Republic of Ghana

unicef
for every child

SOCIAL PROTECTION BUDGET BRIEF 2023

Introduction

Social protection helps vulnerable people to cope with crises and shocks, provides support to the poorest members of society to alleviate extreme poverty and destitution, and ensures people's welfare across their entire lifecycle. The Government of Ghana (GoG) has declared its steadfast commitment to achieving the SDGs[1], which include the eradication of extreme child poverty, and halving the number of children living in poverty, in all its dimensions.

Ghana faces an ongoing socio-economic crisis caused by pre-existing fiscal vulnerabilities (growing public debt, a rigid budget, high energy sector costs, and low revenues) and global factors which include the after-effects of COVID-19, the ongoing effects of the war in Ukraine, international economic shocks, and slower than expected growth in China[2].

In 2022, nearly 850,000 of Ghana's poorest citizens were pushed into poverty due to rising prices, with the number of food insecure Ghanaians classified as in 'crisis' or 'emergency' increasing from 560,000 to 823,000, and an overall one quarter of the total population being deemed food insecure[3].

Fig. 1: Number of People Experiencing Food Insecurity in Ghana[4]

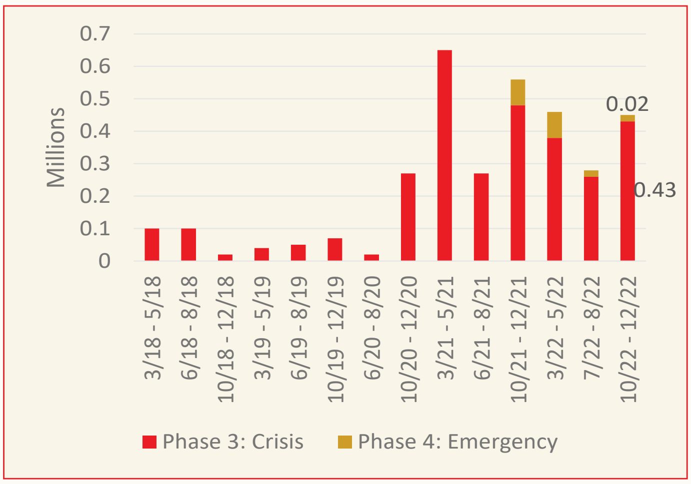
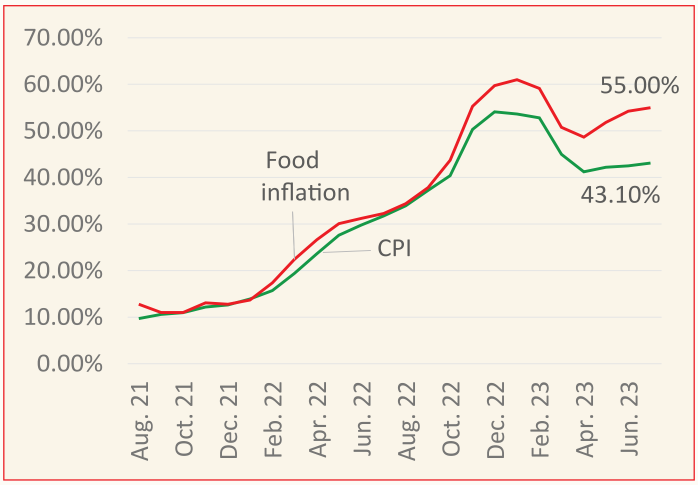


Fig. 2: Price Inflation in Ghana[5]



[1] Hon. Ken Ofori-Atta, Minister for Finance 2023. 'Foreword – 2022 SDG Budget and Expenditure Report'
[2] World Bank, 2023. '7th Ghana Economic Update. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security'
[3] World Bank, 2023. '7th Ghana Economic Update. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security'
[4] Cadre Harmonisé data accessed at https://www.food-security.net/en/datas/ghana/ 20/08/2023
[5] Ghana Statistical Service, Monthly CPI Bulletins 08/21 – 07/23

Following challenges in meeting its commitments in terms of public spending and debt servicing, which required the Ministry of Finance (MoF) to rely on monetary finance from the Bank of Ghana and to delay the release of funds for expenditure, in the second half of 2022, the GoG engaged on a programme of comprehensive debt restructuring and agreed a three-year Extended Credit Facility (ECF) Agreement with the IMF, which came into force in May 2023. This programme seeks to restore macroeconomic stability, ensure debt sustainability, and lay the foundations for higher and more inclusive growth whilst protecting the most vulnerable.

The ECF programme includes specific structural benchmarks relating to the major social protection programmes: Livelihood Empowerment Against Poverty (LEAP), the National Health Insurance Scheme (NHIS), and the Ghana School Feeding Programme (GSFP)[6].

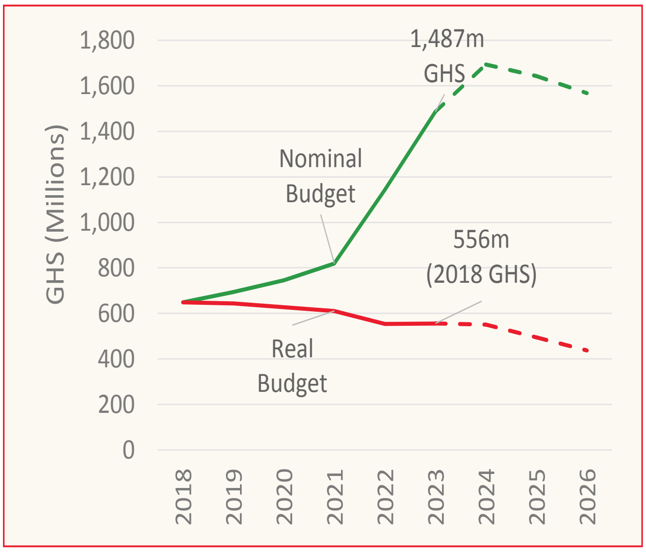
Ghana has been a world leader in the design and introduction of social protection programmes over many years, introducing the NHIS in 2003, the GSFP in 2005, and the LEAP programme in 2008. All of these, having benefited the population significantly since their introduction[7][8][9], have suffered significant budgetary and expenditure-related challenges since 2020, including reductions in the real value of allocated budgets and delayed or reduced disbursements to service users.

Effective social protection programmes require adequate government spending. In the context of a constrained fiscal space and reduced projections for economic growth, such spending competes with other government priorities. Beyond its moral justifications in terms of welfare, spending on social protection has a significant multiplier effect for economic and human development. Investments in the LEAP programme generate activity in the local economy at 2.5 times their initial value,[10] while every cedi invested in the GSFP is estimated to provide a return of GHS 3.3 over the student's lifetime[11].

Social Protection Spending Trends

MOGCSP Budget and Expenditure

Fig. 3: MOGCSP Nominal and Real Budget[12]



[6] IMF 2023. 'Ghana: Request for an Arrangement Under the Extended Credit Facility'

[7] MOGCSP 2018. 'Ghana LEAP 1000 Programme: Endline Evaluation Report'

[8] Essuman, A. and Bosumtwi-Sam, C., 2013. 'School feeding and educational access in rural Ghana: Is poor targeting and delivery limiting impact?' International Journal of Educational Development, 33(3), pp.253-262.

[9] Okoroh, J., Essoun, S., Seddoh, A. et al. 2018. 'Evaluating the impact of the national health insurance scheme of Ghana on out of pocket expenditures: a systematic review'. BMC Health Serv Res 18, 426

[10] Thorne, K.; Taylor, J.; Kagin, J.; Davis, B.; Darko Osei, R.; Osei-Akoto, I. 2014 'Local Economy-wide Impact Evaluation (LEWIE) of Ghana's Livelihood Empowerment Against Poverty (LEAP) programme'. FAO, Rome

[11] Dunaev, A. & Corona, F. 'School Feeding in Ghana.

[12] MOF Annual Budget Statements 2018 – 2023. Real budget calculated using IMF World Economic Outlook April 2023 Inflation figures

The Ministry of Gender, Children and Social Protection (MoGCSP) has primary responsibility for coordinating overall social protection policy in Ghana, as well as administering the GSFP and LEAP The budget of the MoGCSP has decreased 14% in real terms (i.e. adjusted for inflation) since 2018, and has declined as a proportion of GDP from 0.23% to 0.20%. The Medium Term Expenditure Framework (MTEF) projects a further decline in the MoGCSP's budget allocation in the years ahead, to 0.13% of GDP in 2026.

MoGCSP Budget Allocations as a proportion of the total GoG budget decreased in 2023 from 0.79% to 0.65%. This represented a significant decline from 0.96% in 2018, and under the 2023-2026 MTEF, the share of budget allocated to the MoGCSP is projected to decline further to 0.47% in 2026.

Fig. 4: MoGCSP Budget as % of GDP[13]

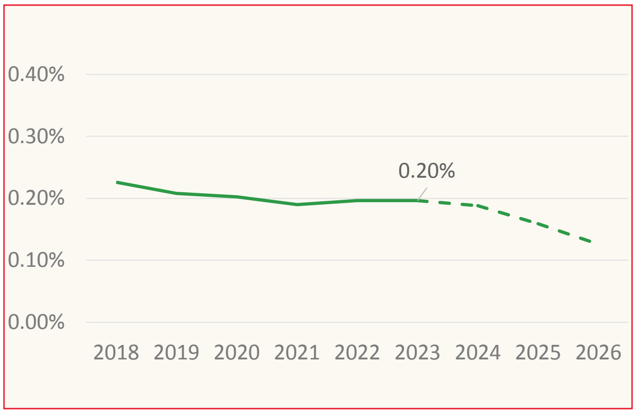
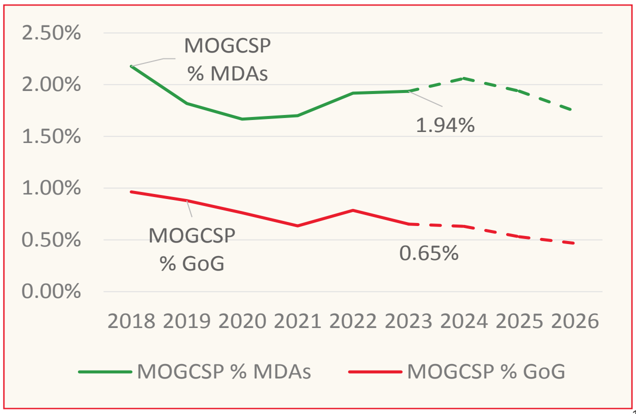


Fig. 5: MoGSCP Share of GoG Budget



[14]

The MoGCSP budget allocated 97.6% of its budget to goods and services in 2023, up from 96.2% in 2022. In 2022, actual MoGCSP expenditure on compensation was 5.3% of the total, while capital was 0%. In both budgeting and execution, there is a risk of allocative inefficiency – that not enough funding is allocated to capital expenditure and compensation to effectively manage the social protection programmes, or to meet the MoGCSP's other responsibilities.

Fig. 6: MoGCSP Budget by Economic Classification[15]

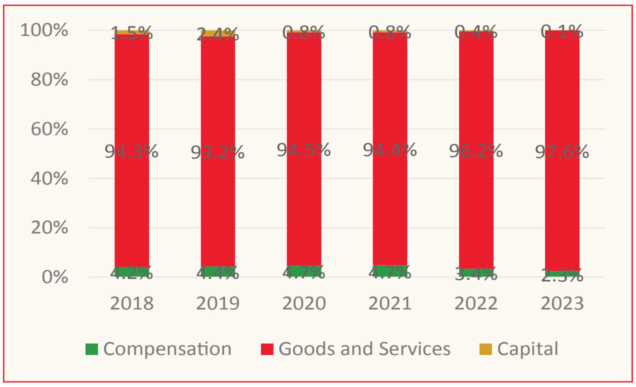
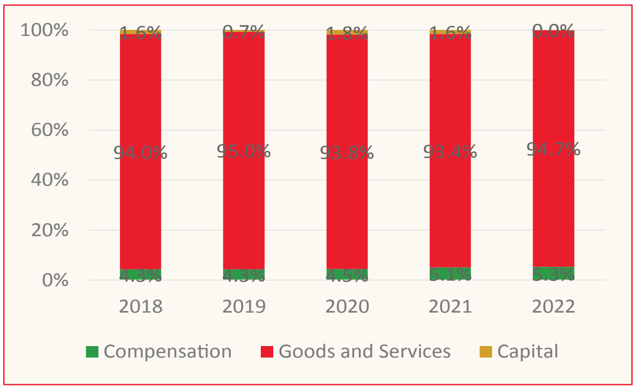


Fig. 7: MoGCSP Expenditure by Economic Classification[16]



> **"The MoGCSP budget allocated 97.6% of its budget to goods and services in 2023, up from 96.2% in 2022."**

[13] MOF Annual Budget Statements 2018 - 2023
[14] MOF Annual Budget Statements 2018 - 2023
[15] MOF Annual Budget Statements 2018 - 2023
[16] Auditor General Reports 2018 – 2020, CAGD Annual Report 2021, MOF ABPR 2022

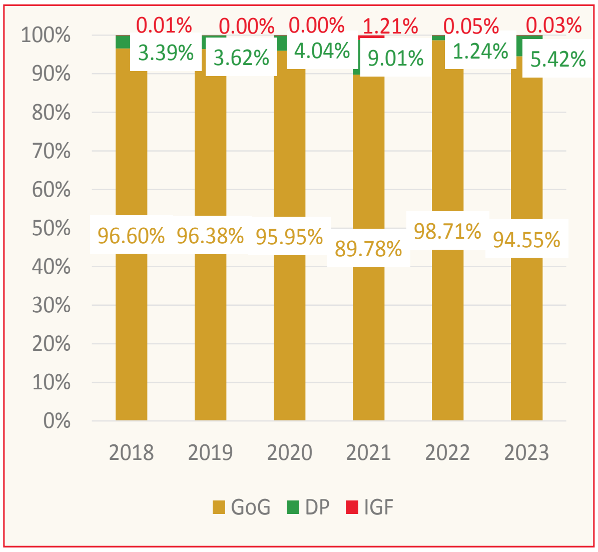
Persistent and significant deviation from approved budgets might imply weaknesses in planning and budgeting processes, which then undermines operational efficiency. While underspending on capital and on goods and services in 2022 may reflect the measures taken by the MoF to reduce expenditure in the context of fiscal pressures[17], since 2018, actual MoGCSP expenditure has deviated from the approved budget in every year, with at least one spending category deviating by over 10%.

Table 1: MOGCSP Budget Execution by Category [18]

Category	2018	2019	2020	2021	2022	Average Variance
Compensation	90.12%	105.27%	106.05%	116.03%	123.23%	+8.14%
Goods and Services	86.46%	107.53%	109.70%	107.64%	77.01%	-2.33%
Capital	92.46%	29.82%	243.86%	203.83%	4.41%	+14.88%
Total	86.71%	105.55%	110.61%	108.84%	78.26%	-2.01%

The MoGCSP budget is funded primarily by the GoG. From 2022 to 2023, the share of development partner funds increased from 1.24% to 5.42%.

Fig. 8: MOGCSP Budget by Source[19]



The overwhelming majority of the MoGCSP budget is allocated to Social Development, which includes LEAP and GSFP. In 2023 Social Development comprised 98% of the total budget, above the 2018-2023 average of 95%. This reflects increased allocations to LEAP and GSFP.

> **From 2022 to 2023, the share of development partner funds increased from 1.24% to 5.42%.**

[17] World Bank, 2023. ‘7th Ghana Economic Update. Price Surge: Unraveling Inflation’s Toll on Poverty and Food Security’
[18] Auditor General Reports 2018 – 2020, CAGD Annual Report 2021, MOF ABPR 2022
[19] MOF Annual Budget Statements 2018 - 2023

Fig. 9: MOGCSP Budget by Programme[20]

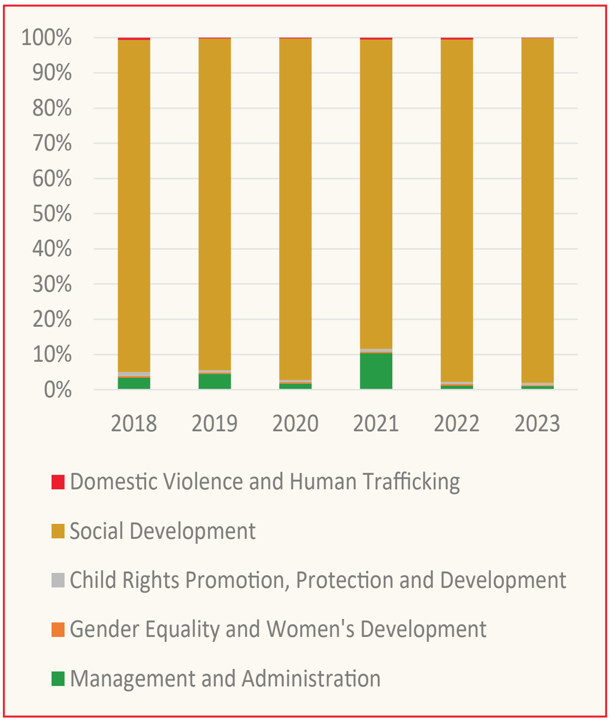
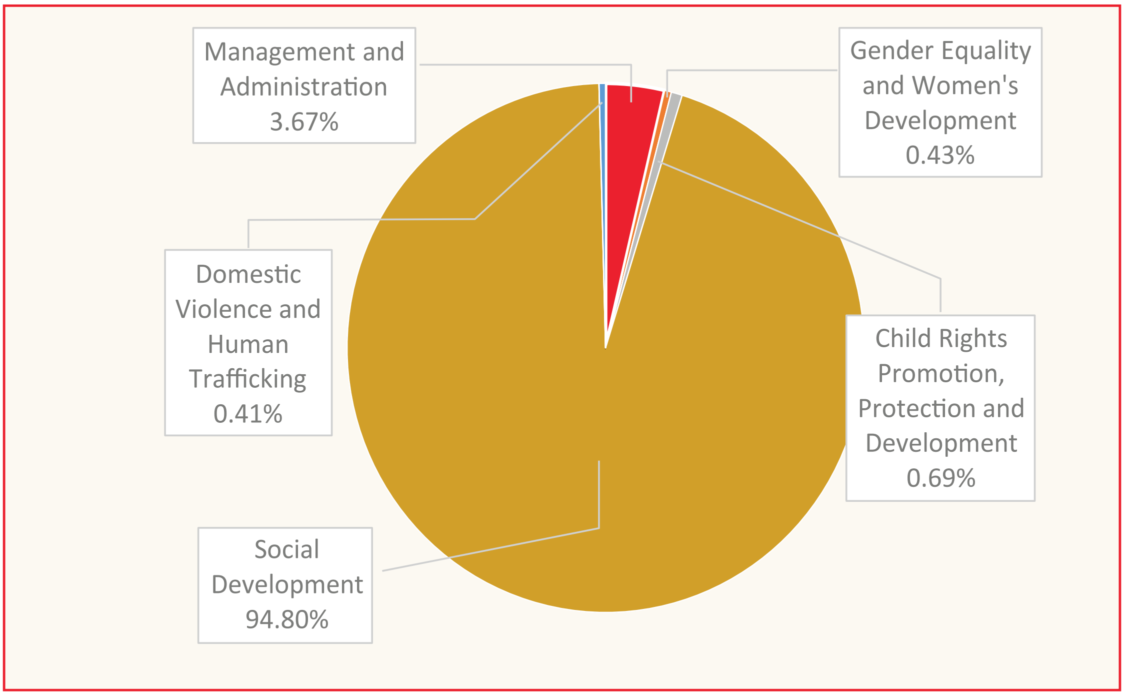


Fig. 10: MOGCSP Budget by Programme 2018-2023 Average[21]

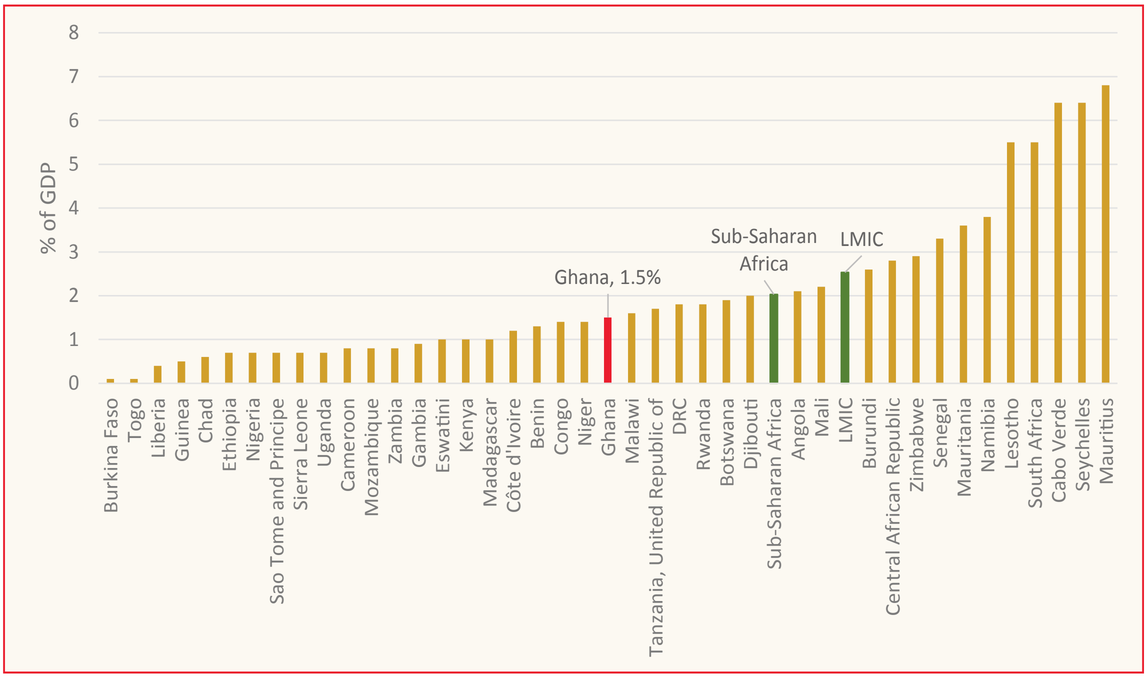


Overall Social Protection Spending

Ghana's total expenditure on social protection was 1.5% of GDP in 2021[22]. This is higher than some neighbouring countries, but below the average for sub-Saharan Africa and lower-middle income countries as a whole.

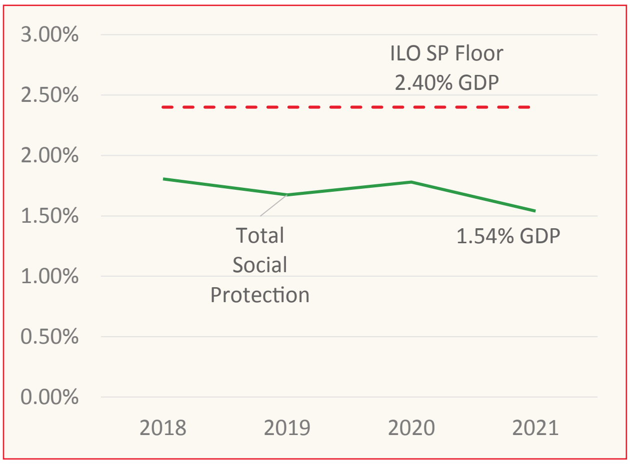
[20] MOGCSP Programme Based Budgets 2018 - 2023
[21] MOGCSP Programme Based Budgets 2018 – 2023
[22] Calculated based on MOF Annual Budget Statement 2021 and SSNIT Annual Financial Report 2021 (latest available)

Fig. 11: Total Social Protection Spending as % of GDP by country[23 24]



Total expenditure on social protection as a proportion of GDP has declined since 2018 (1.54% of GDP in 2021) and falls below the ILO recommended social protection floor for low- and middle-income countries of 2.4% of GDP[25].

Fig. 12: Total Expenditure on Social Protection as % of GDP[26]



The majority of social protection spending in Ghana is in the form of pension and benefits paid by the Social Security National Insurance Trust (58.5% of total social protection spending in 2021). This is a contributory pension and life insurance scheme, primarily used by formal sector workers, and is financed by a mixture of employer and employee contributions. Because SSNIT primarily covers formal sector workers and is contribution-based, it does not provide benefits to those living in poverty.

[23] ILO World Social Protection Report 2020-22, Ghana 2021 data calculated from MOF Annual Budget Statement and SSNIT Annual Financial Report

[24] Total spending on social protection includes the Livelihood Empowerment Against Poverty (LEAP) programme, the Ghana School Feeding Programme (GSFP), the National Health Insurance Scheme (NHIS) , the Lifeline Tariffs for Consumers of Electricity (LTCE) targeted support for those who consume less than 30 kWh of electricity per month, and the pensions and life insurance paid through the Social Security and National Insurance Trust (SSNIT). Of these, LEAP, GSFP and the NHIS are the most effectively targeted, and practically ensure that essential services and support are provided to those in poverty. SSNIT is funded through employee and employer contributions for formal sector workers. While LTCE is intended to support poorer households, in practice most do not have access to electricity at all, have very little usage and so do not significantly benefit, or live in multi-occupancy dwellings with shared electricity meters, which are likely to exceed the 50 kWh threshold. Further discussion in Younger, S. 2016: 'The Impact of Reforming Energy Subsidies, Cash Transfers, and Taxes on Inequality and Poverty in Ghana and Tanzania'

[25] Durán-Valverde et al. 2019: Measuring financing gaps in social protection for achieving SDG target 1.3. ILO ESS Working Paper No. 73.

[26] Social Protection calculated using MOF Annual Budget Statements for LEAP, GSFP, NHIS, Lifeline Consumers of Electricity, and SSNIT Annual Reports for SSNIT expenditure. ILO 2019 estimate of basic social protection floor for low, lower-middle, and middle-income countries from Durán-Valverde et al. (2019) 'Measuring financing gaps in social protection for achieving SDG target 1.3'

Key Messages

1. Provide budgetary allocation for LEAP reassessment
2. Ensure timely release of funds for LEAP payments and index their value to inflation
3. Address inadequate feeding grant for GSFP and irregular release of funds to caterers
4. Establish shock-responsive social protection utilising existing mechanisms
5. Ensure timely release of NHIS levy to the National Health Insurance Authority (NHIA) for effective delivery of health services

1 Provide budgetary allocation for LEAP reassessment

While LEAP beneficiaries had to meet specific criteria when they were enrolled, there has not been any systematic approach to assessing their continued eligibility since the inception of the programme in 2008[27]. Therefore, it is likely that some beneficiaries may no longer qualify for payments, whilst others who should qualify are not receiving them. The GoG has recognised this issue and indicated a desire to reassess beneficiaries but has not yet allocated resources to do so. So far, a pilot reassessment in 10 selected districts from the 5 northern regions has been initiated with funding and technical support from UNICEF and the World Bank[28]. The government should allocate sufficient resources for reassessment of beneficiaries.

2 Ensure the timely release of funds for LEAP payments and index their value to inflation

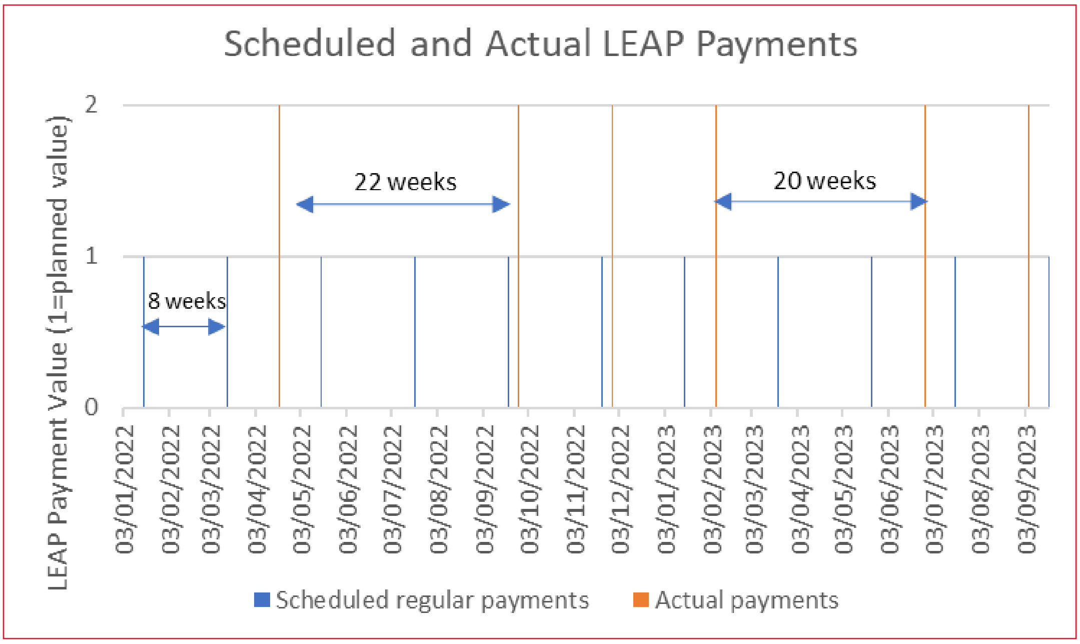
The timeliness of LEAP payments means that recipients can plan their expenditure accordingly, which is critical to achieving the programme's positive social and economic objectives. The programme is designed to make bi-monthly payments to recipient households, for a total of six payments per year.

Payments have been irregular, such that that the six planned payments in 2022 were combined into three payment releases.

On average, from 2019 to 2022, LEAP payments were 60 days late. In recent years, these delays have increased, with payments in 2022 being on average 117 days late. In practice, this has taken the form of long gaps, and varying 'lumpy' payments which make it very difficult for recipients to effectively plan and make best use of resources. The combination of high inflation in 2022 and long delays to LEAP payments meant that recipients lost 9.6%[29] of the value of their payments, compared to if they had been paid on time.

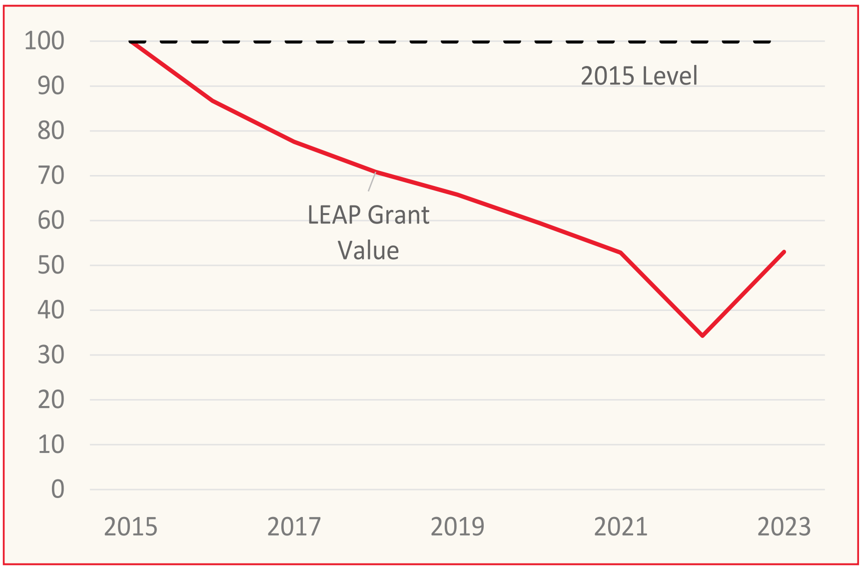
[27] LEAP Management Secretariat (2022) Re-assessment Strategy and Roadmap for the Livelihood Empowerment Against Poverty Programme
[28] LEAP Management (2022) 'LEAP Pilot Reassessment Journey' Draft Report
[29] Calculated from GSS Monthly CPI Bulletins and LEAP Secretariat Release Data, for cycles 75 (scheduled November 2021) – 82 (scheduled January 2023)

Fig. 13: Scheduled and Actual LEAP payments 2022-23[37]



Despite being doubled in cash terms in 2023, the real value of LEAP grants (i.e., adjusted for price inflation) has fallen by 47% since 2015 when the last cash increase was implemented. By contrast, SSNIT benefits are updated annually, with civil service salary negotiations held each year, and payments under the Labour-Intensive Public Works programme have been uprated for inflation in most years For a cash transfer to be impactful, payments should meet at least 20% of household consumption expenditure[30]. The transfer share of the LEAP cash grant using the 2022 grant values represented an average of 6.4% of the consumption expenditure of a one-member household receiving GHS 32 per month[31]. The share declines rapidly as the household size increases, reaching 4.8%. LEAP payments should be increased to meet the 20% threshold, and automatically uprated each year in line with inflation so that their real value is maintained.

Fig. 14: LEAP Grants – Real Value (2015 = 100)[32]

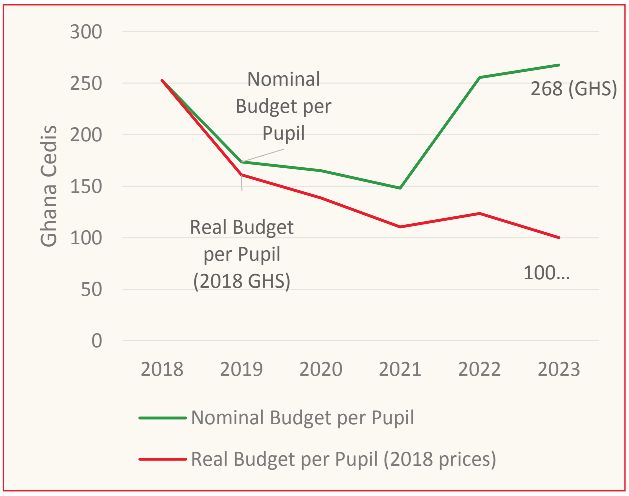


[30] Davis B. Handa S.. 2015. “How Much do Programmes Pay? Transfer Size in Selected National Cash Transfer Programmes in Africa.”
[31] Baseline Report for Ghana LEAP and Complementary Services Evaluation 2022,
[32] Calculated using LEAP Secretariat Grant Amounts, MOGCSP and IMF World Economic Outlook April 2023 Inflation figures

3 Address inadequate feeding grant for GSFP and irregular release of funds to caterers

The Ghana School Feeding Programme (GSFP) constitutes the provision of prepared and served meals in schools, with the aim of increasing enrolment, preventing hunger, and improving nutrition. The value of GSFP payments to caterers have been eroded by inflation, and releases are reported to have been delayed and irregular. Research has shown that the GSFP offers protection from hunger for some children and had a greater effect on the nutritional status of children from poorer communities, however, under-nutrition and anaemia remain prevalent in several schools with and without the GSFP[33].

Fig.15: School Feeding Programme Budget per Pupil Covered[34]



The current allocation per child is inadequate when considering the level of food inflation in the country. Though government budgetary allocation to GSFP has been increased in cash terms from GHS 0.97 per child per day in 2022 to GHS 1.20 in 2023[35], this still represents a 60% decline in real term value since 2018. In addition, delays in payments to caterers are reported to have resulted in reductions in the quantity and quality of food provided[36].

[33] Tette Edem M.A., Enos Juliana Yartey. Effect of the Ghana School Feeding Programme on Nutrient Intake, Nutritional Status and Education of Children: A Review. Asian Journal of Dietetics (2020)

[34] MOF Annual Budget Statements; Real value adjusted for inflation using CPI data from IMF WEO 2023

[35] GSFP Secretariat Administrative Data

[36] Aurino, E., et al. 2023. 'Food for Thought? Experimental Evidence on the Learning Impacts of a Large-Scale School Feeding Program'. Journal of Human Resources 58(1) pp.74-111

4 Establish shock-responsive social protection utilising existing mechanisms

Recent and ongoing shocks, such as the COVID-19 pandemic, the effects of the Ukraine-Russian war on the global economy, floods, droughts, and fallout from the Sahel crisis, including threats of extremism and population movements, have put communities in both social and economic risk. For vulnerable households these shocks may have lasting effects on health, well-being, and finances. There is increasing recognition of the importance of strengthening social protection systems to enable more effective responses to shocks. In line with the Sustainable Development Goal Target 1.3, which calls for the implementation of "nationally appropriate social protection systems" by 2030, there is the need for a system-wide emergency response plan, which would define roles and responsibilities and improve coordination between Disaster Risk Management (DRM) and social protection systems. The plan would also include disaster risk as targeting criteria for beneficiary selection, determine expanded criteria for eligibility that can be activated in the event of a shock (e.g.: gender, disability, refugee status, etc.), and advocate for contingency funds for a social protection emergency response.

Historically, the humanitarian response system has been the first responder to some covariate shocks (e.g., rapid onset natural disasters), especially in poorer countries, with national governments and international partners mobilising resources after the shocks hit to meet estimated needs. In recent years, Disaster Risk Financing (DRF) has become a critical approach to putting financing in place to respond to shocks before they take place[37]. Cash transfers are effective in addressing humanitarian needs and reducing mortality[38]. In humanitarian crises, households that have access to financial services are more resilient against negative shocks than those that do not, and that financial services help stimulate economic activity after a crisis[39]. Operational restraints experienced as a result of emergencies produce late delivery of aid, poor decisions, and impede a dignified response to beneficiaries. Cash transfers minimize the range of specific services which need to be provided, along with the overheads associated with providing such support.

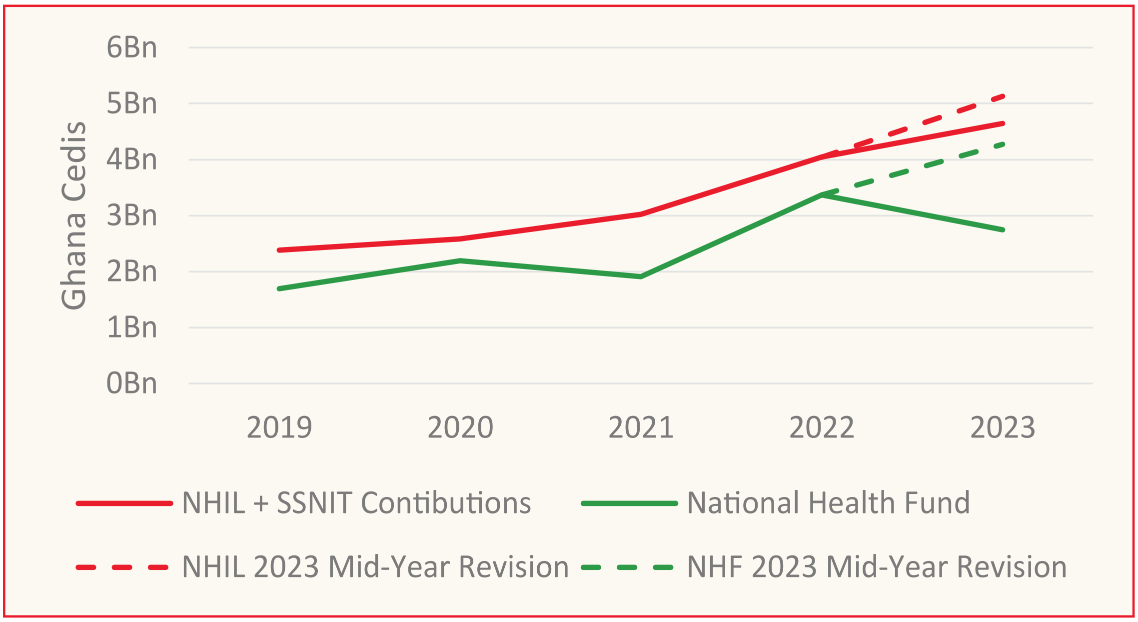
Implementation requires trained staff, standard operating procedures, vendor contracts, and distribution options. Developing these before crises will allow faster responses and will reduce costs and inefficiencies associated with doing so. Coordination between social protection and disaster management programming requires a clear legal framework to guide actors in their efforts. The lack of a comprehensive disaster response strategy and framework for coordination makes it difficult for the MoGCSP and the National Disaster Management Organization (NADMO) to work alongside one another and adapt interventions. NADMO and the MoGCSP are currently leading efforts to develop a comprehensive disaster response strategy and framework and enshrine such policies into law. This will require buy-in and financial support from the broader GoG, including parliament, to ensure efficient and effective implementation of shock-responsive social protections[40]. The investments in shock-responsive social protection would translate into enhance resilience, promote interventions that will create a solid base for sustainable recovery, and establish links between emergency response and medium- and long-term development[41].

37 OECD 2021. 'Enhancing Financial Protection Against Catastrophe Risks: The Role of Catastrophe Risk Insurance Programmes'
38 Harvey, P. and Bailey, S. 2015. 'Cash transfer programming and the humanitarian system'. Overseas Development Institute Background Note
39 CGAP-World Bank Group, 2017. 'The Role of Financial Services in Humanitarian Crises'. Access to Finance FORUM No. 12
40 American Institutes for Research, 2023. 'Assessment of Ghana's Social Protection System Readiness for Shock Responsiveness'
41 UNICEF, 2012. 'Social Protection Strategic Framework'

5 Ensure full release of NHIS Levy to the NHIA for effective delivery of health services.

The sources of funding for the NHIS are made up of premiums from members, contributions from SSNIT, and revenue collection from the National Health Insurance Levy (NHIL). The majority comes from these latter two sources, which together comprise over 90% of funding. However, over the years, revenues received through the NHIL have not been allocated in full to the NHIS[42], and allocations have in turn not been released in full, resulting in increasing arrears for the NHIS[43]. The 2023 Budget originally allocated only GHS 2.7m to the NHIS, equivalent to around 59% of the expected NHIL revenues. The 2023 Mid-Year Fiscal Policy Review revises that allocation up to GHS 4.3m, or 83% of revenues, while reporting that during the first half of 2023, execution has been in line with the original, lower figure. The increased allocation is highly welcome and should be made available to the NHIA as soon as possible.

Fig. 16: NHIL Revenues versus Allocations to NHIS[44]



Delays in the release of funds to the NHIS have led to increasing arrears in recent years, such that all funds received in 2021 and 2022 had to be used to clear accumulated arrears from the previous year, leaving no funds for fresh claims[45]. This has led to delays in paying claims to providers, and reports of providers charging illegal co-payments, or of facilities refusing to accept NHIS members[46]. The NHIS is intended to be a universal scheme, as part of the GoG's commitment to universal healthcare. Coverage has increased significantly since 2018, and it currently covers around 51% of the population. The scheme covers, free-of-charge, several groups which would be expected to have relatively high healthcare costs: under-18s, over-70s, pregnant women and new mothers, and "indigents".

Given the characteristics of the groups who receive free membership, it is therefore reasonable to assume that the remaining, uncovered population, is not likely to have routinely higher costs of care. To provide universal coverage, the NHIS would therefore need to be funded at a level likely somewhat above twice its current claims level.

[42] MOF Annual Budget Statements 2018 - 2023

[43] NHIA Administrative Data

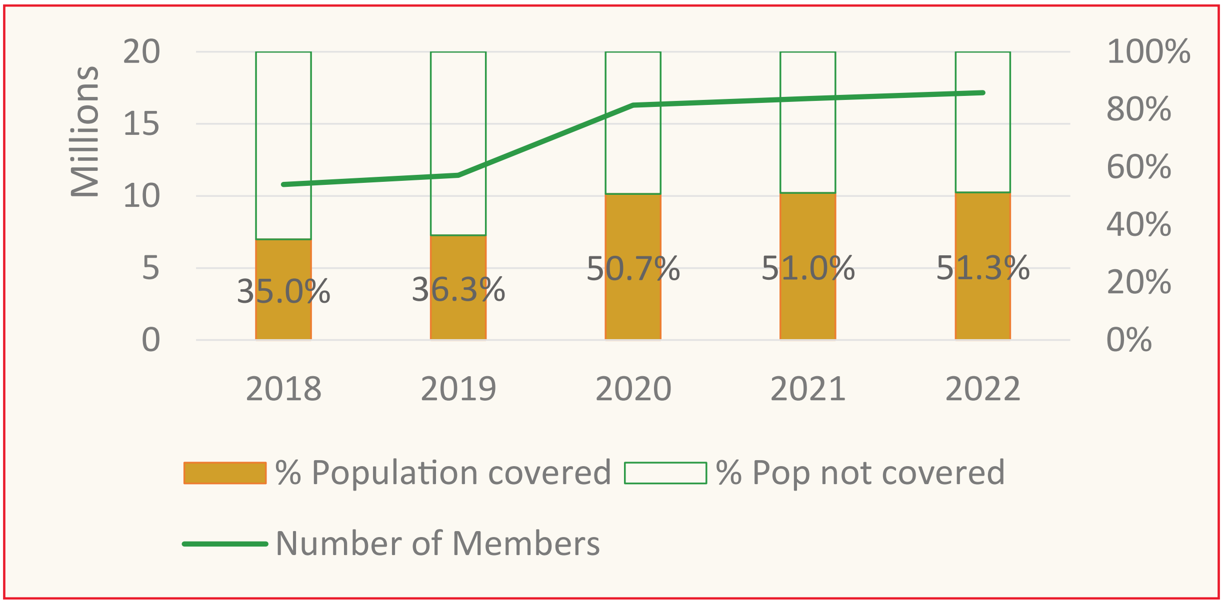
[44] MOF Annual Budget Statements 2019-2023, Mid-Year Fiscal Policy Review 2023

[45] NHIA Administrative Data

[46] Akweongo, P., Aikins, M., Wyss, K. et al. (2021) 'Insured clients out-of-pocket payments for health care under the national health insurance scheme in Ghana'. BMC Health Services Research 21

[47] Administrative data provided by NHIA, population figures from UN World Population Prospects 2022

Fig. 17: NHIS Membership[47]



c) UNICEF Ghana

[47] Administrative data provided by NHIA, population figures from UN World Population Prospects 2022