welfare of the Ghanaian people, and it is the right of the Ghanaian people to expect this

from public officers. A service Delivery Charter will among other things, seek to ensure that Administering agencies focus of service delivery, measure and assess performance and initiate performance improvement. It will also be a worthy and important step in the fight against corruption and to ensure transparency. It must however be noted that whether or not a Service Delivery Charter is able to assist an agency deliver transparent and efficient service as intended, depends to a large extent on whether the Service Delivery Charter meets the criteria discussed in our reports, and whether it is in fact implemented and adhered to.