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FOR IMMEDIATE RELEASE

SEND GHANA PRESENTS KEY ANALYSIS OF THE 2024 NATIONAL BUDGET STATEMENT AND ECONOMIC POLICY.

Introduction

In the pursuit of social accountability and inclusive development, SEND GHANA presents an analysis of the 2024 national budget as submitted by the Minister of Finance on behalf of the President of the republic to the parliament of Ghana. As a leading advocate for social and economic development, we have meticulously analysed the budget to distil key messages that resonate with our commitment to fostering inclusivity, sustainability, and equitable growth.

Our analysis this year is a comprehensive five-year assessment of our national budget spanning from 2020 to 2024, covering five sectors including Health, Agriculture, Education, Water, Sanitation and Hygiene (WASH), Social Protection/child protection and welfare and taxation. This 5-year trend allows us to provide a nuanced perspective on the government's policy trajectory. Through our rigorous analysis, we aim to provide valuable insights that can contribute to the formulation of policies addressing the evolving needs of the Ghanaian people over the coming years.

We hope this piece of information will be useful in supporting the post-budget discussion and engagement.

<u>KEY MESSAGES PER SECTOR</u>

HEALTH

Remove budget caps on the NHIL to address unhindered access to healthcare services towards the Universal Health Coverage in Ghana.

The Health Ministry in 2024 receives Ghc15.718billion of the total national expenditure, representing a nominal increase of Ghc433million (2.8%) over that of 2023. This growth is far lower than 2021 to 2023, which grew nominally by 29.9% to 28.9% and approximately 40% respectively. From the four main sources (GoG, IGF, ABFA and DPs) that contributes to the health budget, development partners support will reduce drastically by 496% from Ghc2.996billion in 2023 to Ghc603million in 2024. Developments partners have been very supportive to Ghana with their on-and off budget support. Through their support, health commodities such as anti-retroviral drugs, vaccines against childhood diseases and family planning commodities have been made available to prevent and control diseases. However, the fast decline in development partners on and off-budget support should be a cause for concern especially if there is no alternative source of funds. For example, there is substantial decrease in donor funding for HIV/AIDS activities, dropping from 75% to 33% between 2020 to 2024 Ghana will also soon transition from the GAVI alliance to full self-financing of vaccines.

The national health insurance scheme is a means by which family planning commodities, vaccines and anti-retroviral drugs can be funded and made available to the citizenry. Funds accrued from the National Health Insurance levy (NHIL) and SSNIT contributions have increased over the years and shown great prospects of procuring health services for the people of Ghana. Since 2020 the NHIL and contribution from SSNIT has increased by 343% from Ghc2.582billion to Ghc8.852billion in 2024. However, averagely, the government lodges about two-thirds of the NHIL into the National health Fund (NHF) but in some years it was less. For instance, in 2021 and 2023, 63.1% and 47.4% of the levy were planned to be lodged in the NHF. Therefore, even as we commend the government for promising a 40% increase in the budget allocation for the National health insurance scheme in 2024 to gradually clear the backlog of medical claim arrears and cover the accrued medical claims, essential medicines, and vaccines. We also urge the government to release and ensure all the NHIL collected to be lodged into the national health fund in 2024 is spent by the National Health Insurance Authority. This is a sure means by which the country can reduce shortages of vaccines for childhood immunisation, family planning commodities to promote adolescent sexual and reproductive health and antiretroviral drugs for persons living with HIV and also improve on the NHIS benefits package and pay claims fully and timely.

Allocate the COVID-19 levy exclusively to a dedicated fund to cater for public health emergencies.

The government of Ghana as a response to the Covid-19 pandemic introduced the Covid-19 levy in 2021 to raise additional funds to address covid-19 related challenges especially in the health sector. Trend analysis of the budget shows that the funds accrued from the levy has been increasing yearly. From Ghc889million in 2021, Ghc1,141billion in 2022 and Ghc2.533billion in 2023; the government expect to raise Ghc3.172billion in 2024, representing about 357% increase. The levy will contribute about 1.8% to the total government revenue in 2024. The revenue gain is the reason why the government must retain this levy during this period when the country is experiencing economic challenges. However, the information deficit in the budget on how the levy is or will be utilized is a minus for the government. Except for 2021 when more funds (Ghc5.307billion) was spent for covid-19 response and related interventions such as free water and electricity generated from the levy (Ghc889million), the government has since not given indication in the national budget of how the levy is or will be expended, unlike the transparent categorization of the GETFUND and National Health Insurance levies. To ensure there has been a lack of clarity in budget documentation since 2021 regarding its specific allocation, With the WHO declaring COVID-19 no longer a global threat and reduced cases in Ghana, there are calls for the levy removal because it has outlived its relevance, emphasizing the need for a strategic shift. However, we are of the view that given the unpredictable nature of health emergencies, and the need for sustained preparedness for public health emergencies, the government must uphold its commitment to establishing a Public Health Emergency Fund (PHEF) as enshrined in the medium-term national development framework 2022-2025 and dedicate the COVID-19 levy as a vital source for a Public Health Emergency Fund. We recommend that the government should initiate legislative processes to officially rename the COVID-19 levy to "Public Health Emergency Levy." This not only aligns with the evolving global health landscape but also ensures a dedicated and transparent funding mechanism for health security, safeguarding the nation's health infrastructure and response capabilities.

Create dedicated adolescent-friendly corners in health facilities to improve the reproductive health needs of young people.

The trends in allocations by economic classification (Compensation, Good and Services and Capital Expenditure) paint an interesting picture. There will an exponential rise in allocation to the compensation budget to 71.8% in 2024 from **57.3%** in 2023 after it had reduced by10.8 percentage points from 68% in 2020. This sharp rise is of concern especially when trends from 2020 show that a decline in allocation to compensation saw a corresponding rise in allocation to the goods and services and capital expenditure allocations. For instance, between 2020 and 2023 when allocations to compensation reduced from 68% to 57.3%, capital expenditure increased from gradually from 10% in 2020 to 22.4% in 2023. With a 71% allocation to compensation in 2024, capital expenditure receives only 5.5% of the allocation to the Health Ministry. The government has committed to construct 111 hospitals in addition to ongoing lower-level facilities such as polyclinics and health centres. Whiles we look up to having these facilities completed despite the minimal allocation to the capital expenditure line item, we want to draw the government attention to its commitment to have adolescent friendly corners in all health facilities across the country. These corners are lacking in some existing facilities and where they exist, many young people are not aware of the services they provide. Data suggest that more young persons are getting infected with HIV and with the recent surge, the country risks undermining the well-being of the youth, hindering their ability to make informed decisions and safeguard their reproductive health if steps are not taken to address the issue. Such youth-friendly centres would create a safe and supportive environment where young people can openly discuss their concerns, seek guidance, and access essential healthcare services. We urge the government to create the youth-friendly centres in all existing and new health facilities including the agenda 111 and increase awareness regarding their existence.

EDUCATION

Remove budget caps on the GETFund to free funds to address critical infrastructure deficits and improve the quality of education in Ghana.

The education sector is programmed to spend Ghc29.5billion in 2024, an increase of Ghc 6.6billion in nominal terms. The allocation is 11.4% of the total national budget of 226.7billion. Despite the increment, allocation for 2024 is below the international benchmark of 12-15%. Trends in the allocation shows a 4.3 percentage decline since 2020 from 15.7% to 11.4%. The sector's allocation for capital expenditure also declines by more than 50% from Ghc2.762billion to Ghc985million below allocations between 2020 to 2022. To enhance the provision of educational infrastructure and facilities at all levels, the sector needs more funds than has been allocated. This situation is also worsened by the capping of the Ghana Education Trust Fund (GETFund) which was established by Act 581 and amended by Act 972, plays a critical role in supplementing government efforts to improve educational infrastructure from pre-tertiary to tertiary levels. Analysis of GETFund allocations from 2020 to 2023 show that 61%, 60.4%, 79.4%, 40.3% and 41.3% of the GETFund levy were lodged into the GETFund in 2020, 2021, 2022, 2023 and 2024 respectively as a result of the Funds Capping and Realignment Act 2017, Act 947, which empowers the government to allocate portions of the funds to other sectors. This is hindering the fund's secretariat's ability to fulfil its core mandate considering the fact that over 5000 basic schools remain under trees, senior high schools are overcrowded despite the double-tracking system and university students stand on corridors for lectures. To address the infrastructural gaps the government must uncap the GETFund to allow for more effective use of the revenue mobilized to meet the critical infrastructure needs in education. This strategic move will not only improve the quality of education but also create a conducive learning environment for students across Ghana.

SOCIAL PROTECTION

Reassess LEAP beneficiaries to determine their continuous eligibility for the program.

The Ministry of Gender, Children and Social Protection (MoGCSP) budget allocation as a portion of the national expenditure increased marginally by 0.15% in 2024 but still remains under 1% of the total national budget. We commend the government for providing 92% of funds allocated for social protection interventions and committing to timely payment of funds to beneficiaries. However, the allocation is not enough to scale up existing interventions such as LEAP and GSFP to cover a significant 2.4 million Ghanaians who still live in extreme poverty. This trend in financial allocation means that Ghana will most likely miss its national, regional and global targets to substantially cover the poor and the most vulnerable. Notwithstanding the present fiscal deficit and macroeconomic imbalance, it's important to prioritize investment for social protection schemes while ensuring disbursements are timeous to cushion the poor who are severely hit.

The limited allocations considering the numerous extremely poor persons are the more reason why the government must implement the graduation phase of the LEAP. We couldn't agree more with the government of its intentions to reassess the eligibility of existing beneficiaries to measure their economic status and to determine whether they should remain, graduate or exit from the LEAP programme in 2024. This is long overdue as after nearly 15 years of implementation, the government has not prioritized the reassessment exercise. We urge the government not to pay lip service this time round but to as a matter of priority, allocate the needed resources to implement the reassessment exercise in line with its key policy commitment to accelerate poverty reduction efforts. Undertaking the reassessment will not only ensure the financial sustainability of the programme but will improve coverage of the poorest and vulnerable by way of enrolling new beneficiaries even within the context of limited fiscal space.

Raise social protection expenditure to 2.0% of GDP towards meeting regional and global targets.

Government commits to allocate 0.5% of the country's GDP for social protection expenditure in 2024 as compared to 1.5% in 2021. This falls below the International Labor Organization's recommended social protection floor for Lower Middle-Income Countries and lower than the sub-Saharan African average. The low funding for the sector mirrors the numerous challenges the sector ministry faces, including its inability to rapidly scale up existing interventions to cover a significant 2.4 million Ghanaians who still live in extreme poverty. In 2022, 850,000 Ghanaians were pushed into poverty due to rising inflation rates with the number of food insecure Ghanaians increasing from 560,000 to 823,000. Recent global crisis and the IMF austerity measures are estimated to further push more people into poverty. To forestall this the government must increase investment for social protection by allocating 2.0% of the Country's GDP to the sector and ensuring timely and full releases of funds for effective implementation of targeted interventions.

AGRICULTURE

Increase budgetary allocation to the sector in line with the CAADP agreement.

Ghana became a signatory to the Comprehensive Africa Agriculture Development Programme (CAADP) in 2009, committing to allocate 10% of the national budget to agriculture, with the primary goal of augmenting food production, mitigating hunger, and bolstering responses to food emergencies within member states. However, a five-year analysis of the national budget spanning from 2020 to 2024 indicates that the Ghanaian government has consistently fallen short of meeting the CAADP target. Over this period, the government has, on average, apportioned a meagre 2% of the total budget to the agricultural sector. This starkly contrasts with the ongoing assertion that agriculture serves as the backbone of the economy.

While recognizing the government's commendable efforts in introducing flagship programs such as planting for food and jobs, rearing for food and jobs, one village one dam etc as a demonstration of its commitment to agricultural investments, the success of these initiatives hinges on a substantial increase in budgetary allocations. The 2024 budget indicates that food inflation remains high in the country despite the 6.3% growth in agriculture. A financial boost is imperative to enhance food and livelihood security and reduce food importation. To fortify our resilience against food importation, the government must elevate its budgetary commitment to the agricultural sector in line with its commitment to CAADP) agreement.

WATER AND SANITATION

Weak Commitment of the government to spend 0.5% of GDP on sanitation and hygiene in line with SDG 6

Allocation to the Water Sanitation and Hygiene (WASH) sector has witnessed a drastic decline from Ghc1.847billion in 2023 to Ghc591million in 2024, which represents 68.01% drop in nominal terms compare with consistent increases in allocations between 2018 to 2023. Per the current budget plans, spending is set to fall as low as 0.13% of GDP in 2024. We therefore call on government to increase allocation to the WASH sector to achieve SDG 6.1 target (basic and safely managed water for all)

Use the funds from the sanitation levy for the intended purpose.

Analysis of the 2024 budget revealed that the government is projecting to raise a sum of GHC448 million from the sanitation Levy. Funds from the levy represent 75.84% of the total allocation to the sector. In spite of this, the cumulative contribution from GOG and IGF totaled Ghc137 million is far less than the revenue target from the levy. The summation of the GOG and IGF contribution represents 30.74% of the revenue target from the levy. This raises the fundamental question of whether the government is committed to channeling all the proceeds from the levy to finance sanitation interventions in the sector. We are therefore calling on governments to channel all proceeds from the levy to finance sanitation interventions in the sector.

TAXATION

Increase tax revenue (% of GDP) through re-introducing road tolls, enforcing revenue assurance and tax compliance and discouraging unnecessary tax exemptions.

Our analysis of the budget shows that the government has been struggling to generate the needed revenue to undertake its numerous developmental projects, as evidenced by the low tax revenue to GDP ratio over the years. Per our five-year trend analysis, Ghana's tax revenue (% of GDP) has been below expectations. The country achieved a paltry 11.34% in 2020; and saw an increase in 2021 (14.1%) but dipped to 13.1 % for the 2022 fiscal year. The 2023 revised budget projected 12.7% and the 2024 budget projections projected 13.6%. This is lower than the average of 33 African countries in 2023 (15.6%).

The suspension of the road toll collection in 2022 obviously hampered the government's revenue generation. It is therefore difficult to understand why a low hanging fruit like reintroduction of the road tolls have not been implemented for a whole year after approval by parliament, although the government is struggling to raise the needed revenue as evidenced in the low tax to GDP ratio per our analysis of the 2024 budget. The reintroduction of the road toll was one of the revenue-generating plans in the 2023 budget that the finance minister submitted to Parliament in November 2022 (see page paragraph 462 of 22 budget statement and economic policy), which was subsequently approved by Parliament. However, to our utter dismay, although the government has been complaining of been cash strapped and looking for ways to generate domestic revenue, the same government is yet to implement the re-introduction of the road tolling system almost a year after approval, although the schedules of the Fees and Charges (Miscellaneous Provisions) Act, 2022, (Act 1080) was revised in the first quarter of 2023. The scrapping of road tolls in the 2022 budget statement resulted in a revenue loss of about Ghc72 million annually, and it is suggested that enhanced road tolling could rake in about Ghc1 billion annually[1]. This is indeed a revenue loss to the country. We propose that the implementation of the road tolling should take effect immediately with a renewed focus on automation in the collection to address embezzlement and other inefficiencies characterized by the previous toll collection regime. Thus, electronic toll tariffs should be introduced to overcome the revenue leakages with the manual system of collecting tolls. It is suggested that the tolls should be segmented such that based on the nature and/or class of the road (for instance N1, Motorway, feeder road etc.) different rates will apply.

We applaud the effort to increase revenue mobilisation in the 2024 budget by introducing the simplified tax return, which will make it easier and encourage taxpayers to fulfil their tax and the signing of bilateral agreements with the major trading countries to boost exchange of information to tackle tax evasion and avoidance schemes. We are however recommending to government to also introduce other tax compliance and revenue assurance programs to encourage more people to pay taxes and generate enough revenue. Huge tax exemptions or waivers, basically on imported goods, have also contributed to low revenue mobilisation. Although there is value in granting tax exemption, the evidence suggests that most of the tax exemptions are unnecessary and erode the country of the needed revenue. A recent publication of approximately Ghc5.5 billion tax waiver request pending parliamentary approval is a pint in case[2]. If we are serious with increasing our tax to GDP ratio, then unnecessary tax exemptions should be avoided.

Conclusion

SEND Ghana urges the government to consider these recommendations seriously and work collaboratively with stakeholders to ensure the effective implementation of measures that will enhance transparency, inclusivity, and sustainable development in Ghana.

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[1] https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Government-plans-to-GH-1-billion-from-road-tolls-annually-Majority-Leader-1690838

[2] https://www.myjoyonline.com/minority-accuses-government-of-giving-gh5-5bn-cedis-worth-of-tax-exemption-to-47-companies/