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SUMMARY BUDGET BRIEF 2023



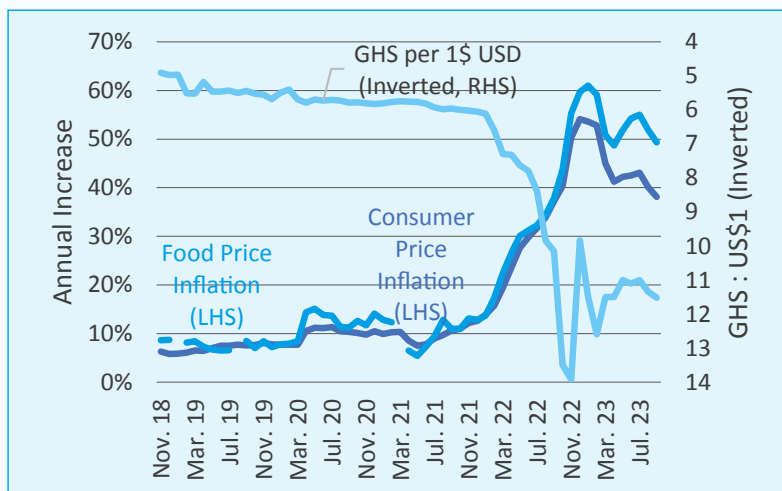
1. INTRODUCTION

Ghana has been a strong proponent of the SDGs, and the government has declared its steadfast commitment to their achievement¹. It is less than seven years to 2030, the year by which the nations of the world have committed themselves to achieving the Sustainable Development Goals (SDGs). As the date approaches, a stock-take of progress shows that there is a need to accelerate efforts to reach them. The 17 interconnected goals address the major development challenges faced by people in Ghana and around the world². UNICEF and the Government of Ghana (GoG) work in close partnership to attain these goals for the benefit of

Ghana's children and young people.

Ghana's progress towards achieving the SDGs is jeopardised by ongoing socio-economic crisis, which has simultaneously increased needs whilst reducing the government's capacity to respond to those needs. Ghana's crisis has been driven by a series of overlapping national and international shocks. It has been characterized by rapid increases in prices, especially food, and a sharp decline in the value of the Ghanaian Cedi (GHS) (Fig.1); reduced economic growth and a projected decline in GDP per capita (Fig. 2)

Fig. 1: Consumer Prices, Food Prices, and the Exchange Rate



- Child Protection
- Education
- Health
- Social Protection
- WASH

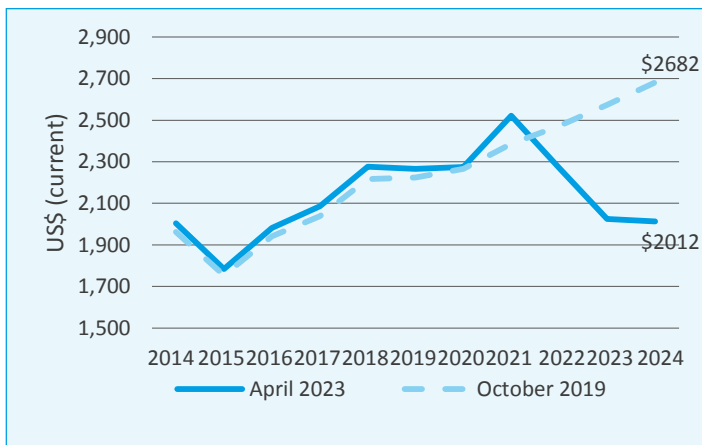
Sources: Price data from GSS Monthly CPI Bulletin; Exchange Rate Data from UN Treasury

¹ Hon. Ken Ofori-Atta, Minister for Finance 2023. 'Foreword – 2022 SDG Budget and Expenditure Report'

² For more information on Ghana and the SDGs visit <https://ghana.un.org/en/sdgs>

³ World Bank, 2023. "Ghana Economic Update, 7th Edition. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security"

Fig. 2: GDP per Capita Projections Oct 2019 and April 2023

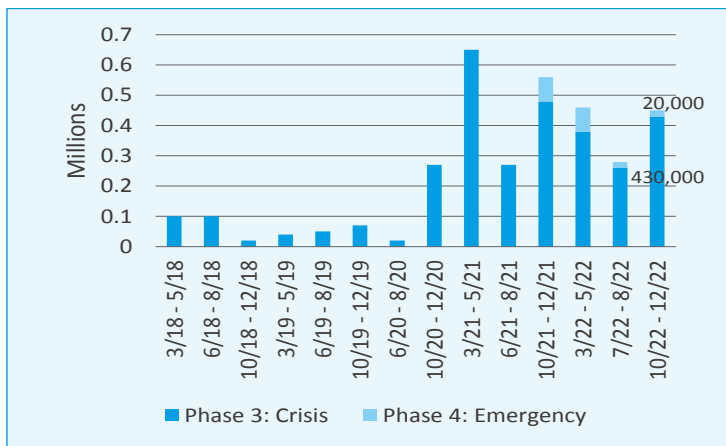


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Sources: IMF World Economic Outlook October 2019, April 2023

Increasing prices and economic disruption have, in 2022, pushed nearly 850,000 Ghanaians into poverty. The number of food insecure Ghanaians classified as in 'crisis' or 'emergency' increased from 560,000 to 823,000, and overall one quarter of the population was deemed food insecure³.

Fig. 3: Number of People Experiencing Food Insecurity in Ghana

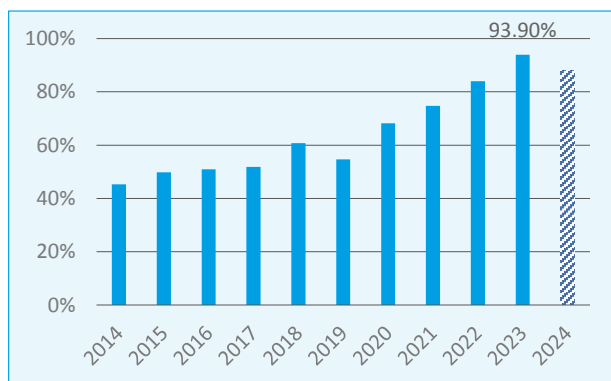


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Source: Food Crisis Prevention Network⁴

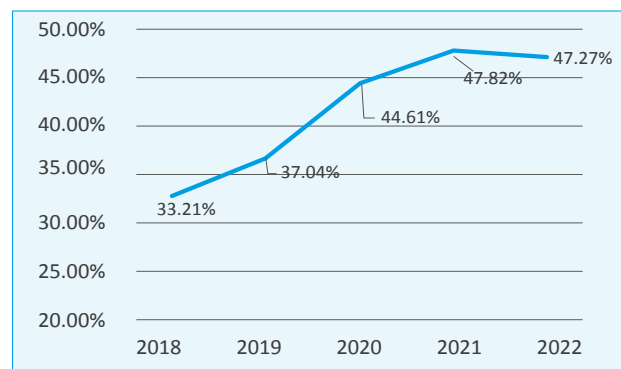
Ghana's debt burden has become unsustainable, with a sharp increase in the national debt (Fig. 5) and the proportion of revenues which must be used to cover interest payments (Fig. 6).

Fig. 4: National Debt as % GDP



Source: IMF World Economic Outlook Apr 2023

Fig. 5: Interest Payments as % of Revenues



Source: World Bank

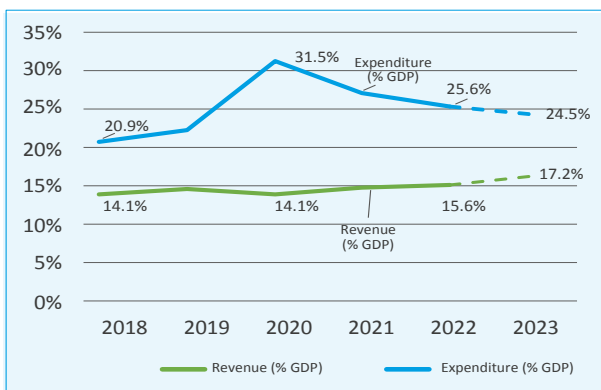
³ World Bank, 2023. "Ghana Economic Update, 7th Edition. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security"

⁴ Cadre Harmonisé data accessed at <https://www.food-security.net/en/datas/ghana/> on 20/08/2023

Since 2018, expenditures have exceeded revenues in every financial year, resulting in consistent fiscal deficits and increasing national debt. The fiscal deficit has more than doubled since 2018, from 6.8% of GDP in 2018, reaching a high of 17.4% in 2020 before reducing slightly to 9.9% of GDP in 2022. It is projected to decline further to 7.3% in 2023⁵. High levels of debt, combined with increased interest rates and depreciation of the Ghanaian Cedi (rendering US\$-denominated debt more expensive) and revenue

underperformance have driven interest payments to unsustainable levels. The government has also faced increasing payments to clear legacy debts in the energy sector, due to cost-recovery shortfalls⁶. This increasing burden has reduced the fiscal space available to invest in other government sectors including the social sectors. Taken together, interest payments and energy sector transfers are expected to be equivalent to 56% of domestic revenues in 2023, whereas social sector expenditure is expected to be equivalent to 29%⁷.

Fig. 6: Planned Gov't Revenue and Expenditure % of GDP

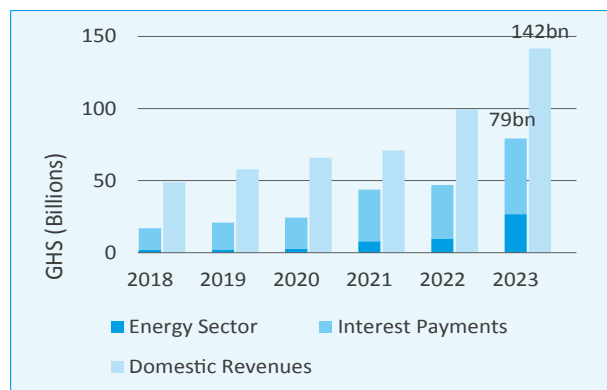


Source: IMF World Economic Outlook April 2023

In the context of the current crisis, it is essential that the government sustains, and where possible expands investments in the social sectors. Whilst the government needs to rationalise expenditure, the burden of fiscal adjustment must not fall on children and other vulnerable members of society.

Following the downgrading of Ghana's credit rating by international rating agencies, the government lost access to financial markets in late 2021⁸. It resorted to emergency monetary financing from the Bank of Ghana and, in 2022, delayed planned expenditures, particularly for capital and goods and services⁹. The government initiated a comprehensive restructuring of its debts and entered into negotiations with the IMF for support to regain macroeconomic stability. In December

Fig. 7: Energy and Interest Payments vs Revenues



2022 Ghana received staff-level approval for IMF support, and in May 2023 the IMF and the Government of Ghana entered into an Extended Credit Facility (ECF) agreement for a \$3bn support programme over three years.

The ECF agreement provides for the release of US\$3bn in six instalments over three years. The Government of Ghana has committed to increase revenues, rationalize expenditure, and restructure its debts. It will work to increase revenues by 3% of GDP (from 15.7% in 2022 to 18.7% in 2026) and reduced primary expenditure by 2% of GDP (from 19.3% in 2022 to 17.2% in 2026). The government has also embarked on a comprehensive restructuring of debts, including with domestic and foreign creditors.

“ Since 2018, expenditures have exceeded revenues in every financial year, resulting in consistent fiscal deficits and increasing national debt ”

⁵ Source: IMF World Economic Outlook April 2023

⁶ World Bank, 2023. "Ghana Economic Update, 7th Edition. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security"

⁷ MOF Annual Budget Statement 2023

⁸ IMF ECF Agreement

⁹ World Bank, 2023. "Ghana Economic Update, 7th Edition. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security"

The ECF agreement places a strong emphasis on social sector expenditure, with structural benchmarks and indicative targets relating to key social sector programmes¹⁰. These include the Livelihoods Empowerment Against Poverty (LEAP) programme, the Ghana School Feeding Programme (GSFP), school capitation grants, and the National Health Insurance Fund (NHIF). The 2023 Annual Budget Statement anticipated some aspects of the programme, with an overall reduction in government spending as a percentage of GDP, and a doubling of LEAP payment values.

Following the start of the ECF agreement, the Mid-Year Fiscal Policy Review 2023 contained large

increases to the NHIF budget and to the Ghana Education Trust Fund (GETFund). As of October 2023, the government is up-to-date with all outstanding payments for LEAP, and to caterers under the GSFP¹¹. Within the context of the ECF arrangement, the government is looking at the targeting of beneficiaries, the value-amounts of LEAP payments, and the role of statutory funds¹². In the context of severely constrained fiscal space, and whilst embarking upon major structural adjustment, **it is commendable that the government has included a strong social sector component in the agreement it negotiated with the IMF.**



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In September 2023, an IMF mission conducted the first review of the GoG's performance under the ECF arrangement, and the resulting staff-level report assessed the programme performance as strong¹³. Once the review is approved by the IMF Executive Board, Ghana will receive the next tranche of funding under the programme. In line with the government's commitments under the ECF programme, fiscal performance has improved, and Ghana is currently on track to lower the fiscal primary deficit on a commitment basis by about 3.5% of GDP in 2023. The government has also managed

to avoid accumulating external debt payment arrears. Government spending has remained within programme limits. On the revenue side, Ghana has met its non-oil revenue mobilization target. Ambitious structural fiscal reforms are bolstering domestic revenues, improving spending efficiency, strengthening public financial and debt management, and enhancing transparency¹⁴. **The government, and its partners, will need to redouble their efforts to achieve the next round of targets, as these become progressively more stringent.**

¹⁰ IMF 2023. 'Ghana: Request for an Arrangement Under the Extended Credit Facility'

¹¹ MOGCSP Administrative Data, October 2023

¹² IMF 2023. 'Ghana: Request for an Arrangement Under the Extended Credit Facility'

¹³ <https://www.imf.org/en/News/Articles/2023/10/05/pr23339-ghana-imf-reaches-sla-1st-rev-ecf-conducts-discussions-2023-art-iv-consult>

¹⁴ <https://www.imf.org/en/News/Articles/2023/10/05/pr23339-ghana-imf-reaches-sla-1st-rev-ecf-conducts-discussions-2023-art-iv-consult>

Social Sector Spending Trends

Ghana has performed well over many years in key areas of social sector investment. Successes include high coverage of childhood vaccination¹⁵, steady progress in reducing infant and maternal mortality¹⁶, high rates of school enrolment¹⁷, and being in the vanguard of low- and lower-middle-income countries in cash transfers, national health insurance, and school feeding^{18,19,20}.

Given the high rates of return from social sector spending, and centrality of economic growth to eradicating poverty, reductions in social investments, (i.e. austerity measures) can end up costing more than they save²¹. Social spending's positive contribution to macroeconomic development and stability, through relatively high fiscal multipliers is recognised internationally²². Within Ghana, the evidence shows that 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 2.5 times their initial value²³ while every Ghanaian Cedi invested in the GSFP is estimated to provide a return of GHS 3.3 over the student's lifetime²⁴.

Investments in the social sectors²⁵ are crucial not just to improving the lives of individuals, strengthening their resilience, and alleviating suffering, but also has economic benefits in Ghana's future. Across the social sectors, government expenditures realise high rates of return on investment. It is estimated that a GHS 1 investment in LEAP generates GHS 2.5 in return²⁶. This is 150% return on the initial investment and this is positive for the local economy, considering the positive externalities that comes with this investment.

These successes, and broader progress towards the SDGs, are jeopardised by the challenges faced by the government and population over the past few years. In 2023 social sector ministries' combined budgets increased by 29% in nominal terms. Adjusted for price inflation, their combined budgets increased by 4% in real terms. The budget allocations to social sector ministries have increased by 165% since 2018 in nominal terms, however, price inflation has eroded these apparent increases. Real terms (i.e. adjusted for inflation) overall social sector spending remained the same in 2023 as it was in 2018, a period during which the population increased by 11%²⁷.

Fig. 8: Social Sector Nominal Budgets²⁸

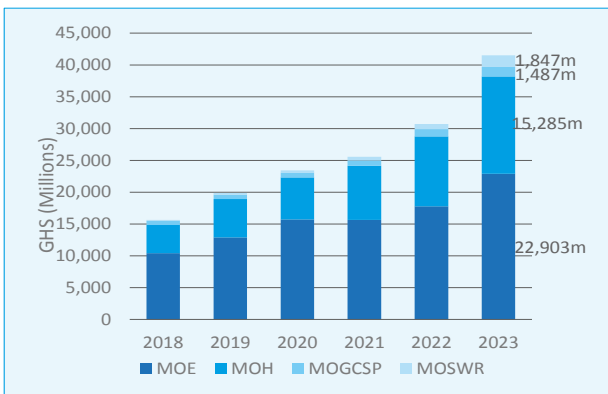
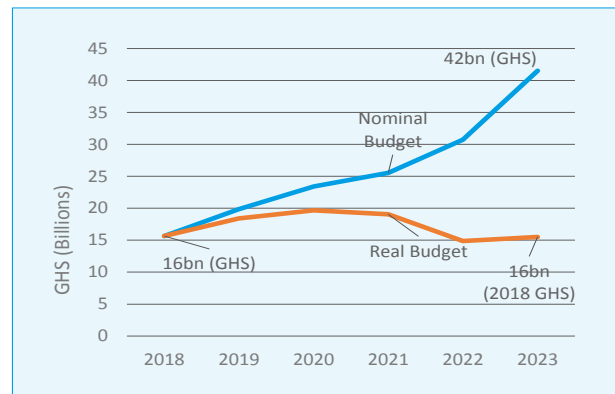


Fig. 9: Social Sector Nominal and Real Budgets²⁹



¹⁵ UNICEF (2023) 'Vaccine Financing in Ghana'

¹⁶ UN Inter-agency Group for Child Mortality Estimation available at <http://www.childmortality.org/>

¹⁷ UNESCO Institute for Statistics, 2022

¹⁸ MOGCSW 2018. 'Ghana LEAP 1000 Programme: Endline Evaluation Report'

¹⁹ 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.

²⁰ 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

²¹ Born, Müller, & Pfeifer, 2020. 'Does austerity pay off?' Review of Economics and Statistics 102(2). Pp. 323-338

²² IMF 2018. 'Guidance Note on IMF Engagement on Social Safeguards in Low-Income Countries

²³ 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

²⁴ Dunaev, A. & Corona, F. 'School Feeding in Ghana.

²⁵ Herein, social sectors are defined as health, education, WASH, social protection and child protection

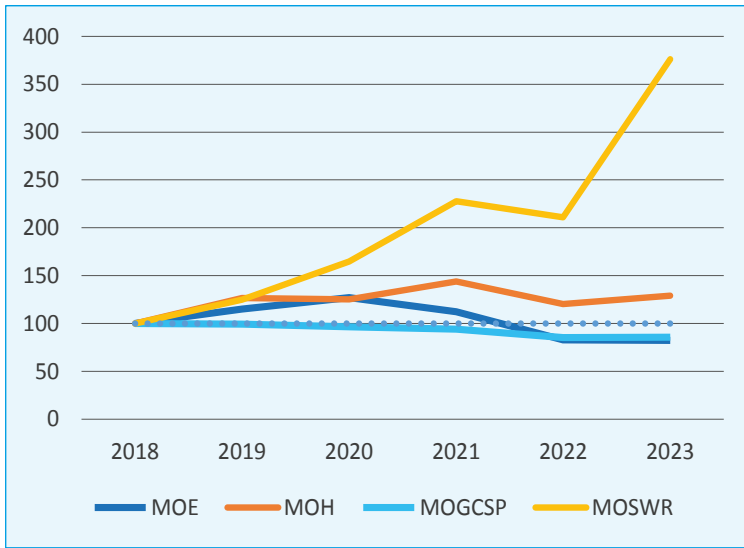
²⁶ Thorne, K.; Taylor, J.; Kagin, J.; Davis, B.; Darko Osei, R.; Osei-Akoto, I. 2014 'Local Economy-wide Impact Evaluation (LEWIE) of Ghana's Livelihood Empowerment Against Poverty (LEAP) programme'. FAO, Rome

²⁷ UN World Population Prospects

²⁸ MOF Annual Budget Statements 2018 – 2023. Real budget calculated using IMF World Economic Outlook April 2023 Inflation figures

²⁹ Ibid.

Fig. 10: Social Sector Real Budgets³⁰
(Adjusted for Inflation, Normalised 2018=100)



Overall social sector budgets declined as a percentage of total government spending in 2023 from 21.1% in 2022 to 18.2% in 2023. This reflects the government’s constrained fiscal space as interest payments and transfers to clear the energy sector debt consumed the majority of available resources^{31,32,33}. Social sector budgets increased moderately as a percentage of GDP, from 5.3% in 2022 to 5.5% in 2023.

Fig. 11: Social Sector MDA Budgets as % Total Govt. and GDP³⁴

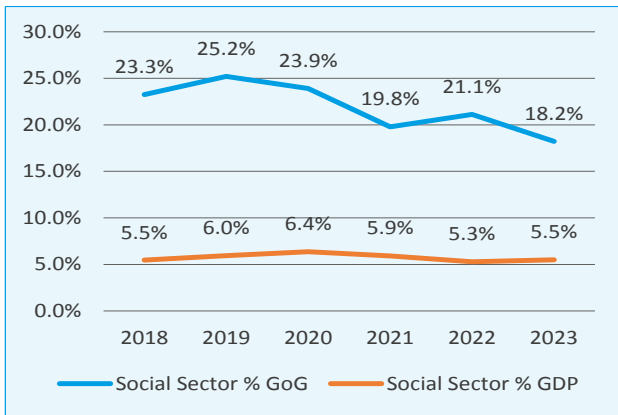
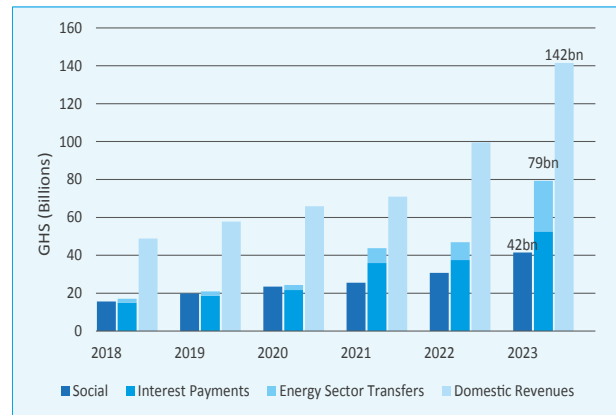


Fig. 12: Social Spending, Energy Sector Transfers & Interest, and Revenues



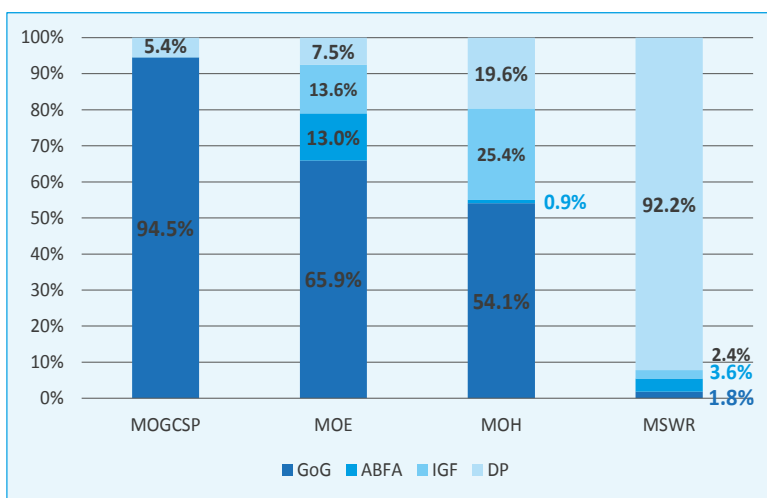
“ Overall social sector budgets declined as a percentage of total government spending in 2023 from 21.1% in 2022 to 18.2% in 2023. ”

³⁰ Ibid.
³¹ World Bank, 2023. '7th Ghana Economic Update. Price Surge: Unraveling Inflation's Toll on Poverty and Food Security'
³² MOF Annual Budget Statement 2023
³³ IMF 2023. 'Ghana: Request for an Arrangement Under the Extended Credit Facility'
³⁴ MOF Annual Budget Statements 2018 - 2023

Across the social sectors, the share of different funding sources, and levels of domestic funding vary significantly. For 2023, the MOGCSP is 94.5% funded by government, the MOE is 78.9% government funded, and the MOH 55%. Education and health raise considerable internally generated funds (IGF). In education, IGF comprise 13.6% of the MOE's total budget, and are predominantly within tertiary education where 94.2% of IGF are raised. Within tertiary education, IGF comprise 42% of the total budget for tertiary education, with government funding comprising 54% and development partners contributing 4%. In health,

25.4% of the total MOH budget is made up of IGF. These are user fees charged for curative services at health facilities. Whilst a large proportion of these are covered by the National Health Insurance Scheme, patients still face out-of-pocket payments if they are not enrolled, or if their treatments are not covered by the NHIS benefits package, or if the treatment provider requires payments in the context of NHIS payment delays. Even more importantly, because user fees are tied to curative services, the resources available for preventive or promotive activities are very low.

Fig. 13: Social Sector MDAs Budgets by Source of Funds 2023³⁵



PRIORITY ACTIONS



Improve revenue mobilization to sustainably fund social sector investments

The current level of revenues makes it difficult for the government to adequately finance social sector investments as it needs to finance also other essential functions. Taken together, international targets for social sector spending comprise at least 12% - 15% of GDP while Ghana's social sector expenditure is approximately 5.5% of GDP in 2023. Ghana's tax-to-GDP was 13.4% in 2022 compared to an average of 16% in Sub-Sahara Africa (SSA) and 20% for Lower Middle-Income Countries (LMICs). Therefore, it is important that revenues are increased sustainably through progressive taxation to allow for consistent financing of social services and to avoid excessive reliance on borrowing. It will be critical for the government to explore efficiency gains, debt restructuring, uphold official development assistance (ODA) funding and other innovative financing options to create the needed fiscal space to invest in the social sectors.

³⁵MOF Programme Based Budgets 2023

2

Provide detailed and timely expenditure reports for increased transparency and accountability

Programme-based budgets are a crucial tool for ensuring that government expenditure over the medium-term is well planned and budgeted for to help deliver results on strategic priorities efficiently, including social sector investments. Ghana was an early adopter of PBBs and the approach is embedded with planning and budgeting processes. However, the release of full-year expenditure data is frequently delayed and may be published up to six months after the end of the fiscal year, with disaggregation limited to economic classification and source of funds. The government should ensure prompt release of expenditure data, with full disaggregation in a user-friendly format, according to programmes and sub-programmes. This would help ensure that expenditure aligns with stated priorities, allow stakeholders to effectively engage meaningfully with government using official data, and facilitate assessment of MDA performance against their targets.

3

Strengthen budget credibility and improve efficiency of spending

Some variance ($\pm 10\%$) between planned and actual expenditures to be expected. However, as shown in the tables below, there are persistent differences between the approved budgets and actual expenditures across the social sector MDAs. Whether in terms of overall expenditure or in the allocations between different types of spending, these indicate weaknesses in planning and budgeting, and the overall public finance management system. Where there is a consistent pattern to deviations, this indicates a structural issue within the PFM cycle. The MOF should work closely with the respective MDA to understand the causes, and jointly develop interventions or reforms to address these. More broadly, where variation is significant but more random, the MOF should work with MDAs to build their capacity for planning and budgeting, in order to improve budget credibility, so that actual expenditures align closely with the approved budget. Well planned expenditures are more likely to achieve operational, allocative and spending efficiency than unplanned activities.

Table 1: Social Sector MDAs Aggregate Budget Execution

	2018	2019	2020	2021	2022
MOE	99.8%	97.8%	79.3%	106.4%	120.6%
MOH	87.6%	105.7%	110.9%	113.5%	109.1%
MOGCSP	86.7%	105.5%	110.6%	108.8%	78.3%
MOSWR	42.6%	311.3%	356.5%	140.4%	82.4%

Table 2: Social Sector MDAs Compensation Budget Execution

	2018	2019	2020	2021	2022
MOE	102.7%	123.5%	115.0%	131.6%	146.8%
MOH	112.1%	105.3%	116.9%	118.4%	133.3%
MOGCSP	90.1%	105.3%	106.0%	116.0%	123.2%
MOSWR	132.9%	512.9%	67.3%	97.5%	72.9%

Table 3: Social Sector MDAs Goods and Services Budget Execution

	2018	2019	2020	2021	2022
MOE	106.8%	38.6%	24.6%	68.6%	75.9%
MOH	58.4%	157.6%	82.9%	146.8%	120.0%
MOGCSP	86.5%	107.5%	109.7%	107.6%	77.0%
MOSWR	140.4%	717.6%	10031.1%	1007.7%	99.4%

Table 4: Social Sector MDAs Capital Budget Execution

	2018	2019	2020	2021	2022
MOE	235.61%	1.26%	1.78%	20.52%	40.96%
MOH	24.15%	12.94%	131.14%	20.30%	7.29%
MOGCSP	92.46%	29.82%	243.86%	203.83%	4.41%
MOSWR	20.66%	276.64%	127.80%	70.04%	80.94%

4

Improve equity in public spending

Greater efficiency could be achieved by ensuring adequate non-salary spending, so that other critical inputs are available for staff to effectively deliver on their mandates; by focusing on under-served regions and basic services where return on investment is highest; and by ensuring policies are justified by evidence of what forms of expenditure are most impactful. From the 2021 District League Table, as in previous years, there are significant disparities among regions and districts, in terms of access to social services and outcomes. For example, in basic sanitation, two districts scored 100 percent access by the population, while the lowest-ranked district scored only 0.19 percent. In the health sector, seven districts scored 100%, while the lowest-ranked district scored just 7.47%. In education, the top ranked district had a score of 90.16, compared to a score of only 3.52 for the district at the bottom of the table. And in the water sector, twelve districts scored 100%, while the bottom ranked district scored just 1.1%. It is important for the government to allocate resources equitably, and at the local level to ensure that the District Assembly Common Fund (DACF)³⁶ formula is pro-poor and effectively targets the districts and communities most in need.

5

Social sector wage bill

Excluding interest payments and transfers to the energy sector, compensation accounts for 40.3% of total government expenditure in the 2023 Annual Budget Statement, and of compensation expenditure, the four social sector MDAs (MOE, MOH, MOGCSP, and MSWR) account for 53.5% of total government expenditure on compensation³⁷. It is likely that any rationalisation of expenditure will include measures to reduce the wagebill, or at least restrict any expansion in civil service recruitment. Whilst the social sector ministries comprise a large portion of salary spending, there are major gaps in frontline staffing of essential services, in particular social workers, community health officers, and KG, Primary and JHS

³⁶ The DACF is 5% of domestic revenue to is transferred by central government to the local government to support development projects at the local level

³⁷ MOF Annual Budget Statement 2023

teachers. **The government should exclude frontline, service-delivery positions from any blanket measures and work to address the existing gaps.** Such an approach is essential to addressing the current inequities in provision and expenditure between different regions, and ensure all citizens have access to basic services. Addressing gaps in frontline staffing constitutes highly efficient public spending as the marginal benefit of additional staff is much greater than in relatively well served areas.

6

Medium-term Expenditure Framework

Ghana was one of the first lower income countries to institute a medium-term expenditure framework in 1997³⁸. MTEFs offer a number of potential benefits. These include encouraging governments to make more explicit and consistent statements of policy goals and priorities; signalling whether current policies (and their implications) align with available fiscal space; providing continuity and predictability for consistent development; encouraging efficiency in resource allocation by enhancing transparency and accountability, and providing for systematic review of articulated priorities and actual commitments; and encouraging intra-governmental cooperation by enhancing the role of line ministries within the budget process³⁹. However, the current approach to developing the MTEF in Ghana appears to suffer weaknesses which undermine these potential benefits. As reported in this set of Budget Briefs, and those in previous years, the MTEF typically suggests that social sector MDA budgets will decline in each subsequent year. In practice, their budgets usually increase year-on-year (at least in nominal terms). A deep dive into MDAs' PBBs shows that the specific expenditure items for a given year are frequently just repeated for each of the subsequent years of the MTEF. The MOF should work with MDAs to develop realistic MTEFs, considering likely availability of resources, changes to prices, and long-term projects and sectoral development. Such a process can also facilitate the establishment of improved accountability or performance-based approaches, whereby the MOF commits to making certain allocations in return for reforms within the sector regarding efficiency and outcomes.

Social Sector Key Issues

In this section, we present the priority budget asks for services for children within each of the key sectors: child protection, education, health, social protection and WASH. Note that more details on each of these budget asks are provided in the respective sector Budget Briefs.

Child Protection



- 1- Budget allocations to Departments for Social Welfare and Community Development should be adequate and released on time and in full.
- 2- The social welfare workforce needs to be expanded to meet minimum staffing norms and enable staff to effectively discharge their responsibilities and ensure the protection of vulnerable children

³⁸ Short, J. 2003. 'Country Case Study 4: Assessment of the MTEF in Ghana'. Overseas Development Institute, London.

³⁹ Boex, L. 2000. 'Multi-Year Budgeting: A Review of International Practices and Lessons for Developing and Transitional Economies'

Education



- 1- Prioritise investments in basic education, namely pre-primary and primary education. Investment at these levels has significantly higher rates of return, and a strong foundation in basic education is essential for future academic and economic success
- 2- Address inequities in provision and per-pupil spending to ensure that children in different parts of the country, in different communities, or with additional educational needs, all receive quality education
- 3- Use proven, cost-effective approaches to improve learning based on national and international evidence

Health



- 1- Ensure sustainable vaccine financing to avoid stockouts and outbreaks of preventable diseases
- 2- Strengthen primary healthcare by investing in Community-based Health Planning and Services
- 3- Invest in maternal and neonatal health by expanding the penetration of newborn care units

Social Protection



- 1- Provide budgetary allocation for LEAP reassessment to measure impact of the LEAP program and enable more dynamic enrolment
- 2- Ensure timely release for LEAP payments, index their value to inflation, and progressively increase grants to achieve the international benchmark of 20% of household consumption to ensure impact on poverty reduction
- 3- Address inadequate feeding grant for GSFP and irregular release of funds to caterers
- 4- Strengthen shock-responsive social protection utilising existing mechanisms and strengthen gender transformative social protection
- 5- Ensure full release of NHI Levy to the NHIA for effective delivery of health services

WASH



- 1- Improve equity and sustainability of financing for water services, with an enhanced focus on rural communities
- 2- Improve planning, coordination, and tracking of WASH
- 3- Quadruple efforts to meet SDGs on sanitation

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