SEND GHANA ASSESSES 2022 BUDGET STATEMENT AND ECONOMIC POLICY

SEND GHANA has released its preliminary assessment of the 2022 Budget Statement and Economic Policy, focusing on the following sectors: Health; Water, Sanitation and Hygiene (WASH); Education; Agriculture; Social Protection; the SDGs; and Taxation. Our analysis has identified several concerns, such as low budget allocations, short-changed goods and services, poor budget execution, and overdependence on donor funding.

SECTOR-SPECIFIC OBSERVATIONS

HEALTH

Low budgetary allocation to the health sector poses serious threats to Ghana’s health security

Budget allocation to the health sector over the past years has remained below international standards. The government made an explicit commitment in the Medium-Term National Development Policy Framework (MTNDPF 2022–2025) to allocate 15% of health expenditure as a percentage of the GDP in the 2022 budget. However, our analysis reveals that the projected health expenditure as a percentage of the GDP is only 2.19%. This not only shows a significant deviation from the set target, but also falls far below the World Bank and WHO averages for Lower Middle-Income Countries. Other health financing indicators such as the Abuja Declaration (to allocate a minimum of 15% of its total expenditure to the health sector year on year) are evidence of the government’s low prioritization of health financing. In 2020, the government introduced additional budget lines for COVID-19 vaccines, established the National COVID-19 Response Fund, and the Special COVID-19 levy to boost domestic revenue for the health sector. We note that revenue from the COVID-19 levy alone generated $230 million in 2021 and is projected to increase in the 2022 fiscal year. Yet, government expenditure allocation to the sector remains stark at 8%, raising questions about how such funds are utilized.

When it comes to budget execution, we observe that the government under-spent the health sector budget by approximately 55%, even with COVID-19 raging on while health facilities required Personal Protective Equipment (PPE) and other logistics to work with. This suggests that the health infrastructure and goods and services needed to provide equitable, quality health care to citizens were not made available.
The regular outbreaks of diseases such as cholera, meningitis, yellow fever, and the COVID-19 pandemic have shown the importance of long-term investment in strengthening Ghana’s health security. While we question parliamentary oversight of budget execution rates, we reiterate that to make health systems more resilient against epidemics and non-communicable diseases, the legislature must ensure that enough funds for health are shifted for investment in e-health, the execution of agenda 111, COVID-19 vaccines and response, and the Ghana Centre for Disease Control. The executive must demonstrate greater commitments to its policy frameworks: MTNDPF 2022–2025 (strengthen the healthcare delivery management system); health policy 2020 (to ensure sustainable financing for health); and SDG target 3.C (substantially increase health financing).

**WATER, SANITATION, AND HYGIENE**

**Find sustainable domestic funds for WASH infrastructure**

Ghana’s WASH sector is donor-driven. As a middle-income country, basic necessities such as WASH should not be left with foreign donors. We observe from our analysis that as high as 73% of the total allocation of the national budget for WASH and 79% of the WASH allocation for capital expenditure is expected to come from Development Partners (DPs). This has been the trend in the past couple of years. For example, 82% and 75% of projected funding for WASH were sourced from DPs in 2020 and 2021, respectively. According to our analysis, donor support is unpredictable, and the evidence of low-budget execution continuously puts WASH interventions at risk. The government introduced the sanitation levy to ensure quality and sustainable sanitation management yet continuously relied on DPs, putting government commitment to addressing the huge challenges facing the WASH sector into question.

Besides, budget execution for the sector was very low, averaging less than a quarter (21.4%) of allocations for over three years from 2018 to 2020. To achieve the Ghana Beyond Aid agenda and goal six (6) of the SDGs, the government should endeavor to channel proceeds from the sanitation levy to fund its WASH interventions and reduce the country’s reliance on donor support for the sector. Government should also improve WASH budget execution in 2022 to enhance service delivery and ensure budget credibility.

**Streamline implementation of WASH interventions to enhance coordination and budget transparency**

We observe that allocations for WASH interventions in the 2022 budget are spread across various sectors, just as in the 2021 budget. Several water and sanitation projects, such as boreholes and toilets, are to be implemented by the Zongo Development Fund and the Infrastructure for Poverty Eradication Programme. Besides, specific allocations in these other agencies for WASH-related interventions are hardly available and disaggregated, making tracking problematic and further undermining the country’s commitment to the Open Budget Initiative. To promote
effective coordination and budget transparency in the management of WASH interventions and improved governance in the sector, the government should realign the interventions to the sector ministry.

EDUCATION

Increase capital expenditure budget line item to address infrastructural gaps

We commend the government for taking full responsibility for education and leaving only 3% of the projected allocation for DPs. Over the past five years, the government has focused its attention on Free Senior High School education, teacher training allowances, and developing infrastructure to accommodate the hike in the number of students at SHS. There are estimated 5,403 schools under trees and dilapidated schools (2,417 schools under trees and 2,986 dilapidated schools) in the country, and GHC 3.5 billion is required for construction. There are also several incomplete school blocks at the secondary school level that must be completed. However, the 8% allocation to the capital expenditure budget line item is not enough to address the infrastructural gaps. What is more worrisome is that 59% of funding for capital expenditure will come from Internally Generated Funds and 39% from donors. During the legislature’s deliberation towards 2022 budget approval, we ask that some funds be freed from other lines to complete and construct new infrastructure, as well as investments in e-learning initiatives at all levels considering the effect of COVID-19 on education.

Provide textbooks for primary pupils to enhance learning

Two years into the implementation of the new curriculum, there are still no textbooks for primary pupils. In the 2020 budget, government committed to develop, print, and supply teaching and learning materials for 1,250,144 KG pupils, 1,614,280 pupils in lower primary school, 1,561,058 pupils in upper primary school, and 1,215,088 Teachers Guides for teachers from KG to Primary 6. This has not been done; the 2021 budget was silent on it, and the 2022 budget is not explicit on government’s intention when it comes to textbook procurement for primary pupils. After two years of implementing the new curriculum, teachers at the basic education level have been using their guide pack, but with no corresponding textbook and workbook for the pupils. The cause for the delay in printing the textbooks remains unclear. Many pupils have been denied textbooks, thereby threatening their learning. In 2022, primary 4 and primary 6 pupils will take the assessment test on proficiency and numeracy. We therefore call on parliament to ensure there is fiscal space in the education budget for the procurement and distribution of textbooks for pupils before the assessment commences.
FOOD AND AGRICULTURE

Release funds for the purchase of fertilizer and certified seeds in good time

The government has increased allocation to Planting for Food and Jobs (PFJ) from GHC 439,056,000 in 2021 to GHC 614,056,000.00 in 2022. The increase in allocation is expected to have a corresponding increase in the number of target beneficiaries, and to also help clear all outstanding debts owed to input suppliers. While this is commendable, the government should endeavor to release funds on time to avert the delays in the distribution of fertilizers and certified seeds to smallholder farmers, as SEND GHANA’s monitoring of the 2021 planting season reveals. Besides, there are widespread media reports of subsidized fertilizer smuggling, especially across border towns in the Upper West, Upper East, and Eastern regions. Ghana reportedly lost GHC 120 million from unaccounted fertilizer coupons and fertilizer smuggling during the 2017 and 2018 planting seasons. Recent media reports reveal that fertilizer smuggling is very serious, especially when you look at border towns such as Sissala West, Kasena Nanka, Bawku, and Garu, despite the border closure. President Akufo-Addo revealed during a visit to the Upper West Region this year that, in June 2021, about 13,500 bags of subsidized fertilizer valued at GHC1.6 million were carted out of the country through the Sissala West District to Burkina Faso. The President appealed to the chiefs and people of the region to work in tandem with security agencies to halt the canker. Our investigations reveal there are no existing by-laws for the prosecution of fertilizer smugglers. This underscores the urgent need for government to come out with more effective strategies and also intensify efforts to curb the menace, thus safeguarding the high investment made in the fertilizer subsidy programme.

The contribution of PFJ to increased food production cannot be disputed. However, the initiative could do better and avoid food shortages by not relying on rains. This calls for budget to be invested in irrigation schemes, machinery, and equipment to enable farmers—especially women—to have access to these schemes, expand their farms, and increase production. We are therefore asking Parliament to consider shifting budget lines in the sector to initiatives that will be most beneficial to increasing yields and contributing to reducing hunger and poverty.

Target youth in agricultural and agribusiness for the YouStart initiative

The food production (food crops and fisheries) and tree crops value chain holds great potential in creating jobs for the teeming youth in both rural and urban centres. Therefore, the government’s intention to create an entrepreneurial nation with the YouStart initiative is most laudable. As much as this is important to reducing Ghana’s unemployment rates, we also think it is important to deliberately allocate a percentage of the GHC 1,000,000,000 for youth already engaged and those with the interest in agribusiness for enhanced job creation and ownership, as the country leverages on the African Continental Free Trade Area to economic transformation. The government’s investments in the PFJ and other related interventions should also contribute
to increasing agro-processing and service provision (financial, transport, and marketing services) along the value chain.

**FISHERIES AND AQUACULTURE**

**Provide adequate funding for the fisheries sector**

We note that the government has shifted from overly relying on DPs to fund the sector in the 2021 budget to domestic funding sources in the 2022 budget. Whereas allocations from domestic sources (GoG, IGF, and Annual Budget Funding Amount have increased from 21.9% in 2021 to 81.9% in 2022, DP funding to the sector slumped to 8.1%, in 2022 from 78.1% in 2021. While this is a good development, it is apparent that the government has not been able to plug the gap created by the reduction in DP funding, resulting in a huge drop in the 2022 allocation to the sector by 78.6% and 80.7% in nominal and real terms, respectively. We believe this will likely affect critical investment in the sector. Government must therefore devise strategies to ensure adequate funding for the implementation of plans and programs for the sector in 2022 and beyond. Parliament should also ensure that initiatives that mostly yield good returns are given more funds within the sector’s budget during the budget approval process.

**SOCIAL PROTECTION**

**Increase LEAP grant above the extreme poverty line and pay beneficiaries in good time**

In 2021, the government paid five cycles of cash grants to 344,023 households benefiting from the Livelihood Empowerment Against Poverty Programme (LEAP). This means that an additional 9,585 households were enrolled in the program, falling short of the government’s target to expand coverage to 350,000 households. We also observe that each of the five payment cycles disbursed to LEAP households were not made in good time, thus impacting negatively on beneficiaries’ livelihoods, which were already worsened by the raging COVID-19 pandemic. When it comes to the grant size, concerns have been raised that LEAP beneficiaries live below the extreme poverty line of GHC 2.69 a day, which is woefully inadequate to help them meet their daily nutritional requirements. Yet, projected funds (GHC 197,535,000) for LEAP only saw a marginal increase of about GHC 462 from the 2021 allocation.

To increase coverage and ensure LEAP beneficiaries are living above the extreme poverty line, the government should implement the graduation policy, scale up its funding for the program, and increase cash transfer amounts. This would spur Ghana’s efforts in achieving the Sustainable Development Goals to end poverty (1) and hunger (2) as well as reduce inequalities (10).
Bring School Feeding grant to GHC 2 per child to improve meal quality

We are happy to note the government’s intention to expand coverage of the Ghana School Feeding Programme (GSFP) from 3.4 million to over 4 million beneficiaries in 2022. However, it is not enough to expand coverage and compromise the quality of meals served to school children. The GSFP is currently providing GHC 1 for a plate of food per child. We maintain that this is inadequate and cannot guarantee a healthy meal for children who require nutrition for their cognitive and physical development. We urge the government to increase the amount to at least GHC 2 per child to ensure the program attains its short-term objective to reduce hunger and malnutrition. In terms of budget allocation, the GSFP has consistently witnessed an increase in allocation over the past four years, according to our analysis. For the 2022 fiscal year, GSFP is receiving 77% of the entire sector budget, which may be due to the intended expansion to include more schools and probably increase the grant size. While we welcome this move, we would like to caution the government to ensure that other interventions under the Ministry, such as child trafficking and domestic violence, which get approximately 0.2% each, should not suffer. We ask Parliament to critically review the sector budget and consider realigning it so that other equally important areas will not suffer unduly.

Ensure substantial coverage of the DACF for Persons Living with Disability

According to the 2022 budget, only 29 out of 261 Metropolitan, Municipal, and District Assemblies across the country received and disbursed the 3% of the District Assembly Common Fund for Persons Living with Disability. The government’s commitment to continue with the disbursement in 2022 is welcome. However, this should not be the usual political rhetoric as experienced in 2021. The release of the DACF as a whole to MMDAs should not be at the discretion of the government. We urge Parliament to live up to their oversight responsibility and ensure that the DACF is released to MMDAs to meet the needs of the people.

SDGs

SDG financing gap poses threat to Ghana’s progress on the SDGs and promoting SDG accountability

It is refreshing to note that the SDG financing landscape analysis reveals the Government of Ghana represents by far the largest financier of the SDGs. In 2019, the total funding budgeted for SDG implementation was GHC 51 billion ($9.3 billion), or 73% of total government expenditure. Goals 3, 4, 16, and 17 were allocated the highest levels of expenditure, with Goal 17 (Partnerships) accounting for 73.5% of the total SDG budget. In 2020, there was a marginal increase in the SDG budget to GHC 53 billion ($9.1 billion with the reduction in the U.S. dollar figure due to the depreciation of the cedi), approximately 53% of total government expenditure. Goal 17 (Partnerships) was again allocated the highest amount, and the proportion for Goal 4 (Quality Education) increased from 4.9% in 2019 to 11.1% the next year.
With just a decade left to realize the 2030 Agenda, the greatest challenge to Ghana’s progress on the SDGs and advancing SDG accountability is the “lack of funding to support participation.” The threat posed by inadequate funding is heightened by the COVID-19 pandemic, which has plunged many people into poverty and vulnerability. The total cumulative 10-year cost of achieving the SDGs in Ghana from 2021 to 2030 is estimated to be $522.3 billion, averaging around $52.2 billion per year with a total cumulative 10-year SDG financing gap estimated to be $431.6 billion. There is an urgent need for greater commitment and financial support from the government to ensure the accountable and transparent implementation of the SDGs, taking the proposed actions of the SDGs Country Financing Framework initiative into consideration.

**TAXATION**

**Broaden stakeholder discussions on the e-levy and modify some elements of the levy**

It is an undeniable fact that domestic revenue mobilization is the key to garnering the needed resources to support the country’s development agenda and make the vision of a ‘Ghana Beyond Aid’ a reality. Consequently, the legislation of some new tax policy initiatives in the 2022 budget (Paragraph 247; page 60–61) to support domestic revenue mobilization is a great idea. It will help address the country’s worsening tax-to-GDP ratio, and ultimately support the country’s fiscal consolidation and growth agenda. Ghana’s tax-to-GDP ratio over the past three years (13.1% in 2019, 12.4% in 2020, and 15.7% in 2021) is way below the median tax-to-GDP ratio of 19.1% in Africa, 22.8% in Latin America, 34.3% in the OECD, and 26.2% worldwide. It is refreshing to note that the tax policy proposals will contribute to shoring up our tax-to-GDP ratio to 19.8% in 2022. The 2022 budget shows a projected increase in Domestic Revenue by 44%, which is explained by the impact of expected improvements in tax compliance, reforms in revenue administration, as well as the rack of tax policy initiatives. This is a welcoming development, and we embrace all effort at raking in more domestic revenue, as it will contribute in no small way to reducing the country’s reliance on borrowing to fund development needs.

A major characteristic of a fair and just tax system is equity, where taxpayers contribute according to their ability to pay. Thus, as much as possible, our tax system should be progressive. The Electronic Transaction Levy (e-transaction levy) of 1.75% on the value of digital transactions is a great idea, as it is expected to expand the tax net to rope in the informal sector. With expected revenue of approximately 6.8 billion in 2022. However, we are concerned that the burden of the tax will fall more on the poor and vulnerable. The exempt daily transactions of a cumulative value of GHC 100 or less per person may not be adequate to cushion the poor and vulnerable groups. There are already rumors of panic withdrawals through Mobile Money transactions, and we fear this may erode the gains in financial inclusion as well as the country’s effort to go ‘cash lite.’ It may also be a disincentive to the growth of the digital economy. How do we separate e-commerce transactions from remittance from someone to his/her parents? Government should find innovative ways to implement the e-levy.
We recommend that further discussions/consultations on this will be helpful. Stakeholder engagements and education will go a long way to demystify misconceptions related to the e-levy. The Ministry of Finance must consider modifying some elements of the levy, such as having a graduated rate, from 0.5%, 1%, 1.5%, and 1.75% based on the transaction value; and excluding certain services from it, for instance, from personal bank accounts to Mobile Money wallets and vice versa. We believe this will enable micro petty traders and the poor and vulnerable to continue taking advantage of digitization to be financially inclusive. We further find inconsistencies in the effective date to start implementation of the e-levy. Whereas page 60, paragraph 247 of the 2022 budget indicates implementation is 1st January 2022, on page 74, paragraph 319 of the same budget document, it is stated that the e-levy policy comes into effect from 1st February 2022. So, which is which? The government needs to come clear on the effective date of implementation.

**Parliament should as a matter of urgency pass Tax Exemptions bill**
It is estimated that Ghana loses substantial revenue—over GHC 5 billion every year—through tax exemptions. Various CSOs and individuals have called for government to take a closer look at the tax exemptions regime to rake in more revenue. We are thus elated that the 2022 budget mentioned that the Exemptions Bill has been completed and laid before Parliament for passage. We therefore would like to implore Parliament to prioritize the passage of the tax exemption bill, and subsequently monitor its implementation.

**Rationalize government expenditure in the face of limited domestic revenue**
While acknowledging the need to increase domestic revenue mobilization, we call on the government to take the expenditure rationalization and optimization of resources seriously to reduce the budget deficit. It is critical to check profligacy and mismanagement, reduce corruption, and instill fiscal discipline by enforcing commitment controls in line with Public Financial Management Act, 2016 (Act 921).

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