

An Assessment of Poverty Reducing Policies and Programmes in Ghana*

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1. Introduction

Poverty reduction is now a global agenda. During the 1980s and 1990s when structural adjustment was in vogue, there was the general belief that if one could endure the short-run social costs the long-run benefits would be enormous. Never was it reckoned that the long run referred to was a Keynes' "long-run", when all may be dead! Nevertheless the call for putting a "human face" on adjustment by some non-governmental organizations and some United Nations agencies was finally heeded to when towards the close of the 1990s consensus was reached between the donor community, the United Nations and the developing countries on the International Development Goals (IDG). The principal objective of the IDG is to reduce by half the proportion of people living in extreme poverty by 2015.

At the September 1999 Annual Meetings of the IMF a clear mandate was issued for the Fund: "to integrate the objectives of poverty reduction and growth more fully into its operations in the poorest member countries". Consequently, a new facility, the Poverty Reduction and Growth Facility (PRGF), was established to replace the Enhanced Structural Adjustment Facility (ESAF).

The IMF claims that "The change involved not just a new label, but also important changes in the Fund's operations designed to ensure that the IMF would deliver on its new commitment to fight poverty." "... The core aim of the PRGF is to arrive at policies that are more clearly focused on economic growth and poverty reduction and, as a result of better national ownership, more consistently implemented." This is the basis on which IMF and World Bank programmes will now be assessed.

Ghana was one of the first countries to attempt to put a "human face" to structural adjustment. In 1987, on realizing the social costs that the structural adjustment programme was inflicting on the general populace, the Government of Ghana introduced the Programme of Action to Mitigate the Social Consequences of Adjustment (PAMSCAD). Since then, a number of programmes and policies targeted at poverty reduction have been introduced; some with a limited mandate targeted at a specific vulnerable group. Of course, the

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Structural Adjustment Programme (SAP) itself was supposed to lead to economic stabilization and growth with a consequent positive impact on poverty reduction.

Data from various Living Standard Surveys, Demographic and Health Surveys, Core Welfare Indices Questionnaires (CWIQ) and other limited quantitative and qualitative surveys confirm the pervasiveness of poverty in Ghana. Unfortunately, data inadequacies and definitional and methodological problems prevent comparison of data over time, even within a particular survey class. Nevertheless, the latest Ghana Living Standard Survey (GLSS, 1999) places 39.5 percent of Ghanaians below the poverty line compared to about 51.7 percent in the 1992 survey. The continued pervasiveness of poverty in Ghana raises the question of whether the structural adjustment programme and other direct and indirect poverty intervention programmes and policies have had the desired impact.

This paper assesses the various programmes and policies that have been aimed at poverty reduction in Ghana. The methodology adopted follows, with slight modification, that used in similar assessment reports: provide the poverty profile, analyze the country policies and programs, and recommend strategy to reduce poverty.¹

The next section gives a brief background on the performance of the economy of Ghana and sets the stage for a discussion on the poverty profile in Section 3. In Section 4, we provide an assessment of the policies and programmes aimed at poverty reduction. The last section concludes with some policy recommendations.

2. Economic Background

2.1 Pre-Adjustment Overtures

Within a decade after gaining political independence Ghana's economy went into a recession, which but for brief periods of temporary relief, continued for over two decades. Columns 2 and 3 of Table 1 present a summary of the decline in the Ghanaian economy between 1960 and 1982. Output of the country declined while population increased at even faster rate. Exports dropped both in volume and in value, as cocoa exports fell below levels achieved in the 1950's. As the foreign exchange constraint became more severe imports contracted. Other macroeconomic indicators pointed to an evident decline in the Ghanaian

¹ See, for example, Julia Dayton et al "Country Policies for Poverty Reduction: A Review of Poverty Assessments"; The World Bank, ESP Discussion Paper Series No. 15 October 1993. Also Judy Baker, "Evaluating the Impact of Development Projects on Poverty" The World Bank, May 2000.

economy as inflation soured higher and imbalances on both the domestic and external accounts became a permanent feature.

By 1983, the country was a classic example of one faced with stagflation: inflation was running at 123 percent and output declining at an average of about 1 percent per annum. There was shortage of almost every conceivable item: food, raw materials and even water. The country's economic plight was however drawn to the attention of the international community when in 1983 in the midst of drought and bush-fires, nearly a million Ghanaians were repatriated from Nigeria.

	1960-70	1970-83	1984-89	1990-95
Real GDP	2.2	-0.8	5	4.3
Gross Domestic Investment	-3.1	-5.9	16.5	21.8*
Exports	0.1	-4.4	11.7	10.1
Imports	-1.5	-7.2	13.5	8.6
Terms of Trade	1.1	-1.3	1.4	1
Total Agriculture	2.6	-0.5	3.6	2
Population	2.3	2.4	3.5	3

Note: * - 1990-93 average: The massive jump was due to a large investment in gold mining in 1993.
Source: 1960-70: World Bank, *Toward Sustained Development in Sub-Saharan Africa (Statistical Annex)*, Washington, 1984; 1970-83: World Bank (1990), *World Tables*; 1984-89 and 1990-95 computed from data from Ghana Statistical Service.

The causes of the decline in Ghana's economy have been attributed to structural weaknesses, external shocks – particularly, declines in the terms of trade, economic mismanagement, and political instability. The economic factors leading to the crises can be summarized as

- (a) The maintenance of a fixed and highly overvalued exchange rate that discouraged exports and produced huge profits for traders of imported goods;
- (b) Large government deficits which were mostly financed by the printing of money and which resulted in inflationary pressures, which further distorted the real exchange rates;

- (c) The imposition of price controls at the manufacturing stage which discouraged production while giving excessive profits to the unregulated small-scale trading sector.
- (d) Misallocation and misuse of import licenses which created further inefficiencies and denied critical inputs and equipment to high priority areas.

The structural weaknesses included

- a) over-reliance on agriculture as the leading sector without any conscious policy towards increased productivity;
- b) non-diversification of exports from cocoa, thus subjecting the country to world price fluctuations of a single cash crop;
- c) large government and service sector; and
- d) inadequate mobilization of internal resources for domestic capital formation.

The immediate consequence of the economic decline in Ghana is the general impoverishment of the nation as a whole. Most indicators point to a drop in the standard of living in the country. Per capita GDP, at constant 1975 prices, dropped from a level of C634 in 1971 to C394.8 in 1983. Most people could not afford basic necessities of life such as food and shelter. Index of food production per capita with 1971 as base of 100 dropped to about 72 in 1982.

Although available data on life expectancy showed an increase from 46 years in 1970 to about 55 years in 1979 before dropping to 53 years at the beginning of 1980s, other indicators point to a severe deterioration in health standards. Daily calorie supply as a percentage of minimum requirement dropped from 88 percent in 1979 to 68 percent in 1983. This may have been due to the famine, which came about in 1981/82 because of the draught that hit the Sahel region. The poor economic situation also led to shortages of drugs and other supplies, which affected provision of health services. The situation was made worse by massive brain drain, which affected the medical profession.

In education, again data on enrolment showed an improvement over the years but it was no secret that the quality of education fell. As with health, the poor economic condition affected educational supplies and books, and was also made worse by the emigration of qualified teachers, particularly to Nigeria.

Another significant consequence of the economic crisis of the seventies and eighties was its effect on manpower development and labour. The high rates of inflation were not

matched by the increase in the nominal wage. Thus, over the years workers saw their real income being eroded. This affected mainly those on wage incomes, and caused most of them to take on second and third jobs. The most common second job was trading. At the height of the economic crisis period, those who benefited most were traders. The "trading" need not be in actual wares. Some people made huge gains just by knowing someone in a position to give them chits² for obtaining 'essential commodities'; these chits were then sold to the actual traders for cash. Such dishonest acts did not encourage manpower development in the country. School dropouts who turned themselves into 'businessmen' became better off than their counterparts who went on with their schooling. Skilled personnel like doctors, engineers and teachers who could not engage in any illegal trade took flight. These specialized workers left mainly for other African countries and Asia. Nigeria was the main beneficiary of the Ghanaian brain drain, although most of the medical doctors ended up in Saudi Arabia. It is estimated that there were more Ghanaian doctors in Saudi Arabia than in Accra. Most teachers emigrated to Nigeria since the oil boom in that country at that time had led to the establishment of new schools. By the beginning of the 1980s Ghanaians of every class and skill were leaving in droves to Nigeria. This was what led to the expulsion of almost a million Ghanaian refugees from that country in 1983, when the decline in oil revenue forced a decline in the growth of the Nigerian economy.

Although all indicators pointed to severe poverty prevalence in Ghana, there was no data in the pre-SAP period on poverty in Ghana. An IFAD special mission report estimated that the proportion of rural poor increased from 43 percent in 1970 to 54 percent in 1986. Rough estimates provided by Green (1988) also showed a greater increase in poverty. His figures showed that the number of urban people below the poverty line increased from average of between 30 and 35 percent in the late 1970s to a range of 45-50 in mid 1980s. For rural people, there was also an increase in poverty from a range of 60-65 percent in late 1970s to between 67 and 72 percent in mid 1980s.

² One of the methods of rationing scarce commodities was through the issuance of notes of rights to purchase.

2.2 The Adjusting Years

In April 1983, the Government of Ghana adopted an IMF-world Bank supported Economic Recovery Programme to stem the decline in the economy of Ghana. It involved macroeconomic stabilization measures comprising fiscal, monetary and exchange rate policies; liberalization of prices; and restructuring of the public and financial sectors. The initial years of adjustment in Ghana involving macroeconomic stabilization appeared successful. Output began to revive, with an annual growth of about 5% between 1984 and 1989 (Table 1). From 1986 the budget started showing surpluses, although these were partly illusory since they included increased foreign aid. Expansion of domestic credit was severely curtailed and, although external inflows kept the growth of aggregate money supply high, inflation was brought down from three-digits to an annual average of about 25%.

The 1990s saw Ghana losing some of the gains, which had been made in the 1980s. It appeared that imprudent fiscal policies strained monetary policy by focusing on just macro stability to the detriment of economic growth. After climbing to about 70 percent at the end of 1995, inflation became the prime target of economic policy management in Ghana. Growth in money stock was squeezed to the minimum, through hikes in interest rates. Meanwhile the high interest rates induced the public (bank and non-bank) to lend to Government. The increased lending to Government meant a further “crowding out” of the private sector and thus weakening of the productive base. Additionally, the increased borrowing by Government was also putting pressure on the public budget. The sum of the domestic and the foreign debt exceeds total revenue. Thus, Ghana has just been living on borrowed funds. Interest payment on the total national debt is swallowing up a huge proportion of the total expenditure of Government. It certainly is higher than expenditure on education and health put together. Thus, much of the huge expenditure in the Government’s budget is not really spent in generating new output. Indeed about 30 percent of the total expenditure is spent on servicing the national debt and interest accruals on it. Meanwhile, revenue intake was low, thus creating deficits that have to be financed by borrowing.

The Ghanaian economy slipped back into crisis in the third quarter of 1999. Poor macroeconomic management, particularly through fiscal indiscipline, and adverse external economic conditions - low cocoa and gold prices, and high oil prices – caused the macroeconomic fundamentals to be weak. Inflation accelerated and interest rates became unbearably high. Large fiscal imbalances persisted causing Government to borrow more from

the domestic economy, thus crowding out the private sector. The fiscal excesses have led to the rapid build up of domestic debt.

By the beginning of 2000, Ghana's domestic debt has swelled to almost 20 percent of national output, with interest payments more than the national expenditure on health and education combined. The total Government bonded domestic debt at the beginning of 2000 stood at about 9.1 trillion cedis. This excluded payment arrears owed to contractors, debt of some parastatal agencies such as Tema Oil Refinery (TOR) and Ghana National Petroleum Corporation (GNPC), and also debt of subvented organizations as well as local government units. Interest payment on the debt alone is more than a third of the national recurrent expenditure and certainly more than the development expenditure. In addition Ghana had the statutory obligation of servicing its external debt.

The current account-induced balance of payments difficulties of 1999 intensified in 2000, leaving the country's foreign exchange market badly distorted. The cedi underwent huge depreciations with variable impact on different economic groups. The impact was most severe on firms producing for domestic markets and those engaged in pure commerce. Export-oriented firms, on the other hand, perhaps on account of their foreign exchange retention entitlements and privileges, seemed to have fared better. In the final analysis, the inflationary situation in the country got worse.

It is no wonder that in 2001, when a new Government won the people's mandate to rule the country, they opted for a Highly Indebted Poor Country (HIPC) status. Ghana's GDP per capita stood at \$270, and was encumbered with a total debt equivalent to about 124 percent of GDP. Table 2 provides the qualifying conditions for a HIPC status.

Table 2: Qualifying Thresholds for the HIPC Initiative			
Criterion	Completion Point (%)	Decision Point (%)	Ghana (2000) (%)
NPV debt/exports	200-250	150	224
NPV debt/revenue	280	250	395
Export/GDP	40	30	7
Revenue/GDP	20	15	20

Clearly, the focus of the Structural Adjustment Programme in Ghana has been more on macroeconomic stabilization than on growth and poverty reduction. It is true that the adjustment period was characterized by an appreciable growth in the economy, which averaged around 5 percent per annum in the strong years and a little lower in the weak years.

There is also enough evidence to believe that the growth was the result of better economic management and the removal of distortions (which had discouraged production) under the adjustment programme. Like growth, any poverty impact was more an indirect result from adjustment. This will be examined later, after examining the poverty profile in Ghana.

3. Poverty Profile

Poverty is still quite pervasive in Ghana. The 1998/1999 Ghana Living Standards Survey (GLSS 4) reports that about 40 percent of Ghanaians live under the poverty line, with about 26.8 percent classified as “very poor”. These percentages are still high for a country that has gone through almost two decades of structural adjustment. However, a better profile for assessment will entail analysis of trends.

The most common instrument for monitoring the welfare of Ghanaians, as a whole has been the Ghana Living Standards Survey. The Ghana Statistical Service (GSS), in collaboration with the World Bank, implemented the first round of the Ghana Living Standards Survey (GLSS 1) in 1987/88. Since then, the GSS has conducted a total of four rounds of GLSS - GLSS1 in 1987-88, GLSS2 in 1988-89, GLSS3 in 1991-92 and GLSS4 in 1998-99. The GLSS series provides data on a wide range of areas including demographic characteristics of the population; education; health; employment and time use; migration; housing conditions; household agriculture; non-farm businesses; the state and use of facilities and infrastructure in rural communities; and the prices of selected basic commodities. The GSS has systematically analyzed these data and published reports on each round of the GLSS as well as two poverty reports covering the periods 1987-92 and 1992-98.

However, poor survey design and weaknesses in data collection and management has weakened the reliability of the GLSS data for trend analysis of poverty. In addition, there were definitional and methodological problems that also bedevilled time series analysis of poverty in Ghana. For example, there have been changes in the household consumption aggregates; a change from the use of household consumption per capita to use of adult equivalent scales as the living standard measure; and the switch from the use of poverty lines which were computed as ratios of mean consumption to those that are explicitly based on nutritional requirements.

The first empirical work on poverty using data based on the Ghana Living Standard Survey (1987/88) was carried out by Boateng, Ewusi, Kanbur and McKay (1990). They employed measures of poverty based on the Foster, Greer, and Thorbecke (1984) methodology, and set poverty lines for the "poor" and "very poor" in Ghana at ¢32,981 and ¢16,491 per head, per year, in the constant prices of September 1987, respectively. These represented 30 and 10 percent of the population, respectively. The latter group is what they referred to as the "hard-core poor". They observed that about 19.2 percent of the "hard-core"

poor live in the urban areas while 65.8 percent live in the rural areas. The pattern is generally the same for all the poor – it is basically a rural phenomenon

In the urban areas, most of the hard-core poor came from the informal sector. It is noteworthy that most in the informal sector thrive on rent income as a result of market distortions. Thus, any policy such as price liberalization, which removes these market distortions, is likely to make more people in the informal sector poor, at least, in the short run. The data from the first round of the Living Standards Survey (1987/88) indicates that majority of those in the "hard-core" poverty class (about 80 percent) are non-cocoa farmers and non-"white collar" workers.

In 1994, the Ghana Statistical Service in its publication *The Pattern of Poverty in Ghana: 1987-1992*, criticized Boateng *et al* methodology as being biased against the “very poor”. Using the GLSS-3 data, they proposed an alternate measure which sets the poverty line at 171,205 cedis per year, per equivalent adult in constant May 1992 Accra prices, and an ultra poverty line of 128,404 cedis in the same units. The report then used the first three rounds of the GLSS to analyse poverty over the period 1987 to 1992. After some adjustments to ensure comparability of data over the years, the report concluded that significant reductions in poverty occurred between 1988 and 1992. Specifically, the proportion of the population living below the poverty line dropped from about 56 percent in 1987/88 to 51 percent in 1991/92, after hitting a high of 61 percent in 1988/89.

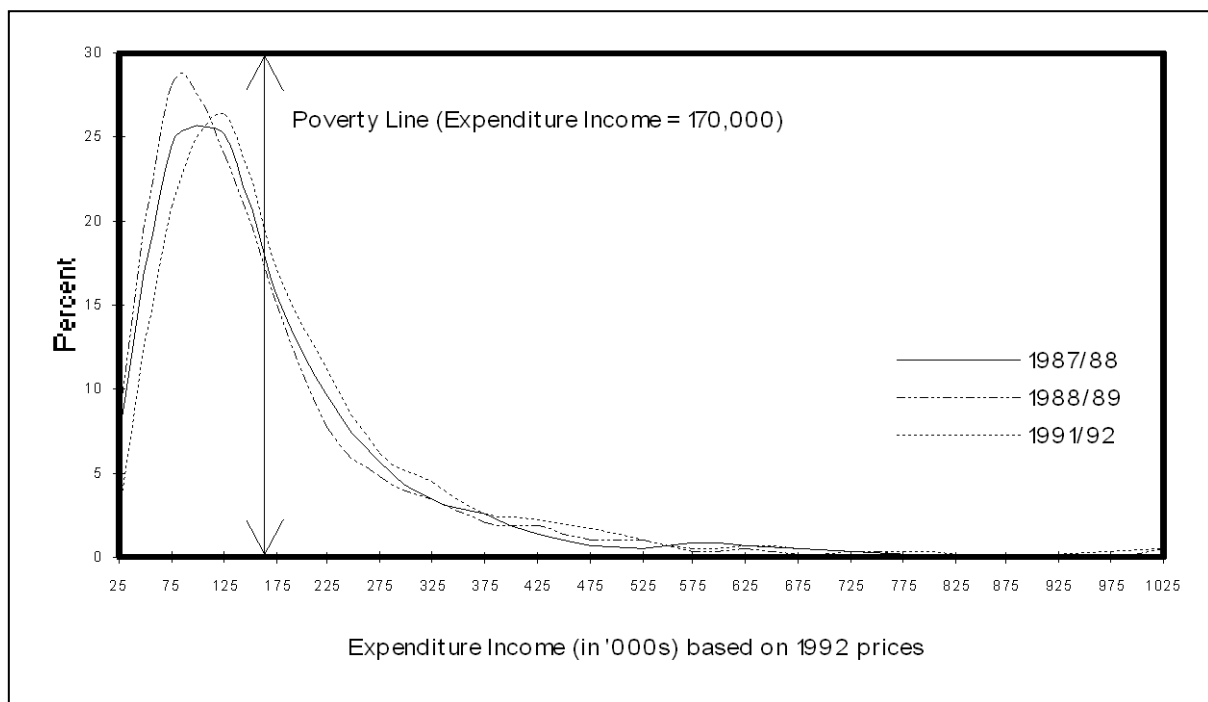


Figure 1 presents a picture of the poverty distribution in Ghana between 1987 and 1992. It is quite obvious that 1988 represents a poorer situation than both 1987 and 1992. Whereas poverty distribution for all the years is skewed to the right, the proportion of the poor in 1988 seemed larger. Notice also that the peaked kurtosis of the distribution for 1988 and 1992 imply concentration of the poor around a less than survival level of income. This may be the result of worsening income distribution under the structural adjustment programme. Significantly, the period 1987 to 1989 is considered the strongest adjusting period for Ghana, when both macroeconomic stabilization indices and output growth were impressive.

Poverty in Ghana, before the reforms, was a rural phenomenon and has continued to be so after the reforms. However, there have been shifts in poverty distribution across localities, which may be attributed to the economic reform programme. In particular, changes in relative prices appeared to have had differential impact on various indices, producing differing structural shifts in poverty. Poverty levels in Accra increased substantially over the first ten years of structural adjustment. The data inadequacies notwithstanding, the proportion of Accra dwellers that are poor rose from 25 percent in 1988 to 40 percent in 1992. This may be due to the fact that most of the adjustment policies had a direct impact on the urban public sector. The retrenchment policies in the public sector caused some households to lose their income earners. In addition, the freezing of increases in the wage bill to 5 percent of GDP irrespective of the rate of inflation meant the erosion of the real incomes of the urban public sector worker. In spite of the increases in poverty levels in Accra, it still remains the locality with the least poor.

However, other urban areas did not suffer the same fate as Accra. Poverty in the other urban areas, as well as rural-coastal and rural-forest localities fell during the first decade of structural adjustment. Because the adjustment policies benefited the tradable sector, it is not surprising to see a fall in poverty in the rural forest areas since they produce most of the country's exports – cocoa, timber, gold, bauxite and so on.

Rural-savannah continued to be the poorest zone in the country with more than half its population classified as poor and more than a third being “very poor” in 1992. This region produces mainly consumables, which are not considered tradable commodities in the strict sense of the word. A closer scrutiny of Table 3 indicates that, by 1992, there was little

significant difference in poverty levels among the different localities. A similar pattern is displayed for the “very poor”.

LOCALITY	POOR			VERY POOR		
	1987/88	1988/89	1991/92	1987/88	1988/89	1991/92
Accra	25.3	32.3	40.6	7.3	21.2	20.9
Other Urban	51.7	53.7	47.7	31.6	34.5	26.8
Rural-Coastal	57.1	64.4	48.9	36.6	43.4	27.3
Rural-Forest	59.3	62.4	53.2	38.1	42.0	33.2
Rural-Savannah	66.3	74.2	58.7	50.3	55.4	39.3
ALL	55.8	60.6	51.4	36.4	41.6	31.2

Source: Ghana Living Standard Surveys, 1987-1992.

There were more dramatic shifts in the poverty profile of the different socio-economic groups. The first five years of the programme saw poverty levels rising for all socio-economic groups. By 1991, poverty levels have dropped for all socio-economic groups. Comparing poverty levels in 1987 with those in 1991, it appears all other groups apart from public sector workers gained substantially by way of reduction in poverty. See Table 4. The retrenchment exercises worsened living standards of public sector workers, while the persistently high inflation rate and the “marginal” increases in salaries reduced real incomes for fixed wage earners. In spite of the ill effect of the adjustment programmes on their poverty status, the proportion of the poor among public sector workers was still below the national average.

Contrary to the general supposition that the devaluations have switched terms of trade in favour of the tradable sector and hence should help export farmers, evidence from the first three rounds of the Living Standards Surveys suggests that poverty level among the export crop farmers have not been much different from that of the non-export food farmers.

Workers in the private sector seemed to have increased their living standards over the adjustment period. This may be a direct result of the removal of trade and foreign exchange

restrictions under the adjustment programme. Establishments, which were grossly under-utilized before the SAP because of lack of foreign exchange, now have easy access to it for the purchase of spare parts and raw materials. Further, those in commerce have had their trade boosted by the trade liberalization.

Table 4: Percentage of the "very poor" in different socio-economic groups, 1987-92			
SECTOR	1987/88	1988/89	1991/92
Public Employees	22.2	26.9	21.5
Private Formal	18.8	29.9	15.6
Private Informal	32.4	33.3	27.7
Export Farmers	43.1	44.2	37.4
Food Farmers	46.2	53.0	38.9
NF Self-Employed	30.6	36.2	25.7
Non-Working	34.5	43.1	19.5
All	36.4	41.6	31.2
Source: Ghana Living Standard Surveys, 1987-1992			

Gender analysis of poverty profiles in Ghana presents an interesting finding. On the average about thirty per cent of households in Ghana are headed by women; and this proportion seemed to be increasing with the years. This may be a symptom of the increasing unemployment in the formal sector, which is dominated by men. However, it appears this has been good in terms of poverty reduction. Data from the Living Standards Survey shows that poverty levels in female-headed households have reduced over the years. The proportion of non-poor female-headed households increased from 25.9 per cent in 1988 to 32.1 per cent in 1992.

The fourth round of the Ghana Living Standards Survey (GLSS-4), which was carried out in 1998/99, extends the poverty analysis over the second decade of the adjustment period. Its compendium, *"Poverty Trends in Ghana in the 1990s"* by the Ghana Statistical Service uses data from GLSS-3 and GLSS-4 to analyse poverty profiles in the second decade of the adjustment programme. The report, used now to represent current national poverty trend set

new poverty lines at 700,000 cedis per adult per year for the lower line and 900,000 cedis per adult per year for the upper line, equivalent to 49.6 and 63.7 percent, respectively, of mean consumption levels in 1998/1999.

The report concluded that on the whole poverty levels in Ghana fell during the period of the 1990s. The percentage of Ghanaians who are poor fell from about 52 percent in 1992 to just under 40 percent in 1999. The decline, however, is not evenly distributed geographically. The poverty reduction was concentrated around Accra and the forest (rural and urban) localities. In the Savannah regions, the proportion of the poor actually increased during the period. In the remaining localities, both urban and rural, the fall in poverty was not significant. See table 5.

Table 5: Poverty by Location, 1991/92 and 1998/99 (%)				
	Higher line		Lower Line	
	GLSS3	GLSS4	GLSS3	GLSS4
Accra	23.1	3.8	11.3	1.7
Urban Coastal	28.3	24.2	14.2	14.3
Urban Forest	25.8	18.2	12.9	10.9
Urban Savannah	37.8	43.0	27.0	27.1
Rural Coastal	52.5	45.2	32.8	28.2
Rural Forest	61.6	38.0	45.9	21.1
Rural Savannah	73.0	70.0	57.5	59.3
All Ghana	51.7	39.5	36.5	26.8

Source: *Poverty Trends in Ghana in the 1990s, GSS*

Although at the national level the incidence of poverty appeared to have declined over the years, some issues have either not changed significantly or have even become worse. For example, computations of the income-gap ratios using data from the GLSS revealed that the depth of poverty has not changed significantly over the years. Poverty continues to be high among food crop farmers.

In sum, the poverty indices from the Ghana Living Standard Surveys have shown that at the global level incidence of poverty has declined since the institution of the structural adjustment programme in Ghana. This general observation using national data for household consumption functions is buttressed with qualitative data on social conditions obtained through the Core Welfare Indices Questionnaire (CWIQ) and the various Health and Demographic Surveys.

Available data suggests that there is an improvement in the national literacy rate from 57.3 percent in 1992 to 66.4 percent in 1997. Similarly an improvement in quality of health using life expectancy showed an increase from 57 years in 1992 to 60 years in 1997. In 1997, more Ghanaians (66.8 %) had access to safe water than in 1992 (50.5 %).

Does the above poverty profile lead one to conclude that programmes and policies introduced over the adjustment period have led to poverty reductions? Recent global controversies centre on such issues: one group would want to believe in the national data to the neglect of geographical and gender disparities.

Ravi Kanbur (2001) provides three reasons why the assertion that poverty has gone down in Ghana should be questioned. First, the use of the income-expenditure based measurement in the Living Standards Survey neglects value of public services. So, a worsened public transport service, or non-availability of drugs in hospitals, or lack of primary school textbooks will not be captured. Second relates to the disparities that exist between localities and different socio-economic groups, which are glossed over in national aggregates. Thirdly, while in percentage terms incidence of poverty may be falling, absolute poverty may be rising. Between 1987 and 1991, incidence of poverty in Ghana fell at the rate of one percentage point per year; however, the population was growing at almost twice that rate, with the result that the absolute number of the poor grew sizably.

The next section looks at the poverty reducing impact of some policies and programmes.

4. Policies and Programmes for Poverty Reduction

Ghana has followed up an economic reform programme since 1983. Although the programme had specific economic objectives, the main goal was to reduce poverty in the country. Consistent with this, the annual Statements of Economic Policy and Budget of the Government has often set poverty reduction as the overarching objective of national economic policy. To this end several economic policies have been aimed at stabilizing the economy and turning it towards a growth path and with the expectation of enhancing standards of living in the country.

In addition to the general economic policies of Government, which are usually in consonance with the Structural Adjustment Programme of the IMF and the World Bank, there were also other programmes, which were aimed directly at poverty alleviation. Generally, by

their nature, most of the 136 projects initiated by the World Bank in Ghana are such as should lead to the tackling of poverty in one form or the other. Projects such as the *Community Water and Sanitation Project*, *Health and Population Project*, *Basic Education Sector Project*, *Agricultural Sector Investment Project*, *Village Infrastructure Project* and so on were all targeted at poverty reduction.

4.1 Macro Stabilization and Growth Policies

The debate on the poverty impact of adjustment programmes has become quite intense recently, leading to the disruption of global economic meetings in Seattle, Prague and Washington D.C. There are those who doubt that SAP engenders growth at all. They believe that structural adjustment policies focus unduly on macro stabilization to the neglect of growth issues. Policies like financial liberalization, which invariably leads to hikes in interest rates in developing countries as well as the call for fiscal prudence, which withholds subsidies for vital services, are inimical to growth and poverty reduction. William Easterly of the World Bank in a recent article "*The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998*", reported that twenty years of structural adjustment in developing countries produced lower per capita income growth as compared to twenty years before SAP.

The celebrated success of structural adjustment in Ghana in the 1980s has more to do with stabilization than with growth. Because the economy had hit its nadir in 1983, the turn around appeared very dramatic. Growth rates, which had been negative in the years before the adjustment suddenly, turned positive. However, the average growth rate of 5 percent was not enough to lead to significant reduction in poverty. With the population growing at 3.2 percent, impliedly per capita output was growing at a meagre 1.8 percent at the most. Considering the extent of poverty in the country before the SAP was initiated, such a growth rate is unlikely to take a lot of people out of poverty. In deed, the World Bank estimated that at such a low rate of growth it would take 50 years for the average man to cross the poverty line.³

In 1996 the Government of Ghana launched a 25-year development framework called *Ghana-Vision 2020*. It is a long-term "integrated programme of economic and social policies

3 The World Bank (1992) "Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction." Western Africa Department, Washington, D.C.

that provide a perspective framework for accelerated growth and sustained development”. The *vision* is for Ghana “to become a buoyant and dynamic middle-income country within the first decade of the 21st Century so that by year 2020 Ghana will have attained the status and standard of living of an upper middle-income country”. This would mean that by year 2020 the gross national product per capita for Ghana should have crossed the US\$4,000 mark. In a report on Ghana in 1993, the World Bank observed that for Ghana to achieve a middle-income status by 2020, she should increase her growth in GDP from an average of 5% per annum to 8.5% per annum by 2010. The report estimated that this could be achieved through raising and sustaining agricultural growth from 2.7% to 4.0%; industrial growth from 8.6% to 11.5% and service growth from 7.5% to 8.0%.⁴

But the concern with structural adjustment is not only with undue concentration on stabilization to the neglect of growth, but also there are distributional issues. Critics argue that where SAP has resulted in growth, the benefits had accrued to only the middle and the upper classes.

It has been observed that the process of structural adjustment by its very nature inflicts severe short-run hardship on certain vulnerable groups. These include (i) rural households (ii) low income underemployed or unemployed urban households; and (iii) retrenched workers who lack productive employment. As observed in previous sections, poverty persists in Ghana despite the impressive growth statistics at the macro-level over the adjustment period, and significant improvement in social indicators (such as under five mortality rates, life expectancy and net primary enrolment rates). The progress in social and economic indicators has not translated into proportional gains for the majority of the population.

Generally, a policy of structural adjustment results in expenditure reduction and production switching which basically attempts to increase national output through a more efficient use of resources. It is under production switching that the main distributive effects of adjustment are mapped out. In the short run, output switching can be brought about, *ceteris paribus*, by labour reallocations from the non-tradable sector to the tradable sector. This is because, generally, the devaluation associated with exchange rate reforms raises the price of exportable relative to importable and non-tradable goods. This gives rise to resource mobility requirements. Given that the poor typically possess labour in abundance, then on the

4 *ibid.*

assumption that they can be absorbed in the tradable sector, the Stolper-Samuelson theorem will lead us to conclude that returns to the abundant factor will rise, leading to poverty reduction. With farm labour being the abundant factor it is surprising that poverty in this class has not abated. Is it a question of labour immobility between the tradable cash crop farming and the non-tradable food crop farming?

Beaudry and Sowa (1994) used data from GLSS-1 to examine the impact of adjustment and concluded that "the Ghanaian labour market responds to competitive forces, and therefore favours the hypothesis that the functioning of the labour market has probably facilitated the sectoral reallocations sought by the ERP."⁵ The authors found that between 1982 and 1987 net migration out of Accra accounted for almost 60 percent of net outward migration in Ghana. Ashanti region has also been a source of migrants. The main destination was the Western Region, which has seen substantial growth in cocoa, mining and timber production under the structural adjustment. Using the same data set Roe and Schneider (1992) observed that though economic reasons were not cited as the dominant factor for migration (family reasons were), further analysis shows that for the rural forest zone there was an increase in inward migration during 1983-85. This zone was probably more attractive because of the increases in the real cocoa producer prices and increased incentives for timber exporters.

Roe and Schneider also observed that the relative increase in migration is highest for the middle and rich households. The implication is that migration has been strongly induced by economic reasons. They contend that migration has reduced poverty because: 81 percent of migrants who moved to the rural forest zone belong to the poor and very poor groups; further, the origins of these migrants have benefited from decreased pressure on local resources and remittances from the migrants.

The concern with macroeconomic stabilization under SAP imposes certain costs on the social sectors, which may have had negative consequences for poverty reduction. We cite over here policies and programmes in the health and education sectors.

Beaudry and Sowa (1994) p. 395.

4.2 Social Development Policies

Prior to the adjustment programme the health sector was predominantly financed from the national budget. The economic crisis saw the decline in health services because of low budgetary allocation. In 1983, health expenditure was only 4.38 percent of total public expenditure. This decline in health expenditure resulted in the collapse of health infrastructure, shortage of drugs, and flight of doctors because of inadequate remuneration and lack of incentives to work.

After 1983, health expenditures both as percentages of GDP and total government budget started rising. However, much of the increase went into the payment of salaries. Of the Ministry of health's recurrent expenditure, personal emoluments were taking the highest share of about 45%. Drugs and dressings took about 20%, while maintenance repairs and renewals got less than 2%.

In July 1985, as part of the reform of the health sector, the government introduced hospital fees in an effort to recover part of costs. By 1987, fees collected were about 13 percent of the Ministry of Health's recurrent budget. Cost recovery from drugs was about 34 percent the value of drugs issued.

The introduction of fees had some disincentive effect on the use of health services. Use of medical services declined over the years due to the introduction of the fees. There was evidence that after the introduction of the fees, outpatient attendance in some rural areas dropped by nearly 50 percent. The Ghana Living Standard Survey (1987/88) indicates that on average 48% of all sick Ghanaians did not consult any kind of health provider. The 1997 CWIQ results also indicate that about a third of sick people do not use medical services because they find it too expensive.

Although the removal of the subsidies and cost recovery in the health sector (and also in education) appeared to have hurt the poor more, the non-poor were those who were benefiting from the subsidies. By the distribution of health facilities in Ghana, more of the "non-poor" have access to them than the poor. Thus a subsidy provided to this sector was more of a subsidy to the "non-poor" than to the poor. It, therefore, makes sense for the adjustment programme to remove subsidy on some health services, in order to extend these services to those in the poorer areas. The problem was that some of the poor are also in the urban areas; therefore, without proper targeting they also get hurt. An attempt, which was made at selecting the "non-affordable" group, turned out to benefit only friends and relatives

of hospital officials. There have been cases of patients being 'detained' in hospital because they could not afford to 'bail' themselves out. In some of those instances the Department of Social Welfare had to guarantee payment before the patient is 'released'.

To avoid payment of consultation fees, some patients only visit pharmacy and chemical shops to pick up drugs they feel could help ameliorate their condition. Needless to say that this had led to increased drug-abuse.

In 1988 the Ministry of Health started implementing an essential drug policy, under which some essential drugs are excluded from import duties. This has still not brought the cost of the drugs to affordable limits.

As with health, the education sector also has undergone drastic reforms since the adjustment begun. The reforms, which were based on a 1974 Education Commission report on "The Structure and Content of Education", was first announced in October 1986. The reforms aim at achieving the following objectives:

- a) Reduce the length of pre-university education from 17 years to 12 years.
- b) To improve the quality of educational standards
- c) To contain and partially recover educational costs
- d) To enhance sector management and budgeting procedures.

Under the Economic Recovery Programme, the education reforms were in two phases and supported by the World Bank through EdSAC (Education Sector Adjustment Credit). The first phase of the reform (1987-1990) concentrated on 'basic education' comprising 6 years of primary education and 3 years of junior secondary. Phase 2 (1991-1993) concentrated on senior secondary education.

As with health there were withdrawal of subsidies and cost recovery measures under the education reform programme. Non-teaching and unqualified teaching staffs were redeployed from the education service. These were replaced at almost one for one with qualified teachers: mainly returnees from Nigeria. Book-user fees per pupil per year were introduced for all pupils from Grades 3 through 9. For the secondary schools there were gradual increases of the book-user fees to achieve full recovery by 1993. At the tertiary level, a new loan scheme was introduced in 1989 and subsidies to students for food, books and other miscellaneous expenses were withdrawn.

In addition to the removal of subsidies and the increase in fees, all kinds of levies and charges are demanded of parents. The Junior Secondary School concept is supposed to be

community based. Thus parents have had to pay levies for the construction of classrooms and workshops.

As with health, cost recovery in the education sector can be justified on the basis that the service used to be enjoyed more by the non-poor. However, again in Ghana the majority of pupils of school going age are from poor homes. The effect of these fee increases on the welfare of students and their families is not hard to imagine.

The main idea behind the removal of subsidies at the tertiary level was to make more resources available at the basic education level. Data shows that prior to the reforms, allocation of expenditures to education was skewed in favour of higher education. It is estimated that nearly 60 times as much was spent on a university student as on a primary pupil. Since the reforms begun, primary school enrolment has begun to show positive growth rates. However, there are indications that quality may have been compromised.

The educational reform is not limited to the formal sector alone. A new sector of the Ministry of Education, the "Non-Formal Education Sector", was committed to making adults functionally literate.

4.3 Other Programmes

There have been numerous other programmes that have been targeted at poverty reduction in Ghana. The PAMSCAD (Programme of Actions to Mitigate the Social Costs of Adjustment) was the first programme in Ghana to be explicitly designed to protect the poor from the adverse consequences of the adjustment process. The issue was first raised at the 1985 Consultative Group meeting, and in the same year UNICEF was discussing with the Ghanaian government the preliminary results of research being done which was to lead to the influential publication *Adjustment with a Human Face* in 1987. In 1986 a special social sector donors' meeting was organised by the World Bank, and the government of Ghana formally presented PAMSCAD to the Consultative Group Meeting in Paris in May 1987. The final agreed programme was however formulated by a multi-agency team led by the World Bank. It then became a model for World Bank-sponsored Social Funds, as they are now called. PAMSCAD was not part of the initial adjustment programme, nor ever designed into any set of overall policies, but was more of an after-thought added on when the international community became concerned about the social costs of adjustment.

A total of \$84 million (excluding contributions from local cost recovery, and other contributions totalling \$5.8 million) was to be spent over a two-year period (1988-89). This was about 6-8 per cent of the estimated annual cost of donor support for the country's SAP - the foreign exchange component being some 40 per cent (\$38 million) of this, and \$11 million to be provided as food aid.

The programme was to cover 23 projects in five main areas: (a) community initiative, (b) employment generation, (c) actions to help the redeployed, (d) basic needs of vulnerable groups, and (e) education. However, as of March 1990, only eight projects could be said to have gone on well:

1. Small-scale mining, which yielded a total of 2.494 billion cedis from the sale of both gold and diamond, and created 11,000 regularized jobs.
2. Credit line for small-scale enterprises under which approval and finance have been granted for 109 projects. As at February 1990 it had contributed 2 million Cedis to a revolving fund.
3. Agricultural rehabilitating credit for peasant farmers through which two Farmers' Associations in the Northern and Volta Regions have been financed and provided with equipment.
4. The school children de-worming programme have enabled 1 million out of 1.5 million school children of 6-12 years to have their first administration of piperazine (de-worming drug).
5. Under the activities to help the redeployed, some 1044 started training in various trades - blacksmithing, baking, tailoring, etc.
6. The resettlement project in agriculture has already assisted some redeployed to go into farming either on a cooperative or individual basis.
7. The food-for-work project in Northern Ghana under the auspices of the Adventist Development Relief Agency (ADRA) has benefited about 2,500 people.
8. Ten mobile district planning teams have been established to be in charge of the implementation and monitoring of PAMSCAD projects under the project for institutionalised strengthening for decentralized implementation of social sector programmes.

The PAMSCAD Secretariat has now been closed, and those projects still running have become the responsibility of their implementing agencies. The programme is seen to

have faced several problems including lack of logistic support, lack of staff, strict and cumbersome accounting procedures leading to slow disbursement of available funds. Hence when PAMSCAD was wound up in 1990 a multi-donor evaluation “found that PAMSCAD had not shown significant benefits in terms of mitigating the social costs of adjustment.”⁶ An assessment based on community-level fieldwork concluded that “the effect PAMSCAD has had on the communities in which the surveys was carried out has been very limited”⁷. Poor use of funds was at the root of these negative findings: nearly 80 percent of the funds for PAMSCAD went to the non-poor (redeployed public sector workers above the poverty line) while the vast majority (over 90 per cent) of the poor received no benefit at all. Stewart (1995) attributes this poor performance to what she calls the “supply oriented” nature of the programmes. That is, it arose out of the wishes of donors with little real ownership by government.

Currently the project, which bears semblance to the PAMSCAD, is the *Village Infrastructure Project*. The primary objective of the *Village Infrastructure Project* is to enhance the quality of life of Ghana's rural poor through increased transfer of financial and technical resources to develop and sustain basic village-level infrastructure. Specific project objectives are to: (i) empower local communities and beneficiary groups to identify, plan, implement and maintain small, village-level infrastructure investments; (ii) increase rural communities' access to development resources to leverage the implementation of rural development priorities set by government beneficiaries; (iii) strengthen institutional capacity at community and district levels in order to improve the efficiency of rural resources transfer and to ensure the sustainability of poverty-reducing interventions; and (iv) support the government's strategy of decentralization of development responsibilities to District Assemblies and other local government entities.

To achieve these aims, the project would finance civil works, equipment and technical assistance for the development of village-level infrastructure for rural water, rural transport, including intermediate means of transport (IMTs), and post harvest treatment of crop and animal products, particularly storage drying, and other simple processing techniques. In addition, the project would strengthen the capacity of local government and beneficiary groups to maintain these investments. For each of the components detailed description was

6 World Bank, 1995a, pp 99

7 Brydon and Legge, pp 110

provided for indicators and targets. The duration of the project was five years beginning from 1996 and its total estimated cost was US\$60 million.

The project has not finished its cycle so any assessment may be premature. However, this project presents itself for easy assessment. This is because unlike other projects the *Village Infrastructure Project* has specific goals, indicators and targets that can be used easily for an evaluation. A project like the just completed United Nations Development Programme supported *National Poverty Reduction Programme* (NPRP) does not lend itself to easy assessment. The NPRP was launched in 1997 with a total budget of \$8.1 million. Its global objective was “to contribute to the overall improvement of the living standards of the poor segment of the population in the target districts and communities”. The NPRP chose four known poor districts with Accra as a control district. An assessment report on the NPRP concluded that it was difficult to measure its impact on poverty because “the programme did not provide indicators in the project document.” It was also found that the design did not carry out a needs assessment to provide a basis for the selection of particular programmes for particular districts since the districts are not homogeneous. Although a few success stories were noted the following weaknesses are typical of other projects, which have been introduced to reduce poverty:

- Lack of ownership of the project at the community level
- Lack of start-up capital failed to sustain the entrepreneurial zeal in most trainees
- Skills introduced were not all locally relevant or consistent with the resource base and the traditional knowledge and activities of community members.
- Training programmes for skills and technology transfer were ad hoc and disjointed hampering a consistent build up of knowledge and skills in respective areas.
- There was no proper assessment of the social development issues, including a gender needs assessment regarding what aggravates poverty.

5. Conclusion

Barring distributional issues, Ghana's a per capita income of less than \$300 indicates that poverty is endemic. Macroeconomic stabilization programmes through the Structural Adjustment Policies with the International Financial Institutions are necessary but not

sufficient for poverty reduction. The SAP turned the economy around from a near bankrupt position and in the process caused the economic well being of Ghanaians in general to improve. This is seen in the reduction in the national poverty prevalence rates. The fact of rehabilitation of failing factories, the availability of near-extinct consumables on the markets again, the revitalization of the financial system, and the rehabilitation of general infrastructure under the adjustment programme are all pointers of the success of the SAP with poverty reduction potential.

The SAP, however, came with social costs, which hit the vulnerable groups most. These include women and children, villagers, food crop farmers, and urban informal sector workers. These constitute the majority of Ghanaians. The cost-saving and cost-recovery measures under the financial rationalization programme of the SAP hit this class of people the most. Introduction of user-fees in schools and hospitals and the withdrawals of subsidies prevented a number of people in this class from receiving these services. Safety nets, which were introduced, such as the PAMSCAD, only benefited the non-poor.

In the light of the foregoing, it will be naïve to use the global poverty data to judge the effectiveness of particular poverty reducing policies or programmes. Distributional issues come in when dealing with different localities and socio-economic groups as well as gender. Even minor disaggregation at the national level shows extreme poverty in the Savannah regions of Ghana. It appears they have not been touched by any of the policies and programmes at all. Yet, we are aware that because of their plight most NGOs prefer to focus their poverty reductions programmes in those parts. A hypothesis on the failure of most programmes to achieve their objectives in those parts hinge on the fact of the application of market-based policies to economies which are basically subsistent in nature. Most rural enclaves in the Savannah regions are not properly integrated into the money economy and yet the policies and programmes offer financial support, which just fizzles out of the region.

Most programmes for poverty reduction fail to achieve their goal because of:

- Lack of involvement of the communities to be helped in the design of the programmes.
- Some of the programmes are so alien to the localities concerned that assimilation becomes difficult.
- Lack of sustained support in terms of resources and extension services.

- Corrupt practices of the managers cause the benefits of the programme to go to the non-poor than to the poor.

Ghana is currently preparing a Poverty Reduction Strategy Paper. A draft of it has already made the participatory rounds. A final document is not out, yet; but it must guard against the above shortcomings to be effective. The programmes must have specific goals, indicators and targets so as to lend themselves to easy assessment. It is important to also have needs assessment done for the various communities before programmes are introduced. Finally, the country should not renege on its stabilization policies to focus only on growth and poverty reduction issues. They must go hand-in-hand.

A reduction in poverty will require an improvement in productivity and yields in agriculture in particular where many of those in extreme poverty are to be found. The constraints to improved incomes in agriculture need to be addressed. Of critical importance is the poorly developed rural infrastructure that imposes high transactions costs on rural economies. Problems of market access act as a constraint on expansion in agriculture production beyond subsistence levels. The improvement of the health status, skills and knowledge base of the work force is critical to achieving a rise in productivity and real wages. Government spending programmes must be designed to achieve the medium-term objective of developing the country's human capital. The economy must be weaned from over-dependence on external aid and exports of primary commodities. Export diversification into manufactures will not be successful if the skills of the workforce are not upgraded to compete successfully in the highly competitive and technology based world economy.

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