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Views and proposals from civil society

How IMF conditionalities affect healthcare in Ghana – and what to do about it

By Daniel Oberko

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How IMF conditionalities affect healthcare in Ghana – and what to do about it

By Daniel Oberko

Austerity measures driven by the International Monetary Fund (IMF) stifle investment in public services, undermine rights to basic services such as healthcare, suppress economic growth and entrench poverty and inequality. Ghana's 2023 IMF programme is the second time the country has approached the institution in eight years, and the seventeenth time since independence. The long-term impact is less investment in public services such as healthcare. Ghana's healthcare expenditure is far below the 15 percent of national budgets recommended by the African Union.

Austerity – one of the IMF's neoliberal policy programmes – does not work for Ghana, particularly when the country is in crisis. However, there are solutions that could help to generate the much-needed revenue to invest in health. In the short term, the government should cut down on waste from political appointments, poorly targeted and election-driven social interventions, as well as confronting corruption. In the long term, the government should raise revenues by removing spurious tax incentives and closing loopholes for tax abuse. And healthcare policies should be driven by all stakeholders, including trade unions.

Introduction

Access to quality healthcare in Ghana is expensive and the out-of-pocket costs are out of reach for many Ghanaians. I have seen this with my own eyes. At the critical stage of my late mother's illness in 2022, she was admitted for more than a month to Ghana's largest teaching hospital. I recognized that I would spend a significant amount of money before she was discharged. From diagnostic tests to ambulance services and medication, every expenditure was out of our own pockets.

I called a doctor friend who works in the facility, and asked, "how would my mother survive if I did not have money to pay for all these tests and medications?" He was quiet for a moment. Then I added, "how do other families go through this?" His response was, "some families, after admitting their patients, do not step foot in the hospital again after realizing the cost of treatment".

When writer and Harvard Medical School graduate Jean Adomfeh asked whether an IMF loan killed her uncle in her article "Ghana's $3bn IMF deal: Did the fund kill my uncle?", the message she wanted to convey was that Ghana's healthcare system was not adequately funded due to loan conditionalities such as cuts to public spending, pushed forward by the IMF.[1]

Healthcare infrastructure in Ghana includes hospitals, polyclinics, community-based health facilities and other healthcare centres. There are about 11,000 of these facilities serving a population of close to 32 million. The WHO standard for doctor-to-patient ratio

1 Adomfeh (2023).

is 1:1,000. However, the Ministry of Health reports that as of 2021, the doctor-to-patient ratio in Greater Accra was 1:2,586. In the Upper East Region, it is 1:17,584. The general challenge and differences are explained by the level of poverty and differences in infrastructure in the regions.

The gap can be explained by the inadequate resources available to train and employ medical doctors to meet the demand, coupled with a backlog of graduate nurses who have been home for more than two or more years waiting to be posted to serve. There are huge deficits in the provisions of hospital beds, ambulances and other services.

The Ministry of Health budget as a proportion of the national Gross Domestic Product (GDP) in 2023 was 2.02 percent, which is far below the 5 percent recommended by the African Union (AU). It is also far below the level needed to improve healthcare delivery and the attainment of the Sustainable Development Goals (SDGs) on health.

The share of the Ghanaian government's budget dedicated to the health sector is expected to drop from a peak of 8.1 percent in 2019 to just 6.4 percent by 2025 – much lower than the 15 percent recommended by the Abuja Declaration. Ghana's National Health Insurance Scheme (NHIS) has been implemented, but still faces several obstacles, such as insufficient funding, poor quality of care, low stakeholder participation, corruption and ineffective governance.

With more than 50 percent of the population under the age of 35, according to the Ghana Statistical Service (GSS),[2] a weak healthcare system threatens the fight against child mortality and preventable and treatable illnesses associated with adolescent stages of life. This situation is also undermining the country's efforts to achieve universal health coverage (UHC). With the remaining 50 percent of the population facing their later years under a malfunctioning healthcare system, the elderly often have no access to specialized care or attention. In cases where they can access such care, it comes with a severe financial burden for patients like my mother and their families.

The lender of last resort: stifling public spending

Countries in crisis that seek an IMF loan must show their commitment to reducing fiscal spending through austerity measures. Ghana's 2023 IMF programme is the second time the country has approached the institution in eight years, and the seventeenth time since it gained independence 67 years ago.[3] On average, Ghana has enrolled in an IMF programme once every four years since 1957. Every government in its first or second term is hit by crises and therefore is forced to go to the IMF for a loan. This highlights the vulnerabilities of an economy that is heavily reliant on the export of primary commodities and the import of nearly everything, from toothpicks to plastic cutlery. It also underscores the fact that openness to global financial markets without strong regulations exposes the economy to crises.

Following the overthrow of Ghana's first Prime Minister and President, Dr. Kwame Nkrumah, subsequent governments abandoned his import substitution economic model and national industrialization drive. The global neoliberal economic policies led by the Bretton Woods institutions – the IMF and World Bank – were strongly promoted to ensure that developing countries like Ghana remained primary commodity exporters and suppliers of surplus labour. These countries were also encouraged to deregulate and privatize their economies, aligning with global market demands.

From the IMF-mandated Structural Adjustment Programmes (SAP) of the 1980s until now, Ghana has been through multiple economic crises. At each point, the country had to cut public spending, including wages, as well as introducing flexible labour laws, privatizing state-owned institutions and removing subsidies. For example, the 2015 IMF programme included an objective to cut the public sector wage bill

2 https://census2021.statsghana.gov.gh/subreport.php?readreport=MjYzOTE0MjAuMzc2NQ==&Ghana-2021-Population-and-Housing-Census-General-Report-Volume-3B#

3 Acheampong (2023).

significantly. As a result, the public wages were targeted at 5.3 percent of GDP between 2016 and 2021, according to a report by ActionAid, Public Services International and Education International.[4] This led to a considerable loss of about US$ 305.7 million for the public sector workforce, which meant constraints on the number of teachers and nurses employed in the public sector.

To make matters worse, IMF austerity measures incentivize private solutions. In some of the major public hospitals, for example, laboratory facilities are inadequate, which leads to limited tests being run. Patients are then asked to participate in these tests outside of the public healthcare facilities and end up paying even more out-of-pockets costs as a result.

Crises of debt, revenue mobilization and corruption

Debt crises reduce a government's ability to spend funds on healthcare and IMF austerity measures further stifle access to healthcare for people living in poverty. The multiple debt crises in Ghana had already curtailed public spending, including funds for the health sector, prior to the IMF agreement and the ensuing conditionalities. According to an ActionAid Ghana policy brief, as of 2020, more than 50 percent of the revenue generated in Ghana went towards servicing interest on loans.[5] The same report indicates Ghana spent US$ 1.28 billion on healthcare in 2019 – while more than three times as much money was spent paying off the country's external debt (US$ 4.1 billion). The results of the situation were well captured in the May 2023 IMF report on Ghana's request for an Extended Credit Facility (ECF):

> "The ensuing negative feedback loop of decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence accelerated last year and eventually triggered an acute crisis." [6]

After the COVID-19 pandemic, Ghana's economy was heading towards a nosedive and public debt had risen from 63 percent of GDP in 2019 to about 93 percent of GDP in 2022. Inflation and the high cost of living had pushed some 850,000 Ghanaians into poverty in 2022, according to the World Bank's 7th Ghana Economic Update.[7] Data from the Ghana Statistical Services in June 2024 revealed that 7.3 million Ghanaians are multidimensionally poor.[8]

Revenue losses from tax abuse and Public-Private Partnerships (PPPs) are contributing factors to Ghana's ongoing crises. In recent IMF programmes for Ghana, revenue mobilization has been a key structural reform the country was expected to implement. In the 2009 to 2011 IMF programme, Ghana was expected to embark on a comprehensive review of its Value Added Tax (VAT) systems, tax exemptions and discretionary waivers. In the 2015 programme, Ghana was expected to eliminate tax exemptions to state-owned enterprises and free zone companies as well as eliminating the role of the Ghana Investment Promotion Centre (GIPC) in granting exemptions.

It was not until 2023 that the President signed the Tax Exemption Bill into law, following broad-based consultation by a parliamentary select committee. The committee reached out to various stakeholders, including affiliates of Public Services International (PSI) in Ghana, which have been campaigning to end spurious tax incentives in special economic zones over the last five years

Despite the potential of parliamentary laws like these to reduce exemptions and waivers through strong parliamentary oversight, limiting the finance minister's power to grant incentives and focusing incentives on strategic investments, the system continues to be subject to abuse. For example, three members of Ghana's parliament have sued the Ministry of Finance and the Ghana Revenue Authority (GRA) over granting tax waivers to about 42 private companies

4 ActionAid/Public Services International/Education International (2021).
5 ActionAid (2020).
6 International Monetary Fund (2023), p. 4.
7 World Bank (2023).
8 https://gna.org.gh/2024/06/poverty-report-over-7-3-million-people-multidimensionally-poor-in-ghana/

without approval or authority of parliament. In 2021, a total of more than US$ 335 million in exemptions were granted to these companies.[9]

According to research by PSI in 2019, tax exemptions provided by the government amounted to GH 2.6 billion (US$ 475 million) in 2017.[10] That was about a tenth of the year's tax income and more than six times the amount set aside for the government's flagship public education programme – Free Senior High School (FSHS) – for the same period. This amount is sufficient to employ 10,000 nurses or teachers for more than ten years and would have paid for 47 million doses of COVID-19 vaccines – more than enough to vaccinate Ghana's population of 32 million.

It is important to note, however, that while IMF loans are interest-free, they must still be repaid by the borrower, along with the implementation of any attached conditionalities. One such conditionality is privatization, which can take various forms, including Public-Private Partnerships (PPPs). PPPs are driven by private interest and profit, as compared to Public-Public Partnerships (PuPs), which have been advocated as an alternative. PuPs encourage public institutions to collaborate by sharing resources, experiences and expertise to expand and improve public services, mainly through peer-to-peer learning.

Following the COVID-19 pandemic, Ghana's government, through the Ghana Airports Company Limited (GACL), entered into a PPP agreement with Frontiers Healthcare Services (FHS) – a private company governed from the Caribbean tax haven Dominica and owned by a complex network of Ghanaian businesses. They were contracted to provide COVID testing at Ghana's international airport.

For the two years that FHS ran COVID-19 testing at Kotoka International Airport (KIA), GACL received US$ 6.4 million in compensation for the use of the airport's space and amenities, while FHS made almost US$ 87 million from providing the testing services to travellers arriving in the country.[11] In the meantime, nothing changed for Ghana's Noguchi Memorial Institute for Medical Research, a respectable state institution that leads medical research in Africa and whose systems, knowledge and facilities were also used by FHS. Rather than hiring FHS, which had no track record in healthcare, the state could have mandated Noguchi, a public institution, to fulfil this role.

In another example, the company Strategic Mobilization Ghana Limited (SML) and the government of Ghana inked a revenue assurance agreement to support the Ghana Revenue Authority's tax compliance audits of gasoline and diesel distributors. For each litre of fuel supplied, the company was entitled to 0.05 local currency units (5 GHP). That amounted to around US$ 4 million a month in 2019. The contract was extended in 2023 to cover upstream operations relating to the petroleum and mineral industries. This meant that SML would earn US$ 0.75 and 0.75 percent of all mineral profits from Ghana for each barrel of oil that Ghana exported. After investigation by The Fourth Estate, a public interest and accountability project of the Media Foundation for West Africa (MFWA), it was discovered that SML had no prior experience with revenue assurance deals in the petroleum sector. In the past, it had only served as a timber merchant. Furthermore, the National Petroleum Authority had established procedures for the work that SML was ostensibly performing. It seems that a PPP arrangement was being used as a conduit to siphon revenues from the State.

The question then is what can be done?

Conclusion: Possible solutions

Ghana must strengthen the country's revenue mobilizations systems. Ghana should implement a mapping of all tax incentives and a qualitative evaluation of how well they work to draw in actual revenues for the

9 https://citinewsroom.com/2024/05/335m-tax-waiver-request-full-list-of-42-beneficiary-companies/
10 Otoo (2019).
11 The Fourth Estate (2023).

advancement of sustainable development and expenditure in healthcare. In response to the G20/ Organisation for Economic Co-operation and Development (OECD) Pillar Two recommendation of a minimum 15 percent effective corporate tax rate, it is essential to review all company tax benefits thoroughly, including expenditure deductions and lower rates offered in export processing zones and special economic zones. Other countries will impose a top-up tax on any profits subject to less than 15 percent tax, even if Ghana chooses not to implement Pillar Two. The Ministry of Finance, responsible for enacting tax policies, should ensure that the exemptions regime maintains an effective corporate tax rate of at least 15 percent.

Ghana has transfer pricing regulations and the Ghana Revenue Authority has an office dedicated to dealing with issues of transfer pricing and other forms of tax avoidance and tax fraud. This requires adequate funding for the unit to procure the best resources needed to safeguard mechanisms for effective implementation. While it is important for Ghana to align with international tax governance proposals, it must ensure that it is also adapted to the local economy. Advanced countries and their various tax policy governing institutions have been blamed for leading the process of tax policy reforms without considering the circumstances of developing counties. Their tax policy proposals benefit advanced countries rather than developing countries. Developing countries like Ghana must find alternative routes to meet minimum tax rates and actively support the call for UN-led tax governance.

The process to generate much-needed revenue is beyond policy enactment. Citizens, trade unions, experts and other stakeholders should demand strong political will from parliament and politicians to ensure effective implementation. There should also be a call for transparency and accountability on the part of corporations. Citizens must be convinced that culprits of tax evasion, avoidance and the abuse of tax incentives will be punished.

To this end, Ghana should rethink the Agyapa deal. In 2018, the Ghana Mineral Income Investment Fund (GMIIF) (Act 978) was passed. It was set up to create and hold equity interest in a Special Purpose Vehicle (SPV) in any jurisdiction; to procure the listing on the SPV on any reputable stock exchange considered appropriate; and to assign/transfer any, or all, of its rights to the SPV.

The SPV is a private entity, Agyapa Royalties Ghana Limited. The GMIIF has a 75.5 percent share in Agyapa Royalties Ghana Limited. Agyapa Royalties Ghana Limited then set up a subsidiary, ARG in Jersey, which is a tax haven. The government of Ghana owns a 51 percent share in ARG. In the long run, ARG will float shares on the London Stock Exchange (LSE) to raise between US$ 500 million and US$ 1 billion.

In doing so, Ghana signs away over three quarters of its future gold royalties to ARG – forever. It also means that Ghana is indefinitely forfeiting up to 49 percent of its future mineral royalty income flows, in exchange for about US$ 500 million. And if there is anything untoward either in the financial market or through the activities of the directors, the government bears the cost. This is a prime example of a tax avoidance arrangement perpetrated by a government.

In a letter to the finance minister by the former Attorney General (AG) of Ghana Gloria Akuffo in 2020, she makes a strong case against the signing of the deal. She writes:

> “It freezes anything legal including judicial orders and decisions. In effect no court can pronounce any part of the agreement as being illegal, unconscionable, null and void or on any matter before the court which may or is likely to affect any part of the agreement. This will amount to executive interference of the powers of the judiciary, which is in violation of the concept of separation of powers as provided under the constitution of Ghana. Therefore, the executive

arm of government cannot enter into an agreement that curtails the independence of both the Legislature or the Judiciary."[12]

Austerity is not a prudent policy option in times of crises because it does not yield the intended results. The IMF is all too aware of this. Austerity – also referred to as "fiscal consolidation" – stifles investment in public services, undermines rights to basic services such as healthcare, suppresses economic growth, entrenches poverty and inequality, and only causes crises to resurface in future.[13] Austerity does not address the fundamental issues of the crises. In their study of advanced and emerging economies looking at the effectiveness of austerity measures during crises, Ostry, Loungani and Furceri (all IMF staff) convey this succinctly: "Austerity policies not only generate substantial welfare costs due to supply-side channels, they also hurt demand and thus worsen employment and unemployment." They further argue that "on average, a consolidation of 1 percent of GDP increases the long-term unemployment rate by 0.6 percentage points and raises by 1.5 percent within five years the Gini measure of income inequality."[14]

The limited availability of loans by public development banks (PDBs) pushes debtors to resort to private borrowing with high interest rates that must be paid in US dollars. To address this, PDBs must increase credit facility options and the IMF should expand access to Special Drawing Rights for developing countries like Ghana.

At the national level, several pragmatic steps can be taken to ensure fiscal discipline. For example, Ghana does not need more than 100 ministers. Some experts have argued that about 50 ministers without deputies should be sufficient. In every ministry there are technical and administrative experts whose role is to support the work of the minister. Regional ministers can do their work without deputy regional ministers. The work of the regional coordinating councils, district and municipal chief executives are all to support effective administration of the regions. Sometimes, social intervention programmes, for all intents and purposes, are introduced to prop up voting numbers for politicians, especially when they are administered by political appointees. They contribute to public debt. With a decentralized administration such intervention programmes, led by existing public institutions, could be averted.

Public health policy, like every other public policy, should be driven by all stakeholders, including trade unions. High levels of corruption, poor policy decisions driven by private interests and their proximity to political power have all played a role in the dire situation in which Ghana's healthcare sector finds itself. Public health policy, just like any other policy, should not be left in the hands of politicians alone. It should be safeguarded by involving the participation of all relevant stakeholders, including trade unions. Stakeholders like these within health service delivery bring on board not only the power to negotiate for fair wages and improved living conditions for health sector workers, but they also provide a wide range of expertise in the actual functioning of the healthcare systems.

Healthcare unions like the Ghana Medical Association, Health Services Workers' Union, and the Ghana Registered Nurses and Midwives Association have been very vocal and involved in amplifying the voices of nurses and citizens, providing guidance and expertise as to how the country and its people should deal with the COVID-19 pandemic. These organizations must be supported and given the space to continue their role in the healthcare sector when it comes to defending the rights and interests of healthcare workers, advocating for laws that enhance patient care and benefit the sector and the communities it serves.

12 https://www.modernghana.com/news/1025985/agyapa-deal-unconscionable-attorney-general.html

13 Ortiz/Cummins (2019).

14 Ostry/Loungani/Furceri (2016).

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