



2021 SOCIAL PROTECTION BUDGET BRIEF



The Government of Ghana's health and socio-economic responses to the COVID-19 pandemic have been critical in the containment and mitigation of the impact of the virus. Nonetheless, the impacts of COVID-19 have reached far beyond the health sector and threaten Ghana's gains in poverty reduction and progress towards the SDGs. Even prior to the pandemic, the Ghana Living Standard Survey report (GLSS7, 2016/2017) indicated that 2.4 million Ghanaians are extremely poor. These Ghanaians have little ability to withstand temporary economic losses and are at high risk to the negative socio-economic impacts of COVID-19, which could push them further into extreme poverty and vulnerability.

To this end, it is essential that Government's pandemic responses and recovery plans and medium-term efforts for socio-economic development include strengthening social protection interventions, especially for children and adolescents, women, persons with disability and the elderly. Ghana has a strong social protection framework with a basis in social cash transfers (LEAP), school feeding (GSFP), school fee waivers and subsidies, public works (LIPW), health insurance (NHIS) and disability support. The government's leadership in social protection is well known in the sub-Saharan region and internationally.

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Increase Social Protection spending to 2% of GDP in 2022. The current spending rate for social protection is inadequate to sustainably finance Ghana's social protection interventions into the medium-term. Need to lay out a multi-year plan for allocations aiming to move up to 4.5% of GDP by 2025.

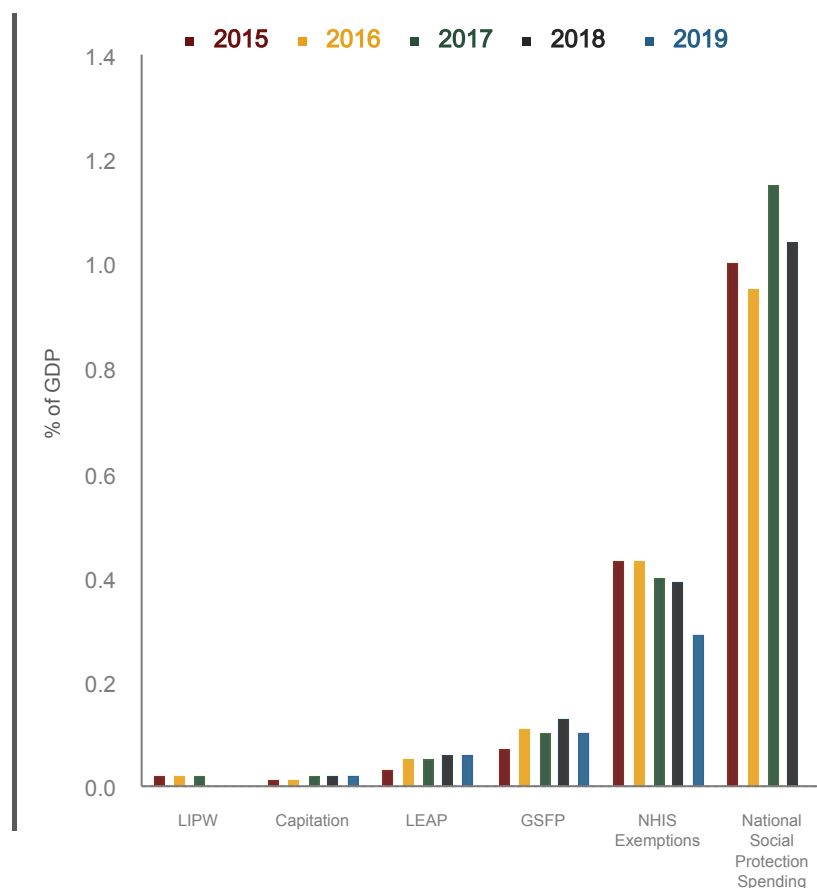


Despite being a Lower-Middle Income Country with impressive social protection schemes, Ghana's spending on social protection as a percentage of GDP is less than 1%, which is even lower than average spending in Low-Income Countries. In Middle-Income Countries, social protection spending as a percentage of GDP is between 6.7% to 8.7%. Ghana's spending on social protection is also below the sub-Saharan African average.

In addition, current budget allocations and forecasted allocations will not enable Ghana to reach national targets for the number of Ghanaians to be covered as outlined in the National Social Protection Policy and the Medium Term National Development Planning Framework, nor global and regional targets such as SDG 1.3. In order for the sector to meet national targets, allocations in the multi-year budget need to increase significantly.

Acknowledging that the economic impacts of COVID-19 and interest payments on government loans are creating fiscal pressures, it is nonetheless critical to invest in social protection both to protect Ghana's gains in poverty reduction over the past two decades and as a counter-cyclical measure to enable economic recovery. This requires increasing social protection spending to 2% of GDP in 2022, and gradually up to 4.5% of Ghana's GDP by 2025 in line with global benchmarks and commitments. This allocation should be reflected in the MDA's MTEF (2022-2025) as well as allocation in the 2022 national budget.

Social Protection Expenditure as % of GDP, 2015-2019



Source: Osei-Assibey (2020) Financing Social Protection in Ghana: A Fiscal Space Analysis



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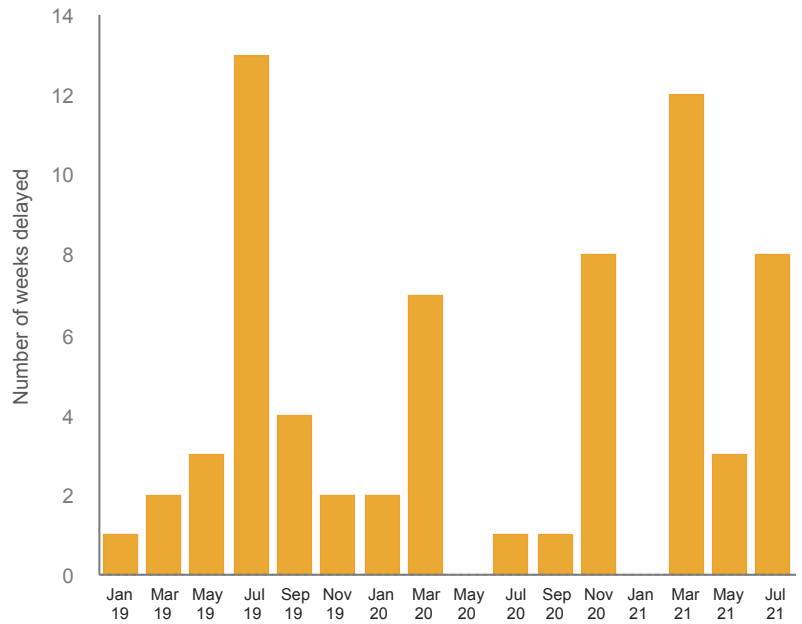
Regular and timely disbursement of funds for LEAP grant payment. The delay in the disbursement of funds allocated to the LEAP Programme has resulted in several significant delays in payments of the cash grant to programme participants. Ensuring consistent and timely disbursement of funds is critical to LEAP's effectiveness in achieving its poverty reduction objectives. It is important for government to ensure that LEAP funds are released on time.



Since November 2019, multiple LEAP payments have been delayed by more than 8 weeks due to budget allocations not being disbursed on time to the LEAP Programme to effect payment to the beneficiaries. This has resulted in major disruption of income to 1.5 million very poor and vulnerable Ghanaians.

LEAP households have limited economic capacity to sustain such long delays in what is supposed to be a predictable source of income. LEAP's rigorous impact evaluations show that participating households use the cash transfers to cover very basic needs such as food, education, and health-related costs, and to make investments in economic activities. The evidence also shows how LEAP has helped families to protect food security to meet children's needs during previous shocks. The delays therefore mean that very poor families that are already in precarious situations are not able to afford basic necessities.

Delay of LEAP Cycle Payments. 2019-2021

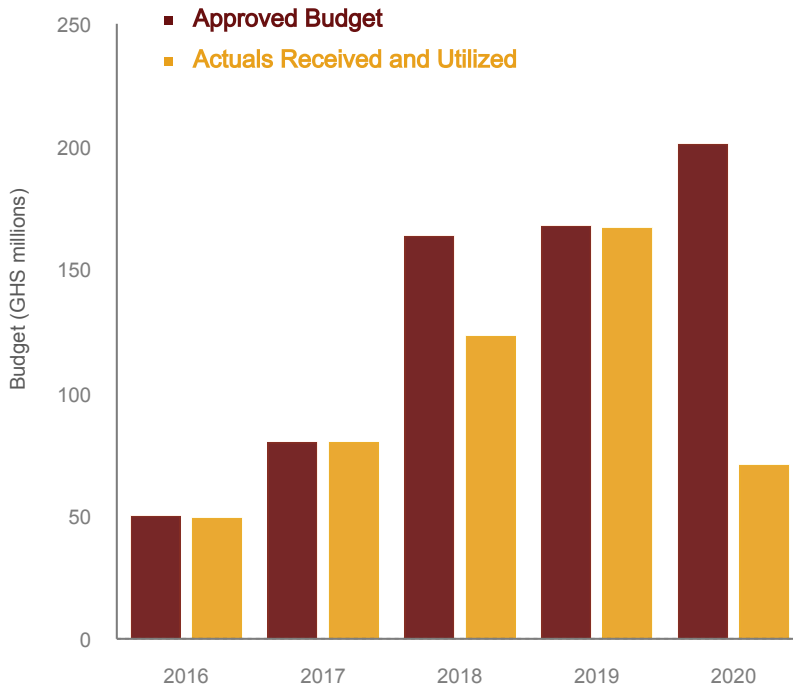


Source: Compilation of LEAP MIS and M&E reports, 2019-2021



Five of the last 6 scheduled LEAP payments were delayed due to delays in disbursement of budget allocations thereby disrupting income for 1.5 million very poor and vulnerable Ghanaians

LEAP Approved Budget vs. Actual Received and Utilized, 2016-2020



Source: UNICEF Ghana Social Protection Database

Timeliness of LEAP payments is critical to achieving the programme's positive social and economic objectives. Research also showed that irregular LEAP payments prior to 2015 were interfering with the effectiveness of the programme. Subsequently, government's operational improvements and budget re-classification of LEAP payments improved the regularity of payments.

To ensure that LEAP budget disbursements are not delayed, it is recommended that LEAP be classified under transfers to guarantee regular and timely disbursement of funds for the most vulnerable.

Additional priority adjustments to the social protection budget allocation for 2022 include:

- Ensure sufficient resources for the reassessment exercise of LEAP in 2022
- Passing the SP Bill so that LEAP releases can be considered a statutory obligation




3 Establish a national contingency fund for Emergency response, including funds earmarked for cash transfers. To help mitigate the impact of shocks on victims, it is recommended that part of the 1% COVID-19 Levy be set aside as an emergency fund to be used for cash transfers in times of crises.

The COVID-19 pandemic brought to the fore that no country is immune to emergencies and crises. Emergencies and large-scale crises such as pandemics, floods and drought are expected to become more frequent due to climate change. Emergencies further exacerbate existing vulnerabilities to poverty and exclusion, weakening families' ability to care for and protect children and adolescents.

During the COVID-19 epidemic, there have been several social protection interventions to support the poor and vulnerable. In addition to in-kind support to over half a million people, the Ministry of Gender, Children and Social Protection deployed emergency cash transfers through existing social protection systems to reach over 1.6 million affected people. An extraordinary LEAP payment during the lockdown period cushioned participants from the immediate economic impacts. In addition, about 100,000 people were covered by temporary innovative cash transfer schemes using mobile money. This protected the households from selling off assets and going into debt, allowing their families and children to recover from woes more easily.

Resources for these emergency transfers have largely come from donors. Establishment of a national contingency fund for Emergency Response, including partial funding through innovative financing mechanisms, would strengthen preparedness for future shocks, support continued response to the ongoing pandemic, and align with the Ghana Beyond Aid agenda. A portion of this contingency fund should be earmarked for cash transfers, and it is recommended that part of the 1% COVID-19 Levy be set aside for this.

 Since the pandemic started, Ghana has made massive innovations in providing emergency cash transfers to hundreds of thousands of people using mobile money and other new technologies

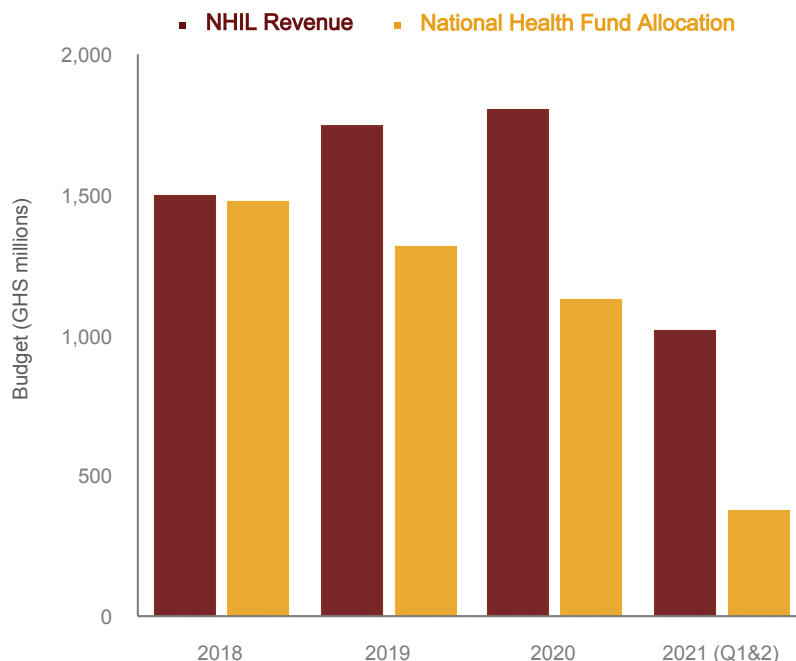
4 Ensure full allocation of revenue generated for NHIS through the 2.5% levy as well as SSNIT contributions. With the introduction of the COVID-19 Health Levy and a one percentage point increase in the VAT flat rate, it is essential that funds are allocated in a timely fashion to the NHIS.

The National Health Insurance Scheme (NHIS) and its exemptions for indigents, pregnant women, children and people with disability and certain category of the elderly is one of Ghana's most important social protection interventions and a critical component in the country's drive for Universal Health Coverage.

The NHIS, in partnership with the Ministry of Gender, Children and Social Protection, is currently pushing to expedite coverage of the indigent, streamlining the process for their enrolment and renewal. However, the lack of dedicated operational funds at the district level, which would help to ensure that people in remote areas can have access, remains a significant obstacle. Moreover, many of the poor and vulnerable cannot access health services with insurance because they can only access CHPS compounds, which are often not covered for reimbursement for basic medical treatments and procedures.

Analysis of previous budgets has demonstrated that not all the revenues generated from the NHIS levy are credited to the NHIF. This has contributed to the enormous liquidity challenges that the scheme faces. It is paramount that government ensures that funds are disbursed to the scheme fully and in a timely manner.

National Health Fund Revenue and Nominal vs Real Allocation, 2015-2020



Source: UNICEF Ghana Social Protection Database