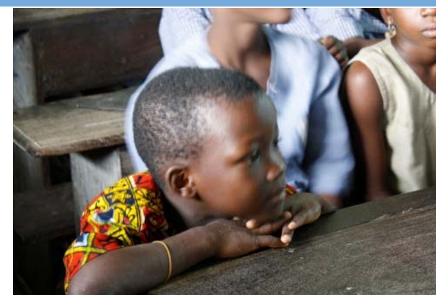
CDD-GHANA

GHANA | Domestic Mobilization for Health and Education



# RESOURCE ALLOCATION AND UTILIZATION IN THE SOCIAL SECTORS: CHALLENGES AND OPPORTUNITIES IN GHANA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# CONTENTS

# List of Tables



# List of Figures

# ACRONYMS

| | |
|---|---|
| **ABFA** | Annual Budget Funding Amount |
| **CAGD** | Controller and Accountant General's Department |
| **CAPEX** | Capital Expenditures |
| **CCT-G** | Coalition of Concerned Teachers, Ghana |
| **CDD-Ghana** | Ghana Center for Democratic Development |
| **CHAG** | Christian Health Association of Ghana |
| **CHPS** | Community-based Planning and Health Services |
| **CPE** | Complementary Basic Education |
| **CPP** | Convention Peoples Party |
| **CSO** | Civil Society Organization |
| **DACF** | District Assembly Common Fund |
| **DDF** | District Development Fund |
| **DEOC** | District Education Oversight Committee |
| **ECG** | Electricity Company of Ghana |
| **EML** | Essential Medicine List |
| **ERP** | Economic Recovery Programme |
| **ERP** | Economic Reform Program |
| **ESP** | Education Strategic Plan |
| **ESPR** | Education Sector Performance Report |
| **E-SPV** | Electronic Salary Payment Voucher |
| **FBO** | Faith Based Organization |
| **FCUBE** | Free Compulsory Universal Basic Education |
| **FFS** | Fee-for-Service |
| **GDP** | Gross Domestic Product |
| **G-DRG** | Ghana-DRG |
| **GER** | Gross Enrollment Ratio |
| **GES** | Ghana Education Service |
| **GETFund** | Ghana Education Trust Fund |
| **GHS** | Ghana Health Service |
| **GNAPS** | Ghana National Association of Private Schools |

| | |
|---|---|
| **GNAT** | Ghana National Association of Teachers |
| **GNGC** | Ghana National Gas Company |
| **GNPC** | Ghana National Petroleum Company |
| **GNUS** | Ghana National Union of Students |
| **GoG** | Government of Ghana |
| **GPHA** | Ghana Ports and Harbors Authority |
| **GUSS** | Ghana Universal Service Structure |
| **GUTA** | Ghana Union Traders' Association |
| **HEFRA** | Health Facilities Regulatory Agency |
| **HFG** | Health Finance and Governance Project |
| **HIPC** | Heavily Indebted Poor Countries |
| **IGF** | Internally Generated Funds |
| **IMCC** | Inter-Ministerial Coordinating Committee |
| **IMF** | International Monetary Fund |
| **IPPD** | Integrated Payroll and Personnel Database |
| **IRP** | International Reference Price |
| **ISSER** | Institute for Statistical, Social, and Economic Research |
| **LEAP** | Livelihood Empowerment Against Poverty |
| **MASLOC** | Microfinance and Small Loans Centre |
| **MELR** | Ministry of Employment and Labour Relations |
| **MMDA** | Metropolitan, Municipal and District Assemblies |
| **MMDCEs** | Metropolitan, Municipal, and District Chief Executives |
| **MNCH** | Maternal, Newborn and Child Health |
| **MoE** | Ministry of Education |
| **MoF** | Ministry of Finance |
| **MOFEP** | Ministry of Finance and Economic Planning |
| **MoH** | Ministry of Health |
| **MP** | Member of Parliament |
| **MTEF** | Medium-Term Expenditure Framework |
| **NAGRAT** | National Association of Graduate Teachers |
| **NCTE** | National Council for Tertiary Education |
| **NDC** | National Democratic Congress |
| **NER** | Net Enrollment Ratio |

| | |
|---|---|
| **NHIA** | National Health Insurance Authority |
| **NHIF** | National Health Insurance Fund |
| **NHIF** | National Hospital Insurance Fund |
| **NHIL** | National Health Insurance Levy |
| **NHIS** | National Health Insurance Scheme |
| **NPP** | National Patriotic Party |
| **OOP** | Out-of-Pocket |
| **PAC** | Public Accounts Committee of Parliament |
| **PBME** | Planning, Budgeting, Monitoring and Evaluation |
| **PEA** | Political Economy Analysis |
| **PFM** | Public Financial Management |
| **PHC** | Primary Health Care |
| **PIAC** | Public Interest and Accountability Committee |
| **PNDC** | Provisional National Defense Council |
| **PRMA** | Petroleum Revenue Management Act |
| **PTAs** | Parent Teacher Associations |
| **SHS** | Senior High School |
| **SMC** | School Management Committees |
| **SOE** | State-owned Enterprise |
| **SPMDP** | Society of Private Medical and Dental Practitioners |
| **SRC** | School Report Cards |
| **SSNIT** | Social Security and National Insurance Trust |
| **SSSS** | Single Spine Salary Structure |
| **TEN** | Tweneboa Enyenra Ntomme |
| **TVET** | Technical and Vocational Education and Training |
| **UGCC** | United Gold Coast Convention |
| **UHC** | Universal Health Coverage |
| **USAID** | United States Agency for International Development |
| **UTAG** | University Teachers Association of Ghana |
| **VAT** | Value-Added Tax |
| **VRA** | Volta River Authority |

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# EXECUTIVE SUMMARY

## Overview

Sub-Saharan Africa is undergoing a period of significant transformation, with rapid population growth and urbanization, as well as a developing middle class and youth cohort. To realize the potential inherent in these changes, it is essential to ensure access to quality public services with sound governance as a prerequisite for economic growth and stability. In many low- and middle-income countries, health and education—the key social sectors—rely heavily on external funding, which is not sustainable or always sufficient to cover the increasing demand for social services. As countries look to reduce their dependence on external assistance, it is important to recognize that decisions concerning the mobilization, allocation, and use of resources are influenced by and have extensive economic and political implications.

This study presents the constraints and opportunities for mobilizing domestic resources for health and education within a macro-political and economic context in Ghana—a country that has moved in recent years from low- to middle-income status. Using primary and secondary data, the study applied a political economy approach to examine the complex landscape of institutions, political pressures, incentives, obstacles, and costs that Ghana faces as it transitions towards financing the health and education sectors on its own. Political economy looks at the forces and incentives that oppose change, as well as those that promote and drive positive change.

This report details Ghana's political system and economic context (Sections 3 and 4) to provide the macro-level context in which resource allocation decisions in the health and education sectors are made. It then follows with sector-specific sections, which explore the political economy of allocation and expenditure within the health and education sectors (Sections 5 and 6). The report then concludes with reflections on the similarities and differences between the political economy dynamics observed in the two sectors (Section 7), before closing with key lessons that emerge from this analysis (Section 8). While the findings from this study pertain to Ghana, broader lessons regarding the types of political and economic considerations that affect decision-making in the health and education sectors may apply to other countries as well.

## Key Findings

### Section 3: Political System

This section explains the political institutions, incentives, and history of Ghana. Understanding the political system, the patterns of political competition, and the incentives they impose on office-holders and voters can help explain some of the underlying influences on resource allocation decisions in the health and education sectors. The main findings from this section include:

- **Intense democratic competition has contributed to the launch or extension of social policies and programs, but also perverse incentives.** Two main parties—the National Democratic Congress (NDC) and the National Patriotic Party (NPP)—dominate Ghana's political landscape. Although there are strong political allegiances, elections are generally expected to be very close, and parties win or lose based on the decisions of swing voters who switch their party support. These voters are often influenced by government performance and substantive policy issues. Thus, politicians have a strong incentive to adopt policy measures for the provision of crucial public goods like health or education, since they not only promote the well-being of Ghanaians, but can also be a means to win votes. Initiatives such as the School Feeding Program (and the addition of the Free School Uniform and Free Exercise Book Programs), the Ghana Education Trust Fund (GETFund), the National Health Insurance Scheme (NHIS), and the Livelihood Empowerment Against Poverty (LEAP) have all emerged out of the election cycle. However, the intense political competition has also contributed to practices such as: a bias towards policy changes with high visibility outputs like schools, clinics, and roads; a lack of long-term thinking due to short election cycles; favoring quantity over quality; and corrupt practices to retain loyalty of core supporters and party organizers. These can conflict with the positive incentives for improved public services.

- **Unchecked executive power over the legislative agenda and financial matters enables cycles of budget excess, corruption, and weak accountability.** Ghana's political system places a significant amount of power in the executive, which has contributed to the country's recurring economic and fiscal crises. There is virtually no check on the executive, and appointed office-holders have strong incentives to respond to the President rather than their constituents.

## Section 4: Fiscal and Economic Management

This section summarizes the economic situation in Ghana, which has important implications for the potential of domestic revenues for the health and education sectors. Over the past decade, Ghana has experienced economic growth followed by rapidly rising debt and worrisome annual budget deficits. This section identifies five major proximate causes of Ghana's debt and deficits, which include:

- **Presence and impact of politically driven deficit spending tied to elections**. Since the 1990s, Ghana has experienced cyclical fiscal deficits where the government runs large budget deficits due to excessive spending during election years, followed by two to three years of consolidating the budget and reducing the deficit.
- **Continuing negative effects of Ghana's electricity crisis, which has undermined economic activity and tax revenue.** Ghana has been suffering from an energy crisis since 2014, which has impacted Ghana's industrial sector. Estimates report that this crisis is costing Ghana two to six percent of its Gross Domestic Product (GDP) per year. It is also believed that politically driven collusion is undermining the oil sector.
- **Contribution of state-owned enterprise (SOE) debt to the challenging fiscal environment.** Several large key state agencies have faced financial and/or management difficulties which have precluded them from responding effectively to revenue crises.
- **Severe and continued fiscal pressure as a consequence of the move to the Single Spine Pay Structure**. In 2012, Ghana adopted the Single Spine Pay Structure to rationalize pay scales across the public sector. Since this policy was adopted in an election year, the government ceded to and approved salary increases that drove up the government's wage bill, including in the health and education sectors.
- **Collapse in commodity prices.** The price of gold, cocoa, and oil—Ghana's top three exports and key contributor to its revenue—all collapsed in 2012/13, which further exacerbated Ghana's economic issues.

## Section 5: Political Economy of Health Sector Allocation and Expenditure

This section presents an overview of the key actors, financial flows, and uses of funds in the health sector, followed by a high-level view of the main challenges related to domestic resource mobilization in Ghana. Finally, it examines the actors, institutions, and incentives that shape the political economy of health and reform efforts, including a discussion of some of the key health financing reforms that are currently being considered.

- **Ghana's health financing landscape is complex, which has made it difficult to track the flow funds.** Funds to the health sector flow from a mix of public and private funds, donor assistance, and individual households to several actors at the central and sub-national level. However, a lack of consistent and accurate data makes it difficult to break down the flow of funds and estimate the magnitude of the resource gap.
- **Ghana faces structural and economic challenges in mobilizing additional domestic revenue for health.** Given Ghana's weak macroeconomic outlook, finding new sources for domestic revenue for health may prove to be difficult. Tax-based revenue streams, like the funds that flow to the NHIS through the value-added tax (VAT), are reliant on economic growth and are affected when slowdowns in the economy occur. Reprioritizing health within the government budget may also be challenging because much of Ghana's national budget is pre-programmed for specific purposes, which leaves little flexibility for changes. Revisions to policies that determine how much citizens are required to contribute to receive coverage from NHIS (i.e., premiums) may bring in additional domestic revenues to the health sectors. However, because only informal workers pay premiums and enrollment is weakly enforced, it is uncertain how much additional revenue could be raised without significant policy change.
- **Opportunities do exist to spend resources more effectively and efficiently, which would improve the amount of money available to spend on health.** There are several possible opportunities to contain health expenditures by introducing efficiency measures. For example, to ensure that resources are not spent on unnecessary services, the NHIS should continue its efforts to become a more strategic purchaser of services by prioritizing the benefit package and properly implementing provider payment systems that help reduce excessive spending. Other measures could include introducing more effective regulations around policies that govern referrals from lower to higher levels of care and controlling drug costs. The health sector will also need to grapple with the high personnel costs and inefficiencies resulting from the lack of clarity on roles and responsibilities between the central and sub-national levels of the health system (i.e., impartial decentralization), high administrative spending, and issues with fraud and corruption.
- **Politics have historically influenced health reform decisions in Ghana.** These politics include elite and popular commitment to universal health coverage (UHC). Since 2003, the establishment of the NHIS (which itself had roots in the NPP's election campaign in 2000, following widespread discontent over the 'cash and carry' system where patients were required to pay at the point of service before receiving care) and efforts to sustain financing of the NHIS have become emblematic of this commitment. The role of politics extends beyond generalized commitment to the sector as well. Many design choices of the NHIS, such as the benefit package design and the determination of user contributions to the NHIS, were politically driven to appeal to voter bases, and over time, the impact of these choices has unfolded. Politics have influenced more recent initiatives, such as the capitation pilot (which introduced a new method for paying providers for primary health care, where a network of providers receives a fixed amount per year per NHIS member that chooses to receive care from that network) and will likely do so in the future.

- New government could have a window of opportunity for meaningful health reform as there may be an appetite for change given the health sector's recent challenges. There is an acknowledged fiscal crisis nationwide and within the health sector, as well as public frustrations with the National Health Insurance Authority (NHIA) that have mounted over the years (e.g., delays in claims payments to providers) that may provide an environment conducive to changes in the health sector. Over the past few years, several assessments have been undertaken by various groups, including the most recent NHIS Technical Review, to determine recommendations to address Ghana's health financing challenges. Several avenues for reform are currently being discussed, which will likely be shaped in part to align with the NPP's more business-focused orientation and other party interests, including its vision for 'Ghana Beyond Aid.'
- **Health reform and governmental action to address the challenge of sustainable financing in the sector is underway, but success is by no means assured:** The Akufo-Addo Government is currently discussing the way forward for making improvements to the NHIS, including some of the considerations put forward in the NHIS Technical Review Committee's report. So far, progress has been made to contain the drug costs with a decision to use Framework Contracting—a method used to negotiate with drug suppliers to ensure the availability of drugs and help standardize prices—to procure 55 high cost drivers on the NHIS Medicines List. There are, however, ideological and technical disagreements over other reforms, particularly around the scale-up of capitation, which has been piloted in select regions to pay providers for primary health care. Progress on these policy options will be influenced by both political and technical feasibility.

## Section 6: Political Economy of Education Sector Allocation and Expenditure

This section presents an overview of the key actors, financial flows, and uses of funds in the education sector, followed by a presentation of a set of key challenges related to resource mobilization for education in Ghana. Finally, it examines the actors, institutions, and incentives that shape the political economy of education service provision to better understand the political dynamics surrounding options for reform efforts to respond to those challenges.

- **Aggregate expenditure levels compare well, but additional resource needs are on the horizon.** In terms of overall commitment of financial resources, Ghana is on par with or exceeding its regional and global peers, as well as international targets. However, the pattern of spending still generates funding shortfalls for key aspects of service provision, and there are significant concerns regarding the quality of spending. Envisioned reforms and associated expansions in access and improvements in quality will also require additional resources, which will outstrip anticipated revenue in coming years. Particularly significant in this respect is the expansion of secondary education and the shift to a more highly skilled/qualified workforce.
- **Significant rigidities exist within the government budget.** Compensation makes up a significant share of the general government revenues for education sector spending, leaving little in the way of resourcing for goods and services and capital expenditure. These latter categories are funded largely through other flows including the GETFund and increasingly internally generated funds (IGF). Commitments to compensation financing also means there is often little money left to tackle key quality and equity issues.

- **Recent trends in donor funding and statutory allocations raises questions about the future of these sources of financing.** External funding has historically contributed significantly to financing the education sector, particularly for equity issues and basic education. Reductions in donor funding and downward fluctuations in revenue-linked statutory allocations in recent years put further pressure on other resource flows and generate new challenges given the imbalances in the rest of the system noted in the point above.
- **Complexity of financing arrangements creates challenges.** The education sector relies on a patchwork of revenue sources, which are each subject to its own institutional framework that shapes the how funds can be used. This fragmentation requires negotiations among a broad set of actors that extends well beyond the sector. Many funding channels under the control of district level authorities exist entirely outside the technical planning and reporting processes of the Ministry of Education (MoE). This contributes to planning and coordination challenges as well as 'short-route' accountability challenges where roles and responsibilities are unclear.
- **Progress towards a fully devolved education sector is slow.** Despite the legal obligations laid out in the Education Act of 2008, the actual transfer of power to the Metropolitan, Municipal, and District Assemblies (MMDAs) has been slow. Local decision-makers hold relatively little discretion on the use of major resource flows, and instead are essentially tasked with implementing instructions from the center.
- **A bias exists toward visible (but often unfinished) projects, even in the use of quasi-discretionary funding.** Both national and local political dynamics tend to support the use of discretionary resources towards highly visible investments that might be attributed to politicians. Such practices range from the use of district-level constituency development funds to national prioritization of classroom construction and the extension of access. Yet, despite the political incentives to deliver visible projects, existing data support the conclusion that a significant proportion of such investments are never completed. The best explanation for this appears to be a failure of local political actors who struggle to maintain focus and keep bargains in the wake of distributive demands, rather than corruption or clientelism.

## Section 7: Intersectoral Analysis

The final section concludes the report by reflecting on the connections between these sectors. This includes first exploring a few similarities and differences between the political economy dynamics observed in the two sectors and then asking possible interactions between the two sectors. Similarities identified include three core sets of issues:

- Firstly, across both major political traditions as well as in society more broadly, **there has long been a basic level of public commitment to health and education services as deserving recipients of public funding, but 'free' still makes for better politics**. The success of political earmarking strategies explicitly linking VAT increases in 2000 and 2003 to the health and education sectors confirm that public commitment to improved services in these sectors has existed in Ghana. However, in the most recent election cycle, political promises to expand free access to secondary education and the reluctance to limit access or benefits under the NHIS suggest that the prospect of 'free' services still resonates with the electorate.
- Secondly, core government budget contributions in the two sectors are subject to several of the same political drivers of behavior: the first of these is a **clear bias to emoluments**, reflecting the strong influence of professional groups and the limited effectiveness of efforts to control the public sector wage bill. This holds true in the initial budgeting process, and initial biases are often exacerbated as salaries are often under-budgeted and crowd out other types of expenditures during

budget execution. The second relevant driver is a **bias to visible outputs**. While this indicates a certain type of responsiveness and democratic accountability, it does not drive efficient and effective spending (particularly given the prevalence of unfinished projects) and comes at the expense of extremely low levels of resourcing for goods and services. In practice, this preference for visibility and measurability also reinforces biases towards access and away from quality in both sectors.

- Thirdly, **allocative processes that take place outside of the formal budget process play a significant role in both sectors,** changing the prospects and mechanisms for oversight and accountability. This has numerous implications, including not conflating core government budgets with the full allocation of resources to health and education. For example, both sectors utilize specialized statutory funds—in each case, the government initially wanted to increase revenue and managed the challenging politics to earmark VAT increases for health and education. Driven by political necessity, such practices have become far more common in recent years, meaning pressures from wages, statutory payments, and debt servicing constitute significant rigidities within the system. This essentially removes the majority of allocative decisions from the government's annual budget process. The government appears caught between an awareness of the negative effects of such rigidities and the effectiveness of such approaches in generating political support.

A comparison of resource allocation practices in the two sectors reveals several important differences as well, including in the location of discretion over different types of resourcing, the power of different groups to influence allocation processes, and the associated prospects for accountability.

- With respect to the location of discretion, similar mechanisms behave differently across the two sectors. For example, **discretion in the allocation of the National Health Insurance Fund (NHIF) appears to be limited in comparison to the significant space afforded to management of the GETFund**. Only high-level guidance exists to govern the use of both statutory funds, creating the potential for political influence over specific details. In the case of IGF,[1] facility-level discretion in allocative decisions currently matters more in health as **the importance of IGF in health creates local discretion and contestation that largely does not exist in education.** In education, families continue to pay out-of-pocket for some services, but prohibitions on school fees at the primary and secondary level limit the relevance of IGF.

There are also **important differences in the characteristics of the services themselves that affect the extent to which service users can exert power, either individually or collectively** in pursuit of their interests, whether through civil society organizations (CSOs) or otherwise.

- **Information asymmetries:** Health is complicated by significant information asymmetries that are arguably more difficult to overcome than those in education. This power imbalance between users and providers is particularly problematic given the degree of facility-level discretion afforded by IGF in the health sector.
- **Predictability:** With respect to users, the largely unpredictable and less consistent use of health services (in comparison to education services, which are consumed in a highly predictable manner) limits proactive user engagement on issues like resource allocation. However, professional groups

[1] Internally generated funds in the health sector comprise of: 'payments for services delivered under the NHIS; out-of-pocket payments; and other sources, such as private insurance payments or grants from international agencies or local government. IGF are treated as supplemental income to the facilities to cover the recurrent costs associated with service delivery.' IGF is reported as part of the total public resource envelop for health by the Government of Ghana. See more at World Bank. (2012). *Health Financing in Ghana at a Crossroads.* Washington, DC: World Bank. Retrieved from https://openknowledge.worldbank.org/handle/10986/2729

are persistently engaged in both sectors, as they are regularly affected by resource allocation decisions and are better able to develop proactive strategies to maximize their leverage.

- **Frequency:** Frequent users of education services can help create space for user (or at least parent) accountability and improve the chances for effective user organization. User organization is present in the form of parent teacher associations (PTAs) that create an institutional mechanism for holding education providers accountable, including for the use of resources. However, the limited allocative discretion in the use of public resources at the frontline-level and the absence of significant IGF at primary and secondary levels, limits the overall impact of local collective organization by users.
- **Variability:** Evidence indicates broad-based political and fiscal commitment to 'basic' health and education. Yet, the health sector is subject to a far more specialized level of debate regarding the role and responsibilities of the government with respect to service provision to different user groups, which can serve to divide potential sources of opposition. Detailed decisions must be made regarding the balance between preventative and curative services, which treatments are to be covered for which conditions, and even which specific drugs to procure. While some services (e.g., maternal health, vaccinations, etc.) are far more common or even universal, which enables broader political support for those services, the needs of service users tend to be highly variable. In education, the same variability does not exist. At a basic level, there is a debate regarding the emphasis in allocation of resources to primary, secondary, tertiary (and vocational), but services are largely not differentiated by user. What variability exists (differential learning needs) is largely dealt with at the classroom level by teachers rather than in determining coverage for specific services within the sector.

## Reflections on Connections between the Sectors

In addition to the comparison above, we also consider the potential for conflict and collaboration between the two sectors on issues of resource allocation.

The potential for conflict is rooted in the fact that overall fiscal constraints need to be considered against resource allocation to the social sectors. The conclusion from the analysis of the macro-context is that **a variety of social interests compete for scarce funds in Ghana**. Hard choices are being made regarding the use of limited resources, and the current fiscal picture in Ghana places this reality front and center. Some comparative judgements regarding prioritization for additional revenues have been made explicitly. However, competition is not always overt in the sense that arguments for additional spending in relation to one sector cast the two sectors as alternatives. Nor does is it necessarily appear as an evidenced-based debate in observable parts of Ghana's budget process (e.g., Parliamentary debate). Even where made, such arguments are not powerful drivers of decision-making in the face of political commitments.

**Yet, opportunities for collaboration do exist.** There are a few policy and programmatic areas in which health and education interests overlap and where associated joint interests in resource allocation exist. Examples of this include school feeding programs and girls' sanitation and hygiene, which often have significant benefits for both health and education objectives. Cost-effective interventions provide a model for potential cross-sector collaboration and issues around which interest coalitions can be built.

Where opportunities for collaboration in pursuit of common interests are limited, approaches to working across sectors may need to rely on 'issue bundling.' Rather than looking for areas of common interest, issue bundling approaches to policy or budget formulation link together policies or programs that are of interest to one group with policies or programs that are of interest to another. Such approaches can be used to generate agreements of mutual support despite a lack of shared interest.

These types of *quid pro quo* arrangements were not highlighted in the evidence reviewed, but have been observed in other contexts as a viable political strategy and might well be effective in this context.

## Section 8: Closing and Recommendations

The challenges associated with improving social sector service delivery in Ghana and the efficiency and effectiveness of the resource allocation processes in supporting those services are significant. This is particularly true as the country grapples with the fiscal consequences of its current economic position. However, the significant progress achieved in health and education in recent years provides reason for optimism, and several recommendations are available in each sector.

In health:

- **Accompany the Government's current efforts to gradually pay off accumulated arrears of payments to providers with other much-needed efficiency reforms.** This is necessary if it is to be part of a package of policy reforms aimed at putting the NHIS on a sustainable financial footing. Slowly paying off the arrears is a prudent policy that will bring relief to many. However, this measure alone will not resolve the key short-term financial challenges facing the NHIS or address the more daunting long-term challenges.
- **Move quickly to implement the recommendations of the MoH-sponsored July 2017 workshop on NHIS reform, particularly the redesign of the NHIS' benefit package to focus on providing universal primary health care (PHC) to all Ghanaians**, including maternal, neo-natal and child health services and preventive and promotive services. This reform will enhance the efficiency, equity, and sustainability of the NHIS. Including preventive and promotive services as part of the NHIS' benefit package and getting the NHIA to pay providers directly for these services using pay for performance or other strategic purchasing approaches will be more efficient and will help direct resources toward these important health areas. However, the focus on universal PHC for all Ghanaians must be accompanied by efficiency reforms to contain costs, particularly at higher levels of the health system, to ensure that public resources for PHC do not get diverted for overspending at higher levels of the system.
- **Align the redesign of the benefit package with provider payment reforms that promote quality and efficiency, particularly for PHC.** As the NHIS benefit package is revised, it will be important for the Government of Ghana (GoG) to also consider how to pay providers for delivering the services included in the benefit package to optimize quality and efficiency. Although capitation has been mired in politics since it was introduced in 2012, it is a technical solution that has the potential to improve the efficiency and quality of providing PHC services if implemented well. While it may be politically challenging for the current government to continue implementing 'capitation,' it may consider renaming or rebranding the approach in a manner that emphasizes its advantages to beneficiaries and providers.
- **Prepare for the possibility that NHIS funding from statutory sources will decline compared to past levels by engaging on the allocation of discretionary government funding in a proactive and evidence-based manner.** Such a decline is likely, unless there is dramatic economic growth to offset the effects of the Earmarked Funds Capping and Realignment Act introduced by the Government in March 2017. Financial sustainability was already threatened by the sector's reliance on statutory sources that have suffered in recent low-growth years. The Act, aimed at limiting the total amount of all earmarked funds in any given year to 25 percent of total tax revenues, provides further impetus for proactive engagement on the allocation of discretionary government funding. To achieve this, Ministry of Health (MoH) teams involved in the budget and

Medium-Term Expenditure Framework (MTEF) processes must demonstrate both the need to invest in the health sector and the technical and political benefits of doing so. This could be done using data and evidence from financial and actuarial assessments (supported by a strong financial modelling and forecasting unit). In addition, accelerated efficiency measures could be introduced to contain costs of the sector, especially the NHIS (e.g., strategic purchasing, framework contracting, etc.). The latter will be an important part of necessary dialogue between MoH and its partners in the Ministry of Finance and Economic Planning (MOFEP) and the rest of executive branch leadership.

In education:

- **Balance expenditure in the education sector to sustain improvements in quality**: The resource gap between compensation spending against goods and services and capital expenditure (CAPEX) remains very wide and is set to increase with the introduction of the Free Senior High School (SHS) Policy. Current efforts to close the gap focus on increasing revenues, but are insufficient to address the fundamental challenges in funding quality education. The GoG should seriously consider the medium- to long-term goal of balancing expenditure between compensation, CAPEX, and goods and services to ensure sustainable financing of improvements to ensure the quality of education.
- **Clarify and simplify the financing arrangement and management in the education sector, particularly at the local level to facilitate monitoring and accountability**: There are opportunities to simplify existing complex financing arrangements by absorbing the District Development Fund (DDF) into the District Assembly Common Fund (DACF), an effort which is being actively pursued by donors. A complementary effort would be to regulate the discretion afforded in the use of GETFund resources. If financing arrangements cannot be simplified, they should at least not be further complicated—for example, through the addition of new development authorities as envisaged under the Infrastructure for Poverty Eradication Programme.
- **Use sector policy review recommendations more strategically to support budget preparation, allocation, and expenditure**: The Education Sector Strategic Plans and the Education Sector Performance Report are the best source for informing the government's strategic goals. Political investment in these public documents can be used to inform budgets in a consistent way that allows the GoG to track how well it is addressing structural deficits within the education sector on issues of equity and quality.
- **Move forward on the political and sector devolution processes:** Deepening the political and sector devolution reforms, in particular on the election of Metropolitan, Municipal, and District Chief Executives (MMDCEs) and the passage of the education sector bill, can improve accountability and responsiveness. The GoG has officially committed to the election of MMDCEs in 2019—this has the potential of transforming the political space and bolstering accountability at the local level and nationally. On the other hand, to move the education sector bill forward, GoG must begin a steady process of engaging the unions and bureaucrats on the mechanics of implementing the decentralized education sector and addressing concerns of the unions. This engagement must occur at the MoE and the Ghana Education Service (GES) before a discussion with the Local Government Service and the Ministry of Local Government.

Finally, the report closes by suggesting a set of four big-picture strategic lessons that emerged from the work and should be relevant for any additional targeted reform effort.

1. **Differentiated strategies will be necessary to address sector- and service-specific challenges.** Though some of the challenges are similar, strategies need to account for variation in the nature of the services and the underlying politics (the incentives at work, interest groups involved, and institutional context within which resources are allocated). In short,

implementation of several different reform strategies will be more effective in addressing the many challenges.

2. **Reform strategies should consider coalitions based on identified shared interests, as well as those that might be brokered through bundling approaches**. There is some potential to develop, maintain, and support interest-based coalitions around particular issues. However, where potential is absent or insufficient in strength to overcome the status quo, political strategies that seek to develop support from both the health and education sectors (and beyond) may need to rely on *quid pro quo* issue-bundling approaches.
3. **Sectors must be placed in the broader context.** In the immediate term, this means challenging both government and opposition to reconcile political promises with fiscal realities. Powerful political incentives can prioritize short-term gains over long-term sustainability. However, all services must ultimately be paid for—even those that are 'free' at the point of service. All stakeholders need to reinforce the emergence of a fiscal contract that supports a sustainable relationship between citizens and the state.
4. **Social sector resource allocation is inextricably intertwined with the long-term project of democracy building.** As local reformers and development partners work to support democratic deepening in Ghana (whether through decentralization processes or reforms at the center), they need to ensure that the budget process is more is more intentional and aligned with sector needs improve the access and quality of services. In the interim, decision-making processes that exist outside the formal budget process should be given attention, including those that sit outside the traditional areas of focus of many sector specialists.

# 1. INTRODUCTION

The purpose of this study is to develop a better understanding of the complexities involved in improving the resource flows to health and education in low- and middle-income countries, which is a key priority for USAID. Finding a path of improvement for these sectors requires understanding the complex landscape of political pressures, incentives, obstacles and costs. The ability to pay for more trained teachers, build schools and clinics, and purchase more drugs and medications depends on available resources. But decisions about raising revenues are part of a complex economic and political landscape, which are contested by many interests, organized influences, and levels of government. Roads, ports, railways, power plants, and borrowing costs demand attention. Governments want to cut costs, but teachers and doctors want to hike wages. Taxpayers want less corruption and waste before they pay higher taxes. Governments want more revenue but may lack the systems and capacity to collect it. Setting up oversight systems to prevent corruption and waste is difficult, takes money, and warrants potentially new, more difficult work methods. In short, raising revenue or improving the quantity or quality of social services has far reaching economic and political costs.

This study applies a political-economy approach, which looks at the range of formal and informal incentives operating on different levels and arms of government, the private sector and citizens who pay taxes and benefit from health and education programming. It also looks at the decision-making institutions that may prevent or condition the options from being considered. And finally, the political economy approach applied here considers not only the forces and incentives opposing change, but also the sources of dynamism and discontent that could be harnessed to bring positive change.

While this study is intended to assist with informing options for domestic resource mobilization, it is not a script for how to raise taxes or a simple list of obstacles. Rather, it provides the political and economic context for health and education decisions and traces the interconnections between issues germane to resource allocation. This assessment also attempts to put decisions in the context of longer-term trends and tendencies, which reflect the balance of incentives that ebb and flow around budgets, allocations and public demands for social service programs.

Following this introduction, the report proceeds as follows. Section 2 provides a short overview of the methodology used and the core of the analytical approach (political economy analysis). Sections 3 and 4 present relevant features of the macro-level context within which decisions are made about resource allocation to and within specific sectors (including, but not limited to health and education). This includes: exploration of the political system and how it has evolved to this point; the major elements of its structure and party competition that shape social sector allocations; the patterns and incentives affecting budget and tax decision-making; and the present fiscal and economic context that conditions options for social sector spending and the patterns driving long-term deficit spending. With this background established, Section 5 and Section 6 then consider the specific political economy dynamics at work in the health and education sectors, respectively. Section 7 concludes by looking across the two sectors for key similarities and differences, as well as possible interaction effects before closing with a summary of findings.

# 2. METHODOLOGY

The study utilizes both primary and secondary data on Ghana's political economy and the politics of health and education resources in Ghana. The primary data consists of semi-structured interviews with various policy actors and informants engaged in the last quarter of 2016 and the first quarter of 2017. A list of informants is provided in Annex C. The secondary data consists of literature reviews of the political economy of the national budget process and of the Ghana health and education sectors. Both Ghana's education and health sectors have been the subject of numerous studies over the last few decades. Both sectors have active NGO communities engaged in research and advocacy geared towards improving education and health care delivery in Ghana. The findings are also supported by the extensive governance research undertaken by think tanks, donors, and financial/political risk analysts.

It is important here to clarify terminology about political economy analysis (PEA). It is not simply a political analysis with an added discussion of costs, as the formal rules of any process or sector do not tell the whole story. Many systems, forces, incentives and influences affect outcomes and condition the expectations of participants about what is possible. This analysis follows the USAID PEA approach (USAID, 2016a), which considers four levels of analysis:

1) **Foundational factors or systems:** This includes the structure of the state, its economic and political systems, and historical legacies affecting options and choices.
2) **Rules of the game:** The formal and informal institutions, which govern activity at different levels of government and of individual and organized groups of participants.
3) **The here and now:** Current events, crises and developments, which influence agendas, priorities, expectations, beliefs about what is possible and how things are done.
4) **Sources of dynamism:** Studying systems and incentives alone may result in a static picture that focuses on impediments to change. However, change does occur, and PEA must also consider the external shocks, forms of political competition, accumulated frustration, grievances, and changing expectations that may rouse reform or bring renewed resistance to proposed changes.

This study brings together multiple levels of analysis to present a picture of both the constraints and opportunities for change. The hope is that this analysis will begin to identify common patterns in decision-making affecting resource allocation realities for these sectors. In so doing, this analysis will assist USAID in making more realistic assessments and program designs that appreciate the practical obstacles to change and better harness the forces supportive of improved health and educational development.

# 3. THE POLITICAL SYSTEM

Decisions about resource allocations to health and education—in Ghana or any country—cannot be separated from wider fiscal and political issues and systems. This section will examine the salient political institutions, incentives, and history from broad trends to the narrow and sector-specific.

Fiscal crisis has been an overarching political and economic story in Ghana over the past four years. Instead of strengthening national finances, the 2007 discovery of oil led external debt to balloon eight-fold. During this research, Ghana held a presidential election, which transferred power from one of two dominant parties to the other. The new government will need to confront a serious fiscal crisis with burgeoning debt, electricity supply problems and developmental needs that significantly outstrip revenues. The fiscal situation is attributable in part to political decisions taken by the previous president, John Mahama, who assumed office in 2012. For example, he signed up to a fiscal austerity plan advocated by the International Monetary Fund (IMF) as a condition of adjustment loans. The full effects of this have not yet been felt, but may alter the possibilities for expanded health and education funding.

However, it is necessary to look back in history to see the longer-term trend and deeper patterns behind Mahama's actions. Ghana has long been affected by politically-driven fiscal cycles with weak fiscal discipline, unsustainable budget deficits, inadequate control of borrowing, and ineffectual control of corruption. The roots of these economic issues are largely seated in the political system, patterns of political competition, and the incentives they impose on office-holders and voters.

## 3.1 Key Findings in this Section

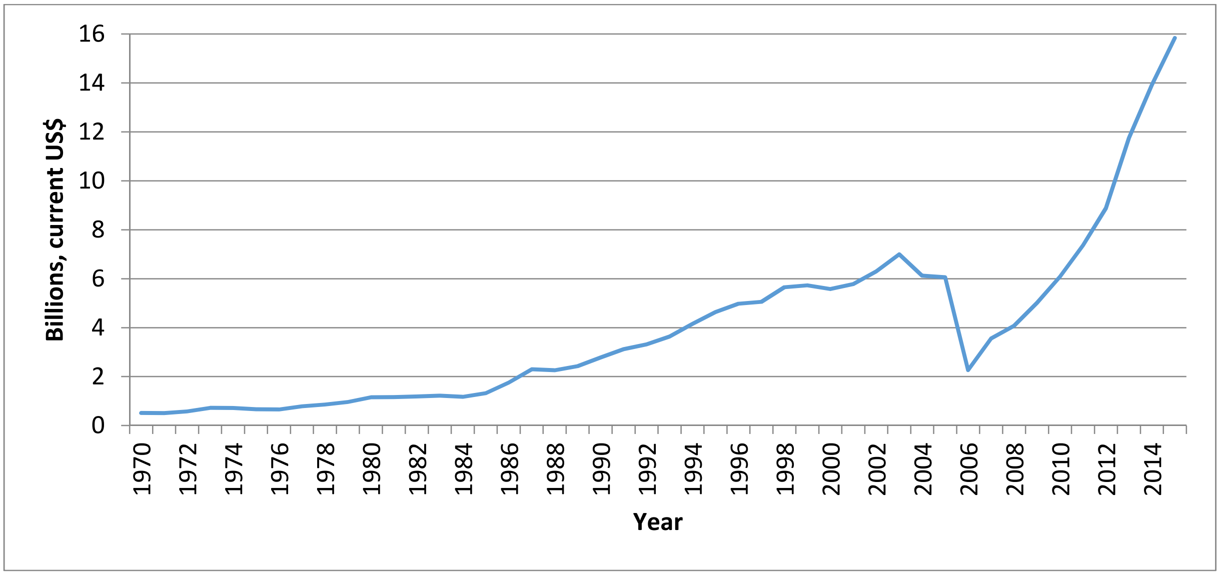
- **Democratic competition drove policy innovation:** The return to multiparty democracy opened the door to policy alternatives beyond those contemplated in Ghana's internationally-backed austerity and macro-economic stability policies. Constrained by past policies and slow to innovate in social sectors, the National Democratic Congress (NDC) lost the 2000 election, which was a critical juncture that resulted in greater focus and funding for health and education.
- **Protests over Value-Added Tax (VAT):** The VAT issue was a catalyst of wider discontent that accumulated in the Rawlings era. The relative ease with which former president John Kufour passed VAT increases suggests tax increases are possible when well justified.
- **Voters link revenue to corruption**: Voters do not see corruption and new taxes as separate. Raising revenue without credibly tackling corruption will be politically difficult.
- **Swing voters demand performance:** Parties have core support bases, but they win or lose on swing voters who switch their party support based on government performance. This incentive can create positive pressure to launch or extend programs and services. Figuring out how to harness the pressure that swing voters bring in support of sustainable health and education financing is key to improving the funding of and quality of these sectors.
- **Party funding imperatives drive illicit activity:** Political competition is intense, creating strong incentives to find illicit resources to finance campaigns and secure party organizers, faction leaders, and foot soldiers.

- **Incentives conflict between swing voter and party loyalists:** The demands of swing voters and party organizers conflict. Discontent over corruption, electricity blackouts, and public service failures are key vote motivators but improving performance in these areas requires containing the latitude allowed to party supporters to abuse state programs to raise campaign funds or personal profit.
- **Excess executive power enables cycles of budget excess:** The presidency has an excess of unchecked power with no meaningful restraints posed by Parliament, the judiciary or watchdog agencies. This is a key enabler of corruption and obstacle to accountability.
- **Political incentives drive budget crises:** Complete presidential control over finances and the temptations to raise campaign money through the state have contributed to a chronic tendency of unsustainable budget deficits, excessive debt, and fiscal crisis.
- **Oil changed expectations and enabled poor financial decisions:** The discovery of oil loosened fiscal discipline, emboldened wage demands in the public sector, and led to approval of poorly conceived oil-backed infrastructure projects. Ghana took on vastly more debt through oil-backed project loans.
- **Austerity will continue to dominate the political agenda:** Ghana's commitment to an IMF-backed austerity drive will necessitate additional revenues, but this funding will be needed to simply close the recurring budget shortfall. Underfunding in health and education will likely take a back seat to the wider budget crisis. It is unknown how the new administration will prioritize health and education given the need to dramatically cut deficits.
- **Austerity backlash is still to come:** The austerity plan has not been fully felt yet by the public, but is bound to raise public tension around budgets and taxation. Given a history of effective popular protests against austerity, it is reasonable to expect some backlash or political leveraging of austerity measures.
- **Election lessons as sources of dynamism:** The 2016 election result could motivate party learning about the dangers of unchecked corruption and non-performance.
- **National Patriotic Party (NPP) election, austerity and spending cuts as sources of dynamism:** The tensions from the fiscal crisis and austerity may raise opposition to new taxes, but simultaneously provide a pathway for the new president to push through difficult reforms. It is possible that lessons will be learned about the need to create and sustain better fiscal control, but it is also possible leaders will cave when faced with popular protest.

## 3.2 Conflicting Incentives in the Democratic Era

Ghana, like many developing nations, has something of a split personality—some parts are self-serving, some partake in grand corruption, and some partially or substantially work toward altruistic goals. Those forces have combined to drive Ghana into a significant fiscal and debt crisis, which has been intensifying steadily since 2007. In that year, Ghana discovered offshore oil and secured major international debt relief. This combination might have been expected to ease fiscal strains, but debt levels expanded eight-fold since 2006 and annual budget deficits widened. While declines in commodity prices are partly to blame, the nation's political systems and incentives that drive spending and resist restraint are the deeper problems.

**Figure 1: Ghana External Debt Stocks, Public and Publicly Guaranteed (Billions, current US$)**




*Source*: World Bank, International Debt Statistics. (n.d.). *External debt stocks, public and publicly guaranteed (PPG) (DOD, current US$)*. Retrieved from https://data.worldbank.org/indicator/DT.DOD.DPPG.CD?locations=GH&view=chart

**Table 1: Ghana's Developmental Progress**

| | Under 5 Mortality | % Secondary Ed or Higher | % with Electricity | Total Fertility Rate |
|---|---|---|---|---|
| 1988 | 155 | 7.5 | | 6.4 |
| 1993 | 119 | 10.3 | 30.6 | 5.2 |
| 1998 | 108 | 52.8 | 42.6 | 4.4 |
| 2003 | 111 | 51.8 | 48.3 | 4.4 |
| 2008 | 80 | 58.6 | 60.5 | 4.0 |

*Source*: McKay, A. (2017). Recent Evidence on Progress on Poverty Reduction in Sub-Saharan Africa since 1990. In M. Nissanke & M. Ndulo (Authors), *Poverty reduction in the course of African development*. Oxford: Oxford University Press.

Yet, GDP growth has averaged 5.6 percent over the past 23 years, with GDP per capita doubling and estimated poverty falling from 51.7 percent in 1992 to 24.2 percent in 2012. Health expenditure per person rose 142 percent from 1992 to 2013, despite population growth. As the health and education sections will discuss, Ghana has made sustained gains in these sectors across different administrations. **Figure 1** and **Table 1** illustrate the contradictions in the Ghanaian system—developmental progress but persistent, powerful incentives leading to excessive debt and economic crisis.

The following section addresses the key systems and incentives shaping political and budgetary decisions in Ghana.[2]

[2] Annex A outlines the country's recent political history, which may be less useful for more familiar readers and is therefore omitted here, with attention focused on key features relevant for the analysis.

## 3.3 Clientelism, Competition and Voter Choice—Synthesizing Theory

Literature on Ghana's political system is divided, with many arguing that voters are motivated by ethnic loyalty, personal obligations, traditional loyalty, patronage, community solidarity or clientelistic favors.[3] Some scholars, particularly those looking at African politics through the 1980s, assert that ethnic and regional loyalties are not merely factors but key determinants of voter choice.[4] Other writers describe Ghana as operating a system of competitive clientelism affected by neo-patrimonial political patterns.[5]

Such terms can commonly imply and are often used to suggest that regimes are thoroughly clientelistic or neo-patrimonial—that politicians buy votes and citizens demand to be bought. That perception is aided by the fact that clientelistic political practices often require secrecy and deception. They often involve illicit practices to extract money from state activities to pay supporters and finance campaigns. They can also involve manipulating rules to repress opponents or warp public programs to favor specific groups. This can contribute to a sense that the state is disingenuous about everything, including publicly professed commitments to development and explanations for budget deficits and program failures.

Levitsky and Way (2010) argued that many African states operate under 'competitive authoritarianism,' in which rulers see advantages in pretending to be democratic but are adept enough at manipulating rules and buying supporters such that the opposition never wins. In a similar vision, Schedler (2009) dubbed this "electoral authoritarianism,' which is the pattern of ruling party dominance evident in countries like Tanzania, Mozambique, and Namibia. In these situations, incumbent parties exploit advantages flowing from party organization and state control. Voters cannot credibly imagine the opposition winning. Opposition voters and funders lose motivation as incumbent victory seems inevitable.

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3 See more at Jeffries, R. (1998). The Ghanaian Elections of 1996: Towards The Consolidation Of Democracy? *African Affairs, 97*(387), 189-208. doi:10.1093/oxfordjournals.afraf.a007925; Chazan, N. (1987). Anomalies of Continuity: Perspectives on Ghanaian Elections Since Independence. In F. Hayward (Ed.), *Elections in Independent Africa.* Boulder, CO: Westview Press.; Anebo, F. K. (2001). The Ghana 2000 Elections: Voter Choice and Electoral Decisions. *African Journal of Political Science, 6*(1). doi:10.4314/ajps.v6i1.27304; Chazan, N. (1983). *An anatomy of Ghanaian politics: Managing political recession, 1969-1982.* Boulder, CO: Westview Press.; Posner, D. N. (2010). *Institutions and ethnic politics in Africa.* Cambridge: Cambridge University Press.

4 See more at Horowitz, D. L. (2011). *Ethnic groups in conflict: With a new preface.* Berkeley: University of California Press.; Walle, N. V. (2003). Presidentialism and clientelism in Africas emerging party systems. *The Journal of Modern African Studies, 41*(2), 297-321. doi:10.1017/s0022278x03004269; Hoffman, B. D., & Long, J. D. (2013). Parties, Ethnicity, and Voting in African Elections. *Comparative Politics, 45*(2), 127-146. doi:10.5129/001041513804634235; Alesina et al. find that higher ethnic fractionalization explains poorer economic performance and delivery of public goods. See Alesina, A., Baqir, R., & Easterly, W. (1997). *Public Goods and Ethnic Divisions.* doi:10.3386/w6009; Chabal, P., & Daloz, J. (1999). *Africa Works: Disorder as Political Instrument.* International African Institute. Sandbrook, R., & Barker, J. (1985). *E Politics of Africa's Economic Stagnation (African Society Today).* Cambridge University Press.; Walle, N. V. (2007). *African economies and the politics of permanent crisis: 1979-1999.* Cambridge: Cambridge Univ. Press.

5 Such models assume citizens remain unaware or unable to counteract such manipulation. In practice, few rules change, and forms of payoff or repression go unnoticed; with time, such manipulations stiffen resistance. Such leaders operate under significant uncertainty about what will work and what voters dislike. As a result they logically must employ many tactics but cannot wholesale give up on performance and rely on manipulation or clientelism. See more at Levitsky, S. and Way, L.A.. (2010). *Competitive authoritarianism: Hybrid regimes after the cold war*. Cambridge University Press.; Schedler, A. (2015). Electoral authoritarianism. In R.A. Scott, S.M. Kosslyn, & M. Buchmann (Eds.), *Emerging Trends in the Social and Behavioral Sciences: An Interdisciplinary, Searchable, and Linkable Resource*. Chichester: Wiley.

The competitive authoritarian pattern seemed to prevail in Ghana's 1992 election where Rawlings used the advantages of incumbency to secure victory. Even today, there is consensus that it remains common practice for elected officials, power brokers, civil servants, and others in Ghana to bend or break the formal rules in significant ways to gain wealth, career advantage or to reward allies or faction leaders for their political support. The actual extent of such behavior is unclear and perhaps unknowable.

However, as Ghana's developmental record suggests, not every citizen, politician and governmental decision is determined by illicit clientelistic demands. Ghana has achieved significant improvements to health and social welfare and sustained funding to such causes over a long period. Ghana can best be described as a hybrid state in which clientelistic/neo-patrimonial behavior exists alongside more programmatic and performance-conscious behavior. Democratic competition motivates both aspects of the country's split political personality.

That duality is evident in Ghana's voting record (**Table 2**). Since electoral reforms were instituted in the 1990s to make the process more credible, Ghana's elections have become increasingly close. The two main parties—the NDC and the NPP—have built strong followings in most regions of the country. Each party has overwhelming support in an ethnic stronghold—Volta Region for the NDC and Ashanti Region for the NPP. But the significant numbers of swing voters has influenced electoral victories.

**Table 2: Alternation in Party Control**

| Years | President | Winning % Presidential | Parliamentary Seats |
|---|---|---|---|
| 1992 | NDC, Rawlings | **NDC – 58.4%,** NPP 30.3 | **NDC 198, NPP (0)** [6]<br>[Total number of parliamentary seats =200] |
| 1996 | NDC, Rawlings | **NDC – 57.9%** , 39.7 | **NDC 133, NPP 61**<br>[Total number of parliamentary seats =200] |
| 2000 | NPP, Kufour | Round 1: **NPP – 48.17, NDC 44.54**<br>Round 2: **NPP – 56.9, NDC 49.10** | **NPP 99, NDC 92**<br>[Total number of parliamentary seats =200] |
| 2004 | NPP, Kufour | **NPP – 52.45**, NDC – 44.64 | **NPP 128, NDC 94**<br>[Total number of parliamentary seats =230] |
| 2008 | NDC, Mills | Round 1: **NPP – 49.13, NDC 47.92**<br>Round 2: **NDC – 50.23, NPP – 49.7** | **NDC 116, NPP 107**<br>[Total number of parliamentary seats =230] |
| 2012 | NDC, Mahama | **NDC 50.7**, NPP-47.7 | **NDC 148, NPP 123**<br>[Total number of parliamentary seats =275] |
| 2016- | NPP, Akuffo Addo | **NPP 53.85%,** NDC 44.4 | **NPP 169, NDC 106**<br>[Total number of parliamentary seats =275] |

*Source:* Ghana Election 2016. (n.d.). Retrieved from http://ghanaelections.peacefmonline.com/

Neither of these parties has won less than 40 percent of the vote nationally. With elections expected to be very close, actual voter turnout can be decisive. To help voter turnout and ensure that key factional leaders deliver to their followers, both parties are motivated to keep party organizers and foot soldiers active. In that struggle, clientelism, patronage, corruption and campaign cash are still seen as vital tools.

[6] The NPP boycotted the 1992 parliamentary elections citing irregularities in the presidential elections, which had been held the previous month.

But parties need to appeal to swing voters in other very ethnically mixed regions. Since 2000, four regions have decisively switched their voting preferences in successive elections. This demonstrates that voters change their minds and do so on the basis of incumbent performance and proposed policy changes (**Table 3**).

**Table 3: Election Results in Swing Regions**

| Region | 2000 | 2000 run off | 2004 | 2008 | 2008 run off | 2012 | 2016 |
|---|---|---|---|---|---|---|---|
| Brong Ahafo | NPP 51% | NPP 60% | NPP 52% | NPP 51% | NDC 51% | NDC 51% | NPP 54% |
| Central | NPP 50% | NPP 60% | NPP 59% | NDC 51% | NDC 54% | NDC 52% | NPP 53% |
| Greater Accra | NPP 53% | NPP 60% | NPP 52% | NDC 52% | NDC 54% | NDC 52% | NPP 52% |
| Western | NPP 49% | NPP 62% | NPP 58% | NPP 50% | NDC 52% | NDC 54% | NPP 52% |

*Source*: Swing Regions - President - Ghana Elections. (n.d.). Retrieved from http://ghanaelections.peacefmonline.com/pages/2016/swingregions/

Lindberg and Morrison (2005) used detailed, open-ended surveys to understand such voter shifts. They found that of the voters who chose the NPP in 2000, 25 percent had supported the NDC in the prior election. Of these, 63 percent explained their decision as some variant of 'throw the rascals out,' which the authors saw as a form of evaluation to punish the ruling party for poor performance. The authors estimated that 82 percent of the electorate sticks with its preferred party, while 18 percent are swing voters—a finding consistent with voter patterns in more mature democracies (p. 565). Using a different survey approach, Seide (2014) found that 'policy voting is important and significantly determines [election] outcomes.'[7] A 16-country study of African voting choice using Afrobarometer (2008) data found that 'Africans engage in both ethnic and economic voting.' Not surprisingly, people who belong to the ethnic group in power intend to support the ruling party, in contrast to those who feel a sense of discrimination against their ethnic group. To an even greater extent, would-be voters in Africa consider policy performance, especially the government's perceived handling of unemployment, inflation, and income distribution. The study found that 58 percent of Ghanaian voters are loyal party voters with the remaining 42 percent as swing voters. Though it is not clear what leads the authors to such a different result than that obtained by Lindberg and Morrison, the swing vote is significantly larger than the margin of victory in both cases, suggesting an important competition for swing voters.

Ghana's *de facto* two-party system is a decisive factor in voter choice and politician responses. In a system with no dominant party and many ethnically-based parties, ethnic loyalties can dominate political thinking and leaders stitch together ethnic groups into a minimal winning coalition. In such conditions, group payoffs play a much larger role, particularly where an absolute majority is not needed for victory. Ghana's system requires the winner of the presidency to obtain more than half the votes cast, which necessitates larger coalitions and structurally focuses more attention on winning swing voters who are

7 Seide found that voting based on policy explained 32 percent of voter choice, with retrospective views of leader performance explaining 8 percent. Another 60 percent of voting is based on non-policy factors, which can include ethnic and regional loyalties.

more performance- or program-oriented in their choices. Highly competitive democracies introduce more uncertainty, which arguably results in more pressure to woo swing voters.

Ghana's focus on substantive policy is evident in a vibrant media where legitimate interests enliven public discussion. Unions, farmers, employers, and professional organizations have understood how different policies affect their interests and have sought means to assert themselves through protest and political action. In many instances, popular protests have been effective in getting leaders to reverse policy changes, suggesting both citizens and leaders are responsive to the other on some issues.

Strategic competition with distinct policies is also crucial in motivating and sustaining development activities. Democratic competition is the source of political motivation in Ghana—according to Carbone: 'Where elections are fairly conducted, with fierce democratic competition, effective public scrutiny and relatively open policy making, politicians will have a strong incentive to adopt policy measures for the provision of such crucial public goods as health or education' (Carbone, 2011).[8]

Many social interventions have been proposed by the parties because they will improve the lives and general well-being of Ghanaians and are vote winners. One such intervention is the Ghana Education Trust Fund (GETFund) introduced in the latter part of the tenure of the President JJ Rawlings (NDC). President Kufour (NPP) also introduced several generally positive social interventions. These include:

- The School Feeding Program, designed to increase attendance at the basic school level by providing free meals to attending students
- The Livelihood Empowerment Against Poverty (LEAP), under which the government makes monthly payments to at-risk households identified by the Ministry of Gender and Social Protection
- The National Health Insurance Scheme (NHIS)
- The Savana Accelerated Development Agency, designed to bridge the economic gap between Northern and Southern Ghana.

The Ministry of Gender and Social Protection recently claimed that there were 44 social interventions being managed by the government (Kale-Dery, 2014). Though often underfunded, they are rarely discontinued after a change of government. Rather, social intervention programs introduced by one's political opponents when they held office are often enhanced by the new governments. The NHIS was vastly expanded by Kufuor's successors, and they also added a Free School Uniform and Free Exercise Book social policy interventions to his School Feeding Program. The LEAP has also been vastly expanded. In the 2016 election campaign, the two main candidates advocated for expanding free secondary schooling to an estimated 1.7 million eligible students. Despite questions about Ghana's ability

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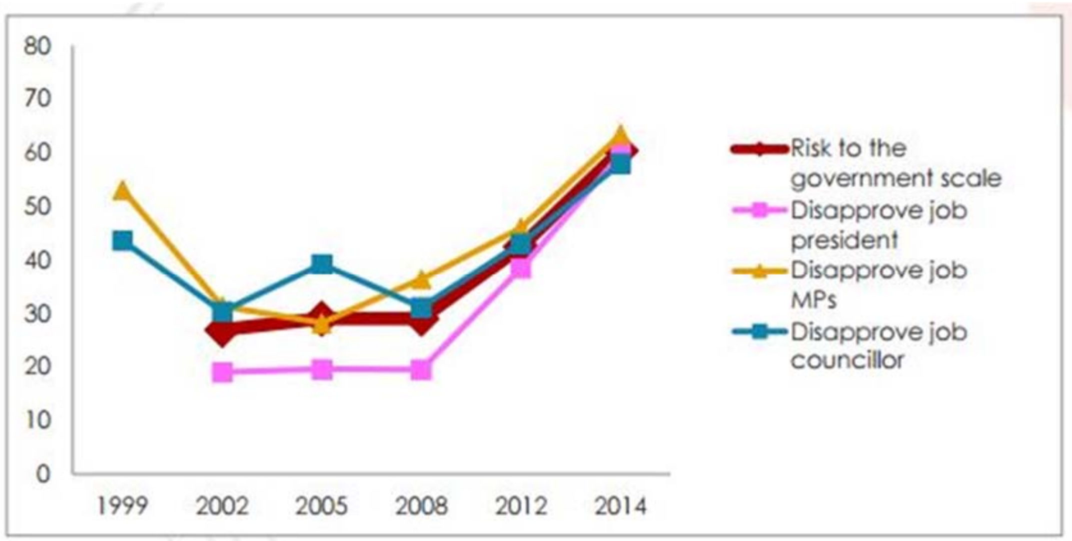
8 A variety of other scholars find evidence of programmatic or performance based voting existing in conjunction with ethnic or clientelistic political behaviour. In Uganda, Carlson found that 'the effects of coethnicity and good performance interact: neither attribute increases support for a candidate in the absence of the other.' Testing voter responses in Sierra Leone with different levels of radio-based political information, Carlson concluded that 'When citizens become willing to cast votes across party lines, politicians respond by attenuating their redistributive strategies in favor of a more equitable allocation of resources across jurisdictions.…Voters are 10.8 percentage points more likely to cross ethnic-party lines in local elections where they have better information about candidates.' Further she found, 'voters become willing to cross party lines when the rival party fields a sufficiently superior candidate, but only if the information environment is rich enough for them to detect and the quality advantage [of candidates is] credible. Such crossing in turn makes party forecasting of vote shares more uncertain and effectively expands the set of competitive or swing jurisdictions.' See more at Carlson, E. (2015). Ethnic Voting and Accountability in Africa: A Choice Experiment in Uganda. *World Politics, 67*(2), pp. 353–385.

to afford the plan, President Akufo-Addo affirmed plans to begin the universal secondary education in September 2017 (My Joy Online, 2017a).

**Figure 2: Disapproval of Political Leaders in Ghana**[9]




*Source:* Bratton, M. & Gyimah-Boadi, E. (2015). Political risks facing African democracies: Evidence from Afrobarometer. *Afrobarometer Working Paper No. 157.*

The importance of programmatic- or performance-based voting is clearer if citizen satisfaction surveys are compared to the timeline of government performance (**Figure 2**). Only about 20 percent of respondents disapproved of Kufour's administration, which coincided with rapid economic growth, relatively sound public financial management, and the creation of national health insurance. However, dissatisfaction with the president's performance, with Members of Parliament (MPs), local councilors and democracy itself rose sharply under the following NDC administrations of John Atta Mills and John Dramani Mahama.

These negative perceptions closely tracked the nation's weakening governance and economic performance, as well as the final 2016 election results. Under the Mills and Mahama presidencies, the nation's debt rose rapidly and annual budget deficits widened, leaving the administrations unable to meet statutory obligations to the GETFund, the NHIS, local government assemblies, and the school feeding scheme. As Michael Bratton and E. Gyimah-Boadi (2015) describe:

> *'The government was dogged by allegations of massive corruption involving the president's close relatives and cronies. Some of the reported kickback schemes, memorably described by a Supreme Court justice as 'create, loot, and share,' go back to Mahama's time as vice president and bear close similarity to abuses experienced under President Mills. Together, these failures of*

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[9] Afrobarometer conducted six surveys of Ghanaian citizens from 1999 to 2014 and two rounds of pre-election surveying in 2016, which illustrate the trends in the chart above. The 'Risk to the government' scale is an aggregate of the three other components listed, which the authors contrast with 'risk to regime', which reflects dissatisfaction with the function of democracy itself, and 'risk to state', which reflects disagreement about the institutional roles of the courts, police and tax authorities. See more at Bratton, M. & Gyimah-Boadi, E. (2015). Political risks facing African democracies: Evidence from Afrobarometer. *Afrobarometer Working Paper No. 157.*

*good governance feed the popular belief that the benefits of Ghana's recent economic gains have gone to enrich political insiders.'*

Kufour gained popular credit for launching the NHIS, a youth employment program and efforts to standardize civil service wages and job classifications, which had the effect of raising the government's wage bill by 30 percent. However, the full long-term cost of these programs was not immediately apparent, which contributed heavily to the growing budget crisis under Mills and Mahama.

Negative views of Mahama's performance may be partially explained by unrealistically high expectations created by the discovery of oil, which began to be exported in 2011. Seven in ten Ghanaians in 2014 thought the government had been ineffective in using oil revenues to improve living conditions. Electricity access, which expanded under Kufuor, was increasingly affected by blackouts. Positive citizen views of government's performance in electricity provision plunged from 76 percent in 2008 to 48 percent in 2012 and 23 percent in 2014. Dissatisfaction with the workings of democracy itself followed a similar path—from an average of less than 16 percent of the adult population through 2008 to 25 percent in 2012 and 35 percent in 2014 (Bratton & Gyimah-Boadi, 2015).

The swing voter phenomenon and Ghana's *de facto* two-party system allow the electorate to hold political actors accountable for their stewardship to a degree unusual in Africa. Even if only a small number of voters choose to punish a regime, they can be decisive. As a result, no party goes into an election confident of victory. This has some positive outcomes for governance and incentivizes the production of some public goods, but it also has some negative consequences.

It is important to note that Ghana is an equivocal success—despite such positive demand signals from voters, clientelism and power preservation have worked behind the scenes to consistently weaken Ghana's finances and undermine its ability to deliver public goods. That subversion is constantly in tension with developmental goals. Therefore, it is necessary to unpack the mix of motives affecting voters and political actors to identify forces sustaining and subverting development.

## 3.4 History, Ideological Cleavages Sharpen Voter Choices

Ideology has been a significant, if soft, factor in defining and channeling political competition. From colonial times, Ghana has had two main ideological camps that are reflected in political party platforms and animate policy choices. Kwame Nkrumah broke from the more conventional United Gold Coast Convention (UGCC) and won by staking out a clear, bold vision based on socialism and state-centric development. His Convention People's Party was eclipsed by coups, but its position as champion of the poor and working class was reconstituted by Rawlings through the NDC party. The NDC no longer champions socialism but emphasizes what resembles populist social democratic politics with less emphasis on business and fiscal balance. On the right, the NPP is the inheritor of the UGCC's coalition of urban, business and professional interests, which first Nkrumah and later Rawlings sought to marginalize or repress.

Like Nkrumah, Rawlings positioned himself as defender of the poor, rural and less well educated and backed that claim with significant policies. As Jonah (1998) noted, 'Rawlings is presented as the politician who stands for the ordinary Ghanaian…he is also given great credit as the one politician in Ghana's recent history who has improved the living standards of Ghana's rural population in many parts of the country.' In particular, Rawlings pushed a decentralization program that professed to bring real resources to local governments to counterbalance elite urban domination.[10]

Rawlings arguably succeeded because of the contradictions he embraced. He was decisive, aggressive and militant, espousing radical rhetoric that appealed to followers of Nkrumah's tradition. Perhaps out of fiscal necessity and lack of options, Rawlings embraced austerity reforms backed by the IMF that brought user fees and cutbacks to many public sector programs. In doing so, he restored stability and kept international funding flowing, but also created space for the NPP to offer sharply distinct policy promises that appealed to voters.

For some time, Rawlings could claim the mantle of decisive action against corruption. However, by the end of his two decades in power, corruption, hostility to business, and ineffectiveness altered his earlier reputation. In effect, he had worn out his welcome, and in 2000, voters sought change through the NPP.

## 3.5 No Restraints on Executive Dominance

Ghana's political system also suffers immensely from a constitutional design that vests a significant amount of power in the executive, which also contributes to its recurring economic and fiscal crises. The legislature is comparatively weak and unable to act as a check on the executive, especially in financial matters. The executive can essentially get any law that it wishes passed. Parliament is unable to initiate legislation or change the spending proposals submitted by the executive. Under Article 108 of the 1992 Constitution, only the president can introduce legislation that has any effect on finances or taxes—a provision that prevents Parliament from enacting laws that might check presidential power because every law has financial implications. The same provision also makes it effectively impossible for the opposition to introduce their own legislation or amend legislation under debate.in. As Asante (2014) notes, 'This has the effect of subordinating Parliament to the Executive in financial matters, something which upsets any viable system of separation of powers' and vitiates parliament's ostensible control of the public purse' (pg. 17).

With a large cabinet drawn from within Parliament and the president's ability to demand loyalty of that cabinet, he also has substantial control of parliamentary direction. Gyampo and Graham (2014) offer the example of President Mills' cabinet appointments, 'the Majority Leader, the Majority Chief Whip, and the Deputy Majority Chief Whip who were the front-benchers of the majority side in Parliament, as ministers. These were seasoned and experienced MPs who constantly criticized the Mills administration for its slow pace in fulfilling campaign promises. Soon after they were appointed, they ceased to keep the government on its toes' (pg. 146).

Ghana's judiciary is relatively independent by African standards and has been effective in some instances in checking executive power. However, such checking is hampered by the fact that judges can only enforce existing laws and constitutional provisions. If these laws and provisions are intentionally designed to give the executive an excessive amount of power, the judiciary's ability to restrain the

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10 The later section on decentralization will delve into the particular weaknesses of the Ghana's system of decentralization and the hesitation of central authorities to devolve real power. But in contrast to the situation prior to Rawlings seizure of power, his moves did represent a significant if incomplete overture toward better local control, which helped solidify his rural political base.

executive is limited.[11] It confers extremely broad powers to the presidency that undermine its ostensible checks and balances across branches.

The constitution also gives the executive extensive appointment powers. Virtually all positions of importance in Ghana's governance system is appointed by the executive. The president appoints the heads of all the local government authorities. The executive also has primary responsibility for the appointment of the Chairpersons and members of the Electoral Commission, the National Commission for Civic Education, and the Commission for Human Rights, as well as the Auditor-General, the Chief Justice, and the chief executives and boards of all state enterprises. The constitution of Ghana has created a legal, constitutionally-backed system of patronage. In the words of one commentator:

> *'By law and convention, our president is at one and the same time the nation's chief landlord (in whom is vested all public lands and the power of eminent domain); the chief personnel director (who can summarily make and unmake all manner of public careers, high and not so high); the chief patron (dispensing all manner of largesse and exclusive benefits, from car loans to MPs to lucrative public contracts); the chief deal-maker and -breaker (with the power to negotiate and conclude, make and unmake international commercial contracts); the chief grievance solver (on whose desk all public grievances, including those backed by threats of strike action, that have any chance of quick resolution must land); the chief financial controller (who singlehandedly controls the nation's purse, disbursing public funds according to his preference); chief local governor (whose commands issued directly or through his loyal local agents reaches every corner of his sovereign estate); and, above all, the chief lawmaker (upon whose sole initiative all laws in the land are made and unmade). These multiple hats worn by the president are, of course, quite apart from his customary ceremonial role as head of state, a role that also makes him the nation's chief mourner; the chief conferrer of honors; the chief celebrant'* (Prempeh, 2009).

The effect of these systems of executive dominance is profound. The cost of campaigns and the winner-take-all distribution of power intensifies competition to capture the executive because it gives a political party unfettered access to the state and all its resources. Failure to capture the executive effectively shuts out a political party from governance entirely. It also means that the persons who are appointed in government have strong incentives to respond more to the needs of the appointing authority than to the electorate or to citizens generally. One of the most negative outcome of executive dominance can be seen law enforcement. The president appoints the Inspector General of Police and the heads of all the security services. Predictably, this has resulted in the negative consequence of and extreme difficulty in arresting and prosecuting ruling party actors or members of security services who engage in pro-ruling party, politically-motivated violence. The constitution gives the Attorney-General, who is appointed by the executive and is a member of the Cabinet, direct responsibility for all prosecutions. Thus, there is no independent mechanism for undertaking prosecutions—a cabinet minister (or president) accused of corruption must be investigated and prosecuted by another presidential appointee. Unsurprisingly, this has never happened.[12]

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11 Ghana has had four different political systems based on 1960, 1969, 1979 and 1992 Constitutions, which have embraced elements of British and American designs. The present 1992 constitution has been described as a hybrid of British and American motifs.

12 At the swearing in of 12 cabinet members, President Akufo-Addo pledged to 'protect the public purse' and pass a law creating a special prosecutor independent of the executive and able to prosecute certain categories of corruption cases. See more at Dery, S. K. (2017). Twelve Ministers sworn in. Prez reminds them of NPP's campaign promises. Retrieved from https://www.graphic.com.gh/news/general-news/twelve-ministers-sworn-in-prez-reminds-them-of-npp-s-campaign-promises.html.

## 3.6 Impediments to Reform and Swing Voter Influence

While competition for swing voters would seem to favor improved public services, there are a variety of reasons to undercut their influence:

- **Visibility bias:** Competition for performance-based swing voters pushes politicians to offer new or expanded programs with an emphasis on concrete, highly visible things—clinics, schools, roads, wells—that can offer tangible benefits. In both the health and education sectors, informants noted a strong preference for politicians to launch highly visible, physical facilities, which win votes. This short-term visibility bias builds inefficiency over time. Every new facility built brings budget burdens down the road—many suffer from lack of funding for recurring costs, staff and maintenance,—but future poor performance is a lower concern to politicians than the immediate payoff from promising a new facility to a key constituency.[13]
- **Short-term thinking:** Control of the presidency determines personal and political fortunes. To lose is to be banished from many opportunities. As a result, incumbent and opposition parties scramble to pay for future elections and pay off past political debts. Whether funding comes from illicit or insider government procurements, the businesses involved are tapped to fund campaigns, and seek to recoup their political investments before the next election cycle hits. This thinking exacerbates inefficiency and corruption in public procurement and creates resistance to needed reforms that might limit politically motivated profiteering. Longer-term problems of corruption, low quality public services, fiscal indiscipline (see Section 4 below) and weak procurement systems are widely known but tackling them would require sacrificing short-term political gains and expending capital over a long period before realizing results.
- **Quantity over quality:** With respect to public services, the combination of visibility bias and short-term thinking favor the extension of services, but work against improving the quality of services. For example, building another school is relatively easy with a clear political payoff, but fixing the management and administration of schools to make them work more effectively is difficult, time consuming, and likely to incur hostility from entrenched interests.[14] This can vary depending on the nature of different service delivery sectors, an issue that Section 7 returns to.
- **Lack of citizen information and politician messaging:** Lack of specific government performance information contributes to this short-term visibility bias. Most citizens in Ghana have some access to media but little information on the inner workings of the state or explanations of why state services are not of high quality. Nor are they aware of the technical and administrative reforms that might improve the effectiveness or efficiency of service delivery or the means to demand specific changes. Faced with their own short-term political survival incentives, politicians have little to gain from spending copious time articulating complex service delivery fixes to voters. Politicians have limited opportunities to communicate and must signal intent in broad, simple terms.

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13 Modelling political economy incentives, Mani and Mukand (2007) find that 'visibility effect' motivates governments to over-provide visible public goods and under-provision less visible forms. See more at Mani, A & Mukand, S. (2007). Democracy, visibility and public good provision. *Journal of Development Economics 83*(2), 506-529.

14 On challenges of improving service quality vs quantity, see more at Grindle, M.S. (2004). *Despite the odds: The contentious politics of education reform*. Princeton, N.J: Princeton University Press. On avoidance of difficult reform, see Booth, D. et al. (2005). What are the drivers of change in Ghana? CDD/ODI Policy Brief, 1.; Killick, T. (2008). What Drives Change in Ghana? In E. Aryeetey and R. Kanbur (Eds.), *The Economy of Ghana: Analytical perspectives on stability, growth and poverty* (pp. 20-35). Woeli Publishing Services; Killick, T. (2010). *Development Economics in Action: A study of economic policies in Ghana* (2nd ed.). London: Routledge.

- **Executive dominance and agenda control:** In a system in which the power and initiative for reform rests largely with the presidency, citizen action to obtain change is impeded by executive dominance of the legislative process and government agencies. Ghana has seen many successful popular protests that resulted in policy change, but these have been about blocking a change rather than advancing an affirmative agenda of specific reforms or administrative changes. When these occur, they tend to flow from donors, academia, specialist research or advocacy organization, or from within the executive branch in response to presidential decisions. At present, there are many thoughtful research bodies and citizen organizations that have critiqued problems with the budget, control of oil revenue, public procurements, corruption, and health and education issues. However, proposals that flow from specific, high visibility scandals gain more attention. The executive has frequently expressed sympathy for reformist sentiments and, conversely, delayed action on specific proposals. For example, the 1992 Constitution includes a provision for freedom of information, but both NDC and NPP governments have ignored calls to pass an enabling law.[15]

- **Political organizers and campaign funds:** Politicians recognize the risk of losing performance-based swing voters as they face a strong pull in the opposite direction from core supporters and party organizers. Satisfying these latter groups has traditionally been done through patronage, favors, courting factional and ethnic leaders, and making promises to local and regional leaders. Keeping key factional, regional, and ethnic leaders working for the ruling party creates a powerful incentive for incumbents to exploit their positions in illicit ways. Core party supporters also want attention and benefits. Incumbents need to use control of state and state-owned enterprises to raise campaign funds and divert benefits to organizers and supporters. This can result in corruption, which undermines performance. It also reinforces visibility bias, leading to a partiality toward public infrastructure programs that further contribute to unsustainable annual budget deficits.

  Whitfield (2011) notes that national parties have factional leaders at two levels: (1) the national-level party and local- or sub-national-level, which includes party delegates who choose parliamentary and presidential candidates and (2) constituency-level party whose members help deliver votes. Satisfying these foot soldiers requires funding and the short time in office leads politicians to focus on recouping political investments and earning enough to fund the next wave of competition. As political competition has intensified and the risks posed by swing voters has become clear, party organizers and foot soldiers gained strength in bargaining with national leaders. The National Youth Employment Scheme of 2005 and the Microfinance and Small Loans Centre (MASLOC) micro-credit schemes were created and administered in partisan ways as payback to party foot soldiers. When the NDC regained power in 2008, it redirected these programs to reward its loyalists (p. 38).

  The breadth and depth of schemes to profit from the state through ghost jobs, abuse of loan programs, insider procurement scams, and supply contracts has serious implications for development. While democracy and the competition to win over swing voters demand programs and evidence, the demands of party and clientelistic support are inherently duplicitous and covert.

- **Parties Distort Business Interests:** Ghana's political leaders have a long tradition of seeking to repress business (viewed as supporting opponents), while cultivating subservient party-friendly businesses that are dependent on the state and willing to finance the party. Whitfield (2011) and Ninsin (1998) noted that the Rawlings government felt threatened by Ghanaian businesses and actively sought to weaken them, which in turn helped strengthen the NPP. In this, Rawlings followed

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15 A bill was drafted in 2003 and presented in parliament in 2005 but has not been passed, although criminal liable and sedition laws were removed from the books in 2001. See more at Freedom of the Press. (2015). Retrieved from https://freedomhouse.org/report/freedom-press/2015/ghana.

a strategy first employed by Nkrumah, who also saw business as a threat and sought to suppress businesses seen as loyal to the opposition, while cultivating businesses linked to the state and ruling party. Businesses that accept such a role invest in politics with an expectation of future returns, such as insider deals to sell goods, services, or infrastructure at higher prices than obtained from a competitive, non-partisan business that is not taxed to fund a political party. Businesses that thrive under such conditions learn to ply political contacts rather than invest in new technologies or trainings to be more competitive.

## 3.7 Perspectives on Reform and Sources of Dynamism

The patterns discussed above are evident in both NPP and NDC governments, but the parties appear to have behaved somewhat differently in office, and voters responded differently. When Kufour took over from Rawlings in 2000, voters were euphoric that Rawlings finally let go of power and respected the results. Their satisfaction with Kufour and democracy under his administration may have been a partial reflection of hope that the country had finally left behind the instability of times past. However, the economy did thrive, and new public goods programs were popular. Kufour was fortunate to govern through a period of buoyant commodity prices, rapid economic growth, and debt forgiveness.

There is a major asymmetry between strategies during periods of economic prosperity and downturn. It is easy to campaign on and launch tangible benefit programs when cash is readily available. However, in downturns, it is hard to get voters excited about plugging holes in the budget. News about oil revenue, corruption, and fiscal crisis also combine into a narrative that fiscal crisis exists *because* of corruption to explain why there is a fiscal crisis despite the apparent stream of new money from oil.

The Mills and Mahama administrations suffered significant falls in commodity prices that reduced the value of the local currency. This resulted in imported inflation and lower revenues, which widened budget deficits. Instead of using oil revenue to pay down debt and offset lost revenue, Mahama used it to secure massive new debts (much at non-concessional rates), contributing to a budget squeeze that began to alter both voter and government calculations. After a spike in 2018, medium term projections still foresee a debt-service to revenue ratio of above 30 percent (IMF, 2018).

A significant piece of the fiscal crunch is also related to the effort begun by Kufour to convert all public sector employees onto a ‘single spine’ system of job classifications and standardized levels of pay. That effort coincided with the availability of oil revenues, which boosted public perceptions that the government would be flush with cash and could afford higher wages. Such expectations affected the ensuing wage negotiations and the ensuring implementation of the single-spine resulted in a large increase in the public wage bill, making it the largest component of the national budget, peaking at 62 percent of tax revenue and 30 percent of total government spending in 2013 before declining slightly thereafter (World Bank, 2017a).

Debt financing can be thought of in two parts. As revenues and commodity prices decline, annual budget deficits widen, and debt can fill the gap. This is not ideal but may have been seen politically as a way to offset the adverse effects of lower revenue. The second part involves the specific deals to mortgage oil revenues to back borrowing for infrastructure and electricity production. Some of the oil deals themselves and the debt built from them were not on advantageous terms.

As the crisis intensified, it is possible that Mahama felt that he had lost the urban vote soundly, with little hope of winning it back. Therefore, he may have doubled down on mobilizing voters in the more sympathetic rural areas. It is also possible that oil-based expectations and Mahama's populist campaign promises contrasted too sharply with reality, leaving voters more disenchanted with government performance than they might have been without the promise of oil. Whether heightened expectations were realistic or not, they can significantly alter the strategic calculations and decisions of voters.

Going forward, the new NPP government will likely benefit from a honeymoon period in which the public will assume the present fiscal problems are not of the NPP's making, but this will diminish with time. In political terms, citizens can get excited about new benefits and programs and push back when benefits are taken away, prices are hiked or taxes increased (**Box 1**), but rarely do they speak up about the technocratic and constitutional changes that Ghana needs. As a result, the NPP may not realize much benefit from administering bitter fiscal remedies. At best, maintaining a tight grip on spending and reducing debt may restore market confidence and help reduce borrowing costs over time. Given the highly negative survey findings on public corruption, the present administration will likely find the public more receptive to tax hikes if they were preceded by significant efforts to crack down on corruption.

***Box 1: Tax Hikes As Catalyst for Grievance***

Ghana's history with tax hikes suggests that they can be perilous because they can deeper discontents. By the early 1990s when discontent with the Rawlings administration was growing, efforts to raise revenues stimulated protests that offered a tangible way to show discontent and helped fuel the movement for political liberalization. Prichard (2009) notes that when the Rawlings administration sought to raise revenue by cracking down on under invoicing by petty traders bringing goods from Nigeria, the traders organized and protested. Likewise, the Ghana Union Traders' Association (GUTA), a relatively significant political actor, was formed around mass protests in 1989 to respond to new municipal market taxes. Yet, more important than these early mobilizations were the responses to the fuel price increases of 1993 and the introduction of VAT in 1995. The second fuel price increase in 1993 was rejected by the NDC controlled Parliament due to popular opposition, and also led the executive to rethink the hierarchical nature of policymaking. More dramatic were the fatal Kume Preko protests against the introduction of the VAT in 1995. These protests made it clear that the government could not continue to govern without opening the political process and inviting deliberation (pg. 1-44).

Legitimacy matters both for government needing to bring citizens and opposition along with its plans. Rawlings and NDC legislators succumbed to tax protests because they saw the protesters as having legitimate grievances. Notably, while Rawlings was unable to end fuel subsidies, the NPP government was able to do it relatively easily when it took office in 2000. Similarly, Rawlings faced large-scale protest over VAT taxes, but later increases in VAT went ahead easily once political liberalization occurred, underscoring the key point that debates about taxation are linked in citizen minds to wider issues. As Prichard notes:

> *'The protests were not about the tax, so much as the tax was a flashpoint, or a spark, which helped to unleash and catalyze much broader grievances. The second lesson is that political parties and political elites loom very large. While the VAT protests involved upwards of 100,000 people, the leadership of the opposition political parties was at the very centre of these efforts, with Nana Akufo-Addo, the current NPP Presidential candidate, often cited as the leader among many. Whether or not the protests would have enjoyed anywhere near the same success in the absence of these leading politicians is very much open to doubt'* (pg. 24).

The VAT rates increases in 2000 and 2003 are also related to the conscious political strategy to link or earmark some of the increases for education and health. These earmarks helped assure the public that the money was for a needed purpose. It is unclear whether another VAT increase would be accepted in the same way, given that political leaders have stoked expectations that oil revenue is the answer to funding shortfalls.

## 3.8 Oil Revenue Management Undermined by Politics

Although Ghana has consistently missed its revenue targets (discussed in Section 4), it is important to consider here that the management of oil revenues, where executive dominance and political incentives combine, have led to negative results. Both parties in the 2016 election claimed that they would address funding problems in health and education through oil revenues, continuing with the practice of over-promising what oil can fund. Political decisions associated with oil have resulted in very little direct budget relief from oil income. Much has been redirected to debt and spread thinly among many investment projects that appear to have been conceived to spread benefits for political returns rather than in pursuit of a coherent strategy.

The Public Interest and Accountability Committee (PIAC) report for the first half of 2016 notes that oil production was down 40 percent over 2015 and gas production down 38 percent, in part due to equipment problems forcing sustained shutdowns (PIAC, 2016). The average price realized from the Jubilee oil field was USD 40.21 compared to the benchmark USD 53.03. Overall petroleum revenues of USD 126 million were down 55 percent in the first half of 2016 compared to the first half of 2015. Ghana Gas, which provides gas to electricity producers, was able to collect only 16 percent of the USD 104 million it was owed for January through June production. This reflects the continuing inability of state-owned enterprises to pay their own way. The Volta River Authority (VRA) alone accounts for 90 percent of the USD 340 million unpaid revenue due to Ghana Gas. Despite high hopes for oil, it contributed only USD 45 million to the budget.[16] The first-half disbursement to the Ghana National Petroleum Company (GNPC) was USD 21 million, which for the first time since production began, was insufficient to cover the USD 30 million financing costs of constructing the Jubilee field. PIAC notes that government agencies are increasingly borrowing directly from the Ghana National Gas Company (GNGC), which is endangering its ability to service the USD 1 billion loan taken out to build the Atuabo Gas Processing Plant. All petroleum revenues are supposed to flow into the Petroleum Holding Fund for subsequent distribution to other funds and purposes. Borrowing directly from GNGC bypasses that system and reduces available revenue flows.

Many actors in Ghana's civil society, media, and government are aware of the challenges with oil revenues, and there was a vocal campaign to construct systems to guard against misuse of oil revenue. This resulted in the 2011 Petroleum Revenue Management Act (Petroleum Revenue Management Act, 2011), which created several statutory funds set aside a portion of the revenues for future budget needs. The act also created transparency and accountability systems, including an independent panel comprised of civil society and the PIAC, which reports semi-annually on revenues and their use.[17] Ghana also is a member of the Extractive Industries Transparency Initiative, which engages in a variety of communication initiatives including the distribution of key findings and audit reports through the media.

Advocates for transparency assume that the release of information translates into accountability and curbs on bad behavior. Although Ghana releases a substantial amount of information on the internet and the PIAC reports are thorough and critical, Ofori and Lujala (2015) note that the information does not reach ordinary citizens. The formal transparency system also has not prevented significant violations of the letter and spirit of the law nor resulted in meaningful punishment for those violations. Ofori and Lujala surveyed villagers who had some information on the oil industry but expressed fear that the

[16] Oil revenue flows through what is known as the Annual Budget Funding Amount (ABFA), which is the heading appearing in budget statements.

[17] PIAC semi-annual and annual reports are available online at http://www.piacghana.org/portal/5/25/piac-reports

government would be angry or punish people for asking questions. They also expressed uncertainty about what to do with oil revenue information or how to affect change.

## 3.9 Summary

Ghana's political leaders feel intense pressure to compete for swing voters who are motivated by performance of their administrations. But leaders also depend on a variety of factional leaders, party organizers, foot soldiers, and collusive businesses that fund the party in exchange for lucrative deals enabled by control of government. There is significant tension between the ability to deliver programs to satisfy voters and the ability to fund party loyalists, whose activities significantly undermine state effectiveness and fiscal control. An excess of executive power over the legislative agenda and of financial matters also means that Ghana lacks any effective separation of powers or checks and balances that might restrain executive branch temptations to abuse power to retain office. Ghana's corruption, fiscal crisis, and poor management of the oil and power sectors were all key issues driving the 2016 election.

The new administration will be under pressure to continue implementation of an austerity plan backed by the IMF, but the political backlash from that austerity has not yet been felt. Further budget cutting will be needed just to get annual budget deficits to sustainable levels, and this will divert attention from the underfunding of the health and education sectors. However, the extent of the fiscal crisis may provide the political cover needed to raise revenues. It is unknown how the new administration will approach allocation of those revenues to particular sectors or if it will dedicate all to deficit reduction. The decision may also be forced by the international prices for oil, gas and cocoa. It is unknown if or how Ghana will process and learn from the present fiscal crisis, and whether any lessons will motivate better fiscal and corruption controls or spark protests against austerity, motivating political leaders to take more populist, less reformist positions.

# 4. FISCAL AND ECONOMIC MANAGEMENT

The political economy of health and education in Ghana cannot be separated from the wider budgetary context. Both sectors will be affected by difficult economic conditions and assisted by growth and sound public financial management. For the past decade, Ghana's economic story has been one of growth undermined by rapidly rising debt and worrisome annual budget deficits.

This chapter has two major sub-sections. The first outlines the major proximate causes of Ghana's debt and deficits. The second outlines the national budget setting process, which is a necessary foundation for understanding and considering possible responses to support funding for health and education.

## 4.1 Key Findings in this Section

- It is important to place any discussion of additional resource allocation to social sectors in the context of the recent deterioration of Ghana's fiscal position, and the substantial risks due to weak revenues and persistent current account deficits.
- Five key drivers of these economic conditions exist, including:
  - Presence and impact of politically driven deficit spending tied to elections
  - Continuing negative effects of the nation's electricity crisis, which has undermined economic activity and tax revenues
  - Contribution of the state-owned enterprise (SOE) debt crisis to the challenging fiscal environment
  - Severe and continued fiscal pressure as consequence of the move to single spine wage system
  - Contribution of weaker than anticipated oil, gold and cocoa exports, and the slow fiscal and policy response to adverse economic conditions and commodity price fluctuations contributing to fiscal deficits
- The presence of important and, in many cases, enduring discrepancies between the formal budget process as envisioned in law and the *de facto* realities of the macro budget, including:
  - Consistent disconnects between revenue forecasts and budget plans
  - Poor adherence to public financial management rules resulting in large off-budget expenditures.

## 4.2 The Size of the Fiscal Problem

In 2011, Ghana achieved real GDP growth of 14 percent, amongst the highest in the world, which was propelled by the discovery of newfound oil. Since then, Ghana's GDP growth has slowed considerably, with projected GDP growth of less than four percent this year—the smallest in almost two decades (IMF, 2016).[18] Ghana's deficit, debt, inflation, and foreign exchange positions have all been weakening as well.

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18 The IMF calculation of debt to GDP at end of year 2016 was 74 percent, which differs slightly from the Jubilee calculation of 78 percent as of April 2016.

Instead of reducing deficits and debt, Ghana has rapidly accelerated its borrowing since discovering oil. Debt expanded from 10 percent of GDP in 2006 to 78 percent of GDP in April 2016 (Jones, 2016). In a 2014 analysis, the Bank of Ghana noted that the escalation of debt after 2006 'exposed the inherent structural weakness in Ghana's fiscal policy regime, including revenue mobilization capacity and poor public financial management systems, in spite of significant reforms in these areas. The surge in government debt to GDP ratio since 2006 is largely attributable to persistent expenditure overruns despite government's resolve to vigorously pursue fiscal consolidation as stipulated in the successive annual budget statements' (Asiama, Akosah, & Owusu-Afriyie, 2014). The fiscal deficit was consistently around 12 percent of GDP from 2012-14, but declined to 7 percent in 2015[19].

Under the IMF-backed fiscal consolidation plan, Ghana was supposed to be on track for a deficit of 5 percent of GDP in 2016, but a January 2017 IMF visit revealed an unplanned USD 1.6 billion budget gap due to lower revenues and 'significant public spending commitments that bypassed public financial management systems' (Dontoh & Dzawu, 2017). As a result, the fiscal deficit shot back to 9 percent of GDP. Fitch, the credit rating agency, put a negative outlook on Ghana's B sovereign rating, noting that 'Ghana's track record of large budget deficits, running up arrears, and fiscal slippage around elections, meant that risks to our forecast were heavily weighted to a wider deficit' (Ghana Web, 2017). Fitch had already downgraded its rating for Ghana's debt in October 2013, which was followed by downgrades of Standard and Poor's ratings in October 2014 and Moody's in March 2015, respectively (Yonga, 2013; My Joy Online, 2014; Moody's Investors Service, 2015).

The Jubilee Debt Campaign UK contends that Ghana is now borrowing significantly just to meet its interest bill on past borrowing. With USD 19 billion in external debt and another USD 9 billion in domestic debt, Ghana owes significantly more now than it did before it won international debt forgiveness in 2007. Debt service now consumes 30 percent of revenue (Jones, 2016).

To deal with its fiscal crisis, the Government of Ghana (GoG) entered into a three-year fiscal consolidation program with the IMF from 2015–17. The IMF will disburse close to USD 918 million to Ghana under this program (IMF, 2015a), which calls for Ghana to raise revenue and cut expenditure aggressively while improving many elements of its public financial management. Thus, any effort to expand funding to health and/or education would have to fit within this larger budgetary picture.

## 4.3 Proximate Causes of the Debt Crisis

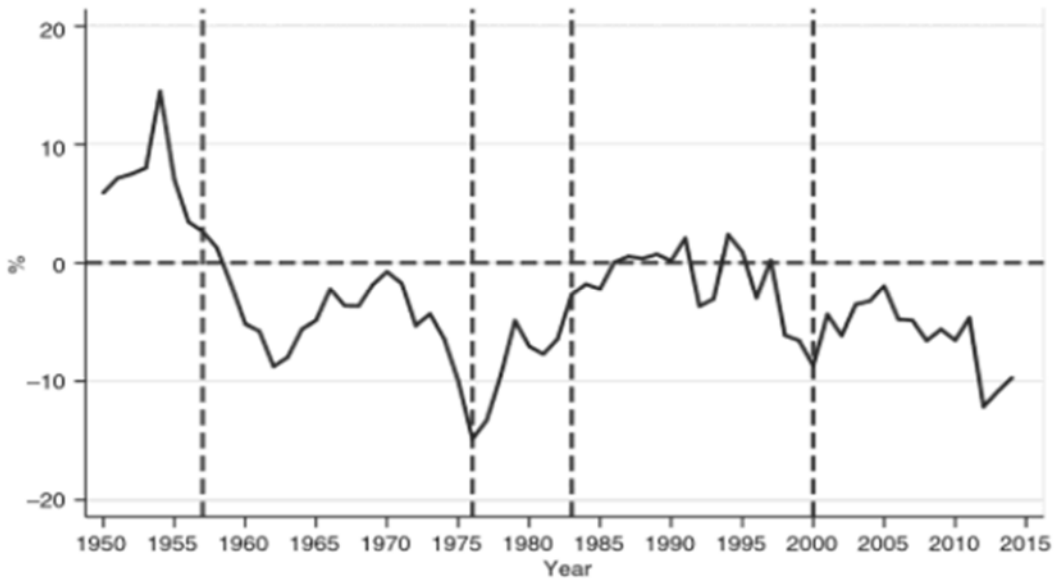
Below are the key fiscal drivers that help shape the context within which resource allocation decision, including those for health and education, are made.

- **Election driven deficit cycle:** Ghana has a history of higher inflation and spending as elections approach (**Figure 3**). Osei and Telli (2017) found that since the early 1990s, 'during election years (every four years), the government runs a relatively large budget deficit driven by higher government spending rather than low revenues, then it spends the next two or three years consolidating the budget and reducing the deficit, after which it increases the deficit again in the year of political elections'—this pattern of fiscal deficits has harmed economic growth (p. 73). The Bank of Ghana echoes the conclusion that the country's fiscal pressures are 'largely driven by fiscal excesses during election cycles' (Asiama, Akosah, & Owusu-Afriyie, 2014). There is some concern of a revenue side

[19] Deficit figures for 2012-2014 are from Jubilee Debt Campaign UK, but the percent for 2015 is from IMF Article IV consultation. See more at IMF. (2016). Ghana: Third Review Under the Extended Credit Facility Arrangement and Request for Waiver for Nonobservance of Performance Criteria, and Modifications of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Ghana. *IMF Staff Country Reports, 16*(321), 1. doi:10.5089/9781475543582.002

effect as well, with fear of voter punishment and the imperatives of maintaining the ruling coalition has led successive governments to resist upward revision of petrol prices when international oil prices rise, particularly in advance of an election (Whitfield, 2011, p. 23).

**Figure 3: Ghana's fiscal deficit 1950-2014 (% GDP)**




*Source:* Aryeetey, E. and Kanbur, R. (Eds.). (2017). *The Economy of Ghana Sixty Years after Independence.* Oxford: Oxford University Press.

- **The Energy Crisis:** Ghana has been grappling with an energy crisis since 2014. This is not a new phenomenon—Ghana appears to experience a major energy crisis every decade (Nyarko, 2017). The 2014-15 crisis was triggered by accidental damage to the West African Gas Pipeline,[20] which disrupted gas flows from Nigeria to numerous gas-operated energy producing facilities in Ghana, causing a shortfall in supply. However, the crisis was exacerbated by the ongoing fiscal and revenue crisis faced by the government. The obvious answer to this problem was to convert the gas-powered plants to fuel powered plants. However, this made them much more expensive to run as this required the government to buy fuel to operate the plants, and the government's ongoing financial crisis precluded this as a solution. Also, though the Jubilee fields had started producing natural gas, policy indecision and confusion delayed efforts to connect the Ghana's own domestically produced gas to the West African Gas Pipeline. Thus, the government's response to the disruption in gas flows was to increase output from the Akosombo Hydro Electric Dam to unsustainable levels.

  Exact figures are difficult to verify, but it is clear that Ghana's fragile industrial sector has been gravely impacted by the crisis. The Institute for Statistical, Social, and Economic Research (ISSER), a think tank at the University of Ghana, in its latest Ghana Social Development Outlook report estimates that the power crisis is costing the Ghanaian economy between USD 320 million and USD 924 million (excluding indirect costs), or between two percent and six percent of GDP every year (Ghana Power Compact, n.d.).

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20 The financial burden of the disruption of the West African Gas Pipeline has fallen on the Volta River Authority (VRA). The VRA has been compelled to borrow heavily from Ghana's local banks to buy fuel to power the generators which were hitherto running on much less expensive Nigerian gas. VRAs debts are now estimated to be as high as $350million.

Whitfield (2011) notes party interests also drives collusion that undermines the oil sector: 'An example is the scandal over the 3.5 percent stake in the Jubilee oil field by EO group, a Ghanaian company headed by two NPP members close to President Kufuor that had no track record in the oil business. EO group is credited with getting the US-based Kosmos Energy a stake in the Jubilee oil field, and in return Kosmos gave EO group a 3.5 percent equity stake in its operations (with the cost covered by Kosmos). President Kufuor gave Kosmos better terms on its exploration contract than those secured by Tullow, another oil exploring firm, in an adjoining oil block.'

- **The State-owned enterprise (SOE) debt crisis:** As suggested above, Ghana's energy crisis was in part, a revenue crisis. The state itself and key state agencies faced financial and/or management difficulties which prevented them from responding effectively to this crisis. For example, the Electricity Company of Ghana (ECG), a state-owned utility, appears to be in a state of perpetual financial crisis. It loses tens of millions of dollars every year, which are caused in part by its tariff regime for residential customers, which are below the cost of generation. Thus, government and industrial/commercial customers have had to subsidize fuel to residential customers. The ECG also has challenges accounting for the revenue generated from a significant amount of the power it generates. In some years, up to 25 percent of the power it supplies cannot be accounted for. One potential solution for the reduction of the ECG's fast increasing debt levels is for the Public Utilities Regulatory Commission to authorize tariff increases to levels that permit the ECG to at least charge residential customers for the full cost of the electricity supplied to residential users. However, this is unlikely to happen as successive governments have appeared unwilling to pay the political cost of this act. The present government, to its credit, appears committed to privatizing the ECG, which may address the perennial management and profitability challenges which it faces. Ghana has acceded to a second round of financing under the United States Millennium Challenge Account program, which will be used to settle the debts of ECG and support its eventual privatization.[21]

  To reduce the government's excessive debt portfolio, government has taken steps to remove the debts of SOEs from the government's books and permit the SOEs to borrow on their balance sheets. The Ghana Ports and Harbors Authority (GPHA) and the Ghana National Petroleum Company (GNPC) have been the swiftest to take advantage of this new government policy. The GPHA recently announced a USD 1.5 billion port and transport infrastructure project in Tema and is in the bidding stages of a similar but less ambitious project in Takoradi.[22] The GNPC recently obtained a loan facility worth USD 1.2 billion from Deustche Bank. Other SOEs whose debts have had a deleterious impact on fiscal stability in Ghana include the Tema Oil Refinery and the Ghana Gas Company. As part of its requirements for fiscal consolidation, the IMF compact has restricted the government's ability to provide sovereign guarantees for additional debts for the following government agencies: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) GRIDCO; (vii) Ghana Water Company Limited. The activities of these SOEs, including their debt

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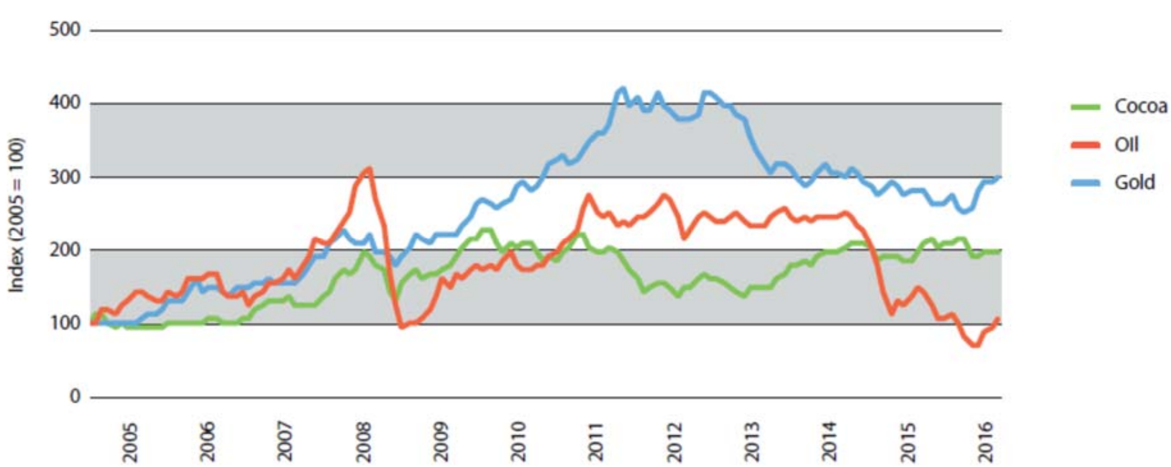
21 Specifically, funds were awarded for the purpose of an ECG Financial and Operational Turnaround Project, consisting of five activities (listed below) that, taken together, are intended to: 1. Reduce implicit subsidies (created by losses, under-pricing and under-billing). 2. Ensure that ECG runs on sound commercial principles to become creditworthy and serve as a credible off-taker under power purchase agreements. 3. Ensure that ECG recovers its costs and invests in maintenance and expansion without requiring regular financial support from the Government. The ECG Financial and Operational Turnaround Project pursues a two-pronged approach – strengthening the governance and management of ECG by bringing in an Acceptable Concessionaire and infrastructure and foundational investments designed to reduce technical, commercial, and collection losses and improve service quality. See more at Ghana Power Compact. (n.d.). Retrieved from http://www.mida.gov.gh/pages/mca-program#fndtn-ecg-financial-and-operational-turnaround-project

22 See more at Allotey, G. A. (2016). $1.5b Tema Port Expansion Project Begins Next Month. Retrieved from http://citifmonline.com/2016/09/02/1-5b-tema-port-expansion-project-begins-next-month/

burden, hiring practices, management committees, are of immense interest to the IMF. Under the current IMF facility, the GoG will submit annual and quarterly reports on this matter.

- **Public sector pay reforms:** The GoG had been negotiating a new salary with public sector workers unions for several years and in 2012, the Single Spine Pay Structure was implemented. The primary objective of this reform was to rationalize pay scales across the public sector. The rationalization resulted in pressures for pay increases from the unions, particularly when the members of one of the earliest public sector agencies affected by the new salary scale—the Ghana Police Service—received significant pay increases. The demands made by public sector workers to be placed on the new salary scale were compounded by the fact that the Single Spine Increase was being implemented in an election year. The government succumbed to political pressure and approved salary increases which led to a dramatic increase in the government's wage bill, which became as high as 70 percent of government revenue. Though the government has taken diligent steps to reduce the size of the wage bill (e.g., by freezing all hiring in the public sector except for health), in 2015 it was still close to 50 percent of government revenue (GoG, 2016a). Nevertheless, public debt reached 58 percent of GDP at the end of 2013.
- **Collapse in commodity prices:** Part of the reason the GoG succumbed to pressure from the trade unions and dramatically increased public sector salaries was a belief that commodity prices for Ghana's principle exports would remain high. With the exception of a downward adjustment in 2008 (largely in oil), commodity prices had been increasing steadily since the mid-2000s, and there was nothing to indicate that this would not continue to be the case (**Figure 4**). However, triggered by growth reductions in the Chinese economy, gold, oil and cocoa, Ghana's three economic mainstays, all experienced price collapses. The three commodities make up 80 percent of Ghana's exports and contribute a significant portion of revenue. The collapse of the gold price cost the government USD 2 billion in revenue, while shocks in cocoa prices have resulted in losses of more than USD 1 billion in revenue (IMF, 2015b).

**Figure 4: Index of Cocoa, Gold and Oil Prices**




*Source:* Jones, T. (2016). The Fall and Rise of Ghana's Debt: How a New Debt Trap has been Set. Jointly published by the Integrated Social Development Centre Ghana, Jubilee Debt Campaign UK, SEND Ghana, VAZOBA Ghana, All-Afrikan Networking Community Link for International Development, Kilombo Ghana and Abibimman Foundation Ghana. Retrieved from http://jubileedebt.org.uk/wp-content/uploads/2016/10/The-fall-and-rise-of-Ghanas-debt_10.16.pdf

## 4.4 Summary

It is critical that sector specific discussions (Section 5 and 6) are held in the context of an understanding of the wider fiscal drivers identified above. The paper returns to this point several times below, but the critical takeaway is that analysis of the macroeconomic picture confirms that a variety of social interests currently compete for scarce funds in Ghana. This means hard choices are being made at different levels of administration regarding the use of limited resources, and although this is always true to some extent in any country, the current fiscal picture in Ghana requires this to inform any discussion of domestic resource mobilization and allocation.

# 5. POLITICAL ECONOMY OF HEALTH SECTOR ALLOCATION AND EXPENDITURE IN GHANA

Ghana's health system is recognized internationally for making significant advances and for being one of the first countries in Sub-Saharan Africa to launch a national health insurance system in 2003.[23] However, the Ministry of Health's (MoH) most recent review stated that the 'financial challenge of the sector is immense' and that financing the NHIS, the core of Ghana's health financing system, 'has become an emergency' (MoH, 2015).

Ghana's shift from its 'cash and carry'[24] system to national insurance began with apparent promise, but the design of the NHIS did not fully account for its long-term financial sustainability. The NHIS relies heavily on earmarked revenues as a funding source, which has underperformed as macroeconomic growth has slowed. Insurance premiums are paid by only a minority of members, even as the NHIS continues to enroll more premium exempt participants into the scheme. Operational inefficiencies and fraud have further exacerbated the financial management of the NHIS, resulting in an ongoing budget deficit since 2009.[25] This imbalance is currently being covered with debt, and the NHIS is accumulating significant arrears owed to health providers. In recent years, many facilities have reported that they have not received payments for up to eight months, and recent media reports have suggested that the NHIS has total debt of GHc 1.2 billion as of March 2017 (Presidential NHIA Technical Review Committee, 2016).[26] Faced with serious cash shortfalls, many facilities are resorting to charging user fees to sustain operations, which has resulted in household out-of-pocket spending[27] reaching approximately 27 percent of total health spending in 2014 (World Bank, 2018).[28] As noted in the analysis of the fiscal picture in the

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23 NHIS was created in law in 2003 and began operating in 2005.

24 Although there was a 'free health care policy for all' from 1957-1966 under Kwame Nkrumah's presidency, user fees paid by patients at the point of service (also known as 'cash and carry') was the prevailing form of payment until the introduction of the NHIS in 2003. However, between 1992 and 2003, there was some gradual experimentation with community-based health insurance with approximately 160 established by 2003. Ghana built on this existing foundation of health insurance as it implemented the NHIS. See more at Blanchet, N. (2016). Building on Community-based Health Insurance to Expand National Coverage: The Case of Ghana. Retrieved from https://www.hfgproject.org/building-on-community-based-health-insurance-to-expand-national-coverage-the-case-of-ghana/

25 The NHIS was able to use its cumulative reserves to balance out the deficit between 2009 and 2012, but since 2012, NHIS has experienced a true deficit.

26 More recently, Ghana Chamber of Pharmacy claimed that the last payment made to its members was more than a year ago and the Chamber served notice it will not accept NHIS cards as payment for medicines until the NHIS clears its debts. See more at Gadugah, N. (2017). Ghana's Health Insurance on the brink; over ¢1.2 billion in debts. Retrieved from http://www.myjoyonline.com/news/2017/April-13th/ghanas-health-insurance-on-the-brink-over-12-billion-debt.php

27 Out-of-pocket spending is an estimate of expenditures directly paid by individuals or households to providers at the point of service. Determining a precise estimate of out-of-pocket spending is difficult, and various authorities have produced varying estimates. For the purposes of this report, we have cited figures from the World Bank's World Development Indicators. See more at NHIA. (2014). *National Health Insurance Authority: 2013 Annual Report* (Rep.). Government of Ghana. Retrieved from http://www.nhis.gov.gh/files/2013 Annual Report-Final ver 29.09.14.pdf

28 There have been recent changes in the way the World Development Indicators were defined and calculated as the authors were finalizing the report.

preceding section, these financial challenges in the health sector coincide with a weak macroeconomic environment. Donor assistance has fallen by roughly one-third since 2011 and will likely continue to shrink as Ghana transitions to lower-middle income status.

However, the challenges in the sector are not simply financial. The systems for financing the health sector, delivering care, and planning and regulating health policy are complex and multi-layered in Ghana. Health agencies and facilities operate at the national, regional, district, and community levels. While the health sector has delegated some authority to the sub-national level, the process of decentralizing the health system has been partial and complex. Moreover, there are multiple revenue streams feeding into the health system, as well as public and private facilities and insurance schemes in place.

Levels of knowledge vary, but there is broad awareness that the sector is facing a difficult financial challenge. Health was featured as a political issue in the recent election and media discourse. While many commissions and groups have examined the underlying problems, having good technical ideas at hand is often insufficient. As noted in previous sections, the struggles to reform Ghana's governance have been ebbing and flowing for decades. To understand how best to assist Ghana with these issues, it is important to be realistic about the nature of the challenges and the incentives, institutions, and sources of dynamism that can advance or undermine attempts to improve the situation.

The problems in the sector are numerous and too detailed to be evaluated in a single report.[29] Instead, this chapter will take a higher-level view, reflecting on past episodes of reform and policy reversals and what these suggest about future options. The first section of this chapter describes the main organizations involved in managing and delivering health care, the main financial sources, and the administrative relationships and hierarchies involved. The chapter then presents an overview of the sources and uses of funding at present. From there, the major challenges of resource mobilization, efficiency and effectiveness in the sector are discussed before drilling down to address the actors, institutions and incentives that shape the political economy of health and efforts to bring reform.

## 5.1 Key Findings in this Section

- **Ghana's health financing landscape is complex, making it difficult to track the flow of funds.** Funds flow from a mix of public and private funds, donor assistance, and individual households to several actors at the central- and sub-national levels. Consistent and accurate data tracking these figures are missing, which makes it difficult to breakdown the flow of funds and estimate the magnitude of resource gaps in the sector.
- **Ghana faces structural and economic challenges in mobilizing additional domestic revenue for health.** Given its recent macroeconomic challenges, finding new sources of domestic revenue for health may prove to be difficult. Tax-based revenue streams, like VAT, are reliant on economic growth and are affected when slowdowns in the economy occur. Reprioritizing health within the government budget may also be challenging due to the rigid structure of Ghana's national budget. Revisions to the NHIS premium exemption policies—which have intentionally been set low for political reasons—may bring in additional domestic revenues to the health sectors. However, because only informal workers pay premiums and enrollment is not well enforced, it is uncertain how much additional revenue could be raised, without a significant policy change.
- **However, opportunities do exist to spend resources more effectively and efficiently,**

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29 The chapter will examine the broad brush-strokes to help identify forces that must be understood to help craft practical and politically feasible solutions. Where additional detail is necessary for readers unfamiliar with Ghana's situation, it will be included in footnotes and annexes in the hopes that the lessons from Ghana's experience can be understood and absorbed in other country contexts.

**which could improve the fiscal space for health.** There are many possible opportunities to contain health expenditures by introducing efficiency measures, such as: continuing to support the NHIS to become a strategic purchaser of services through initiatives like rationalizing the benefit package and properly implementing provider payment systems that do not encourage excessive spending (like fee-for-service). Other measures could include introducing more effective regulations around referral policies and controlling drug costs. The health sector will also need to grapple with the disproportionately high personnel costs and the inefficiencies resulting from the lack of clarity on roles and responsibilities between the central and sub-national levels of the health system (i.e., impartial decentralization), high administrative spending, and issues with fraud and corruption.

- **Health reform has historically been inextricably linked to politics in Ghana**. These politics include elite and popular commitment to universal health coverage (UHC) in Ghana. The establishment of the NHIS (which itself had roots in the NPP's election campaign in 2000, following widespread discontent over the 'cash and carry' system) and efforts to sustain financing of the NHIS has become emblematic of this commitment. The role of politics also extends beyond generalized commitment to the sector. Many design choices of the NHIS were politically driven, such as the benefit package design and exemption policies. Over time, the impact of these choices has unfolded. Politics has also played an influential role in more recent initiatives as well, such as the capitation pilot, and will likely continue to do so in the future.
- **New government could have a window of opportunity for meaningful health reform as there may be an appetite for change given the health sector's recent performance.** There is an acknowledged fiscal crisis nationwide and within the health sector, as well as public frustrations with the NHIS that have mounted over the years. Together, this may provide an environment conducive to changes in the health sector. Over the past few years, several assessments have been undertaken by various groups, including the recent NHIS Technical Review Committee, that have made recommendations to address Ghana's health financing challenges. Several avenues for reform are currently being discussed, which will likely be shaped in part to align with the NPP's more business-focused orientation and other party interests, such as the government's commitment to a vision of 'Ghana beyond Aid.'
- **Health policy reform and governmental action to address the challenge of sustainable financing in the sector is underway, but success is by no means assured.** The Akufo-Addo Government, which inherited the NHIS Technical Review Committee report from the previous NDC government, is currently discussing the proposals. Progress has made efforts to contain the cost of drugs with a decision to use Framework Contracting methods to procure 55 high-cost drivers on the NHIS Medicines List. However, there are ideological and technical disagreements over the scope and design on some issues, particularly capitation. Progress on these policy options will be influenced by both political and technical feasibility.

## 5.2 Ghana's Health System: Organization and Financial Flows

This section introduces the main institutional actors and organizational structures that exist within Ghana's health sector. It also provides an overview of how the sector is financed and the flow of resource through the many actors.

### Key Institutional Health Actors

**Ministry of Health:** The MoH is one of the 35 sector ministries of the GoG.[30] It oversees the health sector and is responsible for formulating national policies, mobilizing resources for the health sector, and regulating its 18 agencies. Key agencies related to health financing and service delivery include:

- **Ghana Health Service (GHS):** The GHS operates under the MoH and is governed by the Ghana Health Service Council. GHS is responsible for the delivery of public sector health services and operates at the sub-national level through the Regional Health Directorates and District Health Directorates, which have managerial and supervisory functions. Although GHS employees are paid with public resources, they are no longer part of the civil service.[31] In terms of financial management responsibilities, the GHS is structured into more than 300 Budget Management Centers (BMC)[32] that are responsible for budget allocation and execution.
- **Christian Health Association of Ghana (CHAG):** CHAG is a network of 183 private, non-profit health facilities, mostly located in rural areas and owned by various Christian denominations. In 2006, CHAG and MoH entered into a public-private partnership to improve access to care in rural communities. Under this agreement, the MoH provides and pays for clinical staff, while CHAG bears responsibility for capital investments, as well as the provision and cost of administrative staff.
- **National Health Insurance Authority (NHIA):** The NHIA administers the NHIS, which covers approximately 40 percent of Ghana's population (Presidential NHIA Technical Review Committee, 2016). The NHIS was established in 2003 under John Kufuor's presidency (NPP), following on his campaign promise to end the widely unpopular 'cash and carry' system of paying for healthcare. A presidentially-appointed Chief Executive heads the NHIA, and is overseen by a board made up of representatives from stakeholders in the health sector. The NHIA purchases and pays for services, credentials providers, and manages funding for the NHIS through the National Health Insurance Fund (NHIF). The NHIA has 10 regional offices and 159 district offices that are responsible for helping to operate the scheme at the sub-national level, including the enrollment of providers.[33]
- **Health Facilities Regulatory Agency (HEFRA):** HEFRA was created following the Health Institutions and Facilities Act, 2011 (Act 289), which called for the establishment of a regulatory agency to license all public and private facilities to provide services. Despite being a relatively new agency, HEFRA has become an important player in the health sector.

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30 For a complete list, see http://www.ghana.gov.gh/index.php/governance/ministries

31 A move intended to allow for greater managerial flexibility.

32 BMCs are departments or divisions under Regional/District Health Management Team or hospital facilities responsible for preparing budgets and execution, except salaries and investments, which are centralized. BMCs include: one for GHS headquarters, 10 Regional Health Directorates, 8 Regional Hospitals, 110 District Health Administrations, 95 District Hospitals, and 110 Sub-District BMCs.

33 The NHIA previously supervised 145 District Mutual Health Insurance Schemes, which collected premiums from informal sector workers and purchased services from NHIS-credentialed providers. However, the DMHIS were dissolved in the 2012 NHIS Act. Registration and collection of premiums are now undertaken by the NHIS offices in the districts.

**Private sector:** The private sector plays an important role in Ghana's health system, in terms of providing services but also supplying drugs. Self-financed private facilities account for roughly 40 percent of all health facilities. Together with private, non-profit facilities, the private sector provides over 50 percent of health services used by patients (MoH, 2013a). Many private facilities are accredited by the NHIS, but in recent years, some have withdrawn from participating in the NHIS due to the delays in claims payment. In terms of the supply of drugs, nearly 50 to 70 percent of public sector procurement is conducted through the private sector, which relies on more than 10,000 private licensed and non-licensed chemical sellers (Saleh, 2013). Although a Private Sector Unit exists within the MoH, public stewardship of the private sector has historically been weak. As emphasized in the revised *Private Health Sector Development Policy* (2013), the MoH is looking to strengthen the relationship between the public and private sectors (MoH, 2013a).

**Metropolitan, Municipal and District Assemblies (MMDA):** Under Ghana's decentralization policy, the MMDA has control over the management of certain sectors (Schedule 1 Departments), while the remainder fall under the authority of the Central Government (Schedule 2 Departments). Since health is a Schedule 2 Department, MMDAs do not have much involvement over budgeting and resource allocation decisions in the health sector. However, the MMDAs do provide a small amount of funding to the health sector through allocations from the District Assemblies' Common Fund (DACF) and the District Development Fund (DDF).

## Service Delivery Configuration

Ghana's health system is composed of five levels of care that range from primary care based facilities at the community level to a limited number of tertiary hospitals.[34] Patients are expected to access health services at lower levels of care and be referred upwards for more complex conditions that require advanced care. The distribution of facilities by region and level of care can be found in **Table 4** (Ghana Health Service, 2010).

**Community-based Planning and Health Services (CHPS):** CHPS compounds were born out of an impetus to improve access to basic health care services, efficiency and quality of care, particularly at the district level in the 1990s (MoH, 2016).[35] More recently, they have been featured prominently in the Health Financing Strategy (2015) as a mechanism to help shift service utilization from curative to more preventive care (Republic of Ghana, MoH, 2015). Following a period of pilot testing, Ghana began to scale up CHPS compounds in the early 2000s, locating them in demarcated CHPS zones. CHPS compounds are led by a Community Health Officer (usually a nurse) and staffed by community health volunteers, who provide basic primary care services such as maternal and child health, malaria, acute respiratory, preventive and other services.

Unlike other health facilities, the NHIA does not reimburse CHPS compounds directly and instead channels its money to a District Health Directorate account, which uses the money to buy supplies for the CHPS compounds. In terms of capital investments, there are strong political incentives to build

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[34] Other facilities not discussed include: maternity homes, polyclinics, and psychiatric hospitals. A detailed breakdown (from 2009) of each of these facilities by region, level of care and ownership can be found: https://s3.amazonaws.com/ndpc-static/CACHES/NEWS/2015/07/14//2010+GHS+Facts+and+Figures.pdf

[35] According to the Ministry of Health, 'PHC was the bedrock of the first Medium Term Health Strategy and the Sector-wide Approach leading to over 40% of the discretionary sector budget consistently being allocated to the district and sub-district levels.' See more at MoH. (2016). National Community Health Planning and Services (CHPS) Policy. Retrieved from https://new-ndpc-static.s3.amazonaws.com/ndpc-static/CACHES/PUBLICATIONS/2016/04/16/National+Community+Health+Planning+and+Services+Policy.pdf

physical compounds, driven by politicians' visibility bias for campaigning purposes. However, there is little focus on ensuring that clinics have adequate capacity to deliver the intended services. MMDAs and donor partners have often played a role in financing the creation of the CHPS compounds, and in some cases, CHPS compounds rely on donor assistance to provide their goods and services. Despite being hailed as an important initiative for improving primary care in Ghana, recent evidence suggests that capacity at CHPS compounds are weak and that many facilities are in poor condition, which has raised questions about their effectiveness (MoH, 2016). Even so, CHPS have expanded rapidly since their inception, with over 4,000 across Ghana in 2016 (Ghana Health Service, 2017).

**Health centers and clinics:** Health centers and clinics are outpatient facilities located at the sub-district level. They provide basic preventive, curative, and reproductive health services to a catchment area of approximately 20,000 people (IHME, 2015; Ghana Health Service, 2017). Health centers and clinics are led by a Medical Assistant and mostly staffed with nurses and other non-clinical staff (e.g., public health, environmental, nutrition). Health centers are often the first entry point into care for patients (Ghana Health Service, 2017).

**District hospitals:** District hospitals are led by physicians and in addition to services provided at lower levels of care, also provide inpatient care, surgical services, and a wider range of diagnostic and laboratory services. District hospitals serve approximately 100,000-200,000 patients and are considered the first level of referral hospitals.

**Regional hospitals, teaching hospitals, tertiary hospitals:** These higher-level facilities provide more complex and specialized care and exist in far fewer numbers compared to the lower level facilities.

**Table 4: Health facilities by region and type (2016)**

| Region | Hospital | | District Hospital | Health Centers | Clinics | Midwife/ maternity | CHPS |
|---|---|---|---|---|---|---|---|
| Ashanti | 96 | 25 | 135 | 130 | 73 | 1,041 | |
| Brong Ahafo | 12 | 18 | 90 | 102 | 41 | 458 | |
| Central | 16 | 12 | 61 | 67 | 35 | 235 | |
| Eastern | 14 | 17 | 99 | 116 | 25 | 611 | |
| Greater Accra | 76 | 6 | 28 | 283 | 85 | 201 | |
| Northern | 13 | 15 | 96 | 56 | 9 | 386 | |
| Upper East | 1 | 6 | 53 | 50 | 2 | 225 | |
| Upper West | 8 | 3 | 68 | 14 | 5 | 208 | |
| Volta | 11 | 17 | 161 | 40 | 16 | 350 | |
| Western | 20 | 18 | 64 | 145 | 37 | 470 | |
| **Total** | **267** | | **343** | **855** | **2,083** | **328** | **4,185** |

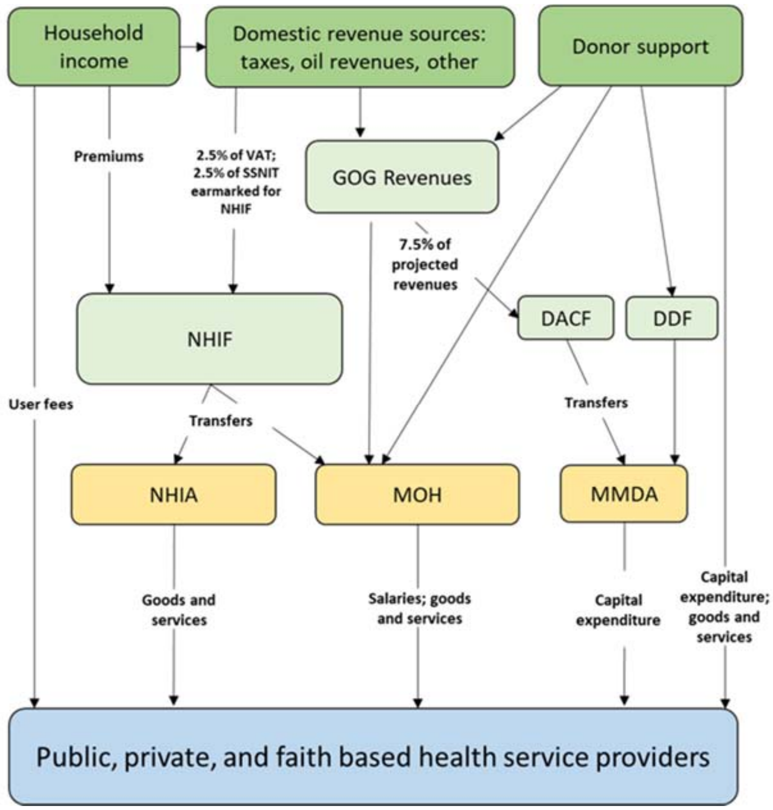
*Source:* Ghana Health Service. (2017). Ghana Health Service Facts and Figures. Retrieved from http://www.ghanahealthservice.org/ghs-item-details.php?cid=5&scid=55&iid=128

## Financial Sources and Flows

Ghana's health sector is financed through a mix of public resources, private funds, donor assistance, and individual households (**Figure 5**). For over the last decade, public resources have accounted for the largest share of total health expenditure. In 2016, the GoG appropriated approximately 3.9 billion GHc to the MoH and 1.5 billion GHc to the NHIF (see **Annex B** for a more detailed description of the formal budget allocation process). It is worth noting that there are often wide gaps between what is planned versus what is actually spent using GoG funds, as seen in **Table 5**.

GoG also funds the health sector on a smaller scale through the DDF[36] and DACF[37] where a portion of these funds are earmarked for specific health-related purposes, such as building CHPS compounds, malaria prevention, and capacity building.[38]

**Figure 5: Health sector resource flows in Ghana (HFS)**




*Source:* Adapted from Republic of Ghana, MoH. (2015). 2015 Ghana Health Financing Strategy. Accra: MoH.

36 The District Development Fund (DDF) is a significant source of district level funding. It is a reward scheme financed by donors and disbursed to Metropolitan, Municipal and District Assemblies (MMDAs) and earmarked largely for health and education spending.

37 The District Assembly Common Fund (DACF) is a statutory allocation to districts in Ghana and constitutes 7.5% of total projected revenues shared amongst 216 MMDAs according to a formula approved by the Parliament of Ghana yearly.

38 Specific information regarding how DACF and DDF funds are allocated to the health sector is scarce; however, the Government of Ghana noted that 50% of DACF funds are earmarked for specific purposes, including health. The literature and key informant interviews suggest that DACF funds have been allocated for areas such as: malaria prevention, building CHPS compounds, and capacity building.

**Table 5: Allocated Budget (Original and Adjusted) vs. Actual Expenditures (2015) (in billions GHc)**

| Type | Original Budget | Adjusted Budget | Actual Expenditure |
|---|---|---|---|
| Compensation | 1,272 | 1,533 | 2,032 |
| Goods & Services | 35 | 687 | 178 |
| CAPEX | 1 | 112 | 11 |
| **Total** | **1,308** | **2,332** | **2,220** |

*Source:* MOFEP. (2016). *End-of-year Report on the Budget Statement and Economic Policy of the Republic of Ghana for the 2015 Financial Year.* Accra: Government of Ghana.

The MoH receives its funding from general government revenues, internally generated funds (IGF),[39] donor assistance, as well as contributions from the NHIF. Over half of the MoH funds were used for compensation of employees in 2016, whereas approximately 35 percent was spent on goods and services and 13 percent on capital investments.

As a statutory fund, the NHIF receives earmarked government revenues. Over 90 percent of the NHIF comes from two earmarked sources:[40] 1) the National Health Insurance Levy (NHIL), which accounts for 2.5 percentage points of the VAT levied on selected goods and services; and 2) 2.5 percentage points from the mandatory 17.5 percent of salary that the formal sector is required to contribute into the Social Security and National Insurance Trust (SSNIT) (USAID, 2016b). Other sources of funding for the NHIF include: accruals from investments of surplus funds held in the NHIF by the National Health Insurance Council; grants, gifts, and donations made to the NHIF by external donors; and premiums paid by NHIS subscribers (3.4 percent of NHIF contributions in 2013) (NHIA, 2014). NHIF funds are used to reimburse facilities that are credentialed by the NHIS, which includes public, faith-based, and private facilities. For public facilities, the MoH covers health workers' salaries and some capital expenditure costs. Thus, NHIS reimbursements support variable costs. On the other hand, NHIS reimbursements can help support both fixed and variable costs at private facilities.

Private sources of financing for the health sector come both from households, private firms, and non-profit institutions. In 2013, over 90 percent of private funds for the health sector came from household out-of-pocket (OOP) payments, accounting for 20 percent of total health expenditure (World Bank, 2018). OOP spending as a share of total health expenditure has nearly doubled between 2011 and 2014, which has been attributed to the rise in illegal co-payments charged by facilities to insured patients (USAID, 2016b; World Bank, 2017b).

## 5.3 Key Financing Challenges in the Health Sector

Ghana's health financing system has received international interest over the years, particularly the NHIS, which is often lauded as a model for other low-income countries looking at financing options for universal health coverage. However, Ghana's health financing system does not exist without its challenges. This sub-section summarizes the health sector resource gaps and budget deficits that have

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39 Internally generated funds (IGF) comprise of: 'payments for services delivered under the NHIS; out-of-pocket payments; and other sources, such as private insurance payments or grants from international agencies or local government. IGF are treated as supplemental income to the facilities to cover the recurrent costs associated with service delivery.' IGF is reported as part of the total public resource envelop for health by the Government of Ghana. See more at World Bank. (2012). *Health Financing in Ghana at a Crossroads.* Washington, DC: World Bank. Retrieved from https://openknowledge.worldbank.org/handle/10986/2729

40 70 percent comes from NHIL and 20 percent from SSNIT.

been quantified in Ghana and describes the key financing challenges that the health sector faces in terms of revenue generation and expenditure management.

## Quantifying the Main Resource Gaps and Budget Deficits

The *Health Sector Medium Term Development Plan* is a policy document that articulates the government's medium-term goals and priorities for the health sector. For two decades, the plan has been updated every four years as part of the development of the *National Medium Term Development Policy Framework*.

As part of the *Health Sector Medium Term Development Plan 2014-17*, the MoH conducted an analysis to estimate the additional public resources needed to fulfill Ghana's health sector goals. The analysis estimated that an additional 5,553 million GHc (1,732 million USD) would be required between 2014 and 2017 to meet the medium-term health sector goals (**Table 6**), accounting for projected revenues and expected costs. This estimate includes expected contributions from donors. Without donor support, this resource gap would more than double to 11,683 million GHc (3,712 million USD).

**Table 6: Estimated Resource Gap for Implementing the Health Sector Medium Term Development Plan (in millions GHc)**

| Year | Projected Costs | Estimated Public Sector Funds Available41 | Gap | Gap without DP support |
|---|---|---|---|---|
| 2014 | 9,304 | 8,627 | 677 | 2,031 |
| 2015 | 11,415 | 10,403 | 1,012 | 2,623 |
| 2016 | 14,955 | 12,660 | 2,295 | 3,872 |
| 2017 | 15,812 | 14,243 | 1,569 | 3,157 |
| **Total** | **51,486** | **45,933** | **5,553** | **11,683** |

*Source:* MOFEP. (2016). *End-of-year Report on the Budget Statement and Economic Policy of the Republic of Ghana for the 2015 Financial Year.* Accra: Government of Ghana.

A more salient financing issue that has attracted recent public attention is the NHIS' budget deficit. Since 2009, NHIS expenditures have consistently exceeded revenues. In 2014, the NHIS reported a 290 GHc million deficit, which is the largest shortfall to date (**Figure 6**). These deficits have had a substantial impact on service delivery and OOP payments. Although the NHIS is required to reimburse providers within 90 days of claims submission, providers have stated that they have experienced delays of up to eight months in receiving their reimbursements (Presidential NHIA Technical Review Committee, 2016). This has resulted in serious cash flow problems at facilities, which has led some providers to rely on OOP payments (both legal and illegal[42]) to sustain their operations.[43] In some cases, providers have even exited the NHIS. Even though OOP payments as a share of total health spending initially declined following the introduction of the NHIS, the gains have diminished as the NHIS budget deficit has grown. In 2009, only 19 percent of total health expenditures came from OOP payments, but this increased to 27 percent by 2014 (World Bank, 2017b).

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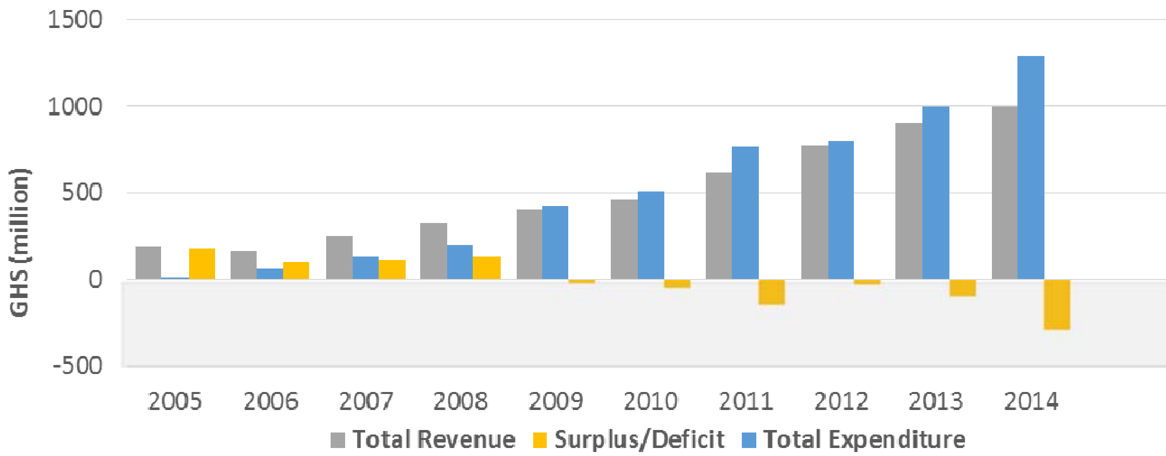
41 Based on the Ministry of Finance (MoF) and IMF projections, projected DP commitments, and government health projections covering both discretionary funding and the statutory NHIF.

42 User fees are legal for services sought at non-NHIS providers.

43 Findings from the key informant interviews revealed that many respondents felt that the major premise for the recent increase in the OOP payments was related to the delays in reimbursing health service providers by the NHIA. During interviews with facilities at the district level, service providers stated that they are unable to effectively run their institutions at times because of the delayed reimbursements.

**Figure 6: NHIS revenues and expenditures, 2005-2014**




*Source*: Jehu-Appiah, C. (2015). Experiences of Ghana's National Health Insurance Scheme: Achievements, Challenges & Way Forward (Rep.). NHIS. Retrieved from http://rghi.nl/wp-content/uploads/2015/06/Ghana-NHIS-Caroline-Jehu-Appiah.pdf

## Raising Sufficient Revenues and Spending Resources Effectively and Efficiently

The challenges that have contributed to these resource gaps and deficits can be organized into two broad categories from a financial perspective—raising sufficient resources and spending resources effectively and efficiently.

### Raising Sufficient Resources

**In the near term, Ghana may not be able to depend on economic growth alone to provide additional resources for the health sector.** From the early 2000s through 2008, health spending expanded in terms of total health expenditure per capita, government expenditure on health as a share of GDP, and government expenditure on health as a share of total government expenditures. These indicators have experienced significant setbacks since then, particularly in 2009–2010 and 2014,[44] and are currently on a downward trend (**Table 7**). Given Ghana's recent macroeconomic challenges, prospects for mobilizing additional resources for health through economic growth are not promising. Even with a more favorable macroeconomic environment, a World Bank fiscal space analysis conducted in 2012 estimated that government health expenditure would decrease by 13 percent between 2009 and 2015, adjusting for inflation. This estimate assumed minimal improvements in revenue collection and an elasticity of government health spending with respect to GDP of 1.13,[45] based on historical data from Ghana between 1995 and 2009. However, under a more optimistic scenario with improved revenue collection and an elasticity of 1.17 (on par with the average in sub-Saharan Africa), government health expenditure was projected to increase by 45 percent (World Bank, 2012). The macroeconomic environment will particularly affect the NHIS, whose current revenue streams are heavily tax-based and reliant on economic growth.

44 These years coincide with the macroeconomic crisis that nearly occurred following a period of unrestricted and rapid growth between 2004 and 2008, as well as the ongoing economic downturn following the collapse of gold in 2013, the energy crisis since 2014, growing fiscal deficit, and high inflation.

45 In other words, on average, a 1 percent rise in income leads to a 1.13 percent rise in government health spending.

**Table 7: Key Health Spending Indicators from 2000 to 2014**

| Key Spending Indicators | 2000 | Peak (Year) | 2014 |
|---|---|---|---|
| Total health expenditure per capita (current USD) | 12.3 | 84.5 (2013) | 57.9 |
| Government expenditure on health (as % GDP) | 1.5 | 3.8 (2010) | 2.1 |
| Government expenditure on health (as % total government expenditure) | 7.6 | 16.4 (2009) | 6.8 |

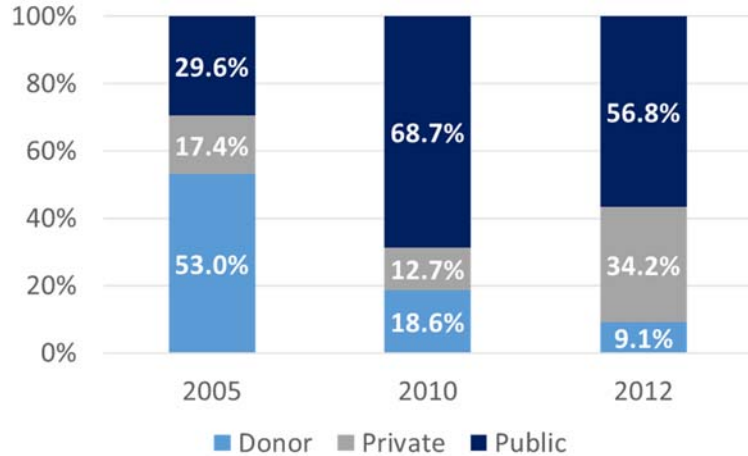
*Source:* World Bank. (2017b). World Development Indicators. Retrieved from http://data.worldbank.org/indicator/SH.XPD.OOPC.TO.ZS?locations=GH

**Donor support is declining as Ghana transitions out of low-income status.** Ghana recently achieved lower-middle income country status, which limits its options for accessing international donor support.[46] In 2010, Ghana lost its eligibility for debt relief from the Heavily Indebted Poor Countries (HIPC) Initiative, and many donors have begun discussions of aid reductions and exit strategies in the coming years. From 2005 to 2012, donor support as a share of total health expenditure decreased from 53 percent to 9 percent (**Figure 7**). As donors continue to decrease their funding to the health sector, the MoH will need to adjust how government resources are spent to fill the gaps that will be left behind without donor financing. Donors currently finance a substantial portion of the MoH's capital investments and have historically financed more than 70 to 80 percent of preventive and public health services primarily through earmarked funds (MoH, 2013b; Republic of Ghana, MoH, 2015).[47]

46 Donor support can come in the form of loans, grants, credits, and budget support.

47 Preventive and public health services include immunizations, treatment of TB, HIV, and malaria with DFID, DANIDA, and Global Fund being the largest contributors in this area. Composition of total donor financing can be found in 2016 World Bank Public Expenditure Review report.

**Figure 77: Breakdown of total health expenditure by revenue stream 2005 and 2012**[48]




*Sources:* MoH. (2013b). Ghana National Health Accounts: 2005 and 2010 (Presentation). Retrieved from http://www.moh.gov.gh/wp-content/uploads/2016/02/2013-Summit-NHA.pdf; Aykut, D., Kwakye, K.G., James, S.S., Oppong, F., Brown, D.R., Darvas, P., Shen, Y., Wang, H., Jansen, J.G.P., Lothrop, S. (2017). *Fiscal consolidation to accelerate growth and support inclusive development: Ghana public expenditure review (English)*. Washington, DC: World Bank. Retrieved from http://documents.worldbank.org/curated/en/972961498157963462/Fiscal-consolidation-to-accelerate-growth-and-support-inclusive-development-Ghana-public-expenditure-review

**Budget rigidity presents an obstacle for reprioritizing health within overall government budget.** Ghana's overall national budget is quite rigid, with many funds pre-programmed for specific uses (IFS, 2017). In his February 2016 State of the Nation address, former President Mahama noted that 'Ghana's total revenue is consumed by three main budgetary lines: wages and salaries, interest payments and amortization, and statutory payments. These three items alone account for 99.6 percent of government revenue. This means that anything else that government has to do outside of these lines, will have to be financed by borrowing or aid' (MOFEP, 2017). The GoG has at least 10 statutory payments that come out of government revenues, including the NHIF, which receives earmarks from the VAT and SSNIT contributions. As mentioned in Section 1, the public sector wage bill also consumes a significant portion of government revenues (50 percent in 2015 and 70 percent at its peak). Rigid budget structures can ensure that certain sectors or actors are guaranteed a specific share of the government budget, which can be beneficial. However, it also means that it can be more difficult to advocate for a larger share of the government budget because there is not a large availability of discretionary funding that can be easily reallocated. The Earmarked Funds Capping and Realignment Act introduced by the new government in March 2017 creates both risk and opportunity for the health sector. The Act aims at containing the total amount of all earmarked funds in any given year to within a total of 25 percent of total government tax revenues as a mechanism to increase discretionary funding. Since the total earmarked funds were already running at more than 30 percent of all tax revenues annually, this law threatens a reduction of revenues for any Government agency receiving such earmarks, including the NHIS. The increase in discretionary funding available should offer an opportunity for the sector to

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48 These estimates come from the 2005 and 2010 National Health Accounts exercise — an internationally recognized system for measuring and tracking total health expenditures in a country. The source notes that due to the aggregated nature of the data sources, it was difficult to break out certain costs, such as differentiating between NHIS claims and OOP expenditures for Internally Generated Funds. This may account for the low estimates of private health expenditures as a share of total health expenditure in 2010, compared to estimate of OOP expenditure as a share of total health expenditure of approximately 18% in the same year.

increase the resources it is allocated through the budget process; however, this relies on making a strong technical and political case for the sector in the budget and Medium-Term Expenditure Framework (MTEF) processes. Ghana's current health spending as a share of total government expenditure is comparable to other lower-middle income countries (but is less than the sub-Saharan Africa average). This paired with the spending inefficiency may make it difficult for the health sector to build a compelling argument to request greater allocations to the sector.

**Broad NHIS exemption policies and lack of capacity to enforce them limit NHIS premium collection.** Although the NHIS collects premiums from informal workers who enroll in the scheme, premiums only contribute to 3.4 percent of NHIS funds.[49] On average, premiums cost around 11 GHc and vary by geographic location, but these prices are not based on any actuarial analysis[50] and were deliberately set low for political reasons (Presidential NHIA Technical Review Committee, 2016; Saleh, 2013).[51] Moreover, children (<18 years), pregnant women, the elderly (>70 years), and the indigent are exempt from paying premiums.[52] These exempt groups comprise roughly 62 percent of NHIS subscribers (NHIA, 2014). While approximately 42 percent of the workforce is employed in the informal sector, it is possible that informal sector workers who can afford the premium choose not to enroll because while NHIS enrollment is mandatory, it is not enforceable in practice (GLSS, 2014). Thus, the NHIS may be able to expand revenues through better premium collection, but this will not be possible without revisions to existing enrollment and premium exemption policies.

## Spending Resources More Effectively and Efficiently

**Significant portion of MoH budget is spent on personnel costs, even though health worker productivity is variable.** Over the past few years, personnel expenditures have accounted for over 50 percent of the MoH's budget (90 percent of the GoG funds that go to the MoH budget area used for compensation), and is reflective of the larger challenge of the wage bill that was discussed in Section 1 (MoF, 2015; MoF, 2016). The MoH is currently responsible for paying for more than 100,000 staff, including public sector and CHAG providers. The large MoH budget allocations to personnel expenditures unfortunately means that there is little left to allocate to goods and services and capital expenditures (Aykut et al., 2017).[53] In the past, donors have provided financial assistance to support these areas, but with the imminent donor transitions, this means that the MoH will need to absorb more of the non-personnel costs.

Despite the significant spending on health workers, studies have shown variable levels of health worker productivity[54] by region and district, with high productivity concentrated among a small group of districts

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49 Formal sector workers who enroll in the NHIS make contributions to the NHIF through SSNIT deductions.

50 In 2014, the average annual expenditure per active member was 94 GHc; however, the average premium paid by the active members in the informal sector was only 11 GHc. The NHIS was established without much attention given to how coverage for exempt populations would be covered. Currently, the Government of Ghana is paying for 70 percent of expenditures incurred by exempt members.

51 Premiums were set low in part to appeal to the NPP's political base of rural voters.

52 Pregnant women and the indigent are exempt from all fees; however, children and the elderly are still required to pay for their NHIS cards. See more at http://www.nhis.gov.gh/membership.aspx.

53 For political reasons, it has been in the Government's best interests to respond to workers' demands. As noted in Chapter One, this has been reflected through expansions of the wage bill that have been timed with election cycles.

54 Productivity in the cited report was defined by an aggregate indicator of health care services provided to the population divided by an aggregate indicator of health worker labour inputs. The report identifies that productivity may be influenced by a variety of factors such as the availability of equipment and drugs, staff skill mix, patient acuity, quality of services provided, absenteeism, and patient demand for services. See more at Vujicic, M., Addai, E., & Bosomprah, S. (2009).

(Saleh, 2013; Vujicic, Addai, & Bosomprah, 2009). While the government has increased salaries in the past to improve productivity, there is limited evidence suggesting this is an effective strategy (Saleh, 2013). Given the need to contain personnel costs, the MoH may need to consider alternative tactics that better account for the many factors that influence health worker motivation and use compensation as a strategic lever to reward good performance. Moreover, the fact that the MoH pays salaries to public sector health workers without regard to performance may also limit the effectiveness of provider payment reforms—there is not much incentive for providers to contain costs and provide high quality care if their salary is guaranteed.

**NHIS design has led to passive purchasing of services.** The design of the NHIS was motivated by political interests, without much consideration for how to sustainably finance the NHIS over the long term (discussed in further detail in the sub-section below). In particular, there did not seem to be a critical examination of the key questions underpinning strategic purchasing, which are: *What services are purchased? From whom to purchase services?* and *How are services purchased?* As a result, NHIS expenditures have quickly escalated since its inception, due in part to the following issues:

- **Overly comprehensive NHIS benefit package focused on curative care:** According to the NHIS, 95 percent of health conditions that affect Ghanaians are covered by the NHIS without any co-payments at the point-of-service. When thinking about how to finance a health system to achieve universal health coverage, important trade-offs need to be made along three dimensions: *Who is covered? Which services are covered?* and *What proportion of the costs covered?* (WHO, 2015). The NHIS is currently trying to maximize all three of these dimensions, which is a difficult task. When NHIS membership was lower, it may have been feasible for the scheme to guarantee comprehensive coverage with no co-payments, but as membership grows, it will be increasingly difficult to financially sustain this generous benefit package. Moreover, from an allocative efficiency perspective, a key shortcoming of the NHIS benefit package is the lack of coverage of preventive and promotive services.[55] It is widely known that improving access and use to primary care can not only prevent more costly, curative care, but can also lead to better health outcomes.
- **Provider payment systems set up with incentives that encourage excessive spending and are susceptible to fraud and overbilling:** When the NHIS was first established, the scheme reimbursed providers using a fee-for-service (FFS) system. This form of payment can incentivize providers to overprovide services by paying them for each service they perform. In 2008, FFS was phased out and replaced with the Ghana-DRG (G-DRG) system, a form of bundled payment. The G-DRG system minimized some of the perverse incentives created by the FFS system by shifting the unit of payment to groupings of services. However, G-DRGs continue to promote excessive claims spending because there is no limit to how many claims can be submitted by providers. There are also concerns about some providers 'upcoding' the complexity of care provided to seek higher payment, leading to fraudulent claims and overbilling. With weak systems in place to monitor and detect these behaviors, estimates suggest that fraud and abuse are costing the NHIS between five

*Measuring Health Workforce Productivity: Application of a Simple Methodology in Ghana* (Health, Nutrition and Population (HNP) Discussion Paper, Rep.). Washington, DC: World Bank. Retrieved from http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/281627-1095698140167/MeasuringHlthWorkforce.pdf

55 As defined by the WHO, 'health promotion is the process of enabling people to increase control over, and to improve, their health. It moves beyond a focus on individual behaviour towards a wide range of social and environmental interventions.' See more at WHO. (2017). Health promotion. Retrieved from http://www.who.int/topics/health_promotion/en/

and 10 percent of claims costs (Presidential NHIA Technical Review Committee, 2016).[56]

- **Bypassing of lower levels of care is common:** Despite having a multi-tiered health delivery system that begins at the community level, many patients bypass lower-level facilities and first seek care at district hospitals or even regional hospitals. Patients have noted the lack of services, such as laboratory services and specialized care, insufficient staff (both of which may affect perceptions of quality), as well as proximity to higher level services as reasons for bypassing the referral system (Joint Learning Network, 2016). Although gatekeeping at the primary health care (PHC) level has been initiated, it is not widely enforced or incentivized, partially due to many providers' limited capacity to provide the expected services at the PHC level.
- **High spending on drugs due to ineffective practices around procuring and prescribing:** On average, Ghana's drug prices are 300 percent of the International Reference Price (IRP), with some drugs ranging from 1,000 to 1,500 percent of IRP (MoH, 2010). Pharmaceutical spending accounts for approximately 50 percent of NHIS expenditures, and this share is growing (Saleh, 2013). Thus, control of this cost item must be a key component of any effort to bring the health sector into fiscal balance. The high expenditure on drugs is due in part to the FFS payment system for drugs, which can encourage irrational or fraudulent provider prescribing behaviors. Demand-induced spending on drugs may exist as well, as NHIS members are not expected to pay for drugs covered by the NHIS' Essential Medicine List (EML), and there are no incentives in place for providers to prevent requests for unnecessary prescriptions.[57] However, NHIS members often do purchase drugs using OOP funds when there are drug stockouts at facilities, but also when they prefer to use a drug not covered by the NHIS.[58] Some patients in Ghana also believe that brand name drugs are superior in quality to generic drugs. High drug spending is also a function of the NHIS and MoH's ineffective use of its bargaining power to procure drugs at low costs. Drug procurement responsibilities have been decentralized to the regional and district levels, leading to missed opportunities for cost savings through economies of scale. The Health Finance Strategy notes that Ghana does not utilize its potential central purchasing leverage to contain drug costs. In other countries, competitive international tenders are used to purchase drugs at or near international reference costs.

**Partial decentralization has led to lack of clarity around responsibilities:** The varying degrees of decentralization among government institutions in Ghana has led to some confusion about responsibilities for issues such as resource allocation, personnel management, and procurement within the health sector. Although the decentralization process has transferred many administrative responsibilities to the MMDAs, health continues to remain governed by the MoH at the central level. Thus, the MMDA and District Health Directorates sometimes operate in an uncoordinated manner. For

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[56] According to a 2012 Auditor General's report on the NHIA, 'The Chief Director of the NHIA in a presentation at the 2009 Health summit at Ghana Institute of Management and Public Administration (GIMPA) in Accra stated that as much as 15% of claim payments to HSP in 2009 were over payment.' The report notes that contrary to Section 16(1) of Internal Audit Agency Act, 2003, Act 658, DMHIS 'paid claims without referring them to an Internal Audit Unit for the necessary checks. All the 42 DMHIS had no internal audit units and the work of claim officers who vetted claims were not counter checked by any officer apart from approval by scheme managers which turned out not to be reliable.' They found 24 of 28 DMHIS had only one accounts persons handling all claims, cash, payments etc., which allowed for no structural oversight or effective fraud prevention. In 2008, 45 percent of NHIA's costs were unaccounted for (response from key informant interview). See more at Republic of Ghana. (2012). *Performance Audit Report of the Auditor General on the Management of Claims by the National Health Insurance Authority* (Rep.). Government of Ghana. Retrieved from http://ghaudit.org/reports/NHIS.pdf

[57] The NHIS Essential Medicine List mostly covers generic and branded generics.

[58] Based on responses from key informant interviews at the district levels.

example, there have been instances where MMDAs have funded the creation of a CHPS compound without involving the District Health Directorates. Within the health sector, many agencies, such as GHS and NHIS, have deconcentrated certain responsibilities to sub-national offices but continue to operate using top-down directives, undermining the authority and autonomy of local offices. The lack of clarity associated with responsibilities has contributed to duplicative efforts and inefficiencies, as well as weak accountability systems.

## 5.4 Political Dynamics Around Options for Reform

There is often a tendency to focus on health financing reforms from a purely technical perspective, but it is important to note that policy reform is inextricably linked to politics. Even the most technically sound reforms can fail if the political landscape is not carefully examined and political challenges are not anticipated. As Fox and Reich (2013) note, 'what is viewed as technically optimal is seldom politically feasible.' The previous sub-section highlighted the main issues and some potential solutions that have been under discussion. This is sub-section reflects on the political processes that gave rise to those ideas, reflecting on the origins, supporters, opponents and extent of consensus that exists behind how to address some of these challenges in Ghana. It also brings in more current input on options and political feasibility on the key reforms that have been circulating in recent years.

Generally, the trend of reforms in the health sector has focused on sustaining the financing to achieve universal health coverage. President Nkrumah set the country on a path toward UHC in the immediate post-independence era when the Convention Peoples Party (CPP) government abolished the colonial government's fee paying model and made medical services free (MoH, 2015). In the 1970s and 80s when the economy was in decline and also during the implementation of the Economic Recovery Programme (ERP) under the Provisional National Defense Council (PNDC) (a quasi-military government), a cost-recovery program was put in place. The unpopular 'cash and carry' system that emerged was then replaced with the NHIS in 2003, reaffirming the goal of UHC. Since then, the reform agenda has continued to focus on the achievement of UHC by improving the NHIS, with a particular focus on its financial sustainability. Governments since 2000 have also pursued other objectives around equity in terms of facilities and health personnel, such as the CHPS policy. For example, establishment and construction of CHPS zones and compounds has increased from a few hundred CHPS in early 2000s to over 4,000 in 2016 (Ghana Health Service, 2017).

As noted above, a main issue on the reform agenda since the 2000s has been establishing the NHIS and ensuring its sustainability. The intensity on this topic began to pick up in 2009 when the NHIS began to experience deficits amidst rising costs of care and expansion of coverage. As the economy began to deteriorate in 2013–14, the financial sustainability of the NHIS began to receive the attention of the government and other bureaucrats. It is important to note that a common feature of reform efforts has been the convergence of interest by the key stakeholders, particularly, politicians, bureaucrats and donors. Incidentally, several senior bureaucrats have played a central role to these discussions and the development of policy over the last few years, which has provided the needed continuity and institutional memory within the sector. In addition, the technical committees established to develop strategies for achieving the government's long-term policies have included key stakeholders like the Society of Private Medical and Dental Practitioners (SPMDP), CHAG, and health regulatory and training bodies. Interestingly, it has not included representation from some of the vocal and organized practitioner associations like the Ghana Medical Association and the Ghana Registered Nurses and Midwives Association though as individual practitioners, they are members of the SPMDP. The evolution of the political discourse and action on financing is elaborated in the next sections.

## Political Party Competition and the Formation of NHIS

Electoral competition—however flawed or affected by clientelism—has been a key driver of health policy change. As Carbone (2011) put it, 'By far the most relevant factor accounting for Ghana's health reform process … were the new rules of the political game introduced with the country's transition to a democratic regime' (Carbone, 2011).

That story is rooted in President Rawlings' long tenure in power and efforts to return to multi-party democracy. Despite his radical rhetoric and positioning as champion of the poor, Rawlings led a significant restructuring and rationalization of state finances under IMF guidance. It ended decades of macro-economic instability and brought deficits, inflation and foreign exchange rates into stability. But it also abandoned efforts to provide publicly funded healthcare, ushering in the era of 'cash and carry', where citizens had to pay for the full costs of their care at the time of delivery. Although Rawlings retained a strong following, the 'cash and carry' system was deeply unpopular and became a key handle that the NPP campaigned around once Rawlings returned the country to multiparty elections.

The idea of health insurance first surfaced around 1985 and was put into practice in 1992 by the Catholic Church's Nkoranza Health Insurance Scheme. It operated at the community level and reached 48,000 members by 2001. By the mid-1990s the idea of spreading such community-based schemes was being discussed in the MoH (Atim et al., 2001). The government ran a pilot program along similar lines in Eastern Region in 1997, but there was lack of consensus in government on the way forward, which appeared to be conditioned by bitter past experience with government financial overreach. The NDC appeared constrained by its own policies and was slow to make concrete proposals. By 1999, government was still looking for options on health but saw itself as 'promoter and facilitator, but not implementer' of community-based health insurance schemes. While the government hesitated, the number of these health insurance schemes grew steadily to 47 in 2001 and 168 by 2003. In the run-up to the 2000 elections, the NDC essentially proposed continuation of an improved 'cash and carry' with different exemptions alongside local insurance schemes. In sharp contrast, the NPP, promised to replace 'cash and carry' with national health insurance. That sharp policy distinction and the NPP's clear apparently achievable plan was a key factor enabling President Kufour's triumph in the 2000 election.

After that election, the MoH remained uncertain, but Kufour's political appointees drove the conversation and the NHIS was legally created in 2003 and launched in 2005. By creating facts on the ground, the Catholic Church experiment and the others that followed it altered the perceived set of options and appeared to make credible the possibility of a national health insurance scheme. As is now clear, the financial assumptions behind the NHIS were over-optimistic and there was no necessary relationship between health demand, costs and the amounts raised through VAT or SSNIT contributions. By political design, premiums were intentionally set so low that they had no reasonable prospect for balancing the books. However, just getting people signed up and getting poor voters to overcome their apprehensions about paying premiums meant it would take time for enrollment to rise. This sequencing effect gave the NHIS a surplus from VAT and SSNIT in its early years. However, reserves steadily dwindled as enrolment grew, tipping into deficit in 2009 and after.[59] As a consequence, the launch of NHIS began to bring strong political dividends before its costs became known.

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[59] The scheme paid out only GHc 7.6 million in claims in its first year, 2005, which accelerated yearly to GHc 308 million by 2009. At the same time, outpatient visits grew from 597,859 in the first year to 14,573,902 in 2009. See more at NHIA. (2009). National Health Insurance Authority: Annual Report: 2009 (Rep.). NHIA. Retrieved from http://nhis.gov.gh/files/1(1).pdf

In the 2008 election, John Atta Mills of the NDC highlighted the shortcomings of the NHIS and vowed to make the scheme truly universal, cut back on its bureaucracy, and invest the savings into expanded service (OXFAM, 2011). During the campaign, he vowed to remove the VAT levy and SSNIT tax, but reversed course after winning the election. During that campaign, the NDC appeared constrained to stick with its prior populist and economically unrealistic position. Having taken a populist stance, Atta Mills, like Rawlings before him, seemed unable to abandon past positions and innovate in fiscally realistic ways. Removing earmarked VAT and SSNIT funding streams would have significantly worsened Ghana's budget deficit at a time when it was already under growing pressure. The economic realities of implementing such policies did not stop the NDC from further proposing to introduce a one-time premium policy funded by oil revenues in 2010, with then Vice President John Mahama as the chief advocate. Numerous committees were set up at Cabinet level and within the MoH to look at its feasibility. During the campaign in 2012, where Mahama was the NDC presidential candidate, the idea of one-time premium was fading and did not even feature in the party's manifesto. However, the NPP picked up the issue and used it as political capital, warning voters that if the management of scheme was left to the NDC, it would collapse. After the election, a national stakeholder meeting set up by President Mahama concluded that the one-time premium was infeasible in and should be suspended.

## Awareness of Fiscal Weakness Grows

Though the NHIS' weak financial health was becoming an important matter of concern to the public by the 2012 elections, the ruling NDC was still bullish about the prospects of the scheme. In its manifesto, the NDC identified the increase in registrations and claimed it as positive evidence of the growth of the scheme. Nonetheless, by 2013–14 the two major reports on the sector, the World Bank sponsored comprehensive assessment of the health sector and the Health Sector Medium Term Development Plan (MoH, 2014) both raised the substantive issue of sustaining financing of the health sector (Saleh, 2013). The medium-term noted that 'health sector financing is currently fraught with uncertainties.' This was because budget allocation was not increasing substantially to meet the increasing cost of care, the NHIS was experiencing financial problems even as demand for care was increasing and the scheme was expanding while donor funding was dwindling. Thus, overcoming financing challenges was set as a key objective, including through the implementation of a comprehensive health financing strategy. With respect to the NHIS, it proposed scaling up cost containment measures, implementing a mix of provider payment mechanisms, and scaling up capitation. In 2015, the MoH produced a Health Financing Strategy document, which was drafted by several senior bureaucrats and consultants who had participated in the preparation of the medium-term plan. In the plan, which was endorsed by the Minister of Health, it noted that the prospects for increasing substantial budget allocation for the sector were minimal, though gradual increases were needed. It also raised concerns about the overgenerous benefit package, which it described as 'unsustainable'. Moreover, it also found the imbalance between curative and preventive care under the scheme to be a problem. Although it did acknowledge the low prospects for increasing allocation for the health sector, it did propose using oil revenues to increase funds to the NHIS and/or earmarking 'sin taxes' (taxes on products like cigarette or alcohol). For the NHIS, it wanted the scheme to look at refining how it generates its exemptions and vulnerable group by looking at means testing, as well as consider co-payments for some categories of care. Lastly, it noted that the NHIS should look at the 'exploding drug cost' and refine the provider payment system.

## Awareness, Politics and Possibilities for Reform

In the 2016 campaign, Mahama promised to revive the NHIS' fiscal fortunes by dedicating a portion of oil revenue to it. It is unknown the extent to which health issues played into the NDC's 2016 election loss, but news of chronic delays in payments to service providers and a return to 'cash and carry' resonated with wider stories about Ghana's precarious financial position.

Going forward, President Akufo-Addo has inherited another widely acknowledged fiscal crisis. Although hard to define precisely, the acknowledgement of crisis represents a significant opportunity that mirrors the opportunities enjoyed by President Kufour. Having accumulated unpopularity over 20 years in power, Rawlings had been forced to retreat on a VAT tax introduction, which had become a catalyst for wider forms of discontent. But once in office, Kufour was able to easily pass the same VAT increase with little opposition. Although there probably is not a popular desire for higher taxes, the depth of popular concern with the economy and declining health performance suggests that Akufo-Addo may have a window of opportunity to boost revenues committed to the NHIS and implement cost containment measures. He is likely to succeed if the technical proposals and actions are aligned with the political incentives of various factions inside and outside of the ruling coalition. We explore some of the specific proposals in the section below.

Since 2012, the NHIS has been tackling the multifaceted challenge of rising costs of care, challenges with claims fraud, and mounting arrears owed to service providers who were threatening to withdraw their service. By 2015-16, the scheme was overwhelmed with debt, the economy had been in decline for multiple years and government was under an IMF program. In this context, President Mahama set up a Technical Review Committee to review the design and operations of the NHIS, make findings, and propose recommendations for reform. The Committee was inaugurated in September 2015 with the objective of addressing issues of sustainability, efficiency, equity, and accountability as well as user satisfaction and responsiveness. The key proposals made by the NHIS Technical Review Committee are as follows (Presidential NHIA Technical Review Committee, 2016):

- **Align the NHIS with Ghana's priority health goals by refocusing the scheme to provide universal PHC, as well as maternal, newborn and child health (MNCH) care, on the basis of the public taxes that fund it.** To operationalize this goal, the NHIS Technical Review Committee recommended that a clear PHC focused benefit package be defined and automatically guaranteed at public and CHAG (and other mission-based facilities) for all at no cost to individuals. They noted that this must be guided by affordability and, specifically, the annual limits of the scheme's budget. They also suggested that private for-profit facilities, including maternity homes, should be covered where they are situated within rural and underserved areas of the country or where there is no realistic option within a 5 km radius of the catchment population. However, reasonable rates will need to be negotiated by the NHIA for such facilities. The guaranteed benefit package can be expanded with time as national income and NHIS revenues increase sustainably.
- Guarantee **'coverage for all but not coverage for everything.'** The NHIS Technical Review Committee recommended that higher levels of care should be subject to stricter cost controls than in the past, including co-payments ('shared responsibility'),[60] ceilings or caps in reimbursement and/or pre-authorization for very expensive care, retrospective reviews, intensive case management, database profiling, and others. Such cost controls must not however involve any financial burden on maternal and child-care at the higher levels. The NHIS Technical Review Committee also noted that it will be critical to make the NHIS more attractive to 'better-off' segments of the population who are needed not just for their financial contributions, but also for their buy-in to the concept of publicly-financed health care for the whole population. Their support is critical to sustain the system politically into the future. Some promising areas that may be explored include adding on high-value

[60] 'Shared responsibility' refers not only to the patients, but providers as well must be prepared to accept some limits on their pricing to ensure the sustainability of the scheme.

(and even non-essential) health care services as part of an enhanced benefit package, potentially for additional premiums that anyone can purchase.

The NHIS Technical Review Committee released its report in September 2016, which coincided with the campaign period and was therefore not immediately subjected to serious political discussion. The NPP had already seized on the failure of government to clear arrears, which was leading to the withdrawal of services to beneficiaries, as evidence that the scheme was 'collapsing' under the stewardship of the NDC. The NPP vowed to revive the NHIS when elected. On assuming office, President Akufo-Addo signaled what he considered to be the priority of the health sector when he appointed Kwaku Agyemang-Manu, an experienced accountant and parliamentarian as Minister of Health. The priority was to clear the arrears of the NHIS, stabilize funding for the scheme and look at broader reforms. On the matter of arrears, the NHIS Technical Review Committee report had proposed, 'Government considers a one-off grant to the NHIA to enable them to defray the past debts and start afresh, in return for firmly agreed and clear steps to avoid a repeat of the deficits and for the scheme to keep within its income in future' (Presidential NHIA Technical Review Committee, 2016). Service providers like CHAG had also warned against 'piecemeal' payments. Initially, it appeared the government was going to go with the recommendation similar to the strategy it was using to clear the energy sector debt. At an interaction with private service providers in the stronghold of the NPP in Ashanti, the Minister had promised to clear the 12 months of arrears of GHS 1.2bn at a go (My Joy Online, 2017b). However, a month after the public assurances, the government was only able to pay one-month arrears, which triggered agitations from service providers and threats to withdraw services (My Joy Online, 2017c).

On the substantive issues of restructuring the NHIS, the MoH has begun a consultation process to look at proposals for reforming the NHIS and financing the health sector sustainably. Many perspectives were shared with the authors in responses to some of the proposals in the NHIS Technical Review Committee report:

## Redesigning the Benefit Package

There is agreement that a benefit package must be aligned to health sector priorities, made attractive to the middle class who will be an important source of contribution, and must generate the necessary support for financing and sustaining UHC. There is also agreement that it must cover maternal, neonatal and child care and there should be a balance between curative and preventive care, including public health education. One informant proposed a yearly examination and annual screenings for each subscriber on his/her birthday to be covered under the scheme. It appears whatever benefit package is agreed upon, it will include maternal, neonatal, and child care. While some proposals have suggested removing some services from the package to control costs, one informant described the idea of reducing the benefit package as 'political suicide,' something that the NHIS Technical Review Committee was also keenly aware of. In 2012, an attempt to drop maternal health care from the primary health care bundle was met with stiff resistance from 'anti-capitation' groups, who felt the real human cost of dropping coverage for this type of care could not be quantified.

In the immediate post-election period, interviews suggested disagreement that the starting point is PHC.[61] It is believed that a focus on PHC will make the service not attractive enough to the middle class.

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61 A MOH workshop held at the beginning of July this year, attended by the top leadership of the public health sector and led by the Minister and his deputy themselves, produced a report that put universal PHC implementation at the top of the recommendations, suggesting more consensus among top sector officials than existed in interviews for this report undertaken earlier in the year. Subsequently, the NHIA has proceeded with an actuarial study to determine how feasible it

It appears that the current proposal also crowds out the private sector. This is inconsistent with the NPP philosophy and its business constituency in the health sector like the pharmaceutical companies, private insurers, private health facilities, pharmacists, etc. In addition, the new political leadership in the health sector also believe the NHIS must offer market prices. Currently, CHAG is the only actor who has produced a baseline for costing its services and this could be used to price services at the NHIS.

## Capitation

While some view capitation as a way forward for the NHIS, there is a sense that the political leadership in the health sector is not eager to continue with the pilot process, as it is currently set up, given how politically charged the capitation pilots became. The capitation pilots were suspended following the election of the NPP government, and there has not yet been a clear indication of whether the current government will consider revising the implementation of capitation in a politically feasible manner.

## Containing Drug Costs

There has been one area of convergence between the past administration and current government that has led to the roll out of a policy on containing drug costs. At the end of last year, the Mahama administration was working on a plan for central procurement of drugs using Framework Contracting.[62] The roll out of the Framework Contracting was a trigger last year for the Global Fund to release money for the sector. Unfortunately, the process was curtailed last year because of the elections, but the new political leadership has taken on the proposals and there is an agreement to start with 55 high cost drivers on the NHIS Drug List. This program will run for two years to ascertain its effectiveness before it is extended to other drugs. The program also envisages a local content component that will allow the government to engage local pharmaceutical companies to produce generic drugs for malaria and other conditions, which fits with the NPP government's broad industrialization agenda.

## Decentralization Reforms

In 2016, a draft Health Bill was submitted to the NDC Cabinet, which sought to fully devolve the health sector to the District Assemblies pursuant to the Local Government Act 2016 that had been passed earlier. The Health Bill did not receive Cabinet approval before the government left office. The bill was part of a substantial effort on moving the decentralization reform agenda from deconcentration to full devolution. The agenda was championed by then-President John Mahama who took keen interest as Vice President, when he chaired the Inter-Ministerial Coordinating Committee (IMCC) on decentralization reforms. Upon assumption of office as President, he moved the IMCC to the Office of President under his chairmanship. Subsequently, *de facto* chairmanship was given to the head of the Local Government Service instead of the Local Government Minister as envisaged in the IMCC. This arrangement, which was supported by donors, did facilitate the passage of the Local Government Act 2016 and the submission of the health and education bills.

Under the new government, the IMCC is expected to relocate to the office of the Local Government Minister. There has not been any new thinking on what and how to pursue decentralization policy,

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would be to implement, though at the time of writing the results (and the political interpretation of thereof) are still pending.

62 Framework contracting in Ghana will involve a national tender process after collecting data on the drug needs of all facilities in the country, which all nationally-based drug suppliers will be invited to apply. The MOH will then negotiate with the selected suppliers and set a centralized agreed price for the drugs. The agreed price then serves as the price for all facilities to deal with suppliers at the periphery.

particularly related to devolution of the health sector. The Local Government Ministry, which is expected to lead this agenda through the IMCC, has many more politically salient reform issues on its list of priorities, including the creation of four new regions and the possible election of District Chief Executives in 2018–19. These big policy items and political promises made by the NPP are likely to distract the Ministry and Minister from moving the health sector devolution process forward. Moreover, the Ministry is likely to meet resistance from unions that are not keen to see the power over recruitment, emoluments and transfers, which they are able to influence centrally to be devolved. It is more likely that the devolution agenda will move if the MoH and the GHS took an interest in the issue, but as it stands now, there is very little interest from the health sector political leadership or senior bureaucrats on this matter.

# 6. POLITICAL ECONOMY OF EDUCATION SECTOR ALLOCATION AND EXPENDITURE IN GHANA

This report builds on a common presumption that the social sectors require more funding to realize additional gains. This is particularly true in a country like Ghana where debt is at unsustainable levels and fiscal austerity is imperative for the foreseeable future. However, the education sector in Ghana makes it clear that the issues are more complex than a simple examination of how best to raise revenue. Real consideration must be given to understand what within Ghana's education sector needs more funding and whether the solution in political terms involves only new revenue or other types of reform to shift and rationalize spending.

Ghana has realized some educational gains and achieved near universal primary enrollment, but it offers students an education that many critics say is of poor quality (**Box 2**). Rising demand for private school enrollment and demand for more secondary schooling can be seen as demand for greater quality that enables economic advancement. Given that political elites have limited time and ability to focus, it is important that this analysis not reinforce the presumption that Ghana's educational sector issues are only about funding. In political terms, voters consider new taxes or the use of the country's sovereign wealth funds against knowledge of widespread corruption and inefficiency. The ability to raise more taxes for education is politically tied to the issue of quality and is dependent on public faith that there is a clear and credible plan to improve quality.

***Box 2: Progress in Education***

Ghana's education sector has seen a number of significant achievements in recent years. Lenhardt and Rocha Menocal (2015) describe a range of access improvements since the turn of the century: At the pre-primary level, enrollment rates increased from 50 percent in 2000 to universal pre-primary enrollment in 2011, alongside an increase in the number of kindergartens from 6,321 to 13,263 between 2001/02 and 2010/11. The gross primary enrollment rate, which stood around 80 percent in 2005, has increased gradually, resulting in achieving and maintaining universal enrolment since 2007. Secondary enrollment rates, which had remained below 40 percent for decades have picked up since 2005, reaching 61 percent in 2012. Together, these improvements in access to educational services are reflected in an increased number of years children spend in school (school life expectancy) from an average of 7.5 in 1999 to 11 years in 2013—the latter figure surpasses the average for middle-income countries (Lenhardt and Rocha Menocal, 2015). Yet, the sustainability of such gains in a context of fiscal consolidation raise serious questions about when and how to improve the quality of education such that additional schooling yields additional learning outcomes.

It is beyond the remit of this report to delve into the changes needed to deliver higher quality, but it is important to acknowledge the quality issue and its relevance to the funding debate. The challenge of quality and adequacy of revenue threaten to be eclipsed by the President's call to offer free universal secondary school, which demand large new revenues to pay for school construction, supplies and salaries. This major new initiative will require new resources at a time when Ghana is suffering from an unsustainable budget deficit and is under pressure to take austerity measures, and there are also other education issues that require additional investment.

To clarify the issues, this section first explains the main actors and institutions, then distinguishes and defines the main sources of funding and assess recent trends among them, and then lays out the flow of these various funding streams. Next, we set out the main challenges before considering the political dynamics which support or impede likely solutions.

- Key Findings in **Aggregate expenditure levels compare well, but additional resource needs are on the horizon.** In terms of overall commitment of financial resources, Ghana is on par with or exceeding its regional and global peers, as well as international targets. However, the pattern of spending still generates funding shortfalls for key aspects of service provision, and there are significant concerns regarding the quality of spending. Envisioned reforms and associated expansions in access and improvements in quality will also require additional resources, which will outstrip anticipated revenue in coming years. Particularly significant in this respect is the expansion of secondary education and the shift to a more highly skilled/qualified workforce.
- **Significant rigidities exist within the government budget.** Compensation makes up a significant share of the general government revenues for education sector spending, leaving little in the way of resourcing for goods and services and capital expenditure. These latter categories are funded largely through other flows including the GETFund and increasingly internally generated funds (IGF). Commitments to compensation financing also means there is often little money left to tackle key quality and equity issues.
- **Recent trends in donor funding and statutory allocations raises questions about the future of these sources of financing.** External funding has historically contributed significantly to financing the education sector, particularly for equity issues and basic education. Reductions in donor funding and downward fluctuations in revenue-linked statutory allocations in recent years put further pressure on other resource flows and generate new challenges given the imbalances in the rest of the system noted in the point above.
- **Complexity of financing arrangements creates challenges.** The education sector relies on a patchwork of revenue sources, which are each subject to its own institutional framework that shapes the how funds can be used. This fragmentation requires negotiations among a broad set of actors that extends well beyond the sector. Many funding channels under the control of district level authorities exist entirely outside the technical planning and reporting processes of the Ministry of Education (MoE). This contributes to planning and coordination challenges as well as 'short-route' accountability challenges where roles and responsibilities are unclear.
- **A bias exists toward visible (but often unfinished) projects even in the use of quasi-discretionary funding.** Both national and local political dynamics tend to support the use of discretionary resources towards highly visible investments that might be attributed to politicians. Such practices range from the use of district-level constituency development funds to national prioritization of classroom construction and the extension of access. Yet, despite the political incentives to deliver visible projects, existing data support the conclusion that a significant proportion of such investments are never completed. The best explanation for this appears to be a failure of local political actors who struggle to maintain focus and keep bargains in the wake of distributive demands, rather than corruption or clientelism.
- **Progress towards a fully devolved education sector is slow.** Despite the legal obligations laid out in the Education Act of 2008, the actual transfer of power to the MMDAs has been slow. Local decision-makers hold relatively little discretion on the use of major resource flows, and instead are essentially tasked with implementing instructions from the center.

## 6.1 This Section

### Key Institutional Education Sector Actors

A wide variety of key actors administer Ghana's education sector budget, including several that are specific to the sector as well as others that exist beyond its boundaries. We provide here additional detail on the following core set of actors:

**The Ministry of Education:** The MoE plays a central role in education policy formation and implementation and gives effect to the executive's priorities for the sector. The minister is appointed by the president and is usually a high-profile appointment. The MoE's mandate is articulated in the Constitution, particularly in Chapter 6, which discusses roles and responsibilities in respect of all three levels of education (Constitution of Ghana, 1992). The MoE is expected to provide educational facilities that are available to all citizens at all levels in all regions of Ghana. It is also mandated to implement a plan for the provision of free, compulsory and universal basic education. The MoE is also expected, with respect to other levels of education to provide: equal access to secondary and other appropriate pre-university education; equal access to university or equivalent education, with emphasis on science and technology; free adult literacy programs; free vocational trainings; and rehabilitation and resettlement of disabled persons (Constitution of Ghana, 1992, art. 38-39).

The Education Act and other statutes create numerous bodies through which the Ministry is expected to achieve its mandate (Education Act, 2008). These include:

- **The National Teaching Council**, among other things, advises the Minister of Education on matters relating to the professional standing and status of teachers, and periodically reviews professional practice and ethical standards for teachers and teaching.
- **National Council for Curriculum and Assessment** determines the goals, aims and structure of courses at the various levels of pre-tertiary education and reviews, periodically, and makes recommendations on the linkages between tertiary and pre-tertiary education.
- **The National Council for Tertiary Education (NCTE)** was established in 1993 to support the MoE in administering tertiary institutions—particularly the financing of tertiary institutions (The National Council for Tertiary Education, 1993). For example, the NCTE is expected to enquire into the financial needs of the institutions of tertiary education and advise the Minister accordingly, as well as make recommendations during the preparation of the tertiary education component of the annual national education budget. The NCTE also supports the MoE's oversight of tertiary institutions. This involves approving key appointments at the institutions under its purview, as well as approving and defending key management decisions.

**Ghana Education Service (GES):** The GES is responsible for all pre-tertiary education activities in Ghana. The Service is responsible for the implementation of approved national policies and programs relating to pre-tertiary education. This involves also overseeing basic education, senior secondary education, technical education and special education. The Service supervises and inspects pre-tertiary educational institutions and makes recommendations to the MoE on educational policies and programs. Furthermore, the GES is responsible for the registration and appointment of teaching staff in all pre-tertiary institutions, as well as maintaining the professional standards and conduct of its personnel.

In its role as the manager of schools, GES sets the government's fees for secondary education. It is also responsible for the placement of students in secondary schools. The service is administered by a Director-General who is presidentially appointed, and is supported by a Council consisting of at least 12 members. Some of these are appointed by the executive, but the council also includes members of civil society, teachers' union, and religious groups.

**The Ghana Education Trust Fund (GETFund):** The GETFund was set up by an Act of Parliament to provide funding to supplement the government's effort for the provision of educational infrastructure and facilities within the public sector from the pre-tertiary to the tertiary level. It also provides need and merit-based scholarship funding and is a funding source for Ghana's student loan scheme.

The primary source of funding for the trust fund is a 2.5 percent education levy added to the VAT, as well as resources allocated to the fund from Parliament and investment accruals (**Box 3**). As a public trust, the GETFund's management and personnel are appointed by the government, and its infrastructure and other funding choices are heavily influenced by political considerations.

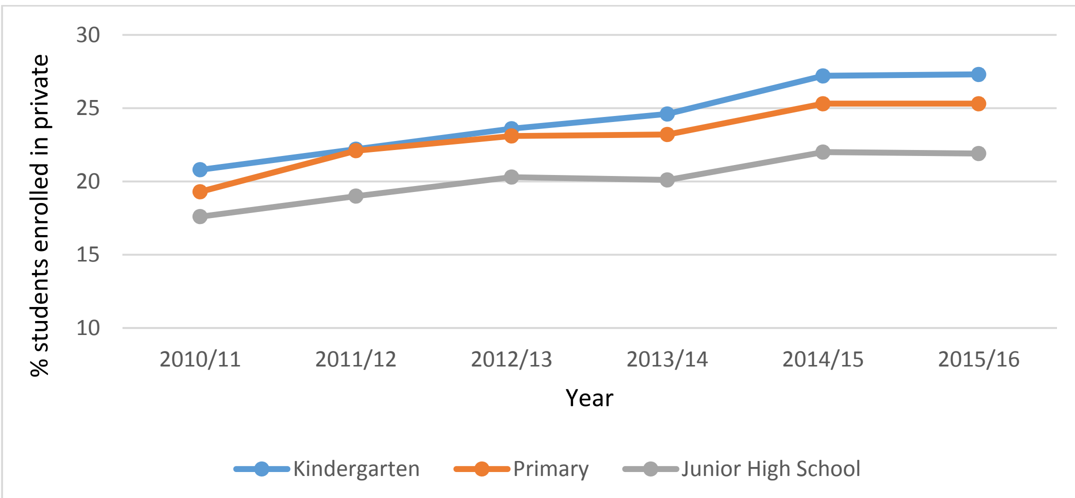
| ***Box 3: The politics of creating the Ghana Education Trust Fund*** |
|---|
| The creation of the GETFund provides an excellent example of the political economy of domestic resource mobilization in Ghana and its links to the politics of social sector resource allocation in the last two decades. Prichard (2009) provides a detailed account, but the salient points include the government's reintroduction of the VAT in 1997 following its rejection in large public protests in 1995. Prichard makes the case that the government's success in 1997 was a result of both technical changes (a reduction in the initial rate to 10 percent, which was lower than the existing 15 percent sales tax and 'large sums' spent on public education) and a fundamental difference in the political environment in which the VAT was introduced. Unlike in 1995, when the Alliance for Change constituted a cohesive and powerful opposition capable of leading people into the streets, by 1997, opposition parties had entered Parliament, reducing their incentives to foment civil unrest. Once the VAT had been reintroduced at the reduced rate, the NDC government set about the task of increasing the rate by 2.5 percent. While the move to make the increase took place in 2008, Prichard (2009) argues that not only was the rate increase planned prior to the introduction of the VAT the year before (including in negotiations with the IMF), but it also predated public pressure from the Ghana National Union of Students. Prichard attributes this significantly to the opportunistic savvy of the Minster of Education at the time, who was also the Chairman of the committee examining VAT implementation. This strategic move of using earmarking to create political space for domestic resource mobilization for the social sectors would go on to become an important part of government strategy in the coming years, including in the creation of the funding stream for NHIS (see Section 5 regarding the NHIL). |

**Local Government entities and structures:** The District Education Oversight Committee (DEOC), chaired by the appointed District Chief Executive, mainly exerts democratic oversight of education at the district level. Other members of DEOC include the District Director of Education and representatives from parent teacher associations (PTAs), School Management Committees (SMCs), the private school association, teachers' unions, traditional rulers, and religious bodies. The DEOC is responsible for overseeing the conditions of school buildings and infrastructure requirement in the district; the regular and punctual attendance of teachers and pupils at the school; proper performance of functions by the staff at the school; complaints related to teaching, non-teaching, personnel and learning material, and complaints from teachers; supply of teaching or learning materials; and the management and maintenance of the education management information system. Per the Education Act 778, the DEOC is also responsible for appointments and promotion; disciplinary procedures; administration and finance; and monitoring and evaluation.

**Education sector unions:** The education sector workforce is represented by many unions, the most significant of which are the National Association of Graduate Teachers (NAGRAT), the Ghana National Association of Teachers (GNAT), and the Coalition of Concerned Teachers, Ghana (CCT-G), though there are other specialist organizations (e.g., tertiary teachers associations).

**Private education providers:** The Education Act (2008) provided formal recognition of private education institutions. A detailed analysis of the resourcing of these providers is beyond the scope of this paper, but there is little doubt that they constitute a salient and increasingly important role in the broader political economy of resource allocation in the education sector. Recent figures confirm the strong enrollment growth of the early 2000s (Darvas & Balwanz, 2014) has continued (**Figure 7**), and the government's vision for the sector is clearly one in which private providers continue to play a role. *Education Strategic Plan 2010-2020* places an emphasis on the role of private providers in kindergarten and at the tertiary level, where the strategy envisions the proportion of private kindergarten and tertiary students rise to 25 percent (each) by 2020 (MoE, 2013).

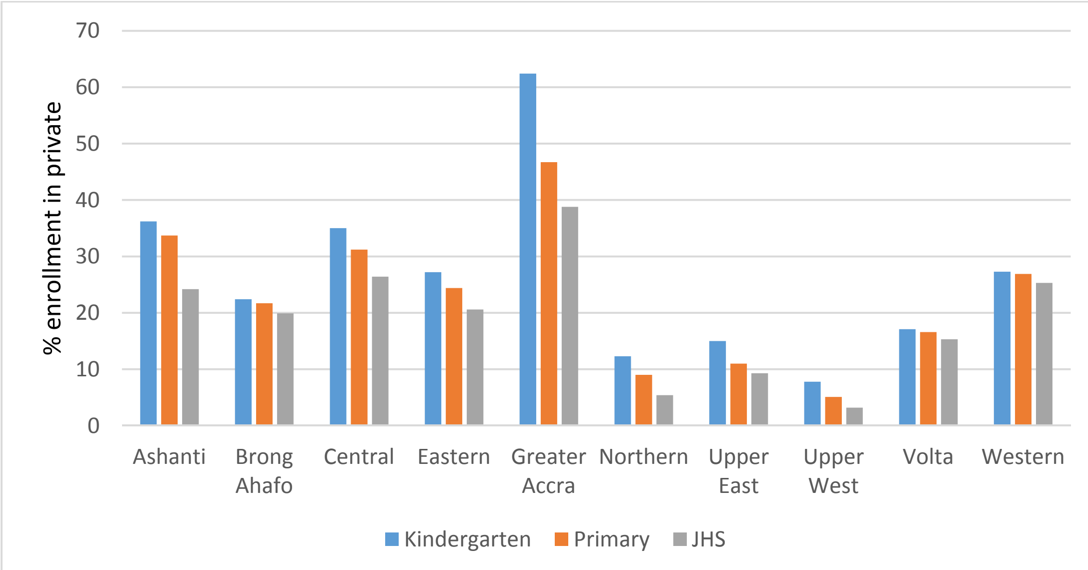
**Figure 7: Proportion of Enrollment in Private Schools**




*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

This envisioned expansion has been borne out in significant increases in the number of private providers, which at most recent count include 7,907 private kindergartens (of a national total of 22,052 kindergarten facilities), 7,625 private primary schools (of 22,289), and 4,862 private junior high schools (of 14,767) (MoE, 2016). Current literature offers few details about the role and influence of the umbrella group, the Ghana National Association of Private Schools (GNAPS). However, the geographic pattern of the growth of private providers is likely as important as the pace for understanding how this dynamic will affect the politics of resource allocation. **Figure 8** highlights the uneven role played by private providers across regions in Ghana, with the number of providers showing similar patterns.

**Figure 8: Enrollment in Private Schools, 2015–2016, By Region**




*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

## Financial Sources and Flows

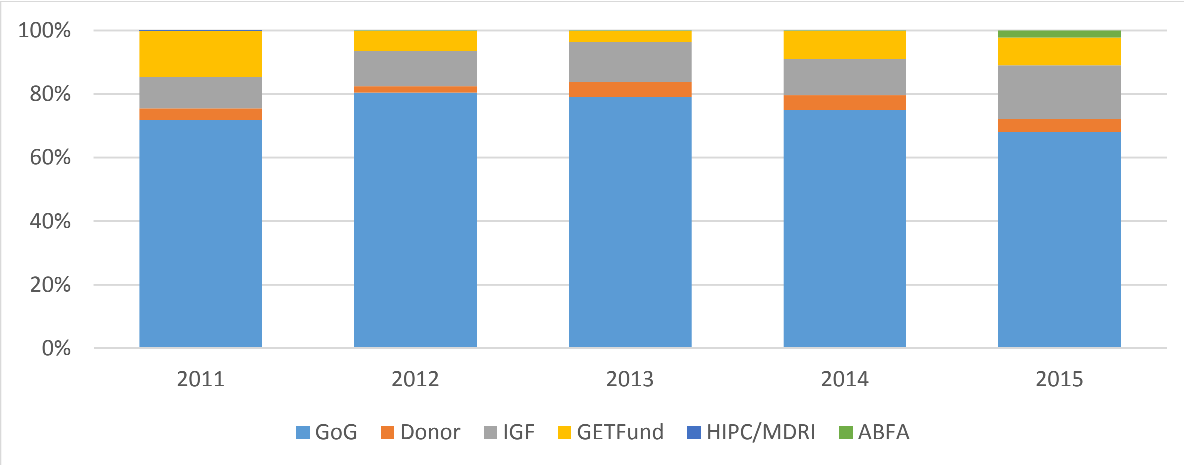
Sources of funding for education include core budget funding from the GoG general revenue, the GETFund, donor support, and the annual budget funding amount from the proceeds of Ghana's petroleum resources. In total, these made up GHc 8.7 billion (6.5 percent of Ghana's total GDP and 22 percent of government expenditure), constituting a significant increase from the previous year's spending of GHc 6.9 billion (MoE, 2016). These sources of funding, as well as two others not included in the MoE calculation, are defined and reviewed below.

**Table 9: Sources of Funding for Education Sector Expenditure, GHc millions**

| Source | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| GoG | 2,563 | 4,577 | 4,505 | 5,236 | 5,911 |
| Donor | 127 | 114 | 269 | 322 | 362 |
| IGF | 354 | 631 | 718 | 800 | 1,468 |
| GETFund | 518 | 361 | 197 | 613 | 759 |
| HIPC/MDRI | 2 | 0 | 0 | 0 | 0 |
| ABFA | 0 | 11 | 9 | 11 | 195 |
| Total Education Expenditure (TEE) | 3,566 | 5,704 | 5,697 | 6,982 | 8,697 |
| GDP | 57,013 | 71,847 | 93,461 | 113,436 | 133,296 |
| Total Government Expenditure (TGE) | 13,837 | 20,954 | 27,463 | 31,962 | 39,238 |
| TEE (% of GoG Expenditure) | 25.8 | 27.2 | 20.7 | 20.5 | 22.2 |
| TEE (% of GDP) | 6.3 | 7.9 | 6.1 | 5.8 | 6.5% |

*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

**Figure 9: Composition of Revenue to Reported Total Education Expenditure**




*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

**Government of Ghana Core Budget Funding:** The education sector receives the largest share of the total GoG budgetary allocation, typically accounting for more than one-fifth of the government's annual budget. The Government's contribution to the sector budget has been increasing sharply in the last few years, a trend that continued in the 2017 budget, with secondary level access expansion initiatives driving a 28 percent increase in expenditure allocation to the Education Ministry (PWC, 2017). The GoG also remains the biggest contributor to the education budget; it contributes 68 percent of the total sum.

**Internally Generated Funds:** The second most important source of education funding (by volume) is IGF generated through cost-sharing arrangements. This takes place overwhelmingly at the secondary and tertiary levels, with a much smaller proportion in the Technical and Vocational Education and Training (TVET) subsector. In 2015, IGF contributed close to GHc 1.5 billion to the education budget. This figure has increased in recent years and has almost doubled since 2014 (**Table 10**).

**Table 10: Recent Trends in IGF-Financed Expenditure (in GHc)**

| Total | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| IGF expenditure | 354,288,649 | 630,674,197 | 718,265,642 | 799,538,356 | 1,468,389,272 |

*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

It should be noted that this is not equivalent to out-of-pocket expenditure on education as 'parents finance a range of schooling expenditures including lunch, uniforms, examination fees and transportation, which sum to a much larger amount than the capitation grant' (Darvas & Balwanz, 2014).

**GETFund:** The GETFund contribution to the sector has fluctuated in recent years. In the last two years, its overall contribution has increased significantly. In 2013, the GETFund provided GHc 197 million, which was higher than the five preceding years. This figure tripled in 2014 to above GHc 600 million and above GHc 700 million in 2017. The fluctuations in the GETFund's contribution are mainly attributed to the changes in revenue from the VAT, which is the key revenue source for the GETFund.

**The Annual Budget Funding Amount (ABFA):** The ABFA accounts for contributions from the oil sector. The Petroleum Revenue Management Act provides in Sections 19-23 that up to 70 percent of oil receipts can be used for budget support. Ghana started receiving revenue from the oil and gas sector in 2012, and this source of revenue has become increasingly more important in the last five years. In 2015, ABFA contributed GHc 95 million to the overall education budget. While this represents just two percent of the budget, it is a significant increase from 2012–14, when the total contribution of petroleum to the education budget was approximately GHc 10 million.

**The District Assemblies Common Fund and District Development Fund:** The DACF and DDF are two distinct sources of financing that share several important characteristics with respect to their contributions to education resources. Both are mechanisms intended to facilitate (at least to a limited extent) decentralization of resource management by channeling funds to the district level. However, education is just one of many approved uses of DACF and DDF resources. This has important implications, as it is difficult to anticipate the proportion (and therefore amount) of funding that will flow to education in any given year. Together with the extent of decentralized decision-making, there is limited information in the existing literature on the DACF and DDF regarding the quantity of resources being spent in the sector. Estimates suggest that since 2009, DDF funding has supported approximately 4,000 infrastructure projects across all 216 districts with about 43 percent of the investments going to education (KfW, 2016). MoE does not include DACF or DDF expenditure in its reporting of total education expenditure (MoE, 2016).

## 6.2 Key Financing Challenges in the Education Sector

Since 2010, there have been growing calls on the government to move beyond access to basic education agenda to secondary education and beyond, as well as to improve the quality of education services. While both sides of Ghana's dominant and *de facto* two-party system have fully embraced the need to improve access at the secondary level, they differ in their views about the pace of implementation. The NPP has campaigned on making access to Senior High School (SHS) free since 2012, while the NDC has sought to promote and argue a progressively free SHS program. A key point of divergence in implementation strategies is the cost, i.e. how will the government finance a free SHS amidst ongoing macroeconomic challenges and also have resources to address persistent quality challenges? The debate over the access to SHS provides a subtext to the broader challenge of sustaining financing in the education in Ghana. In this section, we identify the key financing challenges in the education sector, what the main drivers of cost are and how GoG has tried to address these challenges so far.

### Quantifying the Main Resource Gaps

There have been numerous efforts to improve education service delivery in Ghana, including significant strategic planning efforts led by the MoE. The Education Strategic Plan is the policy document that articulates the government's medium-term goals and priorities for the education sector. As discussed below, there are good reasons to question the extent to which it truly guides reforms and investments in the sector, given the potential for technical planning processes to be swamped by political rationale. However, it provides the most coherent set of projections for resource needs in the medium term.

### Resources Needed to Implement the Education Strategic Plan 2010-2020

The Education Sector Plan's projections (**Table 11**) were made by the Planning, Budgeting, Monitoring and Evaluation (PBME) directorate of the MoE in 2009 (though published in 2012) and resulted in a projected shortfall of 7,233 million GHc over the full duration of the plan, including an anticipated continuation of external funding at roughly 6.5 percent of total resources. The projected shortfall from 2017 to the completion of the Education Sector Plan in 2020 is 2,535 million GHc.[63]

**Table 11: Estimated ESP Expenditure Compared to Resource Envelopes**

**(GHc million, constant 2009 prices)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Resource Envelope** | | | | | | | | | | | |
| Recurrent | 1790 | 1838 | 1888 | 1937 | 1988 | 2040 | 2093 | 2147 | 2202 | 2258 | 2314 |
| Capital | 232 | 258 | 286 | 316 | 348 | 381 | 416 | 454 | 493 | 535 | 579 |
| Total | 2022 | 2096 | 2174 | 2253 | 2336 | 2421 | 2509 | 2601 | 2695 | 2793 | 2893 |
| **Expenditures** | | | | | | | | | | | |
| Recurrent | 1772 | 1909 | 2021 | 2112 | 2221 | 2316 | 2365 | 2441 | 2523 | 2609 | 2685 |
| Capital | 699 | 749 | 806 | 869 | 940 | 1006 | 724 | 767 | 813 | 840 | 839 |
| Total | 2471 | 2658 | 2827 | 2981 | 3161 | 3322 | 3089 | 3208 | 3336 | 3449 | 3524 |
| **Balance[64]** | | | | | | | | | | | |
| Recurrent | 18 | -71 | -133 | -175 | -233 | -276 | -272 | -294 | -321 | -351 | -371 |
| Capital | -467 | -491 | -520 | -553 | -592 | -625 | -308 | -313 | -320 | -305 | -260 |
| Total | -449 | -562 | -653 | -728 | -825 | -901 | -580 | -607 | -641 | -656 | -631 |

*Source:* MoE. (2012). ESP Volume No. 1, Table 5.7. Retrieved from https://www.globalpartnership.org/content/government-ghana-education-strategic-plan-2010-2020-volume-1-policies-strategies-delivery

Several assumptions built into these projections have been swept aside by events in the sector and in Ghana more broadly. For example, projected GDP growth is held constant at 5 percent from 2010 to 2020, and while growth rates in the early part of the period exceeded this, growth in more recent years has slipped below 4 percent (World Bank, 2017b).

Moreover, the recent focus on universal free secondary education, which emerged after and outside of the strategic planning process, requires an even greater volume of resources. There is every indication that the overall cost of financing the education sector will increase with the gradual move towards increased funding of secondary institutions and tertiary institutions. Since 2013, education spending on secondary has hovered around 21 percent of total expenditure while tertiary spending has increased from 19 percent in 2013 to 23 percent in 2015. While some efficiency gains can be expected, expansion at these levels faces drastically higher unit costs, with 2016 costs of GHc 2,312 per pupil per year for SHS students compared to GHc 392 at primary school level or GHc 1,364 for JHS students (MoE, 2016). The Education Sector Plan estimates noted above are based only on a 75 percent gross enrollment ratio (GER) for SHS and projects reaching 100 percent GER by 2020 to add an additional

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63 Note, the calculations reflect the following core assumptions: 'GDP growth is held constant at 5% from 2010-2020; Education expenditure as a % of GDP is reduced from 9% (2009) to 7.8% (2020 )to realign with recent historical expenditure; Recurrent envelope is reduced from 90% (2009) to 80% (2020) of total expenditure; Investment envelope is increased from 10% (2009) to 20% (2020) of total expenditure In both cases — these changes are made to realign the envelope with recent historical expenditures' (Ministry of Health, (2012:40) ESP Vol. 1). Further, additional assumptions are made regarding efficiency gains, including but not limited to the phase out of the CoE residential subsidy by 2015 and a reduction in the number of teachers on study leave from 5.3% to 1.0% of the teaching force by 2015. For more detail, see section 5 of Ministry of Health (2012).

64 Given the Education Strategic Plan (ESP) figures were projections, the negative numbers indicate projected shortfalls rather than actual borrowing.

GHc 675 million, not including necessary investments in infrastructure, to the cost of meeting the Education Sector Plan (MoE, 2012).

With these projections as a backdrop, the remainder of this section identifies two types of challenges facing the country—mobilizing sufficient resources and spending resources effectively and efficiently.

## Mobilizing Sufficient Resources

Despite the shortfall indicated in the Education Strategic Plan (ESP) 2010-2020, it is difficult to argue that the sector as a whole is suffering disproportionately in terms of resourcing. Education attracts the most resources of any sector, in terms of both budgeted and actual allocation. As noted above, it constitutes about a quarter of total GoG expenditure, constituting spending of roughly 6.5 percent of GDP. The GoG is the largest contributor and provides a significant amount of resources for education. Financing from general government revenue contributed 68 percent of total spending in 2015/16 year, with additional statutory commitments through the GETFund supplementing that figure. While IGF has grown in recent times, the government has made, and delivered on, significant commitments to funding the sector.[65]

However, there are at least two features of education sector resource allocation in Ghana that are raised as relevant in country-level discussions of limited sector resourcing: insufficient financing for certain types of expenditure driven by overspending on compensation; and the changing composition of sector spending as donors' proportion of overall spending declines and other sources (e.g. tax-revenue linked GETFund resources) fluctuate.

**Budget performance consistently remains poor, with implications for sector performance:** Similar to the general trends in budget implementation described in Section 4, there are wide variations in resources budgeted in the education sector as against the actual expenditures. In 2014, actual expenditures were 112 percent of the original budget (114 percent of a slightly reduced allocation to the sector through the supplementary budget process mid-year). In 2015, the actuals were 115 percent of the budgeted amount. Though the final figures indicate actual expenditures at 90 percent of the adjusted budget, this was largely thanks to an underspending on goods and services financing made available late in the year (**Table 12**, **Figure 10**).

These figures are broadly representative of long-term trends, with overspending on the compensation budget a regular feature of a GoG education budget, in which the vast proportion of budgeted funds already go to compensation (Darvas & Balwanz, 2014). An evaluation of the figures suggests that the over-expenditure is a function of labour agitation (most recently through the Single Spine structure noted in Section 4). While the MoE budget allocation is rarely fully spent, allocations to the GES (through which Ghana's primary and secondary school teachers are paid) were overspent by 123 percent. The compensation payments to university lecturers were overspent by 120 percent of the budgeted amounts. In contrast, only 20 percent of the GHc 13 million allocated for the provision of the goods and services were actually spent.

Thus, in spite of the overall level of expenditure, such practices mean that the sector suffers continuous revenue shortfalls that affect the financing of frontline activities like capitation grants and school feeding programs aimed at securing compulsory universal basic education. Overspending on compensation

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65 In comparative terms, these commitments are impressive. GoG expenditure has generally exceeded the UNESCO suggested target of 6% of GDP, as well as the average of both low- (4.3%) and middle-income (5.7%) sub-Saharan African countries; low- (4.3%) and middle-income (4.2%) countries in other regions of the world; and high-income OECD (5.6%). See more at Darvas, P. and Balwanz, D. (2014). *Basic Education beyond the Millennium Development Goals in Ghana: How Equity in Service Delivery Affects Educational and Learning Outcomes*. Washington, DC: World Bank.

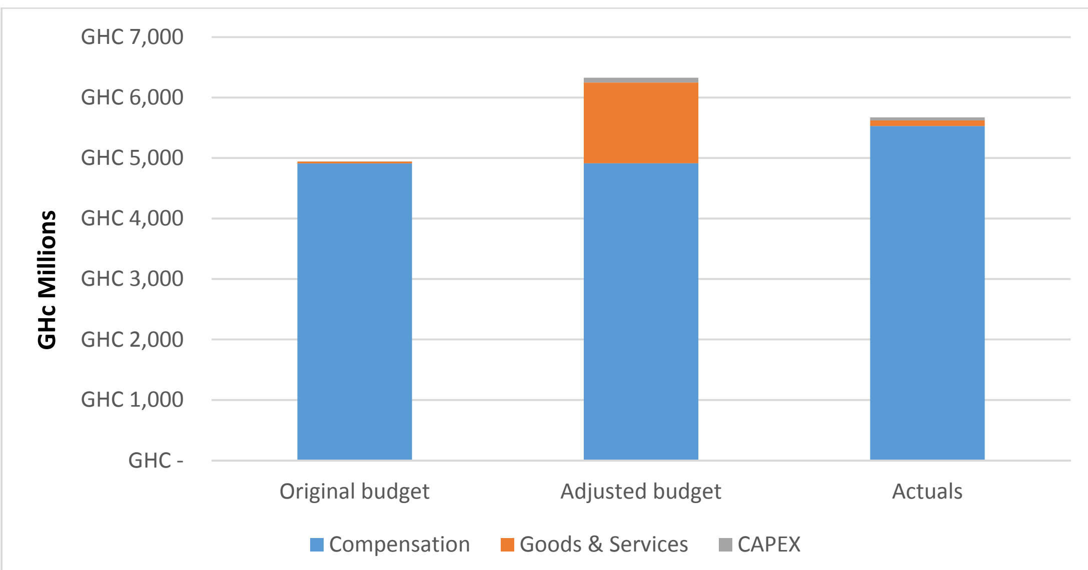
crowds out resource allocation to other types of expenditure. For example, the per pupil per year capitation grant has been subject to frequent arrears, leading to the closure of schools in deprived regions where school managers cannot rely on parents to pay other fees to support the management of the school. In January 2017, secondary schools in the three northern regions were forced to shut down because of unpaid feeding grants (Naatogmah, 2017).

**Table 12: GoG Education Budget, Type of Expenditure**

| Type | Original Budget | Adjusted Budget | Actual Expenditure | Actuals/ Adjusted | Actuals/ Original |
|---|---|---|---|---|---|
| Compensation | GHc 4,909,734,166 | GHc 4,914,366,857 | GHc 5,530,646,389 | 113% | 113% |
| Goods & Services | GHc 33,048,421 | GHc 1,333,885,788 | GHc 92,332,482 | 7% | 279% |
| CAPEX | GHc 1,000,000 | GHc 78,957,852 | GHc 47,930,396 | 61% | 4793% |
| Total | GHc 4,943,782,587 | GHc 6,327,210,497 | GHc 5,670,909,267 | 90% | 115% |

*Source:* MOFEP. (2016). *End-of-year Report on the Budget Statement and Economic Policy of the Republic of Ghana for the 2015 Financial Year.* Accra: Government of Ghana.[66]

**Figure 10: GoG Education Budget, Original, Adjusted, and Actual Expenditure, FY2015**




*Source:* MOFEP. (2016). *End-of-year Report on the Budget Statement and Economic Policy of the Republic of Ghana for the 2015 Financial Year.* Accra: Government of Ghana.

66 These figures differ slightly from those in the Education Sector Performance Report (ESPR,), which, for example, suggests the government spent no money on the provision of assets in education (0% of GHC 1,000,000 budgeted) in 2015. The points made here regarding overspend (driven by compensation) remain essentially valid, but it speaks to the complexity and fuzziness in resource allocation debates for which there is no consistency in the essential figures, a point to which we return in the discussion of the politics of reform below.

As mentioned above, a key part of the financing challenges in education is the dominance of compensation payments that creates almost insurmountable rigidities in the sector budget. The education sector employs about 220,000 workers out of a public sector workforce of roughly 500,000. Almost all of the sector's money goes to the payment of salaries and emoluments. In 2015, 68 percent of all expenditures were spent on compensation. The GoG's allocation to the sector through the budget process[67] was also 68 percent, and out of that contribution 99.9 percent was spent on compensation (in 2014, it was 97.7 percent). All other expenditures including goods and services and capital expenditures were largely financed by IGF, the GETFund, and donors. In 2015, goods and services accounted for 21 percent of all education expenditure while capital expenditure was 1 percent.

The GoG is fully aware of this challenge. The Education Sector Plan states, 'personal emoluments are the biggest cost driver of the education sector. Teacher salaries alone account for nearly a quarter of all government expenditure' (MoE, 2013). In response, the GoG has embarked on several policy initiatives to remove 'ghost names' and reassign 'unutilised' and 'underutilised' personnel. This involves a plan to clean the payroll by requiring all public sector workers to undergo biometric re-registration and the establishment of an Electronic Salary Payment Voucher (E-SPV) to track all payments linked to individual biometric details. So far, the GoG has indicated that this has led to the deletion of a few thousand few names from the register. Yet, despite these successes, the reality is that the wage bill in the education sector has not reduced in any substantial way. In 2014, actual compensation payment was GHc 5.1 billion and increased to GHc 5.53 billion in 2015.

**Changing dynamics of domestic and donor support:** Donor support has historically played a significant role in shaping the education system in Ghana. In the late 1980s/early 1990s, the education sector witnessed the proliferation of donor-funded activities. For example, donors helped fund the Free Compulsory Universal Basic Education (FCUBE) program that began in the nineties and was undertaken by the government to address the perennial problems of access, retention, curriculum relevance, teacher training, provision of physical structures, and financing.

Over the past 10 years, donor contributions to the education sector have declined as a proportion of sector financing (in 2014 and 2015, donor support to the sector averaged 4.5 percent). While the GoG is the largest contributor to education sector, because it spends almost all of its contribution on compensation payments, donors provide fund some of the important education quality- and equity-related activities in spite of the declining proportion of financing (similar to the health sector).

Key donors include DFID, USAID, the Global Partnership for Education, and the African Development Bank who have formed an alliance to support a program to reduce the number of out-of-school children under the Complementary Basic Education (CPE) program, which is supporting 290,000 children. Another important donor is the World Bank, who is currently spending USD 150 million (approximately a third of all donor funding) on a project to improve outcomes in secondary education in underserved districts throughout Ghana, including the construction of 23 of the Government's planned 200 new SHS.

Unlike health where the NHIS is a significant contributor to financing the sector, the GETFund is overall less of an important source of financing to the education sector. It represented only 8.7 percent of total expenditure in 2015. Nonetheless, given the total absence of fiscal space within the education sector, the GETFund has become an important source of funding for implementing key education sector policies of the government. In 2010, the NDC government under the late President Atta Mills launched a project to eliminate basic schools that were operating in dilapidated structures or under trees, known as the 'Schools under Trees' policy. GoG and the GETFund initiated the construction and renovation of 2,936

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67 Note, again, that this does not include GETFund financing, which is earmarked GoG revenue.

new structures of which 2,146 were financed by the GETFund. So far, a total of 2,031 have been completed and handed over as at June 2016 (MoE, 2016).

As the GETFund and donor contributions decline, IGF is rising, and accounted for 17 percent of total spending in 2015 (MoE, 2016). The MoE does not provide detailed information on the sources of IGF, but it is commonly generated from additional fees charged by schools outside of the approved fees set by the MoE and absorbed or subsidized by the government. Various governments have frowned upon the charging of fees, and in most cases have sought to punish head teachers and institutions that charge these fees, even when the justification is to fill the funding gap caused by delayed payments from the GoG or GETFund. A breakdown of the IGF figures (**Table 13**) demonstrates that while some of this amount is being used to supplement wages (a use not reported in 2014), a large amount of the expenditure from IGF goes towards capital expenditure and goods and services in Senior High Schools and Universities.

**Table 13: Breakdown of IGF Expenditure By Type, 2015 (in GHc)**

| Compensation | Goods & Services | CAPEX | Total |
|---|---|---|---|
| 11,174,050 | 1,367,295,195 | 89,920,027 | 1,468,389,272 |

*Source:* MoE. (2016). *Education Sector Performance Report 2016*. Accra: Government of Ghana.

## Spending Resources More Efficiently and Effectively

**Complexity of financing arrangements generates challenges:** MoE and GES are reliant on a wide variety of actors well beyond the sector, including: more than 15 'sub-vented' agencies (which operate in full or partial autonomy of MoE), at least three other Ministries, Universities and Colleges of Education, Regional Ministers, MMDAs, Teachers' Unions, civil society, and donor partners (Darvas & Balwanz, 2014). While this has important implications for the mobilization of sufficient resources as noted above, it also generates significant supply-side resource management challenges for MoE.

The relatively coherent vision expressed in the ESP relies on a patchwork of resource inputs, most of which are subject to discretion well outside of the MoE. For example, the MoE has little discretion over negotiations on compensation, which determine the use of most of the GoG general revenue financing for the sector. Instead, negotiations are conducted principally by the Fair Wages and Salaries Commission (**Box 4**). Interviews with union officials suggest that they primarily interact with the MoE and GHS on administrative matters, but for salary and remuneration discussions, which the Minister or Chief Director may not have a say over, the point of engagement is with the Fair Wages and Salaries Commission and the Ministry of Employment and Labour Relations (MELR).

**Box 4: The single spine salary structure**

The discussion in Section 4 of the broader fiscal pressures affecting resource allocation in Ghana points to the implementation of the Single Spine Salary Structure (SSSS) as a key driver of government expenditure. Appiah and Abdulai (2017) note that the Fair Wages and Salaries Commission has now moved 139 public service organizations onto a single spine salary structure, representing the migration of about 480,000 out of the total of 505,901 members of staff in Ghana's public service (data obtained from the Controller & Accountants General Department in April 2016), clearly including the overwhelming majority of education sector staff. Given the overwhelming dominance of the compensation component of the education sector budget, it is important to note the way in which this broader effort at public sector pay reform has impacted resource allocation in the sector.

The SSSS predecessor, the Ghana Universal Service Structure (GUSS), created a fragmented system in which each service 'negotiated its own salary and benefits with the unions, and in addition many subvented agencies have claimed the right to negotiate separately from the negotiations undertaken by other bodies in their sector'… which 'is believed to have encouraged a spirit of rivalry among services and agencies to get ahead and leapfrog the pay of colleagues in other MMDAs, with negative consequences for budget execution, budget sustainability and equity between public sector employees' (GoG, 2011). This description would appear to align with the competitive dynamic that existed even within the education sector, as indicated by the fragmentation of the education sector unions in the pursuit for greater recognition and remuneration for graduate teachers. Under the SSSS, this dynamic has reportedly changed, with union officials now describing a joint approach to salary negotiations.

And yet, the SSSS has also generated significant challenges for the education sector. While the SSSS promises important medium-term benefits, including 'more pay equity, easier salary negotiations, better oversight of outlays, and the potential for productivity gains… [I]n the short term, it has raised the wage bill significantly' (Darvas & Balwanz, 2014). This process, which was determined well beyond MoE and sector planning and decision-making discretion has contributed to longstanding concerns regarding the distribution of sector resources, namely that 'implementation of the Single-Spine Salary Scheme, which reflects MoE, teacher, civil society and political interests, may not significantly improve quality and may in fact capture resources which could have been used for targeted access, equity or quality interventions' (Darvas & Balwanz, 2014). The presence of earmarked funds for infrastructure through the GETFund appears to have somewhat insulated that type of sector spend from the pressures on the core GoG budget arising from the increasing wage bill and the migration to the SSSS.

Beyond its implications for the balance of different types of expenditure, the SSSS has also reportedly created difficulties for the MoE in implementing efforts to address equity considerations. Notably, provision of trained teachers has lagged behind in deprived districts. The 2012 Education Sector Performance Report described the way in which 'there was extensive discussion around the 20% top up for teachers in deprived districts during 2011, but this policy was not deemed to be feasible at present in light of the move to Single-Spine Salary Scheme' (Darvas and Balwanz, 2014).

Similarly, discretion over the use of resources from the GETFund for capital expenditure is held centrally within the GETFund itself (bounded broadly by the criteria established in the Ghana Education Trust Fund Act (2000)). Funds are then disbursed to MMDAs, which in turn contract providers of capital expenditure services. Further, MoE does collaborate to an extent with the Fair Wages and Salaries Commission and the GETFund, yet multiple resource flows continue to exist well beyond the scope of MoE planning processes. DACF and DDF funding provides inputs to capital expenditure for which there may not be recurrent budget in years to come. DACF resource flows begin with a separate allocation in the GoG budget process, while the mix of donor and GoG funds in the DDF is channeled by the Ministry of Local Government and Rural Development, but neither source of financing is included in MoE estimates of total education expenditure, reflecting the extent to which the various resources flows to the sector remain siloed. These institutional arrangements point to the degree to which important aspects of education sector resource allocation is dependent upon negotiations undertaken and decisions made well beyond the bounds of the sector and the discretion of MoE.

In addition, these institutional arrangements also have implications at the facility level. Not least among these is the challenge created for service users (and their families) to parse the different flows of funds, and the roles, responsibilities and levels of discretion associated with each. Where the direct interface between providers and users is seen as a 'short route of accountability' (World Bank, 2004), such complexity would seem to undermine the potential for users to understand and exert pressure on providers to improve the effectiveness and efficiency of the use of resources.

**A bias toward visible projects even in the use of quasi-discretionary funding:** As discussed earlier, there is a high level of rigidity in the financing of the education sector. Though donors have supported the financing of goods and services and some capital expenditure, their funding is also earmarked. The only source of discretionary funding is the GETFund, and even that has its limitations. The GETFund was set up to fund education infrastructure, particularly tertiary education infrastructure, and also to provide need-based scholarships. Since, its establishment in 2000, it has been used primarily for these purposes. To that extent, the GoG is often left with very few options if it needs to invest in issues of quality. For example, one of the main quality issues has to do with improving the pupil to textbook ratio. The Education Strategic Plan notes that on one hand 'as student to seating and student to desk ratios have improved almost to one, textbook to students declined for English, Math and Science.' In 2015, the ratio was 1.6 per student at JHS and primary level instead of 3:1. At SHS level it was 0.50 for English, 0.44 for math and 0.44 for science books. Though the government has a program that distributes free textbooks, it has not been able to deal with the problem substantively, which is affecting the performance of students from deprived schools reflected in the pass rates for such student during the West African Senior School Certificate Examination. Examination pass rates for math and science have been are around 23 percent over the last few years and there are clear disparities between students from Accra and Kumasi, and performance from schools in the northern parts of the country.

An ancillary debate to the bias towards visible projects even in the context of acute rigidities is the quantity versus quality debate, one that remains unresolved. It appears both sides of the debate do not see a dichotomy between quantity and quality but more a balance. However, the reality is that outside of compensation the resources are largely put to school infrastructure in pursuit of access. This is not just reflected in central government allocation but at the local government levels, where local mayors and MPs are investing in school infrastructure, using the DACF. Why this is the case, despite the government's own acknowledgement of important quality challenges like the student-to-textbook ratio, remains an important question. The answer may lie in underlying politics but also citizen values, which will be discussed subsequently.

**Slow progress towards a fully devolved education sector:** The Education Act of 2008 (Act 778) establishes the education sector as part of the decentralized departments of the MMDAs. The MMDAs is tasked with developing and maintaining district school infrastructure, recruiting and appointing teachers, establishing new schools in consultation with the District Education Directorate, and more importantly 'preparing, administering and controlling budget allocation to education sector in the district'. The MMDA is required to set up a DEOC chaired by the District Chief Executive or the chair of the Education Subcommittee of the MMDA. The responsibility of the DEOC is to oversee the management of school infrastructure, provision of teachers, teacher discipline and attendance, motivation, the supply of materials like textbooks, and appointments and promotions.

Despite these legal obligations, the actual transfer of power to the MMDA has been slow. The MoE notes that 'basic education was and still is regarded as one of the priority areas for devolution' (MoE, 2013, p.33). Yet, in the same vein it offers a refrain that "education planning, management and delivery should be devolved to local government and institutions as far reasonable and effective' (MoE, 2013, p. 33). Though various governments have promoted the devolution of the sector, in reality it has existed as a form of deconcentration with some function implemented by the MMDAs, some by the District Education Directorate and some from headquarters in Accra. In April 2012, the government under President Atta Mills took the decision to push for full devolution. The work of various committees culminated into the preparation of the Education Decentralisation Bill of 2016. The bill currently before Parliament seeks to elaborate fully the decentralized system of all pre-tertiary institutions and better clarify the roles and relationships between the MMDAs, DEOC and Education Subcommittee. The challenge is that in spite of the gradual transfer of responsibility to the MMDAs, these entities only have some control over the DACF, which is increasingly also heavily earmarked, while payment of teachers will remain centrally controlled under the Single Spine Salary Structure. This does not leave many real 'sticks' that the MMDAs can use to maintain discipline and ensure teacher attendance.

**Unfinished projects and their significant opportunity cost:** The efficiency and effectiveness of the resources that are available for capital investments are often negatively impacted by a failure to complete funded projects. In a sense, this may seem to contradict the apparent bias to the preference for visible outputs in the use of discretionary funds. Yet, as Williams (2016) notes, this is a common dynamic that is hardly unique to Ghana or to the education sector: 'Development projects like schools and boreholes are popular with politicians and voters alike, yet many developing countries are littered with half-finished projects that were abandoned mid-construction.' Analysis of a dataset of some 14,000 small development projects in Ghana, including DACF, DDF and GETFund projects (though also including other projects outside the education sector), suggests that as many as one-third of projects that start are never completed, consuming nearly one-fifth of all local government capital spending.

Williams (2016) argues that if project incompletion were to be a clientelist political strategy, we would expect to see more unfinished projects in election years, with politicians promising to finish projects if constituents re-elect them (a form of leverage), but the data does not appear to support this conclusion. The evidence appears to strongly caution against putting too much emphasis on corruption as a primary cause of this inefficient and/or ineffective use of resources, noting that underpayment for work that contractors have done is far more common than overpayment (including for work *not* done), due to the government's quickly shifting priorities. The reality appears to be more complex, but equally a function of the political economy dynamics of the context within which local leaders operate.

## 6.3 Political Dynamics Around Options for Reform

The discussion above demonstrates that the financing challenges in education are probably more acute than normally acknowledged. Given the overwhelming use of the GoG's general revenue allocation to education for compensation and the prevalence of earmarking in other sources (e.g., GETFund), the rigidities may be more pronounced than what has been described in the health sector. Set against the background of ongoing fiscal consolidation efforts and a challenging macroeconomic environment, it appears contradictory that political elites are seeking to absorb more of the cost of education or to provide subsidies. What accounts for this apparent contradiction? Are political elites miscalculating the scope and scale of the economic challenges facing the country? How politically feasible are the proposed plans and where are the opportunities for making some quick wins? Below, we look at some of the policy options aimed at addressing the financing challenges and run them through a political economy analysis to assess political viability and implications for the sustainable financing of the education sector.

It is too early to assess whether Ghana's underlying competitive clientelist political settlement will change or manifest in different ways after the recent elections that brought the NPP back to power. The NPP is nominally a center right party that cares about liberal values and capitalist accumulation through private sector participation (what the NPP refers to as 'property owning democracy'). It may desire to reduce the role of the state in the delivery of education and also promote more private participation in the sector. However, in practice the previous NPP regime under Kufuor had pursued more social democratic programs like the capitation grant, school feeding program, youth employment program, social protection programs like LEAP, and the NHIS, which were continued and expanded by subsequent NDC governments. This has led some commentators to dismiss the role of ideology in Ghanaian politics and rather characterize Ghanaian governments as pragmatist (Whitfield, 2011). Others contend that ideology does play a role in the implementation of policies in Ghana, and that this is evident in the management of the oil and gas sector (Mohan, Asante, & Abdulai, 2017). Some also argue that these administrations respond to the underlying political incentives to maintain themselves in power by allocating resources to reflect the ethno-regional distribution of power within the ruling government, , allocate resources to more visible and tangible public goods like roads, school and hospital buildings, and ensure that prospective voters can attribute performance to the regime ahead of elections (Abdulai & Hickey, 2016). In the end these populist promises and expenditures can distort and undermine social sector management and performance (Ampratwum, Awal, & Oduro, 2018; Abdulai, 2016)).

With respect to education, these political behaviors mean that political elites are keen to increase spending on education to boost their chances in elections (Stasavage, 2005). They often target the broader base of the education level—primary level—to spread the resources so it can reach a large segment of society. Government expenditure at that level is lower per pupil than subsidizing education for SHS or tertiary levels. That incentive seems to be changing as the enrollment figures at primary levels have exceeded 100 percent. For 2015–16, GER was 111 percent and the Net Enrollment Ratio (NER) was 92 percent.[68] For higher levels of education, both the GER and NER decline. However, there is a large group of people who want their children to proceed further on the education ladder but do not have the means to make it happen. Thus, it is not surprising that free SHS received such popular support both during the campaign and in the subsequent period under the new government—politicians are not pursuing narrow parochial interest but those that reflect popular demand. In the run up to the 2016 elections in Ghana, the Ghana Center for Democratic Development (CDD-Ghana) conducted two pre-election surveys in July and October 2016. In both, respondents listed education as one of the three top policy priorities that politicians should address. This prioritization of education has been consistently affirmed by Afrobarometer studies as well.

In his budget statement to the Parliament of Ghana, the Finance Minister, Honorable Ken Ofori Atta was blunt about the current economic challenges. Ghana's current debt was 73 percent of GDP as of December 2016, and 42 percent of tax revenue was used to service this debt (MOFEP, 2017). Once compensation, debt servicing, and statutory payments were made there was no domestic revenue. Deficit had hit 10 percent of GDP on commitment basis and 8.7 percent on cash basis (the IMF agreed target was 5.3 percent), while inflation was running at 15.4 percent. The wage bill was GHc 12.1billion and GHc 458 million had been used to clear arrears. Expenditure on goods and services was 51 percent above target due to election related expenses (MOFEP, 2017).

Despite these challenges, the NPP government has committed itself to shifting 'Ghana's education system from merely passing exams to building character, nurturing values, and raising literate, confident, and engaged citizens who can think critically' (MOFEP, 2017, p. 101). This includes redefining basic

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68 The gross enrolment ratio refers to 'the number of children enrolled in a level (primary or secondary), regardless of age, divided by the population of the age group that officially corresponds to the same level', whereas the net enrolment ratio refers to 'the number of children enrolled in primary school who belong to the age group that officially corresponds to primary schooling, divided by the total population of the same age group.' See a full list at https://www.unicef.org/infobycountry/stats_popup5.html

education to include secondary education. Therefore, the minimum level of education as part of the goal of universal basic education will be the SHS level. It is committed to continuing many policies undertaken by the previous administrations including Schools under Trees where over 8,000 structures are in need of repair, and will be targeted. This program has increased the capitation grant by 100 percent to GHc 9 per child per annum, seeks to absorb the examination fees of both JHS and SHS candidates and build two technical and vocational institution in each region. The government has also made a decision to commence the implementation of the Free SHS policy from the 2017–18 academic year in September 2017, where the government will absorb all approved fees for first year students in public SHS. However, the question is where the fiscal space to successfully implement this and other key policies in the education sector is. We consider the following politically feasible financing options available to the government.

## Raising More Revenue to Finance Education

Previous efforts to raise additional revenue to finance education have been done through increasing the VAT with the percentage increase earmarked to support specific activities in the sector. This was done with the GETFund to support tertiary education and infrastructure. Key informants interviewed suggest there is little appetite from increasing taxes. Any attempt is likely to be resisted by business and the public, who are both reeling under the effect of macro-economic instability, unreliable electricity supply, and over-taxation of some segments of society. In the short term, it is also unlikely that the NPP government will pursue that option. In fact, its maiden budget contained numerous tax cutting measures on many items and services including the removal of spare parts importation taxes and local government taxes on head potters and industrial machinery among others.

The government is aware of its low revenue base and has set about to better document citizens as part of efforts to expand its tax base. As such, a major policy decision was to complete the national identification that was started under the first NPP government by 2017. This will provide the relevant agencies with the records for tracking and enforcing tax rules. The regime is also hoping that the boost in private sector confidence, through tax reductions and other policies like the plan to construct at least one factory in every district, will in turn boost private sector investment in the short- and medium-term, and consequently boost tax revenues.

## Reducing the Dominance of the Education Sector Wage Bill

As discussed earlier, the education sector workforce accounts for about 42 percent of the total public workforce. Almost all of the GoG's core budget for education pays for compensation, leaving very little money to tackle key quality and equity issues. Settling compensation arrears is one of the main drivers of deficits in the education sector. Thus, reducing the dominance of the wage bill (e.g., slowing the growth of wages below the rate of growth of sector spending or finding savings in the non-wage components of compensation such as benefits and study leave) would seem to be a key component of more effective resource allocation. However, the informants consulted as a part of this study tend to agree with the conclusion of the recent literature that, '[w]hile efficiency gains are possible, moving resources from popular, if inefficient subsidies (for example, SHS, Basic Education Certification Examination or Study Leave subsidies), toward expenditures which may have a more focused impact on improving quality or equity risk upsetting influential constituencies' (Darvas & Balwanz, 2014, p. 125).

It is highly unlikely that the current regime will seek to reduce the wage bill in the short-term in any significant way. Ghana went through an extensive single spine exercise to standardize salaries of state workers. At this moment, there does not appear to be widespread public belief that teachers are overpaid, but neither is there agreement that they are significantly underpaid. There is some opportunity to intensify efforts to clean the payroll through the biometric re-registration and electronic payment system and while such efforts prove popular in the media and encourage discussions of efficiency gains, this does not make a significant impact on the bottom line.

Any attempt to retrench underutilized or unutilized teachers will be resisted by the teachers' unions who can derail key policy initiatives like the Free SHS policy. These unions are widely noted for their ability to exert pressure on government, including in relation to decisions on remuneration and other incentives (e.g., study leave), as well as in debates on performance measurement (Casely-Hayford, 2011; Darvas & Balwanz, 2014). Divisions within the workforce are replicated to some extent in the pattern of labour organization. For example, NAGRAT was founded through a split within GNAT, reflecting a movement among university graduates who are teachers at the primary and secondary levels within the GES, who felt that it was inappropriate for government to group them together with other (non-graduate) teachers. However, while NAGRAT's breakaway membership of university graduates rejected the government treating them the same as other teachers with respect to conditions of service and improved remuneration, there does not appear to be any indication of the GoG using the split to undermine the political influence of the unions as a strategic mechanism to combat demands for increased pay.

Increasingly, the teachers' unions have adopted a neutral position in dealing with different regimes. Interviews with union leaders suggest that unions, whose membership tends to be diverse in political party affiliation, remain aware of these origins and avoid tactics that may exacerbate the potential for further fracture. Union members are often very politically active, campaigning for parties and standing as candidates. Thus, perceived support for one administration by the union leadership could undermine the legitimacy of that leadership. As such, the government has no natural allies amongst teachers' unions except perhaps the University Teachers Association of Ghana (UTAG), which has historic links with the NPP as a part of NPP's efforts to cultivate a relationship with professional groups and ensure their welfare.

Similarly, informants suggest that in recent years GoG, including the MoE and GES, have found it is easier to deal with the unions together than to deal with each separately. If one is invited to meetings or negotiations, invitations will be extended to the others. If one gets in touch with MoE, it will update the others. This may be surprising in some respects, given the GoG may be more effective in negotiating against a divided opposition. However, informants point to a history in which issues resolved only through negotiations with one union, have subsequently been raised by the others, necessitating the MoE and GES to deal with the same issue multiple times. An example was the debate over teachers' contact hours, which was negotiated first with GNAT and subsequently re-fought publically by NAGRAT, which had been excluded from the first round of discussions.

## Using Oil Money to Finance Education

Since Ghana joined the league of oil producing countries in 2010, oil revenues have become an important source of funding for Ghana. In absolute terms, revenues through the ABFA have increased over ten-fold from 2012 through 2015 (ACEP, 2015; MoE, 2016). The 2015 ABFA contribution constituted 2.2 percent of total education spending. In the face of the financing challenges in the social sector, political elites are looking at oil revenue as a possible source of funding.

According to the Ministry of Finance and Economic Planning (MOFEP), total oil receipts for 2016 amounted to USD 247 million lower than the 2015 figure of USD 396 million. This is attributable to the decline in oil prices, decline in production at the Jubilee Field, and lower-than-planned production from the new Tweneboa Enyenra Ntomme (TEN) Field. Out of the total, the ABFA received USD 98 million, but USD 17 million was transferred into the Ghana Infrastructure Fund set up under the Infrastructure

Investment Act (2014). In his budget statement to the Parliament of Ghana, the Finance Minister stated that the Free SHS would be funded from the ABFA, a departure from what former President Mahama had suggested (MOFEP, 2017). Politically, this should be feasible as there is a convergence of elite and popular interest. The MOFEP has discretionary powers under the Petroleum Revenue Management Act 2011 to select four out of 12 development areas where ABFA resources will be utilized for a period of three years. The current four areas of allocation will expire in 2017 and give the NPP an opportunity to select its four areas. However, it is estimated that the bill for the first year of the implementation of the free SHS for first year students will cost GHc 400 million, which is the equivalent to the entire ABFA allocation for 2016 (GHc 388 million). In this respect, the feasibility of using the ABFA to fully fund the Free SHS is limited if the government is to fund expenses like the amortization of oil and gas-related loans or agriculture modernization. Free SHS remains popular politically, and though there are no technical obstacles to using the ABFA for financing education, doing so requires difficult trade-offs that will have to made to finance other sectors from oil revenues.

At the beginning of 2017, the Senior Minister, Hon. Osafo Marfo had suggested that government was also thinking about using revenues from one of Ghana's sovereign wealth fund, the Heritage Fund to finance the free SHS. His comments elicited a backlash from civil society organizations (CSOs) and the NDC who had proposed a similar strategy last year and had been shot down by the public. In a way, the reaction of organized civil society stems from a deep dissatisfaction with the ways in which public resources have been managed.

## Plugging Leakages and Improving Accountability

There is a currently a lack of data on the extent of resource leakages in the education sector. A few years ago, public expenditure tracking studies were common and revealed weaknesses in the transfer of resources from central government to regional and local government agencies. A pilot tracker study of expenditures in the sector found that on average only 51 percent of non-salary resources allocated to primary schools were received (Killick, 2008). CDD-Ghana's study of the management of the capitation grant also revealed that there were wide differences in allocation and actual disbursement. Some schools received less than the amount due, while others received more. In total, 60 percent of the 30 primary schools surveyed experienced some shortfalls (Ampratwum & Armah-attoh, 2010). While the leakages from central government are important, this study showed that the shortfalls between the District Education Directorate and the schools are more pronounced than the leakages in the transfer of resources from GES to regional and district directorates of education. It suggests that a lot of work is needed in strengthening transparency and accountability systems at the local government.

There are other forms of resource leakage that have received strong government commitment in recent years. Teacher absenteeism and overall teacher accountability have become key concerns for the government. During his final State of the Nation address to the Parliament of Ghana, former President Mahama touted the significant reduction in teacher absenteeism as one of his important achievements. According to the former President, teacher absenteeism had reduced from a high of 27 percent to just below nine percent. A key strategy for monitoring absenteeism has been the implementation of the School Report Cards (SRC) that imposes an obligation on head teachers and SMCs to collect data on teacher and pupil attendance among others. The data are captured in the first and third terms of the academic year. The SRC is tied to the releases of the capitation grant and other resources to schools.

There is an ongoing pilot program to speed up the reporting process using a mobile application. Studies have shown that a combination of effective inspection and closer links between circuit supervisors, SMC and non-state groups like faith-based organizations (FBOs) do reduce absenteeism. In a study of two districts, Ampratwum et al. found that schools with lower absenteeism had circuit supervisors visiting the school more than 10 times instead of the average three visits (Ampratwum, Awal, & Oduro, 2018).

The supervisors participated in review meetings and worked closely with the SMS. Logbooks were used to record lateness and absenteeism, and teachers who flouted the rules had the salaries embargoed by the education directorate or transferred. It appears the GES is looking to scale up these interventions. In 2015, it reported that the National Inspectorate Board had visited 1,000 basic and 100 SHS schools to conduct full inspections. Considering there are about 22,000 primary schools (public and private) and about 1,800 JHS (public and private), there is some way to go toward improving inspection to ensure teacher accountability and improve learning outcomes. The new government has signaled its intention to strengthen these aspects of education sector governance and management. In the Budget Statement, the Finance Minister announced that the government will resource the National Inspectorate Board, so it can regulate the establishment of schools to avoid over concentration of schools in some areas, as well as review the curriculum to ensure children can read, write, do maths and recreations (MOFEP, 2017).

## Diverse and Complex Financial Flows

The prospects for improved accountability in the use of allocated resources are complicated by the complexity of the fragmented system of financial flows in the sector. The resources for education from each of the sources outlined above flow through a variety of channels, often with further variation depending on the subset of funding (e.g., 'direct' vs. 'indirect' DACF transfers) and/or the type of the expenditure (e.g., personal emoluments vs. capital expenditure). The result is a tremendously complex set of resource flows, which are summarized below.

Darvas and Balwanz (2014) provide a summary mapping of the four main types of MoE financial flows. For personnel emoluments, MOFEP informs the Controller and Accountant General's Department (CAGD) to make payments directly to the education sector workforce, based on information from the Integrated Payroll and Personnel Database (IPPD) department in GES.[69] Administrative funds flow from the Bank of Ghana to MMDA treasury accounts on the instruction of the MOFEP to the CAGD and are subsequently forwarded to the DEOC. Goods and services funds disbursed from CAGD flow first to GES and either spent at the head office level or forwarded on to regional or district level accounts. The relatively limited amount of capital expenditures (CAPEX) funding overseen by MoE (excluding GETFund resources) are disbursed directly from CAGD to the DEOC, who is responsible for overseeing contractor activity (Darvas & Balwanz, 2014).

However, the full set of financial flows is far more complex. For example, while teachers hired through the GES are paid through the process described above, where individual facilities directly hire additional skilled or unskilled teachers (e.g., through use of IGF), payments may be made directly by the facility and its school management board. Similarly, Darvas and Balwanz (2014) give the example of the complexity of financing education sector infrastructure, such as classroom construction that are financed from multiple government and donor funds and managed by several different entities.

[69] ' The migration of the Ghana Education Service (GES) payroll from IPPD3 onto IPPD2 system, as a part of HRMIS implementation program, is ongoing. As of February 2016, the data on both IPDD2 and IPDD3 were reconciled in both systems. A parallel running of payroll on both systems started in March 2016. The migration of the GES payroll onto the mechanized IPPD2 system is on course and expected to be fully completed by end-September 2016. By the same date, the IPPD3 payroll system will cease to process GES payroll. The payroll has been integrated with GIFMIS Financials. The GoG is confident that by June 2017, the integration of the HRMIS and Hyperion with the GIFMIS financial in the Health and Education sectors will be completed. This will allow greater control over the payroll cost.' See more at IMF. (2016). Ghana: Third Review Under the Extended Credit Facility Arrangement and Request for Waiver for Nonobservance of Performance Criteria, and Modifications of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Ghana. *IMF Staff Country Reports, 16*(321), 1. doi:10.5089/9781475543582.002

At the very least, this complicates efforts to know what resources are accruing to the sector and how they are to be accounted. This is true with respect to top-down oversight mechanisms (as noted above, MoE's own Education Sector Performance Report does not include financing flows to the sector via the DDF), as well as bottom-up routes that rely on service users to hold providers accountable for the use of funds. This pervasive incoherence thereby undermines accountability mechanisms and informed policy discussions, raising very real questions regarding the efficacy of relying on local accountability mechanisms in the opaque patchwork of school-level resource management.

Some commentators continue to express concern that where private enrollment is burgeoning, there are both immediate impacts on financing via losses from per student capitation (which increased 100 percent from GHc 4.50 to GHc 9.00 in the 2017 budget) and political implications for policy choices and equity outcomes in the form raised by Darvas and Balwanz (2014):

> *'As more families enter the middle class and urbanize, many pupils are exiting the public system and paying for elite private schools. The influence of powerful interests and the exit of influential constituencies from public schools each reduce pressure on government to reform basic education and leaves poorer families worse off. This dynamic presents important public policy choices: Do the people of Ghana want to support strong public basic schools or will the education landscape in Ghana continue to follow the current trajectory of a highly unequal two tiered system?'*

Broadly, the middle class pays the taxes that fund public education, and exercising this 'exit' option results in paying twice, which may in turn further erode support for financing public education. Thus, as middle-class Ghanaians continue to opt out of the public system to private education providers, there is real cause for concern that this may further undermine short-route accountability options. Without a credible plan to improve school quality, it is difficult to envision a solution to the collective action problem that parents face in strengthening lines of authority over areas like school policy, teacher selection, and managerial oversight.

However, while this complexity and opacity create space for the types of corruption and other forms of wastage noted above, it does not appear that the incoherence is the result of conscious efforts to undermine accountability for public funding as much as from the ad hoc, fractured flow of resources within the sector, which draws on whatever resources might be possible. In addition to the improved governance effects resulting from the development of a credible plan to gain buy-in from middle-class Ghanaians (admittedly a significant challenge), efforts to simply improve the coherence of financing could be one of the more useful contributions of the efficiency of spending by not only helping to resolve supply-side coordination problems (among MoE and other national actors), but also to improve oversight and accountability for existing resources.

# 7. INTER-SECTORAL POLITICAL DYNAMICS IN HEALTH AND EDUCATION

In the previous two sections, we have dealt with the political economy of resource allocation to health and education largely as separate sectors. In this section, we conclude the report by reflecting on the connections between these sectors. This includes first exploring the similarities and differences between the political economy dynamics observed in the two sectors and then asking what interactions may exist between the sectors.

## 7.1 Contrasting Health and Education

While key features of resource allocation and performance in these sectors will be driven by the broader political economy context, we recognize that sectors and services within them also display certain technical characteristics. These characteristics, however, also have political implications that can shed some light on the types of dynamics observed above with respect to resource allocation. Mcloughlin and Batley (2012) propose a set of four types of characteristics that combine to affect the various relationships between the state, providers, and service users (**Table 14**).

**Table 14: Service Characteristics**

| Nature of the Good | Market Failure Characteristics | Task-related Characteristics | Demand Characteristics |
|---|---|---|---|
| • Rivalry<br>• Excludability | • Monopoly tendency<br>• Positive or negative externalities<br>• Information asymmetry<br>• Merit | • Measurability<br>• Visibility<br>• Discretion<br>• Transaction-intensity<br>• Variability<br>• Professional autonomy | • Frequency and predictability of use<br>• Choice<br>• Territoriality<br>• Targetability<br>• Political salience |

*Source:* Mcloughlin, C. and Batley, R. (2012). *The effects of sector characteristics on accountability relationships in service delivery.* Working Paper No. 350. London: Overseas Development Institute.

Harris et al. (2013) posit a variety of effects. For example, 'In education, the primary market failure might relate to the delivery of quality public provision, given challenges of regulating dispersed schools that are not subject to strong user demand. School construction is likely to be prioritised over quality because of the greater visibility and targetability of construction. As a result, political and organizational accountability may be more difficult to exercise, in part because of high information asymmetries, but direct user accountability could be strengthened. In preventative public health, national programmes are visible but not targetable, which means incentives to improve provision can be undermined by low public awareness, and direct user accountability is likely to be challenging' (Harris, Mcloughlin, & Wild, 2013).

However, rather than set out to specifically test these broader hypotheses, we draw selectively on the set of characteristics to help explain the patterns we see in the clearly observed features in Ghana.

## Similarities

Firstly, the evidence is clear that across both major political parties and in society more broadly, there has long been a basic level of public commitment to health and education services as deserving recipients of public funding, but 'free' still makes for better politics. The success of political earmarking strategies in both sectors associated with VAT increases confirm that this public commitment to improved health and education services has existed in Ghana, even if largely at more abstract levels. This study did not find evidence of a groundswell of opposition to the continued commitment of those earmarked resources to health and education. However, in the recent election cycle, political promises to expand free access to secondary education and the reluctance to limit access under the NHIS suggest that the prospect of 'free' services still resonates with the electorate. Consistent with the discussion above of competitive clientelism, in neither case does this political salience appear to extend to programmatic commitments in the electoral cycle regarding the efficiency of spending. The politics of social sector resource allocation are in this sense not good electoral politics in Ghana, at least at the macro-level.

Secondly, GoG core budget contributions in the two sectors are subject to several of the same political drivers of behavior, two of which we highlight here. The first of these is a **clear bias at the central level to emoluments**, reflecting the strong influence of professional groups in both sectors and the limited effectiveness of the SSSS and efforts to clean 'ghost workers' from the employment rolls in reducing the public sector wage bill. This is true in the initial budgeting process, and 'salaries are often under-budgeted and end up crowding out other types of expenditures during budget execution' (ACEP, 2015, p. 24; Darvas & Balwanz, 2014).

The practical realities of the wage bill in each sector (as reflected in the composition of the core GoG budget) reflect the significant strength of providers in negotiations over resource allocation. While there is some reason to think on the basis of the strength of the threat of industrial action, organized labour might be more influential in the health sector. In both sectors, public employees demonstrably have power in decision-making processes for resource allocation. Labour movements are fragmented and aware of the possibility of further fragmentation, but apparently not particularly acrimonious in their relationships with one another. Given fragmentation is based on specialization and background rather than allegiance to a political tradition, parties remain only weakly programmatic in their electoral perspectives on the social sectors. It is difficult to think of formal political mechanisms by which this might shift in the short term.

The second relevant driver of the GoG budgeting is the **bias to visible outputs**, noted above with respect to the macro picture and the potential for swing voter influence. In the health sector, it is identifiable in the priority placed on CHPS compounds and hospital construction, while in education it can be seen in school infrastructure. This dynamic appears to operate both at the national level, as in the case of the Schools Under Trees initiative, and at the local level, as in the case of the political returns to school construction utilizing DDF financing. While this indicates a certain type of responsiveness and democratic accountability, this does not drive efficient and effective spending (particularly given the evidence on unfinished projects) and comes at the expense of extremely low levels of resourcing for goods and services. In practice, this preference for visibility and measurability also reinforces biases towards access and away from quality in both sectors.

While the bias to emoluments (relatively invisible) would seem to contradict a bias to visibility, the two in fact exist alongside one another, at times pulling politicians in opposite directions, but more often affecting specific portions of a fragmented resource allocation process.

Thirdly, both sectors are characterized by the significant role played by multiple allocative processes that take place outside of the formal budget process. This has many implications, not least the underlining importance of not conflating core government budgets (though these are extremely important) with the full allocation of resources to health and education. For example, both sectors develop and utilize specialized statutory funds. We noted above the way in which both sectors share a common and interrelated history in the political strategies deployed by the government in the financing of the NHIF and the GETFund. While these two funds have important differences in their internal methods of resource allocation (a point to which we return below), it is the similar political origins of the funds and the associated political implications of the rules governing the allocation of resources to them that we note here. In each case, the government initially desired to increase revenue and managed the challenging politics of doing so by earmarking VAT increases to the respective funds.

What then, are the implications of these rules more than a decade later? While the earmarking was a successful political strategy in terms of passing the revenue measures at the time, it does at least two things that are closely related but not the same. Firstly, **earmarking adds significant rigidities to the budget system, with the earmarking of resources for these funds essentially removing these allocative decisions from the government's annual budget process**. Such practices, which have become far more common in recent years, mean pressures from wages, statutory payments, and debt servicing. Together, these three constitute significant rigidities within the system, driven by political necessity, but once they reach a certain level (of prevalence), becoming debilitating. The government appears caught between an awareness of the negative effects of the prevalence of such rigidities (now reacting by capping total earmarks under the Earmarked Funds Capping and Realignment Act 2017) and the effectiveness of such approaches in generating political support in each individual case, with informants pointing to ministers having spoken out against such practices, while also continuing to support earmarking for programs such as the Ghana Infrastructure Investment Fund.

Secondly, **in both sectors, earmarking changes the prospects and mechanisms for oversight and accountability.** As Prichard (2009) argues with respect to the origins of the funds (p. 26):

> *'It is likewise possible that parliamentarians preferred such earmarking because the creation of the funds moved oversight responsibility out of the Ministry of Finance, and thus out of the control of the executive, and under the purview of Parliament. There is some evidence that that may have contributed to parliamentary support for the measures, but it appears to be of secondary importance given that the initial proposal came from the executive.'*

There is little in recent years to suggest a silent struggle by Parliament to wrestle control over the public purse from the Executive. If anything, the championing of the Public Financial Management (PFM) Act of 2016 by MOFEP suggests they are trying to assert greater control. Whether with consideration of the respective funds or other points of contestation and decision-making, **identification of extra-budgetary allocation processes provides critical insight into where and when reformers should target their efforts**. For example, informants described how unions in the education sector began and concluded their negotiations for the 2017 salary increase well ahead of the 2017 budget process unfolding in Parliament, meaning significant aspects of contestation are essentially settled before the budget cycle begins.

## Differences

A comparison of resource allocation practices in the two sectors reveals numerous important differences. These include differences in the location of discretion over different types of resourcing, including statutory funds and IGF, the use of which provides an important complement to GoG financing for which there is relatively little discretion once statutory commitments are considered.

With respect to the former, while both sectors utilize funding arrangements to manage earmarked funds, **discretion in the allocation of the NHIF appears to be limited in comparison to the**

**significant space afforded to the management of the GETFund.** The terms under which both funds were set up provide some high-level guidance regarding the use of their funds, but leave open details that create the potential for political influence. This is not to say that debates regarding the use of the NHIF are not subject to political considerations. Yet in contrast to the relatively open debate regarding what the NHIF will finance, allocative decision-making within the GETFund remains opaque. Some GETFund projects, like 'Schools under Trees,' are national in scope, but other decisions regarding what projects get funded, where and with what level of resourcing, are left to processes that are less formally defined and more prone to targeted efforts in a competitive clientelist context like Ghana.

With respect to the latter, facility-level discretion in allocative decisions currently matters more in health as **the presence of IGF at scale in health creates local discretion and contestation that does not exist in education** (with the exception of tertiary/private provision). In the health sector, an example reported to the study team included a recent strike by laboratory workers over their exclusion from hospital boards. Given the reliance on IGF for goods and services, and CAPEX, informants suggested that exclusion from decision-making processes governing important aspects of IGF resource allocation at the facility-level constituted a serious threat to these worker's ability to perform their job.

This facility- (and provider-) level discretion afforded by IGF in health is further complicated by significant information asymmetries in the sector, arguably more difficult to overcome than those in education. Once the basics are accounted for (e.g., whether the doctor or teacher are present when required), it remains more difficult for users to judge the quality of health services and whether resources are sufficient and well allocated, thereby weakening user accountability at the point of service.

Jointly, frequent users of education services and other users within a bounded territory should help create space for potential users (or at least parent) accountability and would help improve the chances for effective user organization. Is this borne out in practice? We do see user organization in the form of PTAs that create an institutional context for holding providers accountable, including for the use of resources. However, **the limited allocative discretion at the local and frontline level in the use of GES and GETFund resources, and the absence of significant IGF at primary and secondary levels (where school fees are prohibited), limits the overall impact of local collective organization by users**.[70]

There are a couple of important caveats to this argument. First, this does not mean that families are not continuing to pay out of pocket for aspects of education services. There are some indications of battles regarding the issue of IGF and fees in the education sector. For example, union leadership reports having communicated directly with parents (e.g., by sending pre-printed notes home with students) in the case of union opposition to the government's policy against fees for supplementary readers. When the policy was announced, the unions wanted to communicate to parents that they might need to pay, in this case seeking direct action to change parent's behavior, but also to develop opposition to the policy from the bottom up via pressure from school managers upwards to the District Directors to MoE (specifically the Minister). In this case, the informant suggested that this led the government to revoke the policy as people began to complain and the issue permeated the media landscape.

Second, the continuing rise of private education provision creates a scenario in which facility-level decision-making does matter significantly (or organizational level in cases in which a given private provider operates more than one facility). The full implications of this for patterns of resource allocation and performance are beyond the scope of this paper, but subsequent comparative work (for example,

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70 One informant did note that requiring PTAs and SMCs to produce minutes of meetings which are occasionally sampled for checks from the Ministry does incentivize some accountability of those structures, but it is unclear how strong this mechanism actually is in terms of its effects on resource allocation.

contrasting emphasis on emoluments relative to CAPEX and goods and services where facility-level discretion is high) may provide useful insights, particularly with respect to decentralization efforts in the sector. With families making an increasing financial contribution in the form of various fees, there is the potential for at least two dynamics. Firstly, paying for services generates higher expectations on the part of users (at least for those parents that can pay), and secondly, as those resources are retained at the facility level, there is a greater chance of user engagement having some degree of influence in an otherwise top-down system.

In addition to these differences in the location of discretion, there appears to be **important differences in the extent to which service users are able to exert power**. While the information asymmetries noted in health create challenges for individual users, this power imbalance also depends on the potential for users to organize collectively in pursuit of their interests, whether through CSOs or otherwise (see Box 5). Here, the service characteristics points to the fact that education services tend to be consumed in a highly predictable manner. In contrast, in the health sector, largely unpredictable and infrequent use of services limits proactive user engagement (as opposed to demands for better services at the time of service use) required on issues like resource allocation. This, in turn, presents an interesting contrast with persistent engagement of **professional groups in both sectors, who predictably and regularly are affected by resource allocation decisions and are therefore better able to design and adopt proactive strategies to maximize their leverage**. For example, in the education sector, one leading union official described strategy related to timing of events *within the sector*, specifically to linking industrial action to examination times (as opposed to periods of vacation that offer less leverage), or in relation to specific events in country.[71]

With respect to variability, the evidence reviewed above indicates a broad-based political and fiscal commitment to 'basic' health and education. The current debate regarding the composition of the NHIS benefit package makes it clear that **the health sector is subject to a far more specialized level of debate regarding the roles and responsibilities of the state with respect to service provision to different user groups, which can serve to divide potential sources of opposition**. Detailed decisions must be made regarding the balance between preventive and curative services, which treatments are to be covered for which conditions, and even which specific drugs to procure. While some services (e.g., vaccinations, etc.) are far more common or even universal, thus allowing for broader political support for those services, the needs of service users tend to be highly variable.

**In education, there is simply not the same type of variability in the nature of provided services as in health**. At a basic level, there is debate regarding the emphasis in allocation of resources to primary, secondary, tertiary (and vocational), but services are largely not differentiated by user. There is no suggestion that one child learns to read while another learns arithmetic. While there is a small budget for special education (GHc 8.2 million in 2017 per MoE (2017) Budget by Programme), what variability exists (differential learning needs) is largely dealt with at the classroom level by teachers rather than in determining coverage for specific services within the sector.

71 Perhaps counterintuitively, such events are reportedly more likely to be unifying events (such as Independence Day) than potentially divisive ones like elections. As noted above, union officials remain wary of exacerbating political divisions within each union. If the union takes a position or engages in industrial action in advance of the elections, it will be seen as a political stance (potentially based on the ethnicity of the union leadership), and may be objected to by a large portion of the membership. This in turn creates a risk of fracture for the union itself.

**_Box 5: Opportunities for CSO influence_**

The literature is divided on the extent to which CSOs and NGOs are able to exert authority in relation to service delivery in the social sectors and associated resourcing issues. Lenhardt and Rocha Menocal (2015), for example, tells a story of progress in the education sector in Ghana in which improvements in the sector are linked to improvements in governance indicators. A review of historical practice raises a number of examples in which civil society in some form has exerted a powerful presence on issues of revenue mobilization and resource allocation. There is, however, some need for caution in assuming a similar capacity exists today as previous examples may have been time-specific. For example, Prichard (2009) notes the furor surrounding the initial efforts at the introduction of the VAT was a function of a particular context in which an opposition refusing to take its seats in Parliament had the incentive and capacity to foment popular opposition in the streets.

In this vein, others are less optimistic. Booth et al.'s (2005) analysis notes that in Ghana's 'new CSO movement… [t]he associations that operate most effectively as pressure groups are in upper- and middle-class neighbourhoods. In the poorer districts, many associations of the poor are in effect linked in with the political machines of elected Assembly Members or party organizations' (p. 9). More recently, Oxfam (2016) notes a wide range of factors that 'limit the formation of influential broad-based civil society organizations' while reproducing the familiar themes from wider discussions on governance in Ghana that Ghana's performance, when assessed in comparative perspective to its neighbors either regionally or continent-wide, tends to be far more positive than analysis that focuses on the country in its own right, and what might be expected from Ghana itself.

There is inevitable a grey area, with CSOs often claiming influence in their sphere of operations. Oxfam (2016) points to the disjuncture between the claims made by SEND Ghana as an example: 'Dogbe writes that through long-term commitment with multiple local and global stakeholders, this coalition has successfully influenced education and health "policies and programmes in favour of the poor and marginalized." This does not immediately fit, however, with budgetary allocations to these sectors which, in recent years, have either stagnated or declined as a percentage of GDP to levels that are lower than those allocated by similar lower-middle-income countries' (p. 70). Here, the indicator chosen does not provide much of a basis for a conclusion one way or another. Variation in total sector allocation is certainly an important indicator, but not targeting the poor or impacting the poor may not be a useful measure of SEND's claims.

The literature suggests a weaker role than might be supposed when looking at whether CSOs were active on relevant issues at the time. Prichard's (2009) analysis of the increase of the VAT associated with the creation of the GETFund, for example, notes that although some interpretations of the re-introduction of the VAT argue the earmarking was in response to 'mounting public pressure from the Ghana National Union of Students (GNUS), the evidence points strongly towards a more opportunistic story. While mobilisation by the students was significant, the decision to gradually ratchet up the VAT rate had been taken before any mention of the GETFund' (p.16).

## 7.2 Reflections on Connections Between the Sectors

In addition to the comparison between sectors, we consider here the potential for conflict and collaboration between the two sectors on issues of resource allocation, identifying elements of both. What follows are plausible hypotheses based on the analysis above and suggest some implications for the politics of reform strategies, though it will be important to interrogate and test these conclusions through any future program or project design.

## The Competitive Dynamic

There is an important sense in which the overall fiscal constraints need to be considered against resource allocation to the social sectors. The inescapable conclusion from the analysis of the macro picture is that **Ghana currently has an environment in which a variety of social interests compete for scarce funds**. In other words, hard choices are being made regarding the use of limited resources and while all countries face this situation in some form, the current fiscal picture in Ghana places this reality front and center.

Given the fragmented nature of sector financing and the rigidities (e.g., level of commitments to emoluments) in core GoG budgets in both sectors, **it does not appear there is significant explicit competition in the annual budget process**. Whatever sums are allocated to goods and services or CAPEX in the GoG budget are fundamentally at risk during budget execution and appear sufficiently small in comparison to other potential sources as to lead the sectors to turn elsewhere (either their respective statutory fund, or other sources). Further, parliamentary procedures that prohibit members from any action that could increase the cost to government would also serve to prevent the budget process from becoming explicitly competitive at that point in the process. Therefore, the competition would tend to take place before parliamentary involvement in the initial setting of ceilings or afterwards in the vagaries of budget execution and reallocation.

**However, comparative judgements regarding prioritization for additional revenues have been made explicitly**. For example, in considering the potential use of ABFA resources to finance 'pro-poor' social sectors, ACEP (2015) makes the case that the government ought to consider limiting its use of the ABFA from natural resource revenues to health and agriculture. Section 21(5) of Act 815 defines statutory limits and discretionary powers regarding ABFA, permits spending on up to four of 12 priority areas,[72] including both health and education, as well as a range of other areas (Oxfam, 2016). Hence, this argument rests in part on the case that in terms of overall sector resourcing, Ghana performs well on education, meeting and even exceeding international standards such as the Muscat agreement.[73] The analysis in the education financing gap sub-section of the report does acknowledge how intra-sectoral dynamics do create specific types of financing deficits:

> *'Technically, there is no financing gap for the education sector in Ghana. It is important however, to find sustainable financing of the education sector… [T]here exists no clear-cut policy and secure source of financing education apart from the GETFund, which has been in arrears in recent times. With increasing demand for education, government must seek to enhance its tax efforts in order not to reverse its financing commitment to the sector. Also as already observed, the bulk of government budget is committed to salaries and*

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72 The four priority areas selected by the executive for the period 2011–2013, and maintained in 2014, were: 1. Expenditure and amortization of loans for oil and gas infrastructure; 2. Road and other infrastructure; 3. Agriculture modernization; and 4. Capacity building (including oil and gas)). See more at Oxfam. (2016). *The Weak Link: The Role of Local Institutions in Accountable Natural Resource Management.* Boston: Oxfam America.

73 ' The Agreement is a global goal and targets for the post-2015 education agenda, made at the Global Education For All Meeting in Muscat, Oman. This is the first important step in a process that will culminate at the World Education Forum at the United Nations General Assembly in New York in September 2015. The Agreement targets that by 2030, all countries allocate at least 4-6% of their Gross Domestic Product (GDP) or at least 15-20% of their public expenditure to education, prioritizing groups most in need; and strengthen financial cooperation for education, prioritizing countries most in need.' For comparison, Ghana has not performed similarly on international targets in health (e.g. 15% of government expenditures on health (Abuja Declaration) or the WHO recommendation 5% of GDP on health). See more at ACEP. (2015, p. 44). *The Role Of Extractive Resource Revenues In Bridging The Financing Gap In Pro-Poor Sectors In Ghana: The Cases Of Education, Health And Agriculture.* Accra: Africa Center for Energy Policy.

*wages, and goods and services. The capital budget does not receive much attention resulting in infrastructure deficit, and its attendant challenges of low enrolment in schools' (ACEP, 2015, p. 45).*

However, competition is not always overt in the sense that arguments for additional spending in relation to one sector cast the two sectors explicitly as alternatives. Further, it does not appear as evidenced-based debate in observable parts of Ghana's budget process (e.g., parliamentary debate). For example, despite the contrasts drawn and the comparative case made in the ACEP document, the current government has placed significant emphasis on education as one of the ABFA priority areas, with decisions driven by the politics of the sector and the role of Free SHS in the elections that created a need to tap additional sources of financing. Thus, **even where explicit comparative arguments are made, they are not necessarily powerful drivers of resource allocation decision-making in the face of political commitments**.

**Similar competition between sectors is observed with respect to the use of specialized funds for which discretion is available at the local level,** specifically the DACF and DDF. These funds are subject to slightly different processes, but with both health and education constituting viable sectors for expenditure in each, there is some implicit competition between the two in each district in which the funds are available. Recent reporting from KfW (2016) notes that since 2009 donors 'have used the DDF to fund approximately 4,000 infrastructure projects in all 216 districts. Up to 3,000 district administration employees receive training and further education every year. Schools are at the top of the projects' agenda: about 43 percent of the investments are put towards education.'

## Collaborative Potential

**There are a few policy and programmatic areas in which health and education interests do overlap and where associated joint interests in resource allocation exist.** Examples of this include school feeding programs and girls' sanitation and hygiene, which often have significant benefits for both health and education objectives. In some cases, these involve joint implementation across sectors, as is the case with school-based deworming programs being jointly delivered by GES and GHS (GoG, 2016b). Where such examples of cost-effective interventions exist, they provide a model for potential cross-sector collaboration and issues upon which interest coalitions can be built (JPAL Policy Bulletin, 2012).

Somewhat ironically, areas of potential collaboration among actors across health and education on increasing resource allocation to social sectors more generally are those where less progress is arguably needed. This holds true particularly in compensation for public employees, where the introduction of the single-spine offers potential for collective action, but in a context in which emoluments already dominate sector expenditure.

The opportunities for cross-sector collaboration in pursuit of common interests among user groups are constrained by the underlying limitations of each user group (e.g., unpredictability of health needs limiting collective action). Additionally, even once user needs become clear in each sector, they do not necessarily overlap. This suggests that approaches to working across sectors aside from those collaborative areas may well need to rely on 'issue bundling' approaches (Harrison & Kostka, 2012). In other words, rather than looking for areas of common interest, issue bundling approaches to policy or budget formulation link together policies or programs that are of interest to one group with policies or programs that are of interest to another. These types of ***quid pro quo*** arrangements, which require agreements of mutual support despite a lack of shared interests, were not highlighted in the evidence reviewed. Yet, they have been observed in other contexts as a viable political strategy and might well be effective in this context.

# 8. CLOSING AND RECOMMENDATIONS

The challenges associated with improving social sector service delivery in Ghana and the efficiency and effectiveness of the resource allocation processes in supporting those services are no doubt significant. This is particularly true as the country grapples with the fiscal consequences of its current economic position. Yet the significant progress achieved in health and education in recent years provides reason for optimism. This section closes by providing recommendations in relation to each sector as well as a set of broader strategic lessons for reformers.

## 8.1 Health

- **The focus of the new government on gradually paying off the accumulated arrears of payments to providers must be accompanied by other much-needed efficiency reforms** if this is to be part of a package of policy reforms aimed at putting the NHIS on sustainable financial footing. Slowly paying off the arrears (running at a backlog of a year and more at the peak) is a prudent policy in the context of limited resources and years' worth of continuing decline of public health spending. Although this will bring relief to cash-strapped providers, this measure alone will not resolve the key short-term financial challenges facing the NHIS, let alone address the even more daunting long-term challenges.
- **Move quickly to implement the recommendations of the MoH-sponsored workshop on NHIS reform in July 2017 that included, as a key policy reform, the redesign of the NHIS' benefit package to focus on providing universal PHC to all Ghanaians**, including maternal, neo-natal and child health services as well as preventive and promotive services. This recommendation echoes that of the NHIS Technical Review Committee in 2016 and will arguably be one of the most important reforms of the health system since the NHIS was set up in 2003, enhancing the efficiency, equity and sustainability of the scheme. Including preventive and promotive services as part of the NHIS' benefit package and getting the NHIA to pay providers directly for these services using pay for performance or other strategic purchasing approaches will be more efficient and help direct resources toward these important health areas. However, the focus on universal PHC for all Ghanaians must be accompanied by additional critical efficiency reforms to contain costs, particularly at higher levels of the health system. This will ensure that public resources for PHC do not get diverted for overspending at higher levels of the system, which has historically been the case.
- **Align the redesign of the benefit package with provider payment reforms that promote quality and efficiency, particularly for PHC.** As the NHIS benefit package is revised, it will be important for the GoG to also consider how to pay providers for delivering the services included in the benefit package to optimize quality and efficiency. Although capitation has been mired in politics since it was introduced in 2012, it is a technical solution that has the potential to improve the efficiency and quality of providing PHC services if implemented well. While it may be politically challenging for the current government to continue implementing 'capitation,' it may consider renaming or rebranding the approach in a manner that emphasizes its advantages to beneficiaries and providers.

**Engage proactively on the allocation of discretionary government funding to prepare for the possibility that NHIS funding from statutory sources (VAT and SSNIT) will decline compared to past levels unless there is dramatic economic growth to offset the effects of the Earmarked Funds Capping and Realignment Act introduced by the Government in March 2017**. Financial sustainability was already threatened by the sector's reliance on statutory sources that suffered in recent low-growth years. The Act, aimed at limiting the total amount of all earmarked funds in any given year to 25 percent of total tax revenues, provides further impetus for proactive engagement on the allocation of discretionary Government funding. To achieve this, MoH teams involved in the budget and MTEF processes must demonstrate the need to invest in the health sector and the technical and political benefits of doing so. This could be done on the basis of data and evidence from financial and actuarial assessments (supported by a strong financial modelling and forecasting unit). It could also be done with accelerated efficiency measures introduced to contain costs of the sector and especially of the NHIS that is often seen as wasteful and inefficient by the MOFEP (e.g., strategic purchasing, framework contracting, etc.). The latter will be an important part of necessary dialogue between MoH and its partners in MOFEP and the rest of executive branch leadership.

## 8.2 Education

- **Balance expenditure in the education sector to sustain improvements in quality:** The resource gap between compensation spending against CAPEX remains very wide and is set to increase with the introduction of the Free SHS Policy. Current efforts to close the gap focus on increasing revenues, but are insufficient to address the fundamental challenges in funding quality education. The GoG should seriously consider the medium- to long-term goal of balancing expenditure between compensation, CAPEX, and goods and services to ensure sustainable financing of improvements to ensure the quality of education.
- **Clarify and simplify the financing arrangement and management in the education sector, particularly at the local level to facilitate monitoring and accountability**: There are opportunities to simplify existing complex financing arrangements by absorbing the DDF into the DACF, an effort which is being actively pursued by donors. A complementary effort would be to regulate the discretion afforded in the use of GETFund resources. If financing arrangements cannot be simplified, they should at least not be further complicated—for example, through new development authorities envisaged under the Infrastructure for Poverty Eradication Programme.
- **Use sector policy review recommendations more strategically to support budget preparation, allocation, and expenditure**: The Education Sector Strategic Plans and the Education Sector Performance Report are the best source for informing the government's strategic goals. Political investment in these public documents can be used to inform budgets in a consistent way that allows the GoG to track how well it is addressing structural deficits within the education sector on issues of equity and quality.
- **Move forward on the political and sector devolution processes:** Deepening the political and sector devolution reforms, in particular on the election of MMDCEs and the passage of the education sector bill can improve accountability and responsiveness. The GoG has officially committed to the election of MMDCEs in 2019—this has the potential of transforming the political space and bolstering accountability at the local level and nationally. On the other hand, to move the education sector bill forward, GoG must begin a steady process of engaging the unions and bureaucrats on the mechanics of implementing the decentralized education sector and addressing concerns of the unions. This engagement must occur at the MoE and the GES before a discussion

with the Local Government Service and the Ministry of Local Government.

While each sector section provided some reflections on the political feasibility of specific reform areas, this report closes by suggesting a set of four big-picture strategic lessons emerging from the work that should be relevant for any more targeted reform effort.

1. **Differentiated strategies will be necessary to address sector and service specific challenges.** While some of the challenges are similar, variation in the nature of the services themselves as well as the underlying politics, (the incentives at work, the interest groups involved, and the institutional context within which resources are allocated) differ. While the effectiveness of users in health is limited by information asymmetries and the unpredictability of most health needs, in education it is a lack of discretion at the level at which such users can organize. In both cases, this puts users in a position of weakness relative to providers, but the strategies for reform in the two sectors will need to be vastly different.
2. **Reform strategies should consider coalitions based on identified shared interests, but also those that might be brokered through bundling approaches**. There is some, albeit limited, potential to develop, maintain, and support interest-based coalitions on certain issues. However, where these are absent or insufficient in strength to overcome the status quo, political strategies that seek to develop support from both the health and education sectors (and beyond) may need to rely on *quid pro quo* issue-bundling approaches.
3. **Sectors must be placed in the broader context.** In the immediate term, this means challenging both government and opposition to reconcile political promises with fiscal realities. The promises, particularly those in relation to the expansion of access to services, are driven by powerful political incentives that place short-term gains over long-term sustainability. However, all services must ultimately be paid for, even those that are ‘free’ at the point of service, and all stakeholders need to reinforce the emergence of a fiscal contract that supports a sustainable relationship between citizens and the state.
4. **Social sector resource allocation is inextricably intertwined with the long-term project of democracy building**. Over time, reducing rigidities in the budget process will be necessary in an effort to make the budget process (from allocation to oversight) itself more meaningful. As local reformers and development partners work to support democratic deepening in Ghana (whether through decentralization processes or reforms at the center), they need to continue to work to ensure that the budget process is more intentional and aligned with sector needs to improve the access and quality of services. In the meantime, significant attention must be given to the decision-making processes that exist outside the formal budget process. This includes both reform issues specific to a sector (e.g., capitation and the NHIS benefit package design process) and numerous broader issues that are fundamental to social sector resource allocation but sit outside the traditional areas of focus of many sector specialists (e.g., implementation of the SSSS and annual negotiations with the Fair Wages and Salaries Commission).

Drawn from experiences in the health and education sectors in Ghana, these broad lessons but aim to provide a necessary foundation for reform efforts that are both technically sound and politically feasible.

# ANNEX A: POLITICAL EVOLUTION OVER TIME

Although patterns of patrimonial politics are evident, Ghana today has changed in important ways from what it was in decades past. It endured years of erratic rule that traumatized its citizens, which in turn has incited significant social and political learning.

Ghana gained independence with great optimism, but its formative socialist, centralized and authoritarian choices fatefully begat three decades of political and economic instability. Though multiparty democracy existed at independence, the first president, Kwame Nkrumah, banned opposition parties and declared a one-party state by 1964. Nkrumah's socialist economic strategy sought modernization through import substitution that he hoped would transform Ghana from an agricultural to an industrial economy. His state-led, centrally-planned economy took decisions in the ruling party, believing it could ignore the supply and demand pressures of markets and marginalize Ghana's once vibrant private sector.

Like many leaders who followed him, Nkrumah set an agenda heavy on spending with inadequate attention to resources, budgeting, or fiscal control. He launched an ambitious social services program, which involved the provision of a wide range of social benefits including free or government supported health care and education. Nkrumah significantly underestimated the lack of managerial and administrative capacity at his disposal and the difficulty of building viable industries from scratch. He muzzled Ghana's historically vibrant civil society, undermined its energetic private sector, and created a vast array of unprofitable and unsustainable state-owned enterprises. State-centric import substitution, modernization, and universal social services could only be sustained if international prices remained strong for Ghana's main export, cocoa. The collapse of cocoa was among the key factors that ultimately doomed his development and political model and precipitated Kwame Nkrumah's removal from office by a military intervention in 1966—the first of five staged in its first 24 years of independence.

One of Nkrumah's most damaging legacies was perpetuation of the idea that the state could simply declare prices, exchange rates, and wages. He failed to appreciate the power of global market forces and the unavoidable effects of supply and demand on foreign exchange rates, commodity prices, wages and competitiveness. The National Liberation Council, which led the country after Nkrumah was ousted (and the Progress Party which won power after the return to civilian rule in 1969) began to dismantle Nkrumah's command economy, downsize the bloated public sector, and reduce spending on health and education. The national currency was devalued by 30 percent. Trade unions led a backlash against the dismantling and disposition of state enterprises and the reduction of state services. Eventually popular discontent against the economic policies of the regime emboldened some sections of the military to overthrow the new government and continue Nkrumah's socialist experiment.

From the early days of the post-independence period, decisions about whether to oppose or submit to market forces and external financial advice were politicized. In Ghana and much of Africa, the IMF and World Bank were branded as tools of neo-colonialism. Efforts to devalue the currency to a sustainable market rate were framed in Nkrumah's socialist worldview as an external effort to weaken Ghana or force it to follow Western dictates. IMF's calls for privatization and austerity made sense to economists given Ghana's debts and empty coffers but they brought real costs to civil servants and citizens alike. When he and subsequent leaders were forced to rationalize spending, public backlash was intense. Indeed, poor economic performance contributed to years of protest, crisis, and political instability.

## Politics Driven By Recurring Economic Crisis

The exchange rate was a key fault line. Importers benefitted from a strong cedi, which resulted in lower prices on Western goods and particularly industrial equipment. However, gold and cocoa exporters benefitted from devaluation, which brought higher sales prices in the local currency. State control of foreign exchange created massive opportunities for personal profit for those in a political position to buy foreign currency at the low state price and sell it at high black market price. Inflation, escalating debt, declining real wages, and falling profits for export farmers were painful realities. Between 1970 and 1980, per capita GDP in Ghana declined by 19.7 percent, public revenue increased by 56 percent but public expenditure rose by 69 percent. This period saw balance-of-payments deficits in most years, per capita incomes declined an average of three percent per year, and revenue from cocoa, the country's primary source of income, fell by 50 percent. The dramatic hike in oil prices caused by Organization of Petroleum Exporting Countries (OPEC) boycotts in 1973 and 1979 added to Ghana's foreign exchange and balance of payment problems. Investment, wages, and exports collapsed. Governments printed money on a large scale, sparking hyperinflation and eroding earnings and wealth.

## A Rough, Authoritarian Revolution

Persistent crisis and corruption were cited by Flight Lieutenant Jerry Rawlings, who seized power in a 1979 coup, handed power to a civilian government, and then seized power again on December 31, 1981. Rawlings governed through the Provisional National Defense Council. Branding himself as a radical revolutionary carrying Nkrumah's mantle, Rawlings' early policy suggested the belief that Ghana could be fixed with enough political will and discipline. He ruled with a heavy hand, executing three former military heads of state, supreme court justices, other military officers, and other civilians. Without economic education, Rawlings initially framed economic crisis as a function of corruption and greed and sent soldiers into markets to enforce price controls. However, Rawlings began to see the necessity of finding new resources and embarking on reforms.

Rawlings' later years were less successful, but the country's 1983 to 1991 economic transformation has been proclaimed by some as a 'miracle.' The PNDC's Economic Reform Program (ERP), which began in 1983, was brave and far reaching, backed by significant technical and financial support from the World Bank and the IMF. An attempt was made to achieve macroeconomic stability by taking some extremely unpopular decisions, such as the devaluation of the cedi and progressive movements towards a market driven exchange rate mechanism. Revenue collection was improved. The producer price of cocoa was raised. There was retrenchment in the public service and the removal of 'ghost' names from the civil service payroll. The mining sector was reformed with new mining laws designed to make the sector investor friendly. State-owned enterprises were divested and a stock exchange created in 1989.

He engineered a remarkable pivot from radicalism to the embrace of IMF-backed economic reform, which he sustained despite significant popular hostility. By 1991, Ghana had achieved some indisputable economic success. Inflation—which had reached triple figures at the height of the crisis—stabilized around 18 percent. Growth rates averaged approximately five percent per year. The budget deficit was reduced while exports and import capacities improved dramatically. Some authors contend that Rawlings embraced the IMF only after exhausting all other options and managed to use aid flows to sustain his political support base.

After a decade of economic reforms, Rawlings then engineered a return to multiparty democracy. He resigned his position in the armed forces, formed the National Democratic Congress (NDC) party, ushered in a multiparty democratic constitution, and stood for election in 1992 and 1996. Those contests were criticized as not entirely fair but moved the country toward normal multiparty politics. Rawlings did not stand in the 2000 elections and accepted the result when his chosen successor lost to John Kufuor of the New Patriotic Party (NPP). In all, Ghana has held seven multiparty presidential elections with power alternating between parties in 2000, 2008, and 2016.

# ANNEX B: MAPPING THE BUDGET PROCESS LEGAL FRAMEWORK

The primary legislative source of the budget in Ghana is the Constitution Chapter 13, 179(1). This provides that the 'the President shall cause to be prepared and laid before Parliament at least one month before the end of the financial year, estimates of the revenues and expenditure of the Government of Ghana for the following financial year.' Thus, the budget for the fiscal year which begins in January is read in December.

The budget statement is read in Parliament, and must be debated and approved by a majority of parliamentarians. The approved document spells out the overall amount of money approved for expenditure by the government, as well as delineates the expenditure into segments. The Appropriations Act, 2016, which approved expenditure for the 2017 budget, authorized the government to spend GHc 50,109,851,734 in total from the consolidated fund. Specific approved expenditures are detailed in **Table B-1** (GoG, 2016c).

**Table B-1: Approved Expenditures**

| Item | GHc (Billions) |
|---|---|
| Wages & Salaries | GHC14 |
| Interest Payments (External and Domestic Debts) | GHc 10.4 |
| Capital Expenditure | GHc 5.7 |
| Goods & Services | GHc 2.5 |
| Non-Road Arrears | GHc 2.3 |
| Amortization | GHc 3.6 |

A third piece of legislation is fundamental to the budget process—the Public Financial Management Act, 2016. This statute was passed in August 2016, and attempts to rationalize and improve the Government of Ghana's financial management systems:

> *To regulate the financial management of the public sector within a macroeconomic and fiscal framework; to define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities and resources, to ensure that public funds are sustainable and consistent with the level of public debt; to provide for accounting and audit of public funds and to provide for related matters* (GoG, 2016c).

To achieve this aim, the Act has provisions which seek to bring about improvements in fiscal policy formulation, budgeting, commitment, transparency and accountability, debt management and, the improvement of service delivery. The Act repealed and updated several pieces of legislation governing Ghana's budget, including some pieces of legislation that were close to a century old.

Ghana's budget may be broadly divided into four stages: Formulation and Drafting, Legislation, Implementation, Auditing. The PFM Act (2016) enacts budget timelines for the formulation and legislative stages into law. **Table B-2** below provides a more detailed overview of some of the dates by which relevant provisions are to be completed.

**Table B-2: Budget Preparation: Key Dates (PFM Act, 2016)**

| Activity | Provision |
|---|---|
| Salary negotiations for public sector(1) The Minister responsible for Employment in consultation with the Minister shall ensure that<br>(a) salary and other compensation negotiations in respect of the public sector for the ensuing financial year are completed not later than the **end of April of the current financial year;** | Section 19 |
| (1) The Minister shall, **not later than the end of May of each financial year,** prepare and submit to Cabinet for approval, a Fiscal Strategy Document.<br>(2) The Fiscal Strategy Document shall specify (a) the Medium-Term Fiscal Framework of the Government with measurable fiscal objectives and targets to guide short and medium term fiscal planning for the ensuing three to five year period, consistent with the fiscal principles and fiscal policy objectives of Government | Section 15 |
| (1) The Minister shall<br>(a) subject to Cabinet approval, issue guidelines for the preparation of the budget for each financial year; and<br>(b) circulate copies of the guidelines to each covered entity **not later than the 30th of June of every year.** | Section 20 |
| 28. (1) The Minister shall, **not later than the 31st of July of each financial** year, prepare and submit to Parliament a mid-year fiscal policy review. | Section 28 |
| The Minister shall, in consultation with the relevant stakeholders, prepare the proposed annual budget not later than **1st October of each financial** year; and submit the proposed annual budget to Cabinet for approval not later than the **15th of October of each financial year.** | Section 21 |
| Cabinet shall, not later than the **30th of October of each financial year**, communicate to the Minister, the decision of Cabinet on the proposed annual budget. | Section 21 |
| The Minister shall, on behalf of the President, lay before Parliament **not later than the 15th of November of each financial year**, estimates of the revenues and expenditure of the Government, the annual budget, for the ensuing financial year. | Section 21 |
| The Minister shall, publish in the *Gazette*, the Appropriation Act on or before the **31st of December of each financial year.** | Section 21 |
| Parliament shall, **by the 31st of December of each financial year**, consider and approve<br>(a) the annual budget and the correlative work plan of Government for the ensuing financial year;<br>(b) the Appropriation Bill; and<br>(c) any other Bill that may be required to implement the annual budget | Section 22 |
| The annual budget, approved by Parliament, takes effect from **the 1st day of January of the ensuing year.** | Section 22 |

*Source:* PFM Act (Act 921). (2016). (enacted). Ghana: Parliament of Ghana.

## The Formulation Stage

The budget process begins with the publication by the Research Department of the current medium term macro-economic framework. This is informed by the government of Ghana's MTEF,[74] the government of Ghana's long term development plan (i.e. the Ghana Shared Growth and Development Strategy), and current revenue and expenditure projections. This is used to set budget ceilings which are transmitted via a circular to the various ministries, departments and agencies, requesting them to begin preparations for the submission of budget estimates for the upcoming financial year. The Circular also contains information on the government's key financial policy objectives for the upcoming financial year as well as details of current and recent trends of key sectors of the economy, as well estimates and targets for the upcoming financial year.

Importantly, the circular contains the timetable for the MMDAs to submit their budget estimates for the upcoming year and a schedule for meeting with the MOFEP to defend the estimates. The final figures therefore represent—in theory—a negotiation or a compromise between the MOFEP and the relevant MMDA. In practice, the process consists of the MMDAs ignoring the budget ceilings provided in the circular and submitting figures which are higher than the ceilings, sometimes significantly. The MOFEP, sometimes unilaterally,[75] reduces the figures to one which is much closer to the budget ceilings submitted by the MOFEP. The figures, once negotiated are collated by MOFEP and sent to Cabinet for approval, before the legislative process for the approval of the budget by the passage of the Appropriations Act in Parliament.

Under the MTEF budget structure, expenditures are divided into two broad areas—statutory payments and transfers and discretionary payments. Statutory payments include debt servicing, external interest and amortization of loans, and interest on domestic borrowing. Statutory transfers (i.e. expenditures mandated by various enactments) include transmittals to the District Assemblies Common Fund, the GETFund, the Road Fund, Social Security contributions, Pensions, Gratuities and the National Health Insurance Fund. Discretionary payments are grouped into five separate activities: General Administration, Economic Services, Infrastructure, Social Services and Public Safety. A significant portion of Ghana's budget go into the former—i.e. statutory payments. The exact proportions of statutory and discretionary payments is unclear. However, at a recent interview at the MOFEP, it was suggested that the percentage of discretionary spending was as low as 7%. In other words, the entire debate about budgetary spending essentially concerns only a stunning 7% of the government's total revenue. The contents of the rest of the government's spending is essentially determined by statute.

Nevertheless, it has become the practice (now enshrined by law since the passage of the PFM Act) to involve non-government stakeholders in the budget process.[76] This usually involves public hearings on the contents of the budget approved by the cabinet prior to, or concurrent with the submission of the budget to parliament. The impact of this is limited — not just because of how limited the amount of

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74 The details of the current MTEF are available on the website of the MOFEP. They typical span two year periods. See more at http://www.mofep.gov.gh/?q=divisions/pbb/medium-term-expenditure-framework-mtef-2016-2018-programme-based-budget-estimates

75 Higher budgets outside of the ceiling are normally presented when MMDAs are going to defend their budget and not afterwards. The extra spending outside of the GIFMIS occurs because both the MDA and the MOFEP ignore the ceiling.

76 The PFM Act Section 21 provides as follows '(1) For the purpose of subsection (1) The Minister shall, (a) in consultation with the relevant stakeholders, prepare the proposed annual budget not later than 1st October of each financial year;…(8) 'relevant stakeholders' include the Ministry of Finance, Bank of Ghana, Ghana Statistical Service, civil society organizations, Ministries, Departments and Agencies, Ghana Revenue Authority, Controller and Accountant-General's Department, National Development Planning Commission and Local Government Authority.

discretionary spending is but also because at that stage, the capacity of the MOFEP to make meaningful changes to a document which has already been approved by Cabinet and the MMDAs. The MOFEPs budget department suggests that civil society input at the MMDAs budget formulation stage is a much more meaningful process—particularly as some Government agencies and all local government units are required to hold public hearings as part of their budget formation process.

Also, there is still room for discussion concerning the direction of the statutory spending, even though it is a much more closed debate. For example, by statute, the Ghana Education Trust Fund Act provides a general list of education related activities to be supported by a 2.5% Value Added Tax. The specific activities to be funded are to be determined by the management and board of the GETFund. So there is discretion in how the statutory funds are used, but decisions affecting their use are determined by GoG policy priorities. Thus, in a given year, the fund can be applied towards the improving the physical infrastructure in the education sector. In other years, the fund can be applied to developing the human resource capacity in the education sector. The MOFEP suggests, for example, that policies such as the construction of 200 Senior Secondary Schools, which was one of the campaign promises of the winning candidate in the 2012 election is best funded by the GETFund rather than the Consolidated Fund.

## The Legislative Stage

The details of the budget become available to the public when first made available to the legislature. This is typically the primary opportunity for any group to review and ultimately input into the budget process. The process of Parliamentary scrutiny involves open debate, review and analysis in select committees, presentation of reports to parliament, approval and adoption. The Finance Committee's role is to enhance good governance, accountability and transparency in the budgetary allocation and expenditure monitoring process. Until recently, input to the budget process was the exclusive prerogative of the executive and the legislature, though there have been some efforts in recent times to make the overall budget process more inclusive. The legislature's input is severely restricted by constitutional provisions that limit its powers to amend bills from the executive in a manner that placed a burden on the public purse. Thus, the legislature could subtract expenditure from budgets but could not add to government expenditure by its legislative proposals. The legislature approves the budget by the passage of an appropriations bill. Various studies have concluded that Parliament has been unable to exercise effective scrutiny and control over the budget process (Adamtev, 2017). The budget process begins too late in the year for detailed analysis, and parliament lacks the resources and technical capacity for detailed, critical analysis. A 'budget office' to review the budget submissions from the MOFEP has only been recently created. Parliament has one poorly staffed research department which handles Parliamentary research requests. As a result, Parliamentary scrutiny tends to be 'hurried, superficial and partisan'. The current PFM Act (2016) gives additional responsibilities to parliament in respect of the budget. It is yet to be determined what impact these additional legislative will have on parliament.[77]

## The Implementation Stage

The budget is implemented by the MMDAs, who submit work-plans, procurement requests and budgets to the MOFEP along with requests for releases of funds. This is expected to occur immediately after the Appropriations Act is passed by Parliament. Payment warrants are issued for various expenditures by the CAGD and releases are made monthly. MOFEP is expected to send half yearly reports to Parliament

[77] Section 11 of the Act provides as follows: 'Subject to the Constitution, Parliament shall provide oversight in respect of: *(a)* matters relating to budget and finance; *(b)* government expenditure; *(c)* performance reporting; *(d)* post-legislative scrutiny; and *(e)* impact of financial policy measures on the economy.'

detailing the implementation of the budget. The Principle Spending Officer, a position created by the PFM Act, is responsible for administering and accounting for releases made by the CAGD to the MMDAs. S/he is also expected to submit monthly cash flow forecasts to the MOFEP for each of the upcoming three months and submit quarterly spending reports by the MMDA to the MOFEP.

The implementation of Ghana's budget is greatly hampered by cash-flow difficulties. As an official of the MOFEP pointed out, in South Africa, 75 percent of the revenue for the year is in the government's coffers at the start of the financial year. In Ghana, the figure is close to 10 percent. As already noted above, one of the reasons for the current financial crisis is the GoG being grossly overoptimistic about the cost of the prices of Ghana's primary commodities. For example, according to Price Waterhouse Coopers, the total petroleum receipts for the first three quarters of 2015 amounted to USD 342 million (PWC, 2017). The projected figure was USD 780 million over the same nine-month period; and a full year projection of USD 1,236 million. The total petroleum receipts projections for 2016 were USD 502 million, down from a projected USD 1,236 million for the full year 2015. Government's petroleum revenue is expected to drop by 48 percent from the projected USD 970 million in 2016. This is based on MOFEP's revised Benchmark Revenue (BR) Crude Oil price of USD 53 per barrel for 2016, instead of the USD 86 per barrel estimated using the 7-year moving average per the Petroleum Revenue Management Act (PRMA).

## The Audit Stage

The Auditor General is responsible for the audit of the budget implementation. He reports his findings to Parliament. The Auditor General performs both financial and performance audit by providing an independent check on information and compliance with the legal provisions that guide the use of public funds. Lapses in compliances with the legal regime are highlighted in the report. The Auditor General reports to Parliament its findings on all areas including procurement lapses. The audited reports are expected to be published six months after the end of the fiscal year. The Public Accounts Committee of Parliament (PAC) studies the reports of the Auditor General and where necessary, invites Directors of MDAs or persons found culpable to a public hearing of the Committee's sittings to answer questions relating the audit findings. Additional oversight mechanisms exist for particular revenue streams, such as PIAC oversight of petroleum revenues (**Box 6**).

***Box 6: Oil Receipts and Ghana's Budget***

Pursuant to Section 8 of the Petroleum Revenue Management Act, Act 815 (2011) as amended (Act 893), the Minister is required to publish petroleum receipts (defined in Section 6 of the Act), namely, total output lifted and reference price, among others, on quarterly basis. The same statute mandates a Public Interest and Accountability Committee to oversee and report on spending in the petroleum sector. The reports of the PIAC and civil society organizations such as ACEP reveal shortfalls in expected receipts, as well as the misapplication of some of the oil receipts. A more egregious recent example of this is the 'Bus-branding scandal—the use of oil receipts to brand buses with the pictures of the incumbent president (and less prominent pictures of some of his immediate predecessors) at a vastly overinflated price.' The transportation minister was compelled to resign as a result of the ensuing scandal.

# ANNEX C: LIST OF ADDITIONAL INFORMANTS FOR SECOND ROUND ANALYSIS

**Table C-1: List of Additional Informants for Second Round Analysis**

| | Name | Organization/Designation |
|---|---|---|
| 1. | Dr. Calistus Mahama | Former Executive Secretary of Inter-Ministerial Coordinating Committee on Local Government (IMCC) and Head of the Local Government Service |
| 2. | Dr. Eric Oduro Osae | Director of Research and Dean of Academic Affairs, Institute of Local Government Studies (ILGS) |
| 3. | Mr. Salifu Mahama | Head of IMCC, Ministry of Local Government and Rural Development |
| 4. | Mr. Gameli Hoedoafia | Research Fellow, IMCC |
| 5. | Prof. Kwesi Yankah | Minister of State for Education,<br>Ministry of Education |
| 6. | Professor Jane Naana Opoku-Agyemang | Immediate past Minister of Education |
| 7. | Mr. Franklin Cudjoe | President, Imani Ghana |
| 8. | Mr. Angel Carbonu | Vice President, National Association of Graduate Teachers (NAGRAT) |
| 9. | Dr. Hamza Bukari Zakaria | Macroeconomist and PFM Specialist, National Program Officer, KFW/SWISS Embassy |
| 10. | Dr. Koku Awoonor | Director, PPMED Ghana Health Service |
| 11. | Dr. Anthony Nsiah-Asare | Director-General, GHS |
| 12. | Mr. Ronald Adom Oppong, President | Health Insurance Providers Association of Ghana |
| 13. | Mrs. Martha Gyansa-Lutterodt | Director of Pharmaceutical Services, MoH |
| 14. | Ms. Katherine Bain | Former WB Deputy Director in Ghana |
| 15. | Ms. Natalie Koliadina | IMF Resident Representative |
| 16. | Professor Peter Quartey | Head of Department, Economics, University of Ghana |
| 17. | Honourable Albert Kan Dapaah | Former PAC Chair & Exe. Director, FACT-Now Minister for National Security |
| 18. | Mr. Nana Osei-Bonsu | Director-General, PEF |
| 19. | Ms. Eva Mends | Head of Budget Reform (MOFEP) |
| 20. | Mr. Andy Karras | USAID Mission Director |
| 21. | Mr. Eric Adotey | Economic Specialist, U.S. Embassy |
| 22. | Mr. Michael Fiadzigbey | USAID, Treasury |
| 23. | Mr. Jens Kambeck | Team Leader, Support for Decentralization Reforms (SFDR), GIZ |
| 24. | Dr. Said Boakye | Senior Research Fellow, Institute for Fiscal Studies |
| 25. | Dr. Ben Bempah | PPMED, Ghana Health Service |
| 26. | Ben Boakye | Executive Director, Africa Center for Energy Policy (ACEP) |
| 27. | Dr. Nii Darko Asante | Director, Office of Technical Regulation and Renewables Energy Promotion/Efficiency, Energy Commission |
| 28. | Mr. Eroll Graham | World Bank |

| | Name | Organization/Designation |
|---|---|---|
| 29. | Mr. David Klottey Collision | Director, Public Investments Division, Ministry of Finance |
| 30. | Mr. Dan Osei | Head of Budgets, Ministry of Health |
| 31. | Ms. Ama Blankson-Anaman | Economic Advisor responsible for Ghana Revenue Reform Team |

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