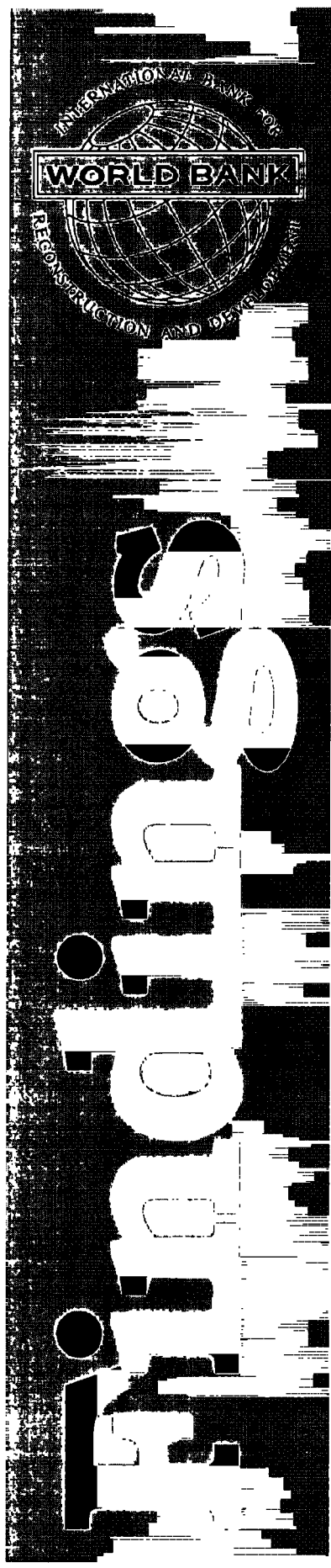


24806
204
April 2002

Human Development



Findings reports on ongoing operational, economic, and sector work carried out by the World Bank and its member governments in the Africa Region. It is published periodically by the Knowledge and Learning Center on behalf of the Region. The views expressed in Findings are those of the author/s and should not be attributed to the World Bank Group

Ghana: Tracking Public Resource Flows in Schools and Clinics

The World Bank report, *Can Africa Claim the 21st Century* (April 2000), called attention to the urgent need for investing in human capital in Sub-Saharan Africa (SSA). The Government of Ghana (GOG) is committed to increase the access to public health and education services, especially for the poor. One of its main measures is to increase the social sector budget. However, a higher budget does not necessarily guarantee better outcomes. It is crucial to ensure that the allocated resources are channeled efficiently to the intended facilities, reaching the service users, especially the poor.

There are two broad categories of reasons which might cause inefficiencies in the distribution of public expenditures. The first is corruption, namely leakage of resources to individuals or unintended organizations. The second is the inefficient use of resources, such as a mismatch between what facilities need and what the government distributes. The Ghana Public Expenditure Tracking Survey (GPETS) measures the first type of inefficiency, the leakage between different points of public resource distribution.

The GPETS was designed to track the extent to which public resources flow from the district offices to service delivery points. The records of public expenditure allocation at the central government level will help the tracking survey to provide a measurement of resource flows between three points: central government, district offices, and public service provision facilities. This survey is based on a sample of basic education and primary health care facilities, as well as the district offices in charge of education and health. Due to its moderate scale and experimental nature, the results of the study are meant to be more provocative than conclusive.

The distribution systems of public financing in Ghana are divided into two main categories: the distribution of salary expenditures and of non-salary expenditures. The majority of non-salary recurrent expenditures are distributed to schools and clinics through district offices in the form of materials, while salaries are paid directly by a central government agency, the Controller Accountant General (CAG), to public employees, through the banking system. Al-

Table 1
Primary school recurrent expenditure subsidies

	1997/98			1998/99		
	Non-salary	Salary	Total	Non-salary	Salary	Total
Based on MOE estimates	12081	108724	120805	N/A	N/A	N/A
Based on District Education Office estimates	N/A	N/A	N/A	N/A	N/A	N/A
Based on school budget estimates	5730	65828	71558	5104	71577	76681
Adjusted for 8% overhead cost	6188	71094	77283	5512	77303	82815
As % of MOE estimates	51	65	64	N/A	N/A	N/A

Source: Ghana Public Expenditure Tracking Survey, 2000.

though the central government has a precise budget to allocate public expenditures, there is little information at the district offices or facilities regarding what is actually allocated to them and how much they actually receive, due to the lack of knowledge regarding the monetary values of the materials received. This knowledge gap between the monetary values and the material form of the resource flows may create a much more serious leakage in the health than in the education sector, due to a much larger share of salary expenditure in the former and the more resalable nature of medical supplies.

Primary and junior secondary education and public resource flows

The tracking survey at primary schools provided somewhat different resource flow information than indicated by the statistics of the MOE. Table 1 includes a comparison between the expenditures allocated by the MOE to primary schools and the resources received by primary schools. In 1997/98, about 64 percent of the public expenditures that left the MOE reached schools, after taking into account overhead administrative costs. Specifically, 51 percent of non-salary and 65 percent of salary recurrent expenditure reached the primary schools. Although we do not have budget data from the MOE for 1998/99, we can con-

clude, based on other referencing information, that the percentage of leakage is about the same in 1998/99 as in 1997/98. The results from the tracking survey also indicate that GOG's support for the non-salary expenditure has decreased, while the non-governmental/private funding has increased significantly. This, however, was mainly the result of a large increase in a few wealthier regions. Non-public support tends to be weak in the poorer regions.

In 1997/98, only about 75 percent of the salary expenditure and less than 50 percent of the non-salary recurrent expenditure allocated to Junior Secondary Schools (JSS) reached them. The expenditure per student has increased slightly between 1998 and 1999 in real terms. In the context of decen-

Table 2
JSS government recurrent expenditure subsidies

	1997/98			1998/99		
	Non-salary	Salary	Total	Non-salary	Salary	Total
Based on MOE estimates ¹	19665	176984	196649	N/A	N/A	N/A
Based on District Education Office estimates	N/A	N/A	N/A	N/A	N/A	N/A
Based on school budget estimates	8765	123500	132265	11292	133380	142145
Adjusted for 8% over head cost	8765	123500	132265	12195	144051	153517
As % of MOE estimates	48	75	73	N/A	N/A	N/A

Source: Ghana Public Expenditure Tracking Survey, 2000.

¹ Based on MOE 1998 budget sheet, the salary is about 90 percent of total recurrent expenditure.

tralization, GOG has delegated financial resources to the District Assemblies Common Fund (DACF) to invest in the projects and programs of local priority. The tracking survey, however, observed only a small amount of resources flowing from DACF to schools.

Overall, the government supports a large proportion of non-salary recurrent expenditures - about 70 percent. The capital investments remain very low on average. In reality, only a few schools received resources for rehabilitation and capital investment. In addition to public resources, schools also supplement their resources with parents' contributions and private donations. It is common in Ghana that, at the request of their teachers, each student carries a small amount of building material, such as stones or sands, to his/her school. These private contributions were most likely not accounted for.

Primary health care and public resource flows

Public health care in Ghana is supported by funding from two broad sources, public health expenditures, financed by GOG and donors, and internally generated funds (IGF), paid by the patients. It is estimated that total government recurrent expenditures to clinics in 1998, including donors' funds, amounted to about 5200 cedis per person (Canagarajah and Ye, World Bank, 2001). About 35 percent of 5200 cedis is the salary expenditure. Since the tracking survey does not have salary expenditures, it only compares the 65 percent of 5200 cedis, the non-salary recurrent expenditure, with the

Table 3
Financial resource flow in health sector

<i>Government non-salary expenditure of per out patient visit in 1998 cedis</i>	1998	1999
Based on MOH estimates	3875	N/A
Based on District Health Office estimates	1231	1599
As % of MOH estimates	31.8	N/A
Based on Sub-district clinic estimates	830	991
As % of District office estimates	67.4	62.0

These estimates do not include the overhead administrative expenditures.

resources received by the clinics. (The average exchange rate in 1999 was 2,669 cedis to the US dollar).

As shown in Table 3, the tracking survey shows that by the District Health Office (DHO) account, expenditures per outpatient amounts to only about one third of what had been indicated in MOF's budget. From the DHO to the clinics, 67 and 62 percent of funds reached clinics in 1998 and 1999, respectively. Overall, only 20 percent of non-salary recurrent expenditures reached the clinics.

Based on MOF's account, at the sub-district clinic level, GOG and donors provide a total of 87 percent of medical care cost for patients. However, the survey of the facilities reveals that only 40 percent of the budgets of the sub-district clinics are paid for by the GOG (Table 4). The internally generated funds, which are paid by patients,

amount to over half of the total medical cost. Financial resources from NGOs comprise 7 percent of the total budget.

Conclusion

An accurate estimate of public expenditure flows must start from the distribution and recording systems which would permit accurate tracking. While the strategies to improve these systems in Ghana are beyond the scope of this study, it presents here the problems encountered while trying to track public expenditures. Hopefully, this will provide an entry point for relevant parties to discuss the best ways to increase the efficiency of public expenditure distribution. Estimated resource flows are also presented. Although the accuracy of estimates is not claimed in absolute terms, the patterns of the public expenditure dis-

Table 4
A comparison of percent of public expenditure at ministry and facility level

	<i>Percent of financial resources from</i>		
	<i>GOG and donor pooled fund*</i>	<i>Internally Generated Fund</i>	<i>NGO's assistance</i>
Based on MOH estimates for sub-district clinics	87	13	
Based on sub-district clinic estimates	39	54	7

*Including MOH program funding.

Data sources: Ghana PER and GPETS 2000 calculation.

tribution revealed by these estimates were consistent with the perceptions of district level education and health officers, to whom these results were presented at a workshop in Ghana.

The Ghana PETS reveals a disconnect between the *measurements* of the resource flows at the central government and at the facility levels. Consequently, at the facility level, there is no accurate account of the labor costs of rendering services, nor of the monetary value of the materials received. If a consistent measurement of the resource flow is in place, there must also be systematic record keeping and a record filing procedure that would ensure an institutional memory. However, the PETS survey found no standard forms to keep financial records at the facility level. Further, people who kept records often had no relevant training. There was also no standard procedure for filing records, which were often filed at different places and kept by different people.

The public resource distribution systems in Ghana are based on a considerable degree of control from the central government. This method works to some extent, especially in education sector where salaries comprise a large proportion of the budget. However, such systems, providing very little local accountability by the central government, do not work too well in

the health sector, where a large proportion of expenditures are non-salary related. In addition, the systems have hardly any feedback mechanisms. There were instances when more books than needed on one subject were shipped to a school, while there was still unmet demand for books in other subjects. There were also complaints about publicly-procured drugs being more expensive at clinics than those sold at private pharmacies.

There was sufficient evidence to demonstrate that significant resource leakage existed both in the health and education sectors with certain patterns becoming apparent. The major leakage occurred between the central government and the district level offices. There was also leakage between the district education offices and schools, but to a much lesser extent. The leakage between the district health offices and clinics seemed to be much more significant.

This leakage pattern coincides with the distribution procedure. The majority of non-salary public expenditures are transformed from cash to in-kind at the central government level, and the distribution of these materials is uncountable in terms of their monetary values. This means that there are far fewer opportunities to divert public funds at the district level than at the central government level, and also fewer opportunities in the education than in the health sector.

The Ghana PETS pointed to an important area where public services could be improved. Enhanced accountability in public expenditure distribution systems could increase resources at the facility level by 30 to 100 percent without increasing the current public spending envelope. Indeed, a similar study in Uganda has demonstrated that by simply publicizing the budget allocation at the district and school levels, the schools received almost all the resources allocated to them, instead of the mere 20 percent when such information was not available. It is obvious that SSA countries need increased resources to invest in people, but a significant improvement in internal efficiency is essential. Otherwise, more resources could mean greater leakage, not better outcomes.

The complete version of this article is forthcoming as a World Bank publication. For more information please contact Xiao Ye (xye@worldbank.org) or Sudharshan Canagarajah (scanagarajah@worldbank.org) at the World Bank.