

# CONSULTATIVE GROUP MEETING

## GPF BRIEFING PAPER

June 2007

---

### 1. Introduction

The Growth and Poverty Forum (hereafter referred to as the Forum) welcomes the opportunity to be part of the 2007 Consultative Group (CG) meeting and to contribute to shaping Ghana's development priorities. Last year, we drew attention to the debate surrounding the level of economic growth required for Ghana to achieve its development targets and goals. The Forum observed at the time that there was divided opinion on the desired level of growth and as no consensus appears to have been reached, we would like to renew the debate and call for a firm decision on Ghana's desired rate of growth.

In 2005, the Forum observed the timely release of National Development Planning Commission's Annual Progress Report (APR) well ahead of the CG meeting. However, for this year's meeting, no report (even in draft form) has been released making it extremely difficult for the Forum and other interested actors to provide a more informed basis for reviewing progress in the implementation of GPRS II.

The Forum would like to pass comment on current economic developments that pose a major challenge to Ghana's growth. We will also highlight some key developments that emerge from our review of the period.

### 2. Current Economic Development

#### 2.1 *The Energy Crisis*

Since August 2006, power supply management has been an official policy of Government. The Forum acknowledges the official policies that have both been announced and started to counter the current energy crisis. However, the Forum believes that these interventions have not addressed the growing demand for energy by the private sector and citizens as a whole. While the private sector and civil society are being assured that, despite the energy crisis, the economy is still on an upward growth path, this assurance is not good enough. At the macro level, the power crisis has impacted mostly on the mining industry and the manufacturing sector. However, the Forum believes the effects at the micro level should not be ignored and would particularly highlight the impact on small and medium scale business operators and households who may not be in a position to buy and / or run generators.

*Even though the Forum welcomes Government's efforts so far in acquiring and installing smaller emergency plants to augment the power situation, we expect current interventions to be undertaken quicker for power to be restored in the shortest possible time, and also for government to show the lead by fashioning out immediate strategies that will attract the needed long-term investments in the energy sector. Given the long-term consequences of the energy crisis and the cost involved, the Forum will like Government to encourage enhanced private sector participation in the energy sector while at the same time ensuring that mechanisms are in place to lessen the cost on poor households.*

## **2.2 Poverty Reduction and Inequality**

A prominent finding from official sources (Ghana Statistics Service, April: 2007; World Bank-Ghana Country Economic Memorandum, April: 2007) for this meeting is the success story of the reduction in poverty. A trend analysis of poverty in Ghana by the Ghana Statistical Service suggests a reduction in poverty from 51.7% in 1991/92 to 28.5% in 2005/06. There is optimism on the part of Government and development partners that Ghana is likely to be the first sub-Saharan African country to meet the Millennium Development Goal (MDG) of halving poverty by 2015 based on recent gains. The Forum commends government on the recent gains, hoping that it will build on these efforts and make additional efforts towards improving on the attainment of other MDGs.

Our emphasis is on attaining other MDGs (education, health, etc.), because, the Forum has observed a lack of improvement in the other MDG goals and growing income inequality among particular segments of society, despite the gains in reducing poverty from the 1991/92 levels. Indeed, the GLSS 5 reveals that the incidence of poverty among private informal sector wage employees is still high compared to public sector wage employees who have experienced the largest reductions in poverty. Progress in education, health, and water and sanitation MDGs has also been moderate even though these are necessary contributory factors for meaningful declines in poverty. The Forum commends the improvements in gender inequality in education in Ghana. Access to education in Ghana has improved significantly for both boys and girls since 2003, largely due to the combination of the Capitation Grant Scheme, abolition of school levies, and the School Feeding Programme. Despite these improvements, we observe that the school dropout rate among girls, especially in the poorer regions of the country, is still high; the gender gap worsens at progressive levels of education.

The Forum would also like to draw the attention of Government to the new challenges confronting Ghana, reflected in child labour, malnutrition, streetism, youth unemployment, and street begging. All these represent an evocative image of poverty that challenges the suggested poverty reduction in Ghana. *Given these new challenges, the Forum proposes a policy review to include better targeting in social development policies to reduce the inequality gaps in accessing basic social services. We have in mind better targeting of resources to the rural communities who need these services most, given the rural – urban disparities in the delivery of these services. Studies on district poverty profile will help to also target resources to the neediest districts. The best we have done so far in poverty profile is an indication of the incidence of poverty by administrative regions.*

*We further propose that any dramatic decline in the reported poverty reduction, should be presented more moderately and related to established changes in the various determinants of poverty levels, such as household incomes, experiences with education, health etc to allow the multi-dimensional nature of poverty in Ghana to be fully reflected in the conclusions.*

### **3. Comments on CGM Focus Areas for 2007**

#### **3.1 Growth and opportunities for poverty reduction**

A medium term GPRS II policy focus is the expansion of employment along with increasing growth that will result in poverty reduction. Implicitly, expanding employment becomes one of the main channels through which economic growth can be promoted, though it may not be the most important contributor to growth. If employment is seen as a means to improving access to income and reducing poverty, (the *raison d'être* of the GPRS II), then we need to see concrete political commitment towards providing quality jobs in the private sector, 90 % of which is informal. The Forum has observed worrying trends in the informal sector even though it continues to grow more rapidly in terms of employment generation compared to formal employment in Ghana. We have observed structural problems such as low income, lack of predictability in the informal sector, leaving a lot of those engaged in the sector exposed and vulnerable.

*Given the current situation, any future employment strategy that is adopted has to be targeted at the informal section of society, with targeted support to Small and Medium Enterprises (SMEs). In this respect, the Forum welcomes the institution of the micro credit and small loans fund that offers opportunity for majority of Ghanaians access to financial resources. For effective targeting and disbursement of these resources, the Forum will like to recommend using institutions such as Credit Unions, Susu operators, Financial NGOs and Savings and Loan companies. The Forum, also, wishes to acknowledge the recently commissioned Micro, Small, Medium Enterprise Project (with World Bank support), which must be carefully managed to take care of these specific observations. We expect the habit of loan default to be minimized to remove the major risk element in SME financial support.*

#### **3.2 Agriculture & Productivity for accelerated growth**

The Forum welcomes the policy to modernise agriculture through increasing productivity, production of food staples and non-traditional export crops, and supporting the development of non-farm activities. We further welcome the intended targeting of rural farmers as beneficiaries of the policy on agriculture modernisation. However, it appears the formulation of the policy did not take into consideration the real needs of the small scale farmer hence a gap between policy objectives and policy outcomes. For instance, the recent supply of 800 tractors to the District Assemblies to boost farm outputs did not result in the utilization of tractors, rather, the smallholder farmers continue to rely on the traditional hoe and machete given their level of poverty. The Forum also notes discrimination against women in access and control over assets such as land, inputs, credit, information and knowledge, although, women account for about half of the total agricultural labour force and contribute to producing a greater chunk of the country's food crops.

*Given these facts, the Forum will like to see that the agricultural transformation includes the delivery of appropriate infrastructure to support small-scale operators which must also incorporate measures to strengthen women participation in agriculture. These must reflect in improved inputs, small-scale water management, storage, marketing and agro-processing facilities to boost productivity and improve income. Specifically, investments in irrigation, post harvest infrastructure should be well targeted to meet the needs of small-scale operators.*

*We would also like to see policy interventions result in increased domestic food production and the expansion of the export of non-traditional crops, such as pawpaw, mango, pineapple banana etc. We believe small-scale producers can also benefit from the productivity enhancement measures, which would address employment and poverty reduction issues.*

### **3.3 Closing the infrastructure gap**

The linkage between macroeconomic targets and the state of infrastructure is of utmost importance to the Forum. *Given the existing gap in infrastructure, which undermines growth, the Forum proposes that the infrastructural gaps in energy, transport, sanitation and other key areas are prioritised and properly resourced to address the current shortcomings.*