

ANALYSIS OF GHANA'S 2012 BUDGET FOR THE HEALTH SECTOR

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ABSTRACT

The extreme importance of health to development and social welfare place health high on National budget all over the world. The health situation in Africa and Ghana specifically is poor and attempt to remedy the situation has emphasized on increase expenditure. The state remain the highest spender on health due to the positive externality characteristic of health with the huge financial responsibilities and relatively limited funds available to Government of Ghana (GoG), an approval of fund allocation to the health sector and its use is important. To access the budget for the sector, the study focuses on how the budget addresses the following themes; infrastructural development, poverty reduction, the MOG goals and National health policy objectives and finally the weakness and strength of the budget. The study reveals that Ghana's budgeting process is improving with regards to the health sector.

INTRODUCTION

Health refers to a state of complete physical mental and social wellbeing and not merely the absence of sickness (WHO). The significance of a better health state for an individual is tremendously immense. Whilst good health spares the individual of the pain and suffering that comes with ailment, his ability to attend to his businesses is also enhanced. These benefits of better health do not rest solely with the individual but the entire economy also gains. Better health status (like education), improves the quality of the human capital which leads to economic growth (as indicated by the augmented Solow model by Romer et) and this ultimately improves the living conditions of the citizen. It is therefore not surprising that out of the eight millennium development goals, three are health issues whilst a total of five are health relate.

Due to this extreme importance of health to development and social welfare, it has assumed high national priority. In the United State of America, health care reform is a key to the electoral campaign. Likewise, health enjoys a lofty attention in the national budget in the US and many countries around the world and the case is not any different in Ghana.

Budget originates from the French word “*bougette*” and it refers to a financial plan and a list of all planned expenses and revenues. A government budget is therefore a financial statement or plan that shows government expenditure and receipt over a given duration which is usually a year. It sets out explicitly the government’s fiscal and monetary objectives on an annual basis as well as the policies to be pursued in the period under consideration. It is used as the central reference point for the implementation of economic management. The government formulates its goals and objectives for a fiscal year and establishes priorities for the use of scarce national resources among others through the national budget.

As indicated already, the budget is a crucial indicator of implementation of national policies and it should provide a lens for viewing the policy priorities of a particular sector. In this regard, the national budget can be analyzed in terms of the coherence between the health sector priorities and the government funding going into the sector.

THE PROBLEM OF THIS STUDY

In the 1990’s and early 2000’s, the reading of the Ghanaian budget became synonymous with fuel price and tax increase such that these issues were those that led the discussion of the national budget. In recent times another negative trend that is dominating the national budget is the captions and names that are given to the budget. In the light of these issues, the programs, projects, policy and implementations issues that are the main purpose of the budget are mostly inadequately discussed.

The trends highlighted above mean that the purpose of national budgeting is relegated to the fore and little attention is given to the economic and social issues contained in the budget that seek to improve the welfare of the nationals. Furthermore, less scrutiny of the budget also implies that there is little monitoring of the intended targets for the nation as well as the consistency of the annual targets to the various sectorial long term development plans.

In the few quarters where the budget is discussed, it is not sector specific. Despite the immense relevance of the health sector to the socio-economic development of the nation which makes it a key component of the national budget, there is little discussion of the sector in the national budget analysis. Even when it is analyzed, it is presented in a way that is usually above the comprehension of the most of the nationals.

OBJECTIVE OF THE STUDY

The study’s broad objective is to analyze the current year’s national budget on health. This is achieved by;

- The implication of the sector’s budget for infrastructure development in the health sector
- The analysis also seeks to answer questions of whether the allocation of budget has a pro-poor focus. Assessing the implementation strategies against the budgeted goals and its implication for the total health status
- Compare the budget’s objectives against the health policy document of the country and the millennium development goals

- Identify the weaknesses and the strengths of the budget and make recommendations to improving the health budget of the nation.

Budgeting process in Ghana

It is constitutional mandatory for the government of Ghana to prepare an annual national budget. The Constitution stipulates that 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 (Constitution of Ghana, Chapter 13, 179(1)). This is also supported by following legislative regulations and Acts;

- Appropriations Bill/Act –Passes every fiscal year.
- Financial Administration Act (FAA)
- Financial Administration Regulations (FAR)

The budgetary allocation process begins with the Ministry of Finance (MoF) formulating the macroeconomic framework. After the MoF determining the macro-economic framework for the country, budget circular on the guidelines for the preparation of sectoral budgets are formulated and distributed. MDAs are made to submit their draft estimates at budget hearings, after which the conclusions are sent to Cabinet.

There four main phases of the budgetary cycle in Ghana. These are

- Planning and Preparation or budget formulation
- Analysis and approval (Authorization and approval)
- Implementation and monitoring
- Auditing and evaluation

The planning and preparation phase

Budget formulation targets a macroeconomic framework, so as to achieve growth in national income. It also incorporates policy measures and initiatives that will lead to the attainment of the growth target.

Analysis and approval phase

After Cabinet has discussed the draft estimates, it is forwarded to parliamentary select committee for examination and concluded with an approval by Parliament of the Appropriation Bill.

Implementation and monitoring phase

This phase relates to the disbursement of funds for the pursuit of the of policy initiatives. In order to ensure that budgetary spending is kept in balance with available revenues and is devoted to the most urgent priorities, a cash and commitment control system based on realistic cash flow forecasts has been instituted.

Audit and evaluation phase

This phase involves the assessment of performance and determination of the variances between programmed targets and what was actually achieved. Evaluation of policy and the year's performance provides basis for appropriate corrective measures in the ensuring year.

THE 2012 GHANAIAN NATIONAL BUDGET

The National annual budget in General

The Government of Ghana prepared the 2012 national budget under the theme “Infrastructural Development for Accelerated Growth and Job Creation”

The performance of the economy in the 2011 fiscal year showed sustained drop in inflation to single digit, a relatively stable currency against the major trading currencies and an improved budget deficit position (September 2011).

Gross Domestic Product (GDP) grew at 13.6% in 2011 compared to 4.0% in 2009 whilst the real economy for the various sectors grew by 4.2% for Services, 2.8% for Agriculture and 32% for Industry (due to Oil and Gas).

The budget estimate Ghana’s infrastructure needs for the next ten years at approximately US\$1.6 billion per year. Accordingly, the 2012 budget suggest Government plans to pursue infrastructure investments across various sectors including O&G, power, transport, roads and highways, water, housing, education, health and services. (PWC, 2012) Could this be the possible cause of the theme selected for the annual budget?

The “Ghana Shared Growth and Development Agenda” (GSGDA) is the medium term development strategy of Government (2010–13) on which the budget is based. The policy agenda for the 2012 fiscal year and the medium term will focus on these complementary objectives:

- Preserving the gains of macroeconomic stabilization and fiscal consolidation achieved since 2009;
- Making fiscal space for high-priority investments to spur long term
- Growth and development
- Maintaining inflation in single digits.

Based on these broad medium term objectives, the 2012 budget projected the following macroeconomic targets;

The overall economy is projected to grow by more than 8 per cent, with the inflation rate remaining broadly stable at the upper single digit range.

The details of the macroeconomic targets for 2012 are as follows:

- Real non-oil GDP growth of 7.6 per cent;
- Real overall GDP growth of 9.4 per cent;
- Average inflation of 8.7 per cent;
- End-period inflation of 8.5 per cent;
- Overall budget deficit equivalent to 4.8 per cent of GDP; and
- Gross international reserves of not less than three months of import cover for goods and services

The health sector budget

The 2012 Health budget seeks to continue the gains made by the sector in the preceding fiscal year. These includes a rise in supervised delivery from 21.9 percent to 27.1 percent by midyear 2011, organization of two rounds of national polio immunization days and maintaining Ghana's status of eliminating Guinea worm infestation with no reported cases since May 2010.

Other achievements in 2011 are establishment of 276 new functional Community-based Health Planning and Services (CHPS) Zones by the ministry of Health with the objective of improving equity in healthcare of the country, completion of four CHPS Compounds, 19 Health Centres 2 District Hospitals and the second phase of the rehabilitation of the Bolgatanga Regional Hospital. The construction of the first phase of 8 Regional and District Hospitals started in four sites as well.

In terms of making the Nation Health Insurance sustainable, 28,925,293 claims were audited and GH¢471,215 and GH¢755,582 were recovered from services and medicines respectively. In addition, the Ministry of Health collaborated with the Ministry of Employment and Social Welfare (MESW) and identified the very poor in society for registration under the National Health Insurance Scheme.

OUTLOOK OF THE 2012 FISCAL YEAR

Budget objectives and policies

The budget identified the key objectives of the health sector in accordance to Ghana Shared Growth and Development Agenda (GSGDA) as;

- To bridge equity gaps in access to health care and nutrition services and ensure sustainable financing arrangements that protect the poor;
- To strengthen governance and improve the efficiency and effectiveness of the health system;
- To improve access to quality maternal, neonatal, child and adolescent health services;
- To intensify prevention and control of communicable and non-communicable diseases and promote healthy lifestyles and;
- To improve institutional care, including Mental Health Service Delivery.

DATA ANALYSIS

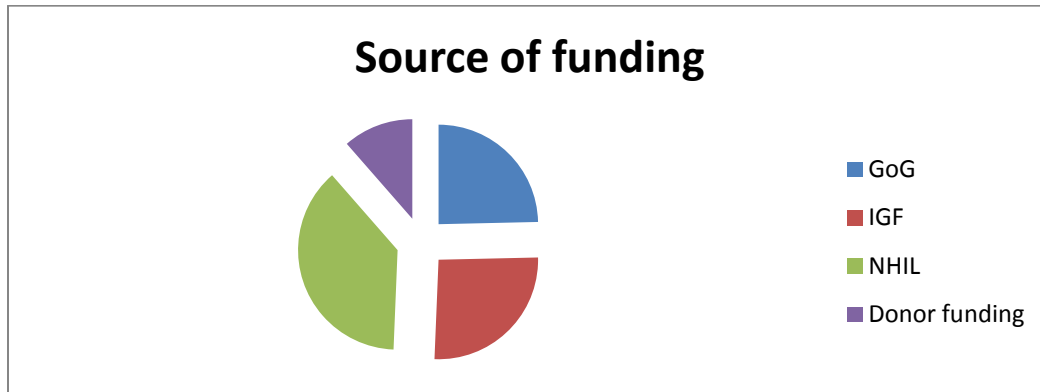
Budget allocation and sources of funding for the health sector

Total amount of GH¢1,799,434,809 was allocated to the health sector in 2012. This represents 13.46 percent of total amount to MDAs and 36.34 percent of total allocation to the social sector of the economy.

Relative to 2011's amount of GH¢987,475,507.00, the total allocation to the sector grew at a nominal rate of 82.22 percent.

The source of funding of the sectors budget is mainly three; the Government of Ghana's (GoG) support to the sector, internally generated funds (IGF) from the sector and donor funding from

NGOs, development partners and Aid Agencies. Of the budgeted amount of GHC1,799,434,809, GHC443,440,278 is to come from Government of Ghana (GoG) and GHC467,999,030 from Internally Generated Fund (IGF). Of the rest, GH¢682,144,067 is from the National Health Insurance Levy (NHIL) whilst the remaining GHC205,851,434 will be donor funding.



Refer to table 1.0

From the pie chart, the largest proportion of funding to the sector came from the statutory payment of the National Health Insurance Levy which contributed 37.91 percent. This was followed by IGF, GoG and Donor support all contributing 26.01 percent, 24.64 percent and 11.44 percent respectively.

Since a colossal proportion of the budget revenue is from NHIL, IGF and GoG which are relatively reliable than donor support, health financing can be sustained.

Allocation to the health sector and poverty reduction

There is a direct link between health and poverty. Poor health means less productivity and thus poverty. On the other hand, Poverty creates ill-health because it forces people to live in environments that make them sick, without decent shelter, clean water or adequate sanitation. This results in an unending cycle of poverty and poor health. In recognition of this the budgetary allocation to the health sector should also be tune towards poverty reduction.

Health care intervention for the poor should seek to increase accessibility to health care as well as make health care affordable to them. Thus providing affordable primary care for all is deemed as reducing the poverty burden of the nation. Since the population in the rural areas is mostly poorer relative to the residents in the urban areas, health care interventions in the rural areas can be considered as pro-poor.

Using primary care health spending as proxy for poverty reduction, the 2012 budget will be considered as pro-poor. From the table 1, the pro-poor budget allocation for the year 2012 increase by 48 percent relative to 29.54 percent of the 2011 fiscal year.

The table below shows the percentage of planned health expenditure of Government of Ghana alone that is channeled to poverty reduction in 2011 and 2012 respectively.

	2011	2012
Health Sector Expenditure	1,989,925,775	1,500,886,678
Primary care health expenditure	587,783,144	735,013,395
Percentage of health expenditure into poverty reduction	29.54%	48.97%

Source: Budget statements, 2011 & 2012

Several policy interventions to alienate the sufferings of the poor in the 2012 outlined includes

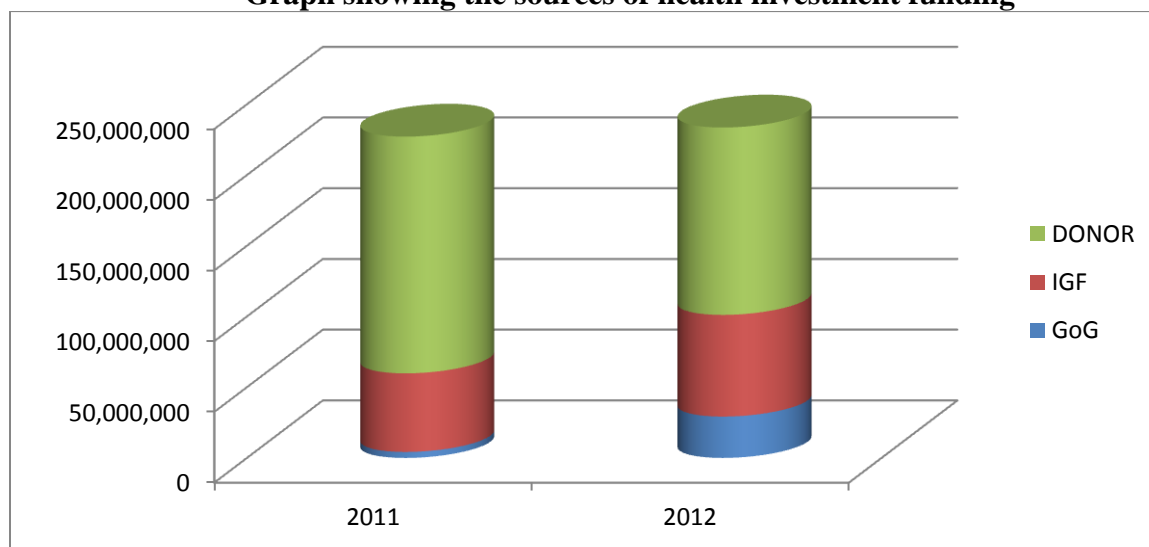
- Construction of 30 health centres, 8 regional and 3 teaching hospitals nationwide would be equipped with various types of medical devices for efficient delivery of health under the OPIC project.
- Orientation to local government staff on the revised CHPS and training of sub-district teams in managerial and leadership skills in various districts to improve service delivery and scale up pre-emergency care.
- complete the institutionalization of National Health Accounts (NHA) and develop NHA II
- Develop a health financing and sustainability strategy for the health sector.

The health budget and infrastructure development

The budget allocation to the health sector is distributed among expenditure of goods and services, assets development and payment of wages and salaries.

The budget for the year under review gives high priority to infrastructure development. Given the huge deficiency in the infrastructural needs of the sector, it's important to find out the proportion of the budgetary allocation that goes into investment and asset development in the sector, the sources of the funding and the implication to the sector and the nation at large.

Graph showing the sources of health investment funding



Refer to table 3.0

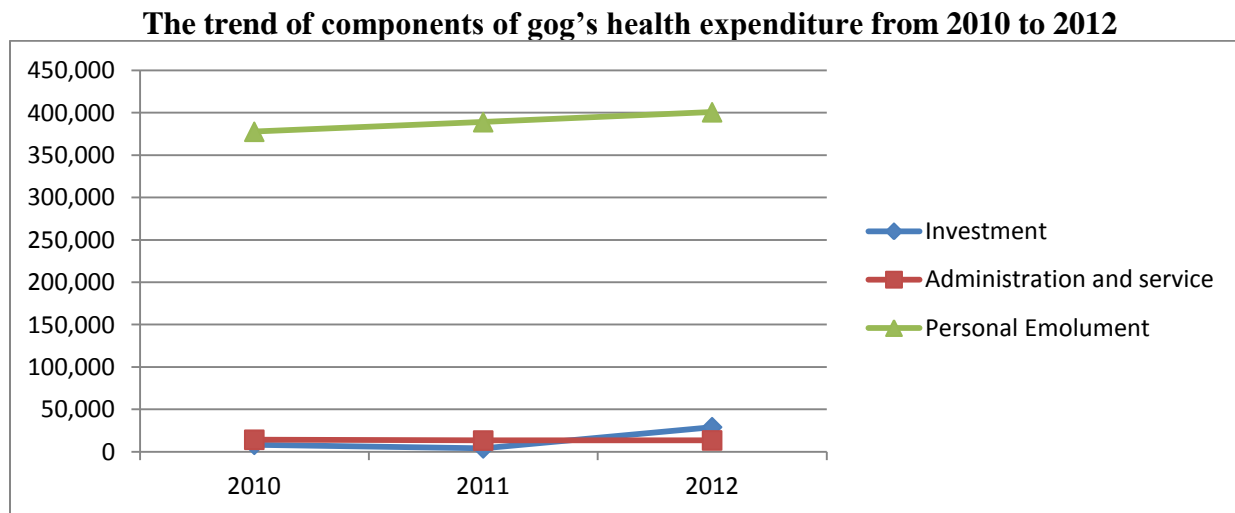
The graph above shows the reliance on donor support to fund the investment in the health sector. In 2011 about 73.67 percent of the sector’s investment was expect from donor support whilst the 2012 budget proposes 56.71 percent of the investment in the health sector to come from donors.

This phenomenon is worrying considering the fluctuating nature of donor support. The budgeted health investment funding from donors fell by 26.32 percent between 2011 and 2012. Furthermore is the fact that donor funding is not reliable as the actual funds realized are usually very low.

Funding of investment in health from IGF and GoG are both expected to grow significantly by 29.36 percent and 591 percent respectively. Despites the significant improvements both source would finance less than half of the expected infrastructure development expected in the sector in 2012.

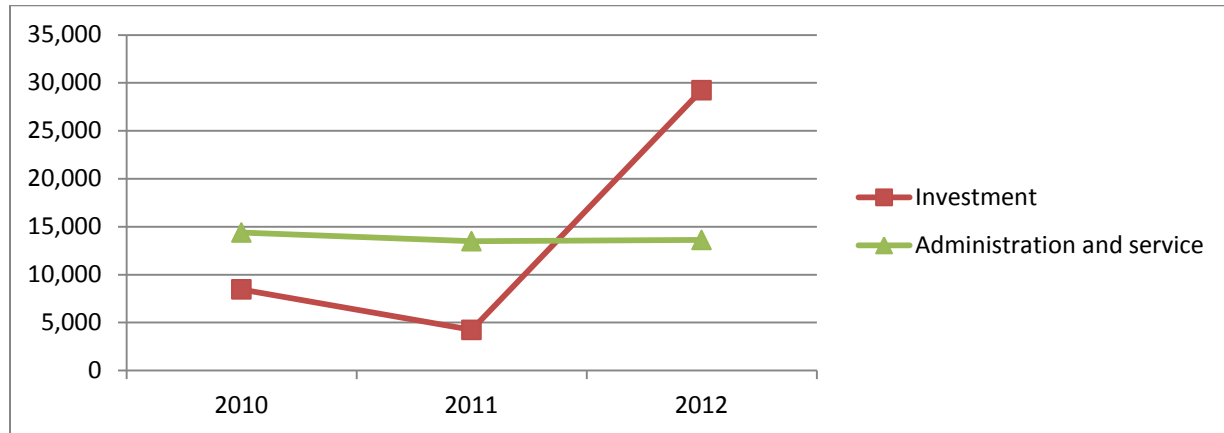
The components of the budgeted government expenditure on health

Another striking characteristic of the 2012 budget is the high proportion of the GoG’s allocation to personal emolument. The diagram below is a line graph that shows the trend of budgetary allocation of Government of Ghana’s personal emolument, asset development and administration and services in the health sector over the last three years.



Refer to table 4.0

The allocation to personal emolument is not just only high but also it is increasing over the years probably due to the implementation of the single spine salary structure. The budgeted amount to service and administrative spending on the other hand has declined over the year whilst allocation to investment from the government spending should rise after taking a duck in 2011. This development in the budget is positive for the sector and the nation at large.



Line graph relating GoG's allocation of resource to investment and administration and service from 2010 - 2012

Investment projects the budget seeks to implement in the sector for the 2012 fiscal year includes

- The continuation of the on-going works on the 8 Hospitals, thus Two Regional hospitals as well as 6 District Hospitals and completion of the Tarkwa District Hospital project.
- Work on phase 1 of the major refurbishment and rehabilitation of Tamale Teaching Hospital. Construction of Blood Transfusion Centres in both Korle-Bu Teaching Hospital and Komfo-Anokye Teaching Hospital
- Completion of an Eye clinic currently at Komfo-Anokye Teaching Hospital.
- Completion of Maternal and Children's Block at Komfo Anokye Teaching Hospital
- For the year 2012, infrastructure developments
- Completion of fifty (50 No) CHPS programme by the end of 2012.
- Installation of 23 Digital X-ray in selected District Hospitals nationwide to enhance diagnosis.
- Equip 2 MRI Centres in Komfo-Anokye and Tamale Teaching Hospitals.
- Completed on classroom and hostel blocks in 5 selected nursing training institutions.
- Furthermore, 90 district hospitals, 30 health centres, 8 regional and 3 teaching hospitals nationwide would be equipped with various types of medical devices for efficient delivery of health under the OPIC project.

Curative health care, maternal and children health care

Key to the development of the health sector is achieving the millennium development goals on health. Thus it's important to find out how the budget addresses the problem of maternal health, child mortality and neonatal care.

The 2012 fiscal year is expected to witness the implementation of the Millennium Development Goal Acceleration (MAF) as well as other activities that can address the gaps in the Emergency Obstetric and Neonatal Care (EmONC). These will include;

- Provide Emergency Obstetric equipment to three regions namely Upper West, Greater Accra and Volta.
- Establish the baseline and introduce pneumococcal, meningococcal and rotavirus vaccines including second dose of measles vaccines.

- Implement the nutrition policy.
- To intensify prevention and control of communicable and non-communicable diseases and promote healthy lifestyles and;
- Provide additional ICT equipment support to 86 district level diseases surveillance units.
- Maintain polio free status and validate eradication of guinea worm and polio.
- Increase coverage of community activities for neglected tropical diseases especially onchocerciasis, lymphatic filiarisis, trachoma, yaws and leprosy.
- Increase physical exercises in communities, basic and secondary schools.
- Establish alcohol support centre in one health facility.
- Implement the national strategy for cancer control and expand screening programme for hypertension, diabetes and sickle-cell in all regional hospitals.

In addition to these policies earmark for the year under review GH¢10,000,000 each was voted for the construction of maternity and children's wards at Komfo Anokye Teaching Hospital and GH¢2,000,000 for the children's block at Koforput Teaching hospital. Another GH¢2,000,000 was also allocated toward construction of maternity hospital at Tema. The total of GH¢14,000,000 represented 20.29 percent of the amount voted to the priority areas in the health sector.

Other objectives of the 2012 health budget include strengthening of institutions and governance. Policy strategies to achieve this are;

- Introduce a structured in-service training for the senior personnel of the Ministry, implement performance contract for all agencies and develop Legislative Instruments for ACTS that were passed in 2011.
- Establish Health Facilities Regulatory Authority, Ambulance Agency and Mental Health Authority.
- Complete the revision of the private sector policy and develop a national monitoring and evaluation framework for the sector.
- To strengthen regulatory bodies to enhance their efficiency, the offices for the Food and Drugs Board would be completed by the end of 2012 fiscal year.

Positive developments in the budget

The budget allocation to the health sector increased tremendously (growing at a rate of 82.22 percent) from the previous year. This may emphasize the importance given to the health sector in achieving the health needs of the nation.

Another important improvement in the year's budget on health is the reduction in the reliance on donors to fund the nation's desired health projects. This can result in high proportion of the budget been implement since revenue from taxes are much reliable.

The budget has also witnessed increase in the proposed expenditure on infrastructure in the health sector.

Challenges with the budget

The budget looks more ambitious considering the fact that the expected change in health expenditure over the year is about 82.22 percent. This raises the concern over the realistic nature of the budget and whether most of the policy initiative will be implemented.

In addition to this challenge is the seemingly lack of linkages between the budget and the national health policy as well as the previous years' budgets. A lot of thematic areas lighted in the 2011 budget were left unmentioned in the 2012 budget. These include Malnutrition, traditional and alternative health care and institutional care. Related to this defect of the budget is the fact that the private health providers were clearly left out of the budget whilst little attention is given to human resource development in the health sector.

Despite the increase proposition of investment in sector been funded local, still more than halve of the investment expenditure will come from donors. In addition, a colossal proportion of the GoG allocation goes into payment of emolument and administration and services.

CONCLUSION

Increasingly the budgeting process in Ghana is improving and if more scrutiny is given to this process especially in the health sector, the Ghanaian economy could derive desirable results from this process.

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SUMMARY OF TABLES

Table 1.0

Source of funding	Amount (GH¢)	Percentage share of source
GoG	443,440,278	24.64%
IGF	467,999,030	26.01%
NHIL	682,144,067	37.91%
Donor funding	205,851,434	11.44%
Total	1799434809	100.00%

Source: Budget statements 2012

Table 2.0

Year	GoG	IGF	NHIL	Donor	Total
2011	356,407,532	356,407,532	4,938,410	219,487,125	987,475,507
2012	443,440,278	467,999,030	682,144,067	205,851,434	1,799,434,809

Source: Budget statements 2011 & 2012

Table 3.0

Year	GoG	IGF	DONOR	Total
2011	4,230,147	55,570,800	167,363,625	227,164,572
2012	29,230,147	71,887,140	132,493,344	233,610,631

Source: Budget statements, 2011 & 2012

Table 4.0

ITEM/YEAR	2010	2011	2012
Personal Emolument	377,600,000	388,927,918	400,595,755
Administration and service	14,390,417	13,484,375	13,614,375
Investment	8,460,295	4,230,147	29,230,147
Total	400,450,712	406,642,440	443,440,277

Source: Budget statements, 2010, 2011 & 2012