This budget brief seeks to analyse government allocations and expenditures in the social protection sector, reviewing whether these are in line with Government of Ghana policy and financial commitments, and proposing areas of where strengthening social protection funding can help to accelerate poverty reduction and SDG implementation.

Since 2000, Ghana has made significant economic progress and achieved the MDG 1 target of halving the number of people living in poverty. Despite this, one in four people remain poor. Both the recent GLSS7 and MICS 2017-18 surveys show growing inequalities, with clear disparities between the richest and the poorest. The Ghana Poverty and Inequality Report shows that one in ten children live in a home that cannot provide sufficient food, let alone other basic needs such as healthcare and schooling. These children will grow up to perpetuate the intergenerational cycle of poverty unless the poorest in Ghana are protected and promoted to improve their wellbeing. Extremely poor people are particularly vulnerable to shocks such as disability, sickness, unemployment and loss of assets, increasing the risk that they will fall even further into poverty and deprivation.

The Government has committed to creating a “free and inclusive society” and has identified social protection as a strategic anchor to drive growth and development, as outlined in the President’s Coordinated Programme of Economic and Social Development Policies. Social protection is also critical to supporting Ghana’s achievement of SDG 1: No Poverty and its target 1.3 to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable”, as well as contributing to other SDGs on inequality, hunger and food security, health and education.

Ghana has made critical investments in social protection over the past 10 years, investing in the five flagship social protection programmes, namely the Ghana School Feeding Programme (GSFP), the Labour Intensive Public Works (LIPW) programme, the Capitation Grant, the National Health Insurance Scheme (NHIS) and its premium-exempt categories, and the Livelihood Empowerment Against Poverty (LEAP) programme. The programmes have been improving and expanding, and are showing impressive improvements in the lives of poor and vulnerable families.

As shown below, Ghana has been increasing domestic financing of key social protection programmes such as LEAP, improving their financial sustainability and in line with the Ghana Beyond Aid agenda. Nonetheless, the average spending of lower middle-income countries in Africa on non-contributory social protection is estimated to be 2.1% of GDP, and 1.6% for lower-middle-income countries world-wide. As can be seen in Figure 1, Ghana’s 2019 spending on its flagship social protection programmes is about 0.6% of GDP. The Government needs to increase allocations to social protection in line with the country’s peers and its own national spending targets to ensure its investments in social protection realise their full potential for poverty reduction and strengthening human capital.

Investment in social protection is globally recognised as delivering high economic returns in the medium- to long-term, and as a catalyst for stimulating inclusive economic development. The benefits of programmes such as LEAP extend beyond the member households by improving economic activities in their communities; for every GH₵ 1 transferred to poor households, LEAP generates an estimated GH₵ 2.50 in the local economy.

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At the end of 2018, LEAP covered 324,000 households. The Medium-Term Development Policy Framework 2018-2019 sets a target for LEAP to cover at least 450,000 households by the end of 2021. This target would cover all 2.4 million people estimated to be extremely poor in the new GLSS7 data. However, budget allocations do not match these coverage targets – the GH₵168 million allocated in 2019 is the same amount as for 2018, despite the 2017 MTEF calling for a budget of GH₵338 million in 2019. This needs to be rectified if the stated targets are to be reached. To cover the target population of extremely poor households, it is estimated that the Government would need to allocate around GH₵270 million to LEAP.

The allocated budgets also do not provide for the impact of inflation, which has been around 65% since 2015. Households covered by LEAP are hit particularly hard by price increases, which erode the purchasing power of LEAP and thus reduce its effectiveness. To ensure the continued effectiveness of LEAP, and similar cash-transfer programmes, it is important that the value of the cash transfers be regularly adjusted to inflation.

While this would be a substantial increase, LEAP is a critical social investment that has economic dividends both now and for the next generation. Rigorous evidence shows that LEAP contributes to the achievement of multiple SDG goals and ensures that all Ghanaians can contribute to economic development. LEAP households have increased their consumption by 67%, using the transfer to improve both quantity and quality of food. LEAP supports households to better access social services and make investments their children. For example, children in LEAP households were more likely to be enrolled in pre-school when compared to similar households not in the programme. Both adults and children in LEAP households have increased access to NHIS. The programme has a number of positive impacts on maternal health, including increased likelihood of accessing antenatal care and improved rates of exclusive breastfeeding. LEAP also empowers households to invest in productive activities – livestock, fertiliser, improved seeds and small businesses.

On a final note, the significant positive effects of LEAP in reducing vulnerability depend on the transfers being regular and predictable. There have been registered delays in disbursing funds to the tens of thousands of very poor households that count on the predictability of the transfer. These households have very limited financial resources to cope with these delays. Late and unpredictable payments can erode many positive impacts. They can also negatively affect programme credibility.

LEAP coverage has been increasing substantially over the past years, helping over 320,000 households to combat extreme poverty, but government budget allocations do not provide for expanded coverage.
Only 70% of the revenue earmarked for the NHIS was actually allocated to the National Health Fund in the 2019 budget.

A well-functioning and sustainably-financed National Health Insurance Scheme is critical to protecting Ghanaians financially from health risks. Poor households often put off going to the doctor until it is too late because of healthcare costs, resulting in tragic health outcomes or much higher costs being incurred. This can create a vicious cycle of deteriorating health and increased poverty. Affordable access to quality health services is therefore one of the key pillars of a social protection floor.

The 2018 and 2019 national budget statements highlight significant NHIS payment arrears that have built up over time and need to be addressed via an additional allocation of GH₵ 1.2 billion in 2018. At the same time, it appears that the government is generating more revenues for the NHIS than are being allocated to the National Health Fund.

Revenue for the NHIS is generated partially by premium contributions, but more importantly the National Health Insurance Levy (NHIL) of 2.5% as well as mandatory contributions from Ghana’s Social Security and National Insurance Trust (SSNIT). In 2019 almost GH₵ 2.4 billion was generated from these two sources of revenue. However, only about GH₵ 1.7 billion is budgeted to be transferred to the National Health Fund. Moreover, this trend is expected to continue in future years, according to the forecasts in the national budget statements. This suggests that the Government is not committing all available resources to the fund.

It is also important that the Government take stock of the genuine cost of health insurance in Ghana. Whilst the cost of health insurance has been going up in recent years, due to increased coverage and health-seeking, the real value of the NHIS budget has been declining due to inflation. Based on 2012 Consumer Prices, the real value of the allocation to the National Health Fund is actually less than half of the nominal value in 2019. This impacts on the financial sustainability of the Fund. Hence it is important that the government prioritise actions to increase the efficiency of the NHIS operations as well as consider an increase to its allocation from tax revenue.
Accelerate expansion of NHIS coverage to the 1.1 million remaining uninsured LEAP households exempt from premiums under the indigent category. Also ensure the renewal of the 550,000 LEAP individuals currently on the scheme, to ensure that they are protected from health risks that may cause them to fall into poverty if they access health services without insurance.

The NHIS currently covers approximately 40% of the population, and the Medium Term National Development Policy Framework aims to have 50% of the population with a valid NHIS card by 2021, as well as committing the Government to continue strengthening the functioning and fiscal sustainability of the scheme. It further establishes several categories of vulnerable groups that are exempt from paying premiums or processing fees. This includes Indigents, LEAP Beneficiaries, pregnant women, people with disabilities, and children and elderly groups. Free access to the NHIS for these groups is a vital component of Ghana’s non-contributory social protection.

The eligibility of LEAP beneficiaries for free NHIS is an important linkage and example of social protection programme complementarity. However, this has not yet translated into all LEAP households having valid NHIS membership. By late 2018, approximately 550,000 LEAP beneficiaries were registered for, or had renewed, NHIS membership out of the 1.65-million beneficiaries currently estimated to be on LEAP. Fully-enrolling LEAP household members should be a priority, whilst developing avenues for automatic renewal of membership could result in large efficiency gains and reduce the administrative burden on decentralised Social Welfare and NHIS services.

Currently only around 550,000 of the estimated 1.65-million LEAP beneficiaries (33%) are covered under the NHIS.

Improve tracking and budget execution of the Social Protection allocation and expenditure in line with the Social Protection Policy Framework. The aim would be to facilitate the tracking of budgets and service delivery targets across the different ministries involved in delivering social protection programmes and to facilitate implementation at decentralised levels.

The Ghana National Social Protection Policy highlights the responsibility of the Government for ensuring effective and consistent social protection delivery through financing from public sources. It states that social protection planning and budgeting should be integrated into the multi-year budgeting and performance management frameworks.

As it currently stands, there is neither a clear social protection budget nor a clear methodology for tracking expenditures. This would be necessary to understand and monitor the commitments of the different sectors involved in delivering comprehensive social protection to Ghanaians. Amongst other things, this work needs to include the construction of functional classifications for social protection, the inclusion of a summary of the social protection budget annexure as part of the national budgeting statement, strengthening expenditure tracking and capacity building for budgeting across all social protection actors.

Ultimately, it would be useful to develop a single national financing framework that reflects all social protection budgets and programme targets in line with the National Social Protection Policy. It should cover the main social protection flagship programmes, as well as other social protection programmes and services.

The effectiveness and efficiency of social protection delivery could also be improved through improved budget execution, including at decentralised levels. Social Welfare and Community Development (SWCD) departments commonly report receiving low priority for funding from Municipal and District assemblies, possibly because they are seen as a cost and do not generate resources. This applies to both Internally Generated Funds and central GoG resources.

Social welfare services are the entry point for integrated social protection programmes and services at the local level, and perform a number of important social protection functions. These include providing support services for vulnerable households and individuals to prevent and mitigate social problems and address severe risks, acting as a frontline worker for some of the key social protection programs, and providing referrals to other needed social services. They help to provide deprived populations with access to other government investments such as in education, health care, and national identification and financial and productive inclusion. In doing so, they increase the effectiveness of those investments while ensuring that no one is left behind.

Central-level Government should, on the one hand, advocate for and make it easier to monitor that budget allocations to these departments are honored with real disbursements from assemblies, and on the other hand ensure that central Government funds are disbursed.

There is currently no way to track total Government of Ghana social protection allocation or execution across MDAs or at decentralised levels.