

**REPORT OF THE FINANCE COMMITTEE ON THE
FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)
FOR AN AMOUNT OF SDR 10.10 MILLION (US\$15.0
MILLION EQUIVALENT) TO FINANCE THE HEALTH
INSURANCE PROJECT**

1.0 INTRODUCTION

The Financing Agreement between the Government of the Republic of Ghana and the International Development Bank (IDA) was laid in the House on Friday, 13th July 2007 and referred to the Finance Committee in accordance with Article 181 of the Constitution and Order No. 171(1) of the Standing Orders of the House for consideration and report.

The Committee therefore met with the Minister for Finance and Economic Planning Hon. Kwadwo Baah Wiredu, the Deputy Minister for Finance and Economic Planning Hon. Dr. A. Akoto Osei and technical team from the Ministry of Finance and Economic Planning & Ministry of Health and reports as follows:

2.0 BACKGROUND

Hon. Members will recall that in 2003 Government of Ghana enacted the National Health Insurance Act, (Act 650, 2003). This was to reduce financial barriers to health care whilst ensuring that public expenditure on the health sector remained consistent with the growth-driven macro-economic and fiscal policy. Since then the Government of Ghana (GoG) has been working to implement the National Health Insurance Scheme (NHIS). Currently, District Mutual Health Insurance Schemes (DMHIS) are operating throughout the country with forty-three per cent (43%) of the population being registered.

The National Health Insurance Council has set a target of reaching fifty-five percent (55%) insurance coverage in 2007 which may be optimistic given the problems the NHIS has so far faced in its implementation.

However for the National Health Insurance Scheme (NHIS) to achieve the objectives for which it was established, the following challenges need to be resolved. They are:

- (i) poor coordination among stakeholders and lack of concrete governance arrangements and responsibilities for NHIS implementation;
- (ii) challenges to maintaining financial sustainability of the NHIS and the DMHIS
- (iii) poor management of public expectations of NHIS
- (iv) difficulties in providing effective coverage for the poor and "exempt" indigents;
- (v) delays and inconsistencies in issuing Health identity cards to those who are registered ;
- (vi) inadequate technical tools for processing and reimbursing claim;
- (vii) insufficient administrative, managerial and technical human capacity.

Due to this, the Government of Ghana is entering into a financial Agreement with the International Development Association of the World Bank Group for an amount of **SDR10.10 million (US\$15 million equivalent)** to support the Implementation of the Health Insurance Project (HIP).

3.0 COMPONENTS OF THE PROJECT

The project consists of three (3) components namely:

- **Enabling Environment for Implementation**

This is to strengthen policy adaptation and implementation capacity of the National Health Insurance Scheme (NHIS)

- **Financial and Operational Management Tool**

This is to improve the purchasing function by the Schemes and the billing function by the provider network by moving the billing and claims process from a paper-based to electronic-based system

- **Financial and Operational Management Training**

This component will strengthen the actuarial analysis capacity of the NHIC Secretariat, financial management of premiums, payment mechanisms, liquidity management and other related activities needed to secure the long-term financial sustainability of the health insurance system.

4.0 TERMS AND CONDITIONS OF THE CREDIT AGREEMENT

Credit Amount	-	SDR 10.10 Million (US\$15.0 Million equivalent)
Grace Period (Moratorium)	-	10 years
Commitment Charge	-	on the principal amount of the credit not withdrawn from time to time will be one-half of one per cent ($\frac{1}{2}$ of 1%) per annum
Service Charge	-	payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum
Repayment Period	-	40 years Semi annual installments payable on each January 15 and July 15, commencing January 15, 2008 and ending July 15, 2048. Each installment to and including the installment payable on April 15, 2018 shall be one per cent (1%) of such principal amount , and each installment thereafter shall be two per cent (2%) of such principal amount.

4.0 OBSERVATIONS

The Committee observed that the project is targeted at strengthening the financial and operational management of the National Insurance Scheme by improving

- the policy adaptation and implementation capacity of the National Health Insurance Scheme in addressing ongoing core policy issues related to contribution collection, risk equalization and provider payment mechanisms and
- the purchasing functions of the National Health Insurance Council (NHIC) and District Mutual Health Organizations and improving the billing function of the provider network among others.

The Committee further observed that the project would also contribute to the Government's higher development agenda of poverty reduction, macroeconomic stability, prudent fiscal management, human resource development and promoting good governance, as outlined in the Second Growth and Poverty Reduction Strategy (GPRS II).

The Deputy Minister informed the Committee that the Health Insurance Project is expected to yield significant socio-economic returns including a financially sustainable, revenue-generating National Health Insurance program; modernizing health system and broad social benefits from fiscal protection from poor health. The project would also improve and increase the use of health services.

The technical team informed the Committee that the Ministry of Health will exercise an oversight responsibility for the NHIC. A high level Inter-Agency Steering Committee (IASC) already exists to ensure coordination among the various semi-autonomous agencies and private sector providers. The IASC will also be responsible for overseeing the broad strategic policy adaptations, related to the recommendations made by the technical groups working on policy development sub-components of the project.

The Committee was informed that the NHIC will be the primary executing body with overall responsibility for the management of the Health Insurance Project.

5.0 CONCLUSION

In view of the foregoing and the benefits to be derived from the project, the Committee respectfully invites the House to adopt this report and approve by Resolution the Financing Agreement between the Government of the Republic of Ghana and the International Development Association (IDA) for an amount of **SDR10.10 million (US\$15.00 million equivalent)** to finance the Health Insurance Project in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.


HON. NII ADU BAKU MANTE
CHAIRMAN


LOUIS BOAKYE YIADOM
FOR CLERK, FINANCE COMMITTEE

17TH JULY 2007