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Poverty Past, Present and Future

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ABBREVIATIONS AND ACRONYMS

ARI	-	Acute Respiratory Infections
CPI	-	Consumer Price Index
COCOBOD	-	Ghana Cocoa Board
EPS	-	Extended Poverty Study
ERP	-	Economic Recovery Program
FAO	-	United Nations Food and Agriculture Organization
GDP	-	Gross Domestic Product
GLSS	-	Ghana Living Standards Survey
GNP	-	Gross National Product
GSS	-	Ghana Statistical Service
JSS	-	Junior Secondary School
MoH	-	Ministry of Health
NGOs	-	Non-government Organizations
PPA	-	Participatory Poverty Assessment
PTA	-	Parent-Teacher Association
SSS	-	Senior Secondary School

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FOREWORD

After years of desperate economic decline, the Government of Ghana embarked on an Economic Recovery Program in 1983. Since then, there has been a recovery in output, and a marked improvement in economic performance. The World Bank report *Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth*, took stock of these achievements and reviewed the prospects for improved economic performance in the future. It highlighted the need for accelerated growth in the fight against poverty, and at the same time emphasized the importance of improving Ghana's human resources as a basis for such growth. More recent household data have become available for policy analysis. This has given a fresh impetus to poverty work in Ghana, and provided the opportunity for the *Extended Poverty Study*.

This report synthesizes the main findings of the Ghana Extended Poverty Study. It was prepared by Lionel Demery (PSP, Task Manager) and draws heavily on background papers prepared by René Bernier (consultant), Ellen Bortei-Dorku (consultant), Shiyan Chao (AF4PH), Harold Coulombe (consultant), Tony Dogbe (consultant), Christine Jones (PRDMG), David Korboe (consultant), Andrew McKay (consultant), Kalpana Mehra (PSP), Andy Norton (AFTHR), Uma Subramanian (ASTEN) and Ye Xiao (PRDMG). It also draws on work by the Ghana Statistical Service and the Ministry of Health. The Peer Reviewers were Martin Ravallion (PRDPH), Jack van Holst Pellekaan (AFTHR) and Paul Glewwe (PRDPH). It has benefited from the encouragement, advice and comments of many, including (in Ghana) Kwaku Twum-baah, Peter Digby, Anarfi Asamoah-Baah, Ken Williams, and (at the World Bank) José Sokol, Ian Porter, Götz Schreiber, Kazi Matin, Nicholas Bennett, Sudharshan Canagarajah, Asad Alam, David Peters. The funding assistance of UNICEF, ODA (UK) and CIDA (Canada) is also gratefully acknowledged.

The report has been prepared in close collaboration with the Government. Key components of the Extended Poverty Study were produced by the Ghana Statistical Service and the Ministry of Health. Government participation was also arranged through a Counterpart Team, led by Mr. K.B. Amissah-Arthur, the Deputy Minister of Finance, which also reviewed the Country Economic Memorandum, *Ghana: Growth, Private Sector, and Poverty Reduction*. Major reviews were held at the National Development Planning Commission. The encouragement and advice from these consultations is gratefully acknowledged.

EXECUTIVE SUMMARY

1. This report synthesizes the results of the *Ghana Extended Poverty Study* (EPS). This collaborative effort of the World Bank and the Government of Ghana takes as its starting point the conclusions of the report *Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth*, which reviewed the prospects for accelerated broad-based growth in the country. The study concluded that given the right conditions, economic growth in Ghana would be effective in reducing poverty. Yet, to achieve accelerated growth, direct actions are needed by the government to improve the income earning opportunities of the poor. *Ghana 2000 and Beyond* emphasized the need for a well targeted and concerted effort by the Government to improve the access of poorer Ghanaians to the social and economic infrastructure. Without such an effort, economic growth is unlikely to accelerate or to benefit most of the population. Improvements in human welfare constitute both the ends and the means of an accelerated growth strategy.

2. Unlike most countries of the region, Ghana initiated its *Economic Recovery Program* (ERP) promptly—as early as 1983. This brought about a recovery in output and incomes from the desperately low levels of the early years of the decade; and this growth by all accounts has been broad-based, benefiting most Ghanaians. Although there remain problems not adequately addressed by the ERP, compared with most countries of the region, the results have been encouraging. First, government persistence with the reforms has paid off. Economic growth rates of around 5 percent per annum have been sustained for more than a decade. Export and import volumes have grown, despite the continued deterioration in the country's terms of trade, and the macroeconomic balances have improved. But is the past a reliable guide to the future? If Ghana can accelerate its growth, are the poor likely to benefit? The EPS provides an opportunity to answer these and other questions. It has established three principal objectives:

- To identify the main characteristics of poverty in Ghana, and to document the views of the poor about their difficulties and potential solutions to them. In short, understanding *poverty present*.
- To investigate whether recent economic growth, attributed in part to Ghana's ERP, has benefited the poor—understanding *poverty past*.
- To assess whether current conditions are conducive to broad-based growth, emphasizing the access of the poor to human capital and infrastructure—anticipating *poverty future*.

3. *Ghana 2000 and Beyond* was constrained by available household data. Since then (and as part of the EPS initiative), more recent data have become available for policy analysis. This has given a fresh impetus to poverty work in Ghana.

POVERTY PRESENT

4. The EPS has approached poverty as a multidimensional problem. In seeking to understand poverty present in Ghana, it has adopted two broad approaches. First, a quantitative approach, emphasizing the economic dimensions of poverty, utilizes the results of the 1992 round of the Ghana Living Standards Survey (GLSS) conducted by the Ghana Statistical Service. Second, a

participatory assessment of poverty was conducted in 1993-94, in which the views of the poor were obtained using qualitative research methods.

The quantitative and qualitative dimensions of poverty

5. With no generally agreed poverty line in Ghana, much of what follows is concerned with the *measurement of poverty*. Two poverty lines are defined—as two-thirds and one-half of mean expenditures in 1988. Unlike previous studies, these were subjected to further review. Households in the vicinity of the *upper* poverty line were found to derive just over 2,100 calories from food expenditures, which provides support for this benchmark in the quantitative analysis. Just over 31 percent of the Ghanaian population reported per capita expenditure levels below the upper poverty line in 1992 (and just under 15 percent below the lower poverty line). Taking the upper poverty line, poverty is found to be greater in the Rural Savannah and Rural Forest areas, which account for 60 percent of total poverty in the country. Both the incidence and depth of poverty are found to be greater in Rural Savannah than any other area. Living standards are lower in general in the Rural Savannah, even for the non-poor. Welfare indicators such as school enrollments or availability of clean water supply, are worse for the non-poor in the Rural Savannah than they are for the poor in Accra. The participatory assessment also emphasized the fact that whole communities in the northern areas of Ghana were poor (which was not always the case elsewhere).

6. The incidence of poverty is lowest in the capital Accra (at 23 percent of its population). Compared with earlier profiles, these results point to a much smaller gap between urban and rural poverty. If household expenditures are expressed in adult equivalents (rather than in per capita terms) the urban-rural differences in poverty incidence all but disappear. For example, under one set of adult equivalent weights, poverty in Rural Coastal is about the same as in Accra. The quantitative poverty assessment therefore gives greater weight than previous studies to *urban* poverty. This is also borne out in the participatory assessment.

7. *Gender* is an important dimension of poverty, especially in northern Ghana. Women play significant roles in rural economic activities—in Rural Coastal and Rural Forest they are responsible for 40 percent of all household agricultural activities, and they completely dominate agricultural processing activities. The participatory assessment confirms the sharp distinction between the income-earning roles of men and women in Ghana. Women therefore bear a disproportionate share of the burden of being poor—they are obliged to spend a great deal of time not only at working in family enterprises, but in the nurture and rearing of children, and in important household tasks, such as cooking, and fetching water and fire wood.

8. Many of the findings of the *participatory assessment* (PPA) were broadly consistent with the quantitative poverty analysis. Both agree that poverty is greatest in the rural north. While not surprising, this message rings out clearly from both approaches. The inadequacy of public services in the rural areas is a major conclusion drawn from the quantitative and qualitative assessments. The participatory assessment highlighted the concern of the poor for improved water supply. This priority (especially in the north of Ghana) is amply demonstrated in the findings of the GLSS. On average, members of rural households spend 37 minutes per day fetching water (in 1992). In Rural Savannah, they are obliged to devote 48 minutes each day to this activity. The GLSS data also confirm that this task is borne mainly by girls and women. Females in Rural Savannah spend on average 70 minutes per day collecting water.

9. The participatory assessment obtained information which complemented the quantitative data. It reviewed the attitudes of the poor towards their poverty, and their views about how best to resolve their problems. The qualitative assessment contrasted the conception of poverty in the Rural North, where the problem was thought to affect whole communities and to threaten food security (in the 'hungry' season), with that in urban areas, where poverty is viewed more as an individual condition, and where well-being is defined in terms of access to stable employment rather than food security.

10. The views of the poor about their priority needs also varied by area. Those in the rural north emphasized access to improved water supply, health care and transport infrastructure. There were more diverse views expressed in the rural south. In most, though not all communities, food security did not seem to be a preoccupation; most placed emphasis on the provision of health care and schooling. Many of the rural poor expressed concern over environmental changes—the declining water table, decreasing stream flows, soil infertility, etc. In urban communities far greater emphasis was placed on better employment opportunities and access to credit. Even in urban areas, concern was also expressed over the availability of potable water and improved sanitation. The views of the poor about effective strategies for moving out of poverty reflected the above priorities. The rural poor emphasized community involvement in an anti-poverty strategy, including improved transportation, water supply, and basic health and education services. The urban poor highlighted improved employment opportunities and better credit provision for small-scale enterprises.

11. Much of the quantitative data used in assessing poverty 'present' relates to 1992, and is therefore somewhat outdated. There is evidence that living standards have deteriorated since then, due in part to accelerating inflation. This is discussed below.

The targeting of social spending

12. The GLSS also offered an opportunity to assess the extent to which government social spending (on health and education) reaches the poor. Using the *expenditure incidence* approach, it is possible to trace how spending in these sectors is distributed to the poor in Ghana. This involves combining information on the unit costs of education and health services (in terms of costs per enrollment or per health facility visit) with the use of such services by households—the former derived from public expenditure data and the latter obtained from the GLSS. Table 1 reports the results of the exercise.

13. On average, each Ghanaian gained Cedis 10,644 from government spending on education and Cedis 3,959 from spending on health in 1992. Education resources were more evenly distributed and better targeted to the poor. The bottom quintile gained 16 percent of education spending but only 12 percent from government spending on health. And the top quintile's share of education spending (21 percent of the total subsidy) contrasts with that of health (33 percent). On average, urban residents gain more than those in rural areas. An urban resident received on average Cedis 14,047 from public education spending and Cedis 5,808 from health spending, compared with just Cedis 9,218 and Cedis 3,309 respectively in rural areas. The relative disadvantage of rural residents was greater in health. There are reasons to believe that the data underestimate the share of subsidies going to urban areas. The inequality in the distribution of social spending is likely to be greater than indicated in Table 1. But, overall public-sector education and health spending are distributed more equally than income/expenditures. If

households were given income transfers in place of these subsidized services, income/expenditure distributions would become more equal.

Table 1: Incidence of Public Spending on Education and Health by Quintile, 1992

	<i>Education</i>		<i>Health</i>	
	Per capita subsidy (cedis)	Share of total subsidy (%)	Per capita subsidy (cedis)	Share of total subsidy (%)
Quintile:				
1	8731	16.4	2296	11.6
2	11021	20.7	3065	15.5
3	11196	21.0	3692	18.7
4	11207	21.1	4228	21.4
5	11067	20.8	6515	32.9
All Ghana:	10644	100	3959	100
Urban	14047	42.1	5808	48.7
Rural	9218	57.9	3039	51.3
Source: Demery et al (1995)				

14. There is evidence of *gender* differences in the distribution of social spending in Ghana, especially on education. Taking the country as a whole, girls received 45 percent of primary-level subsidies and just 40 percent of secondary subsidies. This gender bias was more marked among poorer households, but was nevertheless in evidence among all quintiles. In health, women gained more of the public subsidy than men, in part because of differing health needs.

15. The PPA investigated the attitudes of the poor towards public social services. The public medical system is widely regarded as expensive, in part because of the high opportunity costs of care, but also because of extra charges (for example in many outreach services). Many reported uncertainty on the part of service providers about the correct scale of charges in government hospitals. Even the non-poor in the north of the country found it difficult to raise the cash needed for treatment. Schemes to allow exemption from user charges for the poor were not considered to be effective.

16. The cost factor was also prominent in the views expressed about public education. In addition to school expenses (books, school supplies, desks, school building maintenance, etc.), the poor were particularly concerned about the opportunity cost of schooling, in terms of the time lost to potentially income-earning activities. The *poor quality* of education was the single most important concern of the participants. With parents often responsible for school building maintenance and furnishings, poor communities are not able to maintain a satisfactory standard of education facility. Teacher quality and supervision were viewed by many respondents to be in urgent need of improvement. Participants consistently stated that their children could not read or write upon completion of primary schooling. This is confirmed in an analysis of the second round of the GLSS.

17. The quantitative and qualitative approaches to poverty assessments have complemented each other in the analysis of social services in Ghana. Incidence analysis quantified the distribution of government spending on health and education, whereas the PPA provided valuable insights into the factors underlying the use (or non-use) of government services by the poor. Both point to a critical problem of *access* to health care services for the rural poor, and to the problem of *quality* in the provision of education services.

POVERTY PAST

18. Living standards have fluctuated significantly in Ghana over the past two decades or so. GNP per capita fell sharply before 1983, and has since recovered. But Alderman (1994) estimates that even with a GNP rate of growth of 5.8 percent per annum, it would take until the end of the century for Ghanaian living standards to return to their 1965 level—and this after some ten years of growth already. The interest of this section lies not so much with this longer perspective as with the shorter-run changes during the 1980s and early 1990s—a period of economic adjustment and reform.

19. Ghana initiated an effective adjustment as early as 1983, and avoided many of the problems which come from unwarranted delays. This relatively agile response to the economic crisis meant that a recovery was sustained for much of the decade. The center-piece of the ERP was exchange rate policy. The real exchange rate depreciated sharply between 1984 and 1987. Inflows of external transfers led to a lull in this depreciation despite continued terms of trade deterioration between 1987 and 1991—significantly the period covered by the GLSS data. Trade reforms were also pursued vigorously. The result was improved macroeconomic balances, export growth, and a recovery in GDP growth.

20. However, three broad weaknesses characterize the ERP. First, the slow pace of some reforms, such as export-crop marketing and privatization. These have given mixed signals to the private sector. Second, since 1992, an election-induced fiscal shock has led to fiscal imbalances and to uneven economic growth because of slippages in economic performance. Third, there has been a disappointing private-sector response to the reforms, particularly in terms of investment. However, there is some uncertainty about the role played by agriculture in the recovery. The national accounts indicate slow growth in agriculture during the period covered by the GLSS data. However, these accounts are currently being revised. Additionally, government crop statistics (reported by the Ministry of Food and Agriculture) show a marked increase in agricultural output.

21. Did poor households benefit, and does the evidence suggest that poverty fell as a result of the ERP-induced recovery? To address this question this section relies mainly on evidence from GLSS data for 1988, 1989, and 1992. The period covered by these data follows the more dramatic recovery in output during the early years of the adjustment (1983-87). Taking the real exchange rate as the key proxy variable for the adjustment effort, it is clear that by the time the surveys take up the story, the major shift to sustainable macroeconomic management was largely achieved. GDP growth had subsided somewhat. The growth in real private consumption decelerated slightly after 1987. In this sense the GLSS data do not reflect the full impact of the ERP on household welfare.

22. A number of adjustments were required to ensure that the GLSS data are comparable over time. In addition to the usual constructs needed to take account of price variations (both geographic and over time), adjustments were needed to correct for potentially higher recall errors in the early years of the GLSS. The suitably modified data indicate a significant fall in poverty—the headcount for the country as a whole falling from 37 percent in 1988 and 42 percent in 1989 to just 31 percent in 1992, with most of this poverty reduction occurring in rural areas. Poverty in Rural Coastal fell from 38 percent in 1988 to just 29 percent in 1992 (with similar orders of magnitude in other rural areas).

Table 2: Poverty Headcount Indices by Area, 1988-92

	(Percent)		
	1988	1989	1992
Accra	8.5	21.9	23.0
Other Urban	33.4	35.1	27.7
Rural Coastal	37.7	44.6	28.6
Rural Forest	38.1	41.9	33.0
Rural Savannah	49.4	54.8	38.3
Ghana	36.9	41.8	31.4
Source: GSS (1995a)			

23. But poverty has clearly persisted as a major problem, especially in the capital city. The increase in poverty incidence in Accra over just one year from only 9 percent in 1988 to 22 percent in 1989 is hardly credible. It is likely that the GLSS1 survey under-estimated poverty in Accra, and that the period has witnessed only a gradual increase in poverty in the capital city (by just one percentage point between 1989 and 1992). Against a general setting of economic recovery and growth, this gradual decline in living standards in Accra is a source of major concern. The decline affected mainly middle income groups, especially wage earners. Real expenditures did not decline as much in households engaged in non-farm self employment and those which relied on remittance income—households which are more likely to be poor. The frequently-expressed view that poverty in Ghana has increased as a result of the ERP is probably a reflection of what has happened in Accra. First, the evidence strongly indicates a major improvement in economic welfare elsewhere in Ghana. Accra residents may well be mistakenly generalizing from their own experience. Second, even within Accra, it is the better-off, who are invariably the most vocal, who have lost out in recent years.

24. Since 1992, there is evidence of a slow down in the rate of economic growth and of a deterioration in living standards. In part, this was due to deteriorating macroeconomic balances, brought about by fiscal expansion. Inflation has accelerated. These recent events may have reversed some of the gains achieved up to 1992.

POVERTY FUTURE

25. The encouraging messages about poverty past should not lead to any complacency about poverty in the future. First, poverty remains a serious problem in Ghana. Both the quantitative and qualitative assessments underscore the difficulties facing large sections of the population currently living in poverty. In some cases, food security and nutritional status are threatened, especially in the north of the country. Second, there are pockets of poverty which have been resistant to the economic recovery, especially in urban areas. Third, the past is not necessarily a reliable guide to the future. It remains to be seen whether future growth will be as broad-based in its effects as the past recovery.

26. Mindful of this, and in part a response to the findings of the EPS, the Government has recently taken action to develop a meaningful and effective poverty-reducing strategy. It has set up a poverty coordinating committee, which will set the policy agenda on poverty for the coming years. Among other objectives, it will review the EPS, and other similar work, establishing what the findings mean for Government policy. It will also set priorities for further work on poverty in Ghana. While not seeking to anticipate the deliberations of the committee, this section reviews the key messages emerging from the first phase of the Extended Poverty Study for government policy in Ghana.

27. *Accelerated economic growth is essential:* With annual GDP per capita growth of 3 percent, it will take 12 years to reduce the incidence of poverty to 10 percent. If growth can be accelerated to 5 percent, it will take only 7 years. The recent deceleration in growth (primarily caused by increasing macroeconomic imbalances) is therefore a cause for concern.

28. *Improve rural livelihoods and agricultural productivity:* Growth will only benefit the poor if it is sufficiently broad based. Given the continuing importance of agriculture for the poor, this means that agricultural productivity growth must be raised. The government must avoid over-taxing agriculture, either indirectly through real exchange rate overvaluation, or directly through cocoa pricing policies. But the problems facing agriculture cannot be resolved simply through changes in the incentive structure, important though they be. There is a critical need for a major improvement in rural infrastructure—improved water supply, better roads and communications, and more effective research and extension activities. This is a long-term policy agenda, but a central one if growth is to benefit the poor.

29. *Deepen human capital:* Investing in human resources confers direct benefits to the poor in raising the quality of life (better health and education, for example). It also enhances long-run economic growth. Ghana still has some way to go to achieve the depth of human capital which proved so important to the East Asian countries in accelerating economic growth. Although there have been significant improvements in the provision of health, water, and education services since the early 1980s, much remains to be done. Government social expenditures remain largely untargeted to the poor, especially on health. First, policy reforms in the *health* sector must be pursued. Ghana does not spend enough on the public provision of health, and existing spending is too focused on urban-based services. Recent reforms on financing rural health services must be monitored carefully. Changes in health user charges should also be considered, encouraging self-selection in service use, and diverting the better-off away from, and the poor towards primary-level

services. The government should also persevere with its *education* sector reforms. Here the main need is to enhance the quality of schooling. The government must further improve the management of the education sector, and raise standards of teaching, mainly through better teacher discipline. It must also increase its allocations to non-salary costs, providing more blackboards, books, stationery, desks and chairs, and better building maintenance.

30. ***Strengthen direct targeted poverty interventions:*** The persistence of poverty in some parts of the rural sector and in urban areas, especially Accra, points to the need for other targeted interventions to assist the poor to participate in the growth process. A case can be made for establishing a social fund which would target the needs of poorer groups, including those in the urban informal sector. Although the nature of the support needed is not yet clearly established, the focus would likely be on employment creation and the delivery of basic social services, with an emphasis on strengthening NGOs, local governments, communities and small-scale private initiatives.

31. From the EPS results, and especially the PPA findings, a social fund is likely to be more effective in improving the welfare of the poorest households and communities if its resources can be effectively targeted to the most needy. This means that its resources should be targeted geographically. For the poorest communities in the north, an essential objective would be the creation of employment and income-earning opportunities during the lean season. If the activities so funded improve the rural infrastructure, the social fund would have a double edged effect on poverty—on the one hand raising current incomes and improving food security today, and on the other, creating an enabling environment for future growth.

32. ***Continue and strengthen poverty monitoring:*** The GSS has proven itself able to field and process a survey as complex as the GLSS. Yet, it has taken some time to process and clean the data, so that the GLSS3 report was published some three years after the fieldwork was completed. There is therefore a clear need to further strengthen poverty monitoring in Ghana, and to enhance the capacity of the GSS to undertake this responsibility. Further consideration needs to be given to obtaining a consensus on the nature of poverty and on the poverty line itself. This involves building on both the quantitative and qualitative work of the first phase of the EPS.

33. ***Establish policy research priorities:*** The work summarized in this report is only a beginning. It is a first phase of a program of work that will continue. The recent establishment of a government poverty coordinating committee provides an opportunity for the government to establish its own policy priorities and their implied research agenda. Topics receiving attention in a second phase of work include labor markets, migration and poverty, agriculture, the environment and the poor, gender aspects of poverty, and the access of the poor to social services.

1. INTRODUCTION

1.1 This report synthesizes the results of the first phase of work of the *Ghana Extended Poverty Study* (EPS). This collaborative effort of the World Bank and the Government of Ghana takes as its starting point the conclusions of the study *Ghana 2000 and Beyond: Setting the Stage for Accelerated Growth*, which sets out the prospects for accelerated broad-based growth in the country. This study concluded that given the right conditions, economic growth in Ghana would be effective in reducing poverty. Yet, to achieve accelerated growth, direct actions are needed by the government to improve the income earning opportunities of the poor. *Ghana 2000 and Beyond* emphasized the need for a well targeted and concerted effort by the government to improve the access of poorer Ghanaians to the social and economic infrastructure of the country. Without such an effort, economic growth is unlikely to accelerate or to benefit the majority of the population. Improvements in human welfare constitute therefore both the ends and the means of an accelerated growth strategy.

1.2 Unlike most countries of the region, Ghana's *Economic Recovery Program* (ERP) was initiated without undue delay—as early as 1983. This brought about a recovery in output and incomes from the desperately low levels of the early years of the decade. And this growth by all accounts has been broad based, benefiting most Ghanaians. In these respects Ghana's recent experience has been exceptional in the regional context. Although there remain problems not adequately addressed by the ERP, compared with most countries of the region, the results have been encouraging. First, the government has persisted with the reforms. And this has paid off. Economic growth rates of around 5 percent per annum have been sustained for more than a decade. Export and import volumes have grown, despite the continued deterioration in the country's terms of trade, and macroeconomic balances have improved. But is the past a reliable guide to the future? If Ghana can achieve accelerated growth, are the poor likely to benefit as much from such growth? The first phase of work of the EPS provides an opportunity to answer these and other questions. It has set itself three main objectives:

- To identify the main characteristics of poverty in Ghana, and to document the views of the poor about their difficulties and potential solutions to them. In short, understanding *poverty present*.
- To investigate whether recent economic growth, attributed in part to Ghana's ERP, has benefited the poor—understanding *poverty past*.
- To assess whether current conditions are conducive to broad-based growth, emphasizing the access of the poor to human capital and infrastructure—anticipating *poverty future*.

1.3 *Ghana 2000 and Beyond* was constrained by available household data, lacking the third year (1991/2) of the Ghana Living Standards Survey (GLSS). Since then (and as part of the EPS initiative) the GLSS3 data have been processed and have become available for policy analysis. This has given a fresh impetus to poverty work in Ghana. The EPS treats poverty as a multidimensional problem. And it has therefore approached it from several angles. Its agenda can be divided into two phases. The first comprises four major pieces of work: a poverty profile of Ghana; a Participatory Poverty Assessment (PPA); analyses of poverty change in Ghana during 1988-92; and an assessment of the incidence of public social spending. These first-phase studies (listed in the bibliography) are reviewed in this report. Combined, these contributions have improved our understanding of poverty—present, past, and future. The second phase seeks to develop a poverty-reduction strategy in Ghana, and to advance understanding of a selected issues, both initiatives emerging from the first-phase work.

1.4 The following chapter deals with poverty present. It combines the results of the poverty profile (based on the GLSS data—see Ghana Statistical Service, 1995) and the PPA (Norton, et al, 1995, Korboe, 1995). It also reviews how government spending on the social sectors benefits the poor (Demery et al, 1995). This is followed by an analysis of changes in poverty over the recent past. This chapter assesses whether the economic recovery induced by the ERP resulted in a sustained increase in the standard of living of households in general, and poor households in particular. Finally, chapter 4 addresses the question of poverty future. The focus is on whether conditions are currently in place for the benefits of growth to be shared broadly among the Ghanaian population. The chapter identifies the critical policy implications of the EPS to ensure that future economic growth will be effective in reducing poverty.

2. POVERTY PRESENT: A PROFILE OF POVERTY IN GHANA

2.1 This chapter reviews what is presently understood of poverty in the Ghanaian context. With no generally agreed poverty line in Ghana, much of what follows is concerned with the measurement of poverty. But the section also deals with the characteristics of the poor, and how they view their own circumstances.

2.2 Poverty is a complex and multidimensional phenomenon. As a consequence, there are several approaches which can be taken in its analysis, each emphasizing different aspects. In seeking to understand poverty present in Ghana, the EPS has adopted two broad approaches. First, a quantitative approach—emphasizing the economic dimensions of poverty—utilizes the results of the GLSS conducted by the Ghana Statistical Service (GSS). These household surveys were structured and are nationally representative. The results of this analysis are summarized in the next section. This is followed by a review of the results from the PPA. The final section of the chapter provides an analysis of the targeting of social spending to the poor in 1992, together with a discussion (drawn from the PPA) of the attitudes of the poor to public services.

A QUANTITATIVE POVERTY ASSESSMENT, 1992

2.3 Our concern in this section is to provide a profile of poverty in Ghana using the GLSS survey conducted in 1991/92.¹ The section draws from three EPS papers—GSS (1995a), Coulombe and McKay (1995) and Jones and Xiao (1995), and brings up to date the previous poverty profiles prepared for Ghana (see Boateng et al, 1990, and Glewwe and Twum-Baah, 1990).

Measuring Poverty

2.4 To identify which households and individuals in Ghana may be considered as poor a measure of the *economic welfare* or standard of living must be selected. The preferred measure in the EPS is real household total expenditure. There are strong theoretical reasons for this choice (Deaton and Muellbauer, 1980). And measures of household expenditure are generally more accurate and reliable than household income. For the purposes of the poverty profile, household expenditures are expressed in per capita terms and measured in constant Accra May 1992 prices. Geographical cost-of-living differences are therefore accounted for (see GSS, 1995a for details).

¹ The GLSS surveys have been fielded in three years. The first (GLSS1) covered the period September 1987-August 1988, the second (GLSS2), October 1988-September 1989, and the third (GLSS3), October 1991-September 1992. For simplicity, these are termed respectively 1988, 1989 and 1992 throughout this report.

2.5 The next step is to agree upon a *poverty line*. This has to be expressed in terms of the welfare measure selected. Deciding on a poverty line is invariably a matter of judgment—an art as much as a science. It is important that the benchmark be generally accepted as a standard for policy analysis and prescription. Unfortunately, in Ghana there is as yet no consensus about a poverty line, and there was no ‘ready-made’ formula available to the EPS. Previous work (such as Boateng et al, 1990) had prescribed an explicitly arbitrary line, without any attempt to relate it to an absolute standard. Essentially, this involved determining poverty as a ratio of mean expenditures in the base year, placing emphasis not so much on the absolute numbers of people below such a line as on the patterns of poverty that are thus generated.

2.6 Given the continuing absence of any generally accepted standard, the EPS has adopted a similar approach, but with some additional analysis. The starting point was to define poverty in terms of mean expenditures in the base year—1988. This line was then fixed in real terms for meaningful, over time comparisons. Details of the specific procedures used to compute the poverty lines in the EPS work can be found in Ghana Statistical Service (1995) and Coulombe and McKay (1995a). Two such poverty lines were selected, an upper line of two-thirds of 1988 mean per capita household expenditures and a lower line fixed at one-half of mean expenditures.

2.7 Unlike previous studies, however, the EPS subjected the selected benchmarks to further analysis. This gives more meaning to the selected poverty lines, and confirms their appropriateness for policy analysis. It is hoped that this work will take the discussion of poverty further in Ghana itself, and serve to encourage a growing consensus about the poverty standard in the country.

The ‘upper’ poverty line

2.8 After making a number of important adjustments to the expenditure data (discussed below),² a poverty line of two-thirds of mean household total expenditure per capita in 1988 (and expressed in constant May 1992 Accra prices) is given as Cedis 132,230 per person per year. Is this a reasonable basis for poverty analysis? What level of deprivation is implied for individuals unable to achieve such expenditure levels? What levels of caloric consumption are permitted at expenditure levels within the proximity of the higher poverty line? To make this assessment, households were selected whose per capita expenditures (in 1992—i.e., using the GLSS3 data) were in the range of ± 5 percent of the poverty line, and their food consumption patterns analyzed. Expenditures on 49 individual food items were translated into physical quantities (generally kilograms of the food item) using GLSS3 price data. Caloric conversion factors (based on Platt, 1962) were then applied to these quantities to obtain estimates of the calories derived from such consumption. The results are reported in Table 2.1.

² The most important adjustment was to correct for recall error in the expenditure data for 1988 and 1989. Since this affected mean expenditures in 1988, the adjustment also influenced the poverty line.

Table 2.1: Estimated Daily Calorie Consumption of Individuals in Vicinity of Poverty Line, 1992^{a/}

<i>Food Item</i>	<i>Quantity consumed (Kg. per person per year)</i>	<i>Share in food expenditure (%)</i>	<i>Estimated daily calorie intake (per person)</i>
Maize	17.3	2.6	172
Maize flour/products	16.0	3.2	159
Rice	8.4	3.3	81
Other cereals/products	8.0	3.8	67
Cassava	160.3	10.3	672
Cassava products	13.9	2.9	130
Plantain	34.5	5.5	121
Yam	33.5	5.3	96
Cocoyam	25.0	4.0	77
Fish	12.0	13.5	87
Meat	3.0	4.2	22
Poultry	1.4	1.8	6
Milk/eggs	6.8	0.8	29
Fats/oils	5.8	2.0	142
Beans/nuts	19.2	4.2	126
Fruits/vegetables	26.7	9.7	23
Sugar	2.2	1.1	25
Other foods/beverages	12.8	3.3	106
Total	-	81.5	2,141

^{a/} The sample for this computation comprised households \pm 5 percent of the poverty line of Cedis 132,230.28. There were 232 households and 1370 individuals selected for the exercise.

Source: GLSS3

2.9 Given the price and caloric conversion data available, it was possible to cover just over 81 percent of total food expenditure of the household selected. From such consumption, households in the proximity of the poverty line gained over 2,100 calories per person per day.³ Although high by African standards, this consumption of calories provides adequate nutrition to satisfy FAO standards. These findings therefore can be taken as giving some support the two-thirds of mean formula for the poverty line.

³ It is uncertain what the effect of the remaining expenditure items not covered would be on total caloric intake.

A 'lower' poverty line

2.10 Other approaches to assessing the meaningfulness of the two-thirds formula were reported by GSS (1995a). First, the line was compared with the World Bank's poverty line of PPP\$1 per person per day, which translates into Cedis 107,188 per person per annum (in Accra May 1992 prices). This is just 77 percent of the poverty line as given by the two-thirds formula. GSS (1995a) also compared the two-thirds formula with the general minimum wage in Ghana (set at Cedis 800 per day in 1994).⁴ Assuming an individual works on average 5.5 days per week, and that an average of 49 percent of household members are economically active, this suggests a poverty line of around Cedis 82,500 (again in May 1992 Accra prices)—or just 60 percent of the two-thirds formula.

2.11 Although these comparisons are somewhat crude, and the methods used to translate them into an equivalent poverty line in May 1992 Accra prices are only approximations (see GSS, 1995a), they do suggest that there would be advantage in using an alternative, lower poverty line in the EPS.⁵ Such a line was fixed at *one-half* of mean household expenditures per capita in 1988, or Cedis 99,173 per person per annum (in Accra May 1992 prices). This more closely corresponds to the World Bank standard, and to the official minimum wage benchmark.

2.12 Repeating the same analysis of the caloric intake in the vicinity for the lower poverty line indicates that members of households (whose total expenditures are ± 5 percent either side of the lower poverty line) gain just 1,723 calories per person per day, significantly short of the FAO minimum requirement. Households below the lower poverty line can therefore be considered as unable to satisfy even their basic food needs.

The poverty index

2.13 Having established the welfare indicator and the poverty line, it remains to determine how to aggregate the households considered as poor into a readily understood statistic or index. Two popular poverty indices are used: the headcount index and the poverty-gap index.⁶ The former, which is simply the proportion of the population that is poor, indicates the *incidence* of poverty. The latter index reflects both the incidence and

⁴ It should be noted that the minimum wage is not usually binding in Ghana (see Alderman, 1994).

⁵ This could also be justified by the relatively high (by African standards) caloric intake derived from the two thirds formula.

⁶ These indices can be derived from the P_α class of poverty indices (Foster, Greer and Thorbecke, 1984), which measure different dimensions of poverty depending on the value of α selected. For $\alpha=0$, P_α becomes the headcount index. With $\alpha=1$, the measure becomes the poverty-gap index. For values of $\alpha>1$, the measure give greater weight to the poorest of the poor, thus indicating also the *severity* of poverty. The discussion in what follows is limited to the headcount and poverty-gap ratios.

depth of poverty.⁷ Details of these measures are provided in Ravallion (1992) and in Box 2.1.

Box 2.1: Interpreting Poverty Indices

The interpretation of the poverty estimates reported in Table 2.2 and subsequent tables is not always fully understood. This box explains just what these numbers mean.

The first poverty index reported in the table is the headcount index. This is simply the proportion of the population that is poor (expressed in percentage terms). Thus, from the first column of Table 2.2, 23 percent of the Accra population was estimated to be poor in 1992; and 33 percent of the population of Rural Forest was considered poor that year. Similarly, 39 percent of all food-crop farmers were poor. The second column tells us how the poor in Ghana are distributed across these groups. Six percent of the poor were in Accra in 1992, and 2 percent of the poor were private formal sector employees. The number of poor in Accra therefore represents 23 percent of the Accra population, and 6 percent of the total number of poor in Ghana. To understand the significance of this 'contribution' to poverty, consider the poverty estimates for export crop farmers and food-crop farmers. The incidence of poverty in these groups (i.e. the proportion of the *group* population that is poor) is quite similar—37 percent for the former and 39 percent for the latter. But poverty among food crop farmers makes a much larger contribution to total poverty in Ghana (54 percent) than that among export-crop farmers (just 7 percent). This is because although the number of poor export crop farmers is quite large compared with the total number of such farmers, it does not represent a large proportion of the total numbers in poverty in Ghana. And this is because there are simply not many export-crop farmers in the Ghanaian population.

The interpretation of the poverty-gap ratio is a little more complicated. Recall that the poverty gap ratio is a multiple of the headcount ratio (H) and the income-gap ratio (I). Since for the Rural Savannah in 1992 $H = 38.3$ percent and $H \cdot I = 10.5$ percent, it follows that $I = 27.4$ percent. What do I and $H \cdot I$ mean? The income-gap ratio (I) measures the shortfall in the *average* expenditures of the poor from the poverty line, expressed as a percentage of the poverty line. In Rural Savannah, therefore, the average expenditures of the poor were 27 percent below the poverty line. $I = 24$ percent in Accra, indicates less poverty depth. The poverty-gap index ($H \cdot I$) is sometimes referred to as the 'per capita aggregate poverty gap', since it indicates in per capita terms the income that is needed to eradicate poverty under perfect targeting (again expressed as a percentage of the poverty line). For Ghana as a whole $H \cdot I = 8.1$ percent. This means that if every member of the population contributed 8.1 percent of the poverty line, sufficient resources would be generated to eradicate poverty. Similarly, if every resident in Accra contributed 5.6 percent of the poverty line, these resources would eradicate poverty in Accra (under perfect targeting).

As with H, $H \cdot I$ can be decomposed across sectors (the final column of Table 2.2). This shows how the aggregate per capita poverty gap is distributed across areas and groups. Of the resources needed to eradicate poverty (recall this being 8.1 percent of the poverty line per capita), only 5.7 percent would be needed to eradicate poverty in Accra, whereas 30.4 percent would be needed in Rural Forest to eradicate poverty there.

⁷ If there are q poor people in a population of n , the headcount is simply q/n . The poverty-gap index is given by $H \cdot I$, where I is the income-gap ratio defined as $(z - \mu_p)/z$, z being the poverty line and μ_p being the mean expenditure of the poor. The poverty-gap ratio therefore measures both the incidence (H) and depth of poverty (I). See Box 2.1 for details of the interpretation of these indices.

Poverty in 1992

2.14 Just over 31 percent of Ghanaians were indicated to be below the upper poverty line in 1992, and just under 15 percent were recorded as below the lower poverty line (GSS, 1995a). Table 2.2 reports the patterns of poverty in Ghana in 1992—both poverty indices (headcount and poverty-gap) are reported for five geographical areas (two urban and three rural)⁸ and seven socioeconomic groups.⁹ In addition to the poverty index itself, the table gives the contribution of each group to total poverty. Thus, for example the first column of the table indicates that 27.7 percent of the urban population outside Accra was poor in 1992. The second column reports that 22 percent of poor Ghanaians lived in these urban areas. Similarly, the third column reports that the poverty gap index among food-crop farmers was 10.5 percent, and this group contributed 56.7 percent of total poverty-gap poverty in the country (see Box 2.1 for further explanation).

2.15 Although all areas and groups in Ghana appear to experience poverty, there are noticeable variations among the groups. Poverty is greatest in Rural Savannah and Rural Forest. These two areas account for 60 percent of total poverty (measured either by the headcount or poverty-gap ratios, and taking the upper or lower poverty line—see GSS, 1995a). The poorest area is clearly rural Savannah, though given the weight of numbers, Rural Forest contributes the greatest to overall poverty in the country. Although 23 percent of the Accra population is poor, it contributed only 6 percent to overall poverty. There is a clear ranking revealed in the data. At one end are the rural areas of Savannah and Forest, and at the other, Accra. In between there is little difference in poverty in Rural Coastal and Other Urban areas.¹⁰

2.16 A similar picture emerges from the socio-economic groupings—all appear to experience poverty, but some more than others. The least affected are formal-sector wage employees (especially those in the private sector). Poverty is clearly a major problem for farmers (both food-crop and export-crop farmers), and for the non-farm self employed and those employed in the informal sector. Poverty among food-crop farmers represents more than half of total poverty in the country; since the contribution to total poverty is greater for the poverty-gap index, the data suggests that the depth of poverty is much greater among this group. By the same token, the lower contribution of the non-farm self employed to the poverty-gap index indicates shallower poverty.

⁸ These areas are ecological and not administrative. Throughout this report, the term “region” is used only in reference to the administrative regions of the country.

⁹ GSS (1995a) provides the details of how these groups were formed. The patterns for the lower poverty line are similar and are not reported here.

¹⁰ Using the lower poverty line, the incidence of poverty in other urban areas marginally exceeds that of Rural Coastal (whereas it is one percentage point lower with the upper line). Note that the category ‘Other Urban’ includes towns which have close links to agriculture and to rural livelihoods. Compared with Accra poverty patterns in these towns is therefore more similar to those of rural areas.

Table 2.2: Headcount and Poverty Gap Indices by Area and Socioeconomic Group, Upper Poverty Line, 1992

	<i>Headcount ratio</i>		<i>Poverty-gap ratio</i>	
	Index	Contribution	Index	Contribution
<i>Area</i>				
Accra	23.0	6.0	5.6	5.7
Other Urban	27.7	22.0	7.1	22.0
Rural Coastal	28.6	12.9	6.8	11.2
Rural Forest	33.0	31.0	8.3	30.4
Rural Savannah	38.3	28.1	10.5	30.3
<i>Socioeconomic group</i>				
Public employees	21.5	9.3	5.4	9.1
Private formal employee	15.7	2.0	4.9	2.4
Private informal employee	27.7	2.7	6.1	2.3
Export crop farmer	37.4	7.5	10.1	7.9
Food crop farmer	39.0	54.4	10.5	56.7
Non farm self employed	25.7	22.7	6.0	20.5
Inactive	19.6	1.3	4.1	1.1
Ghana	31.4	100	8.1	100

Source: GSS (1995a)

2.17 In Rural Savannah, farmers are consistently the poorest group (GSS, 1995a). However, even among the non-farming groups in the area, poverty tends to be greater than similar groups in other areas. Thus the high levels of poverty in Rural Savannah are not simply a result of the concentration of food-crop farming in the area, but of poor living standards among non-farming groups as well.¹¹

Demographic characteristics of the poor

2.18 GSS (1995a) reports that poor households tend to be larger than non-poor households. Poor households comprised, on average, 6.3 members in 1992, which compares with a mean of just 3.6 for the non-poor. This is a common feature of poverty profiles when the underlying welfare measure is taken to be *per capita* household expenditure. If the needs of children are not the same as those of adults, suggesting that the welfare indicator should be measured in adult equivalent terms, the ranking of households is likely to change. Depending on the precise weights embodied in the adult equivalent scales used, it is possible that poor households may not be larger than the non-

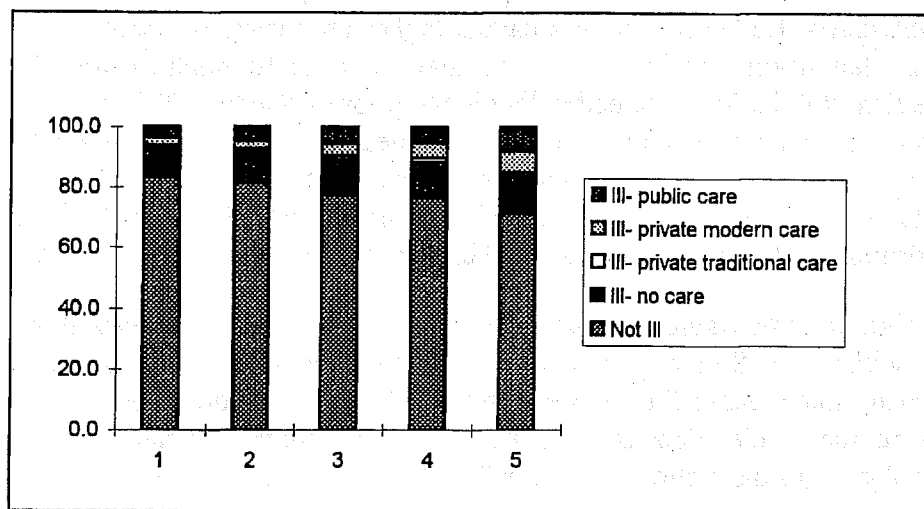
¹¹ Given the slow-down in economic growth and a general deterioration in economic conditions, it is likely that the poverty profile will have changed since 1992.

poor. If children do indeed have lower needs, taking per capita expenditures as the welfare indicator may falsely classify households as poor simply because they contain large numbers of children. GSS (1995a) reports that age dependency, resulting particularly from the presence of children in the household, is indeed more marked among the poor than non-poor. Just under 60 percent of poor household members in Ghana in 1992 are either below the age of 15 or above 65. The corresponding ratio for the non-poor is 44 percent (GSS, 1995a). A key issue is whether the observed patterns of poverty in 1992 are sensitive to the choice of *per capita* expenditures. Does the application of adult equivalents change the picture?

2.19 This issue is explored by Coulombe and McKay (1995). They find that using total household real expenditures per adult equivalent as the welfare indicator (based on either Deaton and Muellbauer, 1986, or McClements, 1978) does indeed affect geographical patterns of poverty. With the revised welfare indicator, the incidence and depth of poverty in Rural Coastal is significantly reduced—and with the Deaton and Muellbauer weights, the area emerges with the same poverty indices as Accra (headcounts of 23 percent). While Rural Savannah retains its ranking as the poorest area in the country (with a headcount of 35 percent), there is little to choose between Other Urban areas and Rural Forest (25 percent and 26 percent respectively). No changes in geographical rank ordering result from the use of McClements weights. Although it is established that adult equivalent weights do indeed change the patterns of poverty in Ghana in 1992, it is unclear what the 'correct' set of weights should be. This is a subject for further research, establishing what an appropriate set of weights would be in the Ghanaian context. In the meantime, the per capita specification is retained.¹²

2.20 The children of poor Ghanaian households are less likely to be currently attending school than their non-poor counterparts, though the area of residence has a more important impact than poverty per se. While the primary net enrollment rates for poor boys and girls are reported to be 87 percent and 78 percent, respectively, in Accra (which compare with rates of 97 and 91 percent for the Accra non-poor), the net rates for the *non-poor* in Savannah are markedly lower—at 59 percent and 46 percent. The primary enrollment rates of the poor in Accra and other urban areas are significantly higher than those for the non-poor in Savannah. Although poverty clearly reduces the likelihood of school attendance, area of residence appears to be as important. Similar considerations apply to secondary enrollments. Whereas the net secondary enrollment rate is estimated to be 56 percent for the male children of poor Accra residents, it is just 28 percent for boys in non-poor households in Savannah (corresponding figures for girls are 31 percent and 22 percent respectively). The GLSS3 data confirm a marked gender bias in school enrollments, especially at the secondary level. This appears to be aggravated by poverty—the gender differentials in enrollment rates being more marked in poor households (GSS, 1995a). These issues are discussed further below.

¹² Jones and Xiao (1995) using an approach by Lanjouw and Ravallion (1994), show that given plausible assumptions about economies of scale in household consumption, mean household size of poor households may well be no different from the non-poor.

Figure 2.1: Reported Illness and Response by Quintile, 1992

Note: Quintile 1 - poorest Quintile 5 - richest
Source: GLSS3

2.21 Coverage of the health status in the GLSS is limited. Ill health is self-reported and subject to bias (see below). From other data sources, it appears that despite progress made in health, the health status of Ghanaians is still poor. The infant mortality rate is about 66 per thousand and under 5 child mortality is 119 per thousand. Both are still unacceptably high. Twenty-six percent of children under age three are stunted and 11 percent are wasted. Forty-five percent of one-year-old children are not immunized.

2.22 Most instances of morbidity and mortality in Ghana result from poor environment and sanitation and are largely preventable (Subramanian, 1995). Three major causes of morbidity and mortality are malaria, acute respiratory infections (ARI) and diarrhea diseases. ARI, predominately the result of pneumonia, is a leading cause of child mortality. It is well known that early diagnosis and treatment could prevent a substantial proportion of deaths due to pneumonia. Clearly there is much room for improvement.

2.23 According to GLSS3 (1992) about 22 percent of the population reported ill during a two-week reference period. As with most surveys relying on self-reporting of illness, the poor (and uneducated) are less inclined to report illness in the household. Thus the proportions reported ill or injured are higher for the richer quintiles. In 1992, 16 percent of people in the bottom quintile reported ill (during the two-week reference period) compared with 29 percent in the top quintile. Surveys involving the self reporting of illness tend to underestimate the incidence of illness—especially in lower income households.

2.24 How do the poor in Ghana respond to an injury or illness? The GLSS obtained information on the health care responses of household members, and these are reported in Figure 2.1. Poorer respondents not only tend to report fewer illness, but are also less likely to have treatment when they report ill. Only 42 percent of the poorest quintile sought care when ill or injured, compared with 57 percent for the top quintile. Of those reported as ill, very few sought care from private traditional practitioners, the better-off

households being as likely to seek such care as the poor. Poorer households, however, were less inclined to seek modern care, both private and public, compared with their better-off counterparts. Richer households have a higher propensity to use both privately and publicly funded health facilities. The number of visits to publicly-funded health facilities in the richest quintile far exceeded that in the poorest quintile. This has important implications for the incidence of public spending on health, which is explored below. It suggests that there is an insufficient provision of private care in the country, a provision which could take the better-off groups out of the public health-care system, and thus create an opportunity to target publicly-funded health care to the worse off.

2.25 An important demographic feature of poverty in Ghana is the *gender* dimension. Unfortunately, with the GLSS data, it is not possible to distinguish between the poverty of men and women, since expenditures are defined only at the household level. One approximation to the gender dimension of poverty is to separate female- from male-headed households. This distinction is made in Table 2.3.

Table 2.3: Poverty Indices by Gender of Household Head, 1992

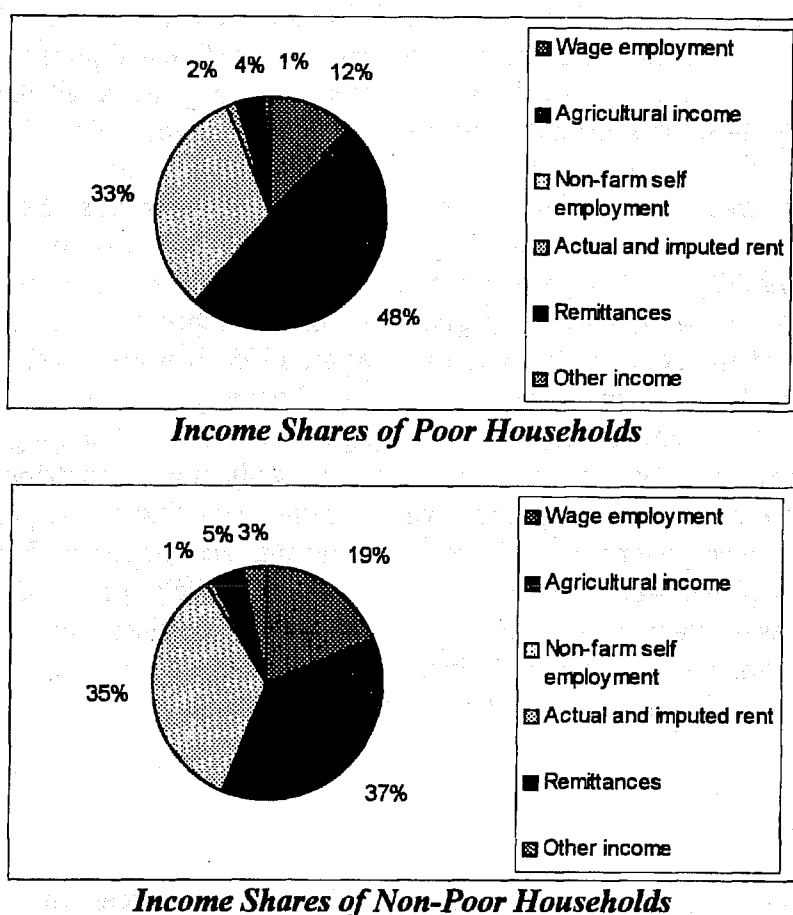
	<i>Headcount ratio</i>		<i>Poverty-gap ratio</i>	
	<i>Index</i>	<i>Contribution</i>	<i>Index</i>	<i>Contribution</i>
Male	33.2	63.9	8.5	63.6
Female	28.5	35.6	7.3	36.4
All	31.4	100.0	8.1	100.0
Source: GLSS3				

2.26 The GLSS3 reports lower incidence of poverty among female-headed households than their male counterparts. Poverty among such households contributes just 35 percent to total poverty in Ghana. The poverty gap ratio for female-headed households is also significantly lower than for male households. These data however, do not distinguish between *de jure* and *de facto* headship. Households reporting a female head but in receipt of significant remittance income are unlikely to be *de facto* female headed, with the absent spouse providing for the needs of household members. According the GLSS3 estimates, over 14 percent of the income gained by female-headed households derived from remittance flows in 1992 (compared with just 3 percent in male-headed households). Clearly, there is need to refine the concept of female-headedness in further poverty work on Ghana. It is very likely that *de facto* female-headed households will exhibit much higher poverty levels than indicated in the above data. This issue is taken up below in the participatory assessment, which found that female headship was more closely linked to poverty in the north of the country, and when it is combined with widowhood, age and the absence of adult children.

Economic characteristics of the poor

2.27 Using the income aggregates of the GLSS3 data, it is possible to estimate the main sources of income of poor and non-poor households. These data are subject to serious underestimation, which is a common characteristic of household surveys of the GLSS kind. But although there is no guarantee that such measurement errors are not systematic, taking income shares will provide some approximation of the main economic characteristics of the poor.

Figure 2.2: Income Sources of Poor and Non-poor Households, 1992



Source: GLSS3

2.28 Figure 2.2 contrasts the income patterns of poor and non-poor households in Ghana in 1992. Typically, poor households derive the bulk of their income (49 per cent) from agricultural activities, and combined with non-farm self employment, these two sources account for over 80 percent of income. Although these sources are also important for the non-poor, they also derive about a fifth of their income from wage labor. GSS (1995a) reports very similar patterns of employment. Just under 75 percent of economically active members of poor households are engaged in self-employment—80

percent of whom are employed in agriculture. Corresponding figures for the non-poor are 65 percent and 67 percent respectively.

2.29 An important feature of the agricultural sector in Ghana is the major role played by women farmers. In Rural Coastal and Rural Forest women are responsible for about 40 percent of agricultural activities—operating a farm plot or keeping livestock (GSS, 1995b); and they completely dominate agricultural processing activities. This central role of women in Ghanaian agriculture is an important consideration for agricultural policy.

A PARTICIPATORY POVERTY ASSESSMENT, 1994

2.30 The analysis of the previous section relies entirely on the results of the Ghana Living Standards Survey, and the quantitative measures of welfare and poverty that can be derived from it. Surveys such as the GLSS are unable to measure all dimensions of poverty, especially those of a qualitative nature. Household surveys of this kind have not proven very effective in obtaining information on peoples *attitudes* towards their circumstances, and their views about how best to resolve their problems. Because of this the EPS complemented the quantitative approach with a qualitative or *participatory poverty assessment (PPA)*. This was conducted over three phases, and a total of fifteen communities were involved, selected to give a reasonably representative picture of the living conditions of the poor in Ghana (Norton et al, 1995, Korboe, 1995). Care was taken to represent the rural and urban dimensions of poverty, as well as geographical differences (including the country's agro-ecological zones), and among the major socioeconomic groups. The overall objective of the study was to contribute to social policy formulation in Ghana through improving our understanding of the processes that produce and reproduce poverty in different environments and among different groups. The third round of the study focused on the use of publicly provided health and education services—obtaining information from service providers and users. The findings of this component of the participatory assessment are reviewed below. The following summarizes the main findings of the first and second rounds of the participatory study.

The nature of poverty

2.31 In all communities covered by the PPA local experiences of poverty and vulnerability were examined. The following key messages emerge from local conceptions of poverty and vulnerability:

- In all sites there were consistent elements in defining 'the poorest of the poor'. These focused on conditions which result in individuals having no control over *labor resources* of any kind. The key elements were disability, age combined with the lack of adult children, widowhood, and childlessness. *Female household headship* was more likely to appear as an indicator of poverty in the rural north than the rural south or urban contexts. While female headship as such is not related in a simple sense to poverty, the

combination for women of age, widowhood, and lack of adult children was frequently seen as associated with chronic vulnerability.

- *Community assets* were seen as more important to rural groups than urban—these included access to water for domestic and productive use, access to public services, access to an abundant natural resource base such as fertile farmland and common property resources, and access to transport infrastructure and markets.
- The view of poverty as being a *dynamic condition* impacting on entire communities was particularly strong in the northern rural areas, vulnerable to drought and to the 'hungry season' prior to the single main annual harvest of bulk foodstuffs. The material collected indicated that the depth of poverty and vulnerability in the rural north is greater than in other areas. Access to food predominates in local views of poverty, and that in some communities serious food insecurity prevails for at least part of the year for virtually every community member. Nonetheless the material is suggestive of some variation—with highly populated areas in the Upper East (Bawku and Bongo Districts) suffering the worst conditions.
- In urban areas poverty tends to be seen more as an *individual condition*, with key elements in defining well-being including access to stable employment, the ability to acquire marketable skills and access to seed capital (as well as the fundamental asset of physical health and strength).
- In addition to physical (livestock, capital etc.) and human assets (health, skills), an individual's *social network*, and membership of social institutions forms a key dimension of well-being and livelihood security. Access to land often comes through community membership rather than the market, and the accessibility of a supportive kin network is critical at times of personal crisis (urgent need for money to pay hospital bills, etc.).
- There is evidence from the PPA that men and women see their income-earning roles as quite separate and distinct in the household. In ranking exercises in rural areas there was a tendency for men to rank men and women to rank women, rather than seeing households as unified entities. Men and women thus also stressed different elements of the experience of poverty in some communities.

Results of the priority rankings

2.32 The issue of the community's own assessment of its *priority needs* was a consistent theme in the PPA. Where possible these views were solicited through focus

groups which reflected the diversity of the communities under study—at least in terms of gender and generation. The major findings can be grouped into three broad geographical ‘blocks’: the rural north (the Upper Regions and the Northern Region), the rural south (including the transition zone, forest zone and the coastal Savannah—for our purposes communities in Brong Ahafo, Volta, Western and Central Regions), and urban communities (including one intermediate rural town in Volta Region, and communities within the major urban centers of Accra, Tamale and Techiman).

2.33 *Priority rankings in the rural north:* The strongest themes emerging from the priority ranking exercises in the rural north are food security, water (both for productive and domestic use), access to health care, and education. A particular nexus of conditions affects extremely resource-poor communities in the Upper Regions (especially very densely populated areas such as Bongo and Bawku) which finds expression in the constant emphasis on the provision of dry-season water for productive as well as domestic purposes. In essence, rainfed agriculture of a traditional kind has become so unproductive that the provision of a dry-season income is now essential to anything approaching a viable level of livelihoods. Dry-season water supply, through wells and dams, provides for vegetable gardening which can be a highly significant support to incomes, and for pasturing animals in the vicinity of the village so that manure resources—invaluable for farming land depleted by decades of continual farming without fallow—can be utilized to a far greater extent than is possible if animals have to move to a distant dry-season transhumance site. Emphasis on domestic *water supply* is also strong in communities that have not benefited from external programs involving community water projects. The other consistent emphasis is on *healthcare* provision, reflecting both poor conditions in terms of access, and the value of physical health and strength which is a consistent theme in the local views of poverty reflected from all areas.

2.34 *Priority rankings in the rural south:* The picture emerging in the rural south is more diverse, reflecting a greater diversity of livelihoods and environment, as well as the tendency towards greater social stratification. In some communities, such as Butre in Western Region, food security was not a major concern even for the poor—although this was not true of all the sites (food supply was very insecure for the poorer community members in Afrangua, in Central Region). Again, access to *curative healthcare* emerged as a strong and consistent theme—in only one community was this not listed as a priority need. Improvements in *transport infrastructure* (roads and bridges) emerged as a major priority in three of the five southern rural communities. This reflects, to some extent, the ecological conditions of much of southern Ghana, where heavier and more persistent rainfall tends to lead to communities becoming totally isolated for periods of the year. In addition to denying access to services, poor quality access roads are frequently seen as impacting negatively on the economic opportunities available. Difficulties of road access are a major disadvantage in relation to highly perishable products such as tomatoes. Access to *water* for domestic use again emerged as an important need, especially in the village of Butre in Western Region. In communities where water did not feature as a priority this could often be traced to an intervention by an outside agency.

2.35 Other common themes included access to off-farm employment and credit for farming (predominantly men) and trading activities (predominantly women). Better sanitation and drainage emerged as themes in three of the five communities. In general there was less emphasis on education than in the rural north, though in large measure this probably reflects the better provision of education (all of the communities had at least one primary school, and two—Derma and Dekpor Horne—also had Junior Secondary Schools). For those communities which did not have Junior Secondary Schools, the distances to travel to such facilities were not particularly burdensome.

2.36 *Priority rankings in urban communities:* There was marked differentiation in perceived needs in the six urban areas covered—even in some cases between sections of the town which experienced different kinds of problems with urban services. The most consistent concerns, reflecting the nature of urban livelihoods were with *inadequate employment opportunities* and the supply of small-enterprise *credit*. Although these elements were very consistently scored they were rarely the first priority. An exception was Sekondi—which has seen the almost total disappearance of a once-active labor market associated with the port and associated services. Priority rankings seemed to reflect, to a large degree, the condition of the local urban infrastructure. In particular it was interesting to note that three of the five urban communities had major problems with the supply of potable *water*. Other issues of urban infrastructure that received emphasis in some communities were sanitation (especially in the Techiman Zongo where facilities were almost non-existent) and urban roads. The latter was only mentioned once, but in an interesting context. East Maamobi has had access roads since 1987 (provided under the World Bank Urban 1 Project). The Maamobi field team stressed that this is usually one of the first things that the participants mentioned in terms of new services that have come into the area. The roads are said to have brought much improvement to the area for diverse reasons. These included greatly improved physical security making journeys at night (a particularly important benefit for women) and ease of access to health facilities.

Strategies for moving out of poverty

2.37 There was no uniform perception of how individuals might move out of a condition of poverty. (Box 2.2 summarizes the views of participants on shorter-term coping strategies.) In urban areas there was widespread despondency about the future. Informants noted that recruitment to unskilled wage-labor in government service had virtually dried up with structural adjustment policies—and non-government unskilled wage-labor was generally disliked because of job insecurity. Therefore improvements in well-being are seen as tied to the acquisition of skills, particularly those of use in self-employment (predominantly within the informal sector). This is said to be leading to increased competition for apprenticeships, thereby increasing the costs of such training. In rural areas where there are substantial opportunities for cash crop production (in much of southern Ghana), access to capital for farming enterprises is seen as the most significant 'blockage' to individual progress. In the poorer communities of northern Ghana, the constraints at the level of the community are frequently raised as more significant than those at the level of the household or individual. The individual strategy most commonly

used to cope with, or move out of, poverty is *labor migration*. The paradox here is that when such out-migration from poor communities leads to a severing of ties, transfers to the kin group diminish or cease, making conditions even worse in the sending community. In northern Ghana the accumulation of livestock was often seen as an important strategy for moving out of poverty.

Box 2.2: Survival and Coping Strategies

The coping strategies recorded in the course of the three PPA phases were very diverse. Some of the more common elements included:

- In the *rural north*: out-migration in search of employment; sending children to stay with kin in times of stress; using 'famine foods' gathered from the bush.
- In the *rural south*: reducing expenditures (taking children out of school); changes in conjugal patterns (contracting informal unions due to inability of young men to make bridewealth payments).
- In the *urban south*: reducing expenditures, including relying increasingly on cooked food sellers, withdrawing children from school; diversifying income sources

An important point to note on coping strategies, is that different coping strategies at the *individual* level are not available equally to all categories of the population. For example, market-based fallback mechanisms such as migration from the rural north are available to young men but not to many women, children or the elderly. The removal of young men may even have negative effects for the livelihoods of those left behind (depending on the level of transfers received). Where a common 'fallback' mechanism appears to have negative consequences for more vulnerable sections of the population consideration needs to be given to possible alternatives. For example, over the last fifteen years some areas of the Upper East Region have diversified with considerable success into vegetable farming as a dry-season activity, providing an alternative source of income which may firstly, reduce male out-migration, and secondly, provide income on a broader basis within the community. Provision of dry-season water sources to support this kind of activity was the main priority need emerging from the rural communities in the Upper Regions. Assistance of this kind may strengthen community-based fallback mechanisms (local 'safety-nets') through encouraging community solidarity and cohesion.

By all accounts many of the long-standing coping strategies that are known in resource poor communities are becoming less accessible for combating stress periods. This is explained by the fact that most of these strategies are themselves under threat because of worsening ecological conditions and the escalating cost of living. The situation appears to be more grave in northern Ghana, where in communities such as Beo Tanko the consumption of wild foods forms a regular part of strategies of dry-season survival, though one should not under-estimate the looming deprivation in other parts of the country.

2.38 Rural participants saw far more opportunities for action at the community level to increase livelihood security than their urban counterparts. Although local leaderships exist in urban areas they seem to be commonly viewed as distant from the concerns of the poor. The rural poor showed considerable enthusiasm for community mobilization in support of the provision of social and economic infrastructure. Such efforts take the form of assistance with construction and maintenance of facilities such as schools and clinics, as

well as more unusual initiatives such as the establishment of a grain bank in a food-insecure community in the Upper East Region. Although northern communities had much the same view of the importance of social infrastructure, their ability to provide cash to support such construction projects was highly constrained. Service provision systems that rely to a large degree on the capacity of local communities to generate cash will thus lead to equity problems in terms of access.

2.39 The views on appropriate poverty-reducing initiatives by the government and NGOs reflected to a large degree the priorities listed above. In the rural south and in urban areas, the provision of improved employment opportunities was seen as a major priority for government action—although the details of what specific actions this might involve were not always clear. Similarly, credit emerged as a major concern both for farming and small-scale trading activities (the latter particularly for women). This is seen as an area for both government and NGO intervention. Improved access to water and quality of water supply were major issues in some of the urban communities, as was improved sanitation. To a greater degree than in rural communities, urban communities tend to see domestic water and sanitation as appropriate areas for government intervention. In rural areas of the south there was a strong concern in some communities with the condition of the road infrastructure. The improvement of road infrastructure was generally seen as an area suitable for collaboration between community level institutions (mobilizing labor and maintenance funds) and outside agencies, particularly local government (provision of capital, equipment and possibly food-for-work incentives). Partnerships with government ministries were seen as the appropriate means for increasing access to basic health and education services. There is still a tendency to see the community's role in terms of contributing to the construction and maintenance of physical infrastructure.

Vulnerability, seasonality, and poverty

2.40 Conceptions of poverty often correspond closely to the notion of vulnerability—dynamic notion which captures the sense of a threat posed by adverse turns of event, whether in the form of seasonal variation, long-term trends, or various kinds of shock.

2.41 *Seasonality and poverty*: Seasonal fluctuations were a major aspect of well-being in all rural research sites. In addition to stress points in the agricultural cycle, there are significant seasonal cycles in urban occupations. These are related to factors such as weather (impact on building), the cycle of social activity and key festivals, and market flows related to the agricultural year. The major seasonal food security issue in Ghana is the extreme 'hunger season' experienced by many communities in the north—especially those where intense population pressure has led to declining soil fertility (for example, Komaka, Beo Tanko and Sombo in our sample). These communities experience major problems of basic food supply even in a normal year, and the impact of drought years can be extreme. As a general rule, the more diverse the farming system, in terms of the mix of basic staples and crops grown to generate income, the less was the degree of vulnerability to seasonal food scarcity. Cassava, as a crop which can be available for harvesting year round, often plays a special role in mitigating vulnerability.

2.42 *Seasonal patterns of illness* were also observed. Ill-health is said to be most prevalent at the peak of the dry season in February and March, by which time the food situation has started to worsen. Fevers, stomach disorders, and respiratory diseases were described as the most common at this time. By experience the most dangerous time to fall sick is during the rainy season when there is very limited food supply, and no money to go to the hospital. It is also the time when people need their energy most to work on their farms. Worse still, increased poverty during the lean season makes it difficult for the family to respond adequately when someone falls sick at this time. In the middle and coastal belt double maxima rainfall areas of communities such as Butre, Kpando Gabi, Derma and Dekpor Horne, there is apparently little differentiation in the seasonal occurrence of sickness. Cholera and diarrhea seem to peak during the 'time of mangoes' in the minor rainy season, but other diseases occur year-round.

2.43 *Long-term trends:* Views of trends in rural communities tend to focus on environmental issues such as declining access and quality of water, declining soil fertility and declining common property resources for the vulnerable to fall back on in times of crisis. The urban poor were more preoccupied by the evolution of government policy during the era of the ERP. While a considerable improvement occurred in the early phase of economic reform (from 1983 to 1988) there is a general perception that opportunities for the urban poor have been becoming more constrained in the last six to seven years. In part this is attributed to increased 'crowding' of the informal sector due to both low levels of demand and increasing numbers of people trying to survive in this sector. The increase is variously attributed to retrenched workers searching for new livelihoods and Ghanaians returning to the country from other parts of West Africa as a result, in part, of improvements in the general economic climate in Ghana. In all communities there is some concern over what is perceived to be very poor provision of credit for trading and productive activities.

2.44 Concern about environmental changes in rural areas included: water access (declining levels of the water table, decreasing quantity, quality and duration of stream flows); availability and quality (fertility) of farm land and pasture for animals; access to a range of products from common property areas, for both consumption and sale for income (including fuelwood, medicines, foraged foodstuffs such as snails, fruits, mushrooms, bushmeat, and other non-timber forest produce). The northern Savannah communities perceived the key elements of environmental change as declining soil fertility due to decreasing fallow periods, declining water resources as outlined above, and a shortening of the rainy season, combined with less rainfall predictability.

2.45 In the relatively more agriculturally abundant communities of the middle and coastal belt, important changes have taken place in crop mixes in response to environmental degradation, as well as market demands. The drought and accompanying bush-fires of 1983 were noted in many communities as a 'watershed' following which there were long-term changes in the local ecology.

2.46 Another long-term trend which was highlighted in some areas was a tendency of community bonds (in terms of local social institutions of kinship and community) to

weaken. In Nyngare in the Northern Region, for example, focus groups among women revealed a perception that ten years ago there was strong social cohesion in the village. Communal labor institutions were still strong—acting as a safety net for households experiencing problems in terms of labor due to sickness or disability. Respect and authority was still given to the chief and his elders, community solidarity was still expressed through mutual support and assistance for one another. The poor in many sites in the north feared a decline in the traditional institutional framework for such reciprocal arrangements arising from increased labor migration. Such changes clearly create increased vulnerability for the poorer sections of communities, by weakening their ‘social assets’ in terms of networks of kinship and community through which they could mobilize claims on food and labor from their neighbors. In one urban site—which had been affected by the recent ethnic conflict in the north—fear was expressed that Ghana’s evolving democratic system could also ferment social disintegration.

Comparison with the quantitative assessment

2.47 The PPA covered many issues which were not addressed in the quantitative analysis—the perceptions of the poor about poverty, and their views about how they, and the government, can best address their problems. Additionally, in those areas where overlap exists, comparisons are difficult. The fieldwork for the PPA material reviewed here was conducted in April/May 1994—some time after the period covered by the GLSS3 survey (October 1991/September 1992) which was the basis of the quantitative assessment. This time discrepancy makes it difficult to compare the two sources. Since there is evidence (reviewed below) that living standards may have deteriorated since 1992, these differences in timing may be crucial. It is to be expected that the situation assessed by the PPA would be worse than that established in the quantitative profiles. Nevertheless, the quantitative and qualitative perspectives generally paint a similar picture of poverty in Ghana.

2.48 Both agree that poverty is greatest in the rural north. While not surprising, this message rings out clearly from both studies. The GLSS results also support the view that poverty in rural Savannah affects communities as a whole (it was not only food-subistence farmers who were poor in the area). They show that the non-poor in Savannah are worse off than many poor in Accra (as for example, in terms of school enrollments and water supply). The inadequacy of public services in the rural areas is a major message of both the quantitative and qualitative assessments.

2.49 The priority placed by the poor on water supply (especially in the north of Ghana) is amply demonstrated in the findings of GLSS3. On average, rural household members spend 37 minutes per day fetching water. In Rural Savannah, household members are obliged to devote 48 minutes each day to this activity. This contrasts with just 28 minutes in Rural Coastal and 13 minutes in Accra (GSS, 1995b). The GLSS data also confirm that this task is borne mainly by girls and women. Females in the Savannah spend, on average, 70 minutes per person per day collecting water (compared with just 25 minutes for males). And most of the males assigned to this task are less than 14 years of age. There can be

little doubt as to why the poor in the northern areas considered improved water supply to be a priority for enhancing their quality of life.

2.50 Female-headship is considered by the PPA as a major poverty problem only in the north. This suggests that even with a more refined definition of female headship in the quantitative profile, there would not be significantly higher poverty exhibited among such households. The views expressed through the PPA about the need for improved access to health and clean water are certainly supported by the GLSS results. The analysis of the distribution of these services clearly shows how poor areas and poor households are disadvantaged in these areas.

TARGETING PUBLIC SOCIAL SPENDING TO THE POOR

2.51 To participate in economic growth, the poor must have access to markets and also have access to essential social services that enhance their human capital, such as basic education and health care. Most of the poor rely on the public provision of education and health services, since the cost of modern private-sector provision is a serious obstacle given their meager budgets. For such groups, a key to their participation in accelerated growth, therefore, is their access to publicly subsidized health and education services. Expanding access to basic social services is one of the long-term strategies for sustained economic growth and poverty reduction. To what extent is public funding of such services targeted to the poor in Ghana? What does the evidence suggest about the likelihood that the poor will benefit from accelerated growth?

Social expenditure incidence

2.52 *Expenditure incidence* analysis of public social spending in Ghana provides some insights into these issues. The main features of this approach are described in Box 2.3 and are explained more fully in Demery et al (1995). Essentially, the method combines information on the allocation of public expenditures with data on the use by individuals of public services, the latter being obtained from the GLSS household survey. In this way, it is possible to estimate how public spending on services such as health and education are distributed across the population in general and the poor in particular. Although the approach is known in the literature as 'benefit' incidence, it uses the unit cost or subsidy as a proxy for the benefit households receive from a service. This is clearly only an approximation.

Box 2.3: Expenditure Incidence Analysis

Expenditure incidence analysis (sometimes referred to as 'benefit incidence') has become an established approach since the pathbreaking work on Malaysia by Meerman (1979) and on Colombia by Selowsky (1979). There has been a recent resurgence of interest in the approach, reviewed in Van de Walle and Nead (1995). Few applications have been attempted in Africa.

The method seeks to measure how government subsidies on services such as health and education are distributed across groups in society. The distribution of these subsidies is determined by two broad factors. First, it depends on *government spending* itself, and how it is allocated within the sector. The lower the spending, and the greater the effective cost recovery, the lower will be the subsidy embodied in the service provided. Second, the distribution will depend on *household behavior*—on who uses the service that the government provides. It is only by using the service (by sending a child to a primary school, or visiting the outpatient department at a hospital) that individuals and households can lay a claim to the in-kind transfer that is implicit in the subsidy. Expenditure incidence analysis therefore brings together two sources of information: data on the government subsidy (estimated as the unit cost of providing the service less any cost recovery back to the government) allocated to the different categories of service (primary schooling, in-patient hospital care, etc.); and information on the use of these services by individuals and households, which is usually obtained from household surveys. Thus, for example, the incidence analysis on Ghana reported here estimated that the annual unit costs of public education net of cost recovery were Cedis 24,824, Cedis 65,275 and Cedis 392,707 per enrollment at the primary, secondary and tertiary levels respectively in 1992. Households that reported a current enrollment in the GLSS-3 survey were considered to have benefited from the relevant annual subsidy—in the absence of the subsidy they would have to pay this amount to finance the schooling of their children. Similar procedures were used for estimating the incidence of health spending. The unit costs of health care (given as the government subsidy per health facility visit) were allocated to households who reported visits to the health facilities distinguished in the analysis (hospital in-patient, hospital out-patient and health centers/clinics).

In general, government expenditures will be more equally distributed when the spending is concentrated on services which are used widely by the population, and used especially by poorer groups. If public expenditures are concentrated on primary education, or on primary-health facilities such as clinics or health centers—which are widely-used services benefiting poor and non-poor—public expenditures will tend to be more equally distributed. However, if governments spend more on high-cost services which are not generally used by poorer groups (such as university education or in-patient hospital care), the incidence of spending is likely to be more unequal. In sum, the benefit incidence of public spending depends both on the *allocation* of public expenditures within the sector, and on the *behavior* of households.

2.53 Estimates of the unit subsidies in health and education were derived from official government sources. Government spending on health could not be obtained for the country as a whole, and so the subsidies were estimated from spending in just five regions (Eastern, Volta, Ashanti, Western and Greater Accra). In expenditure incidence analysis it is important to capture variations in the unit subsidies (that is the subsidy per health visit or the subsidy per enrollment) across the various levels of service. The unit subsidies adopted in the study for Ghana are given in Table 2.4.

Table 2.4: Unit Subsidies in the Education and Health Sectors, 1992

<i>Education</i>		<i>Health</i>	
<i>All Ghana</i>		<i>Four Regions*</i>	<i>Greater Accra</i>
(cedis per enrollment)		(cedis per visit)	
		Health centers/clinics	
Primary	24,824	Hospital:	
Secondary	65,275	Outpatient	
Tertiary	392,707	Inpatient	

* See text (para. 2.53)

Source: Demery et al (1995)

2.54 These estimates reveal significantly higher unit costs at the tertiary level. On average an inpatient hospital visit in Accra costs almost eight times a visit to a health center or clinic. Providing a university place is estimated to cost approximately 15 times what it takes to provide a primary school place. Health expenditures are clearly concentrated in Greater Accra. Unit costs in the capital city are markedly higher than elsewhere in the country. Unfortunately it was not possible given the available data to distinguish between education unit costs in urban areas (and Accra in particular) and those in rural areas. Had this been done, it is likely that subsidies through education would also be greater in the capital city than elsewhere. In this sense, the analysis that follows misses an important dimension of inequality in the education system, and the results ought to be interpreted with this in mind.

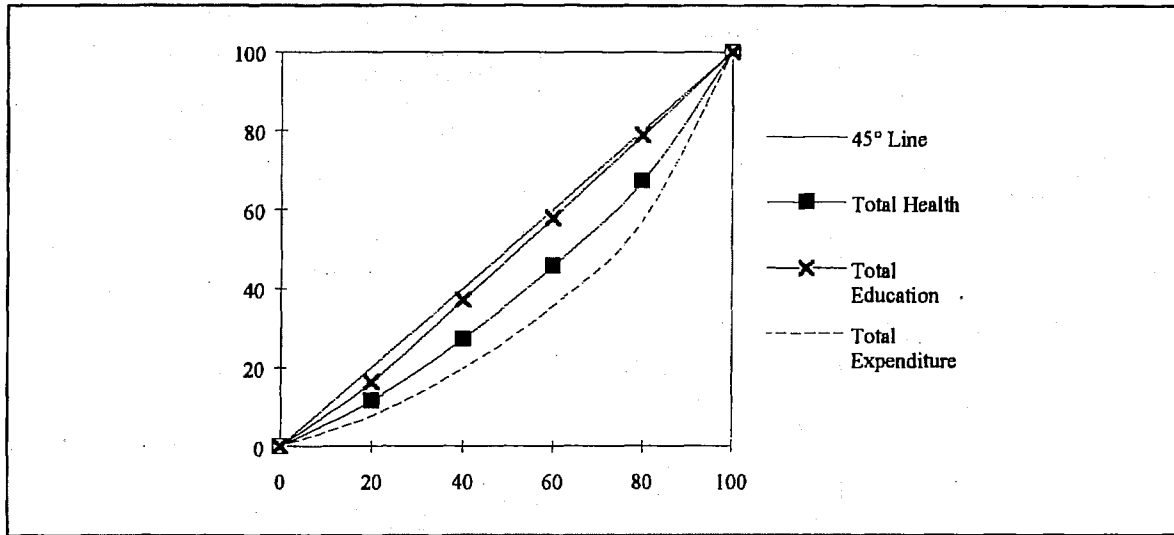
2.55 These unit costs were allocated to households depending on their use of the services. The results of the exercise for 1992 are summarized in Table 2.5 and illustrated in Figure 2.3. On average, each Ghanaian gained Cedis 10,644 from government spending on education and Cedis 3,959 from spending on health. Although these are not strictly comparable (there is no reason to expect the per capita subsidy to be the same across sectors), the much lower level of resources allocated to health is again suggested in these results. It is also clear that education resources are more evenly distributed and better targeted to the poor. The bottom quintile gained 16 percent of education spending but only 12 percent from government spending on health. The top quintile's share of education spending (21 percent of the total subsidy) contrasts with that of health (33 percent). From Figure 3 it is clear that overall public-sector education and health spending are distributed more equally than income/expenditures. If households were given income transfers in place of these subsidized services, income/expenditure distributions would become more equal.

Table 2.5: Incidence of Public Spending on Education and Health by Quintile, 1992

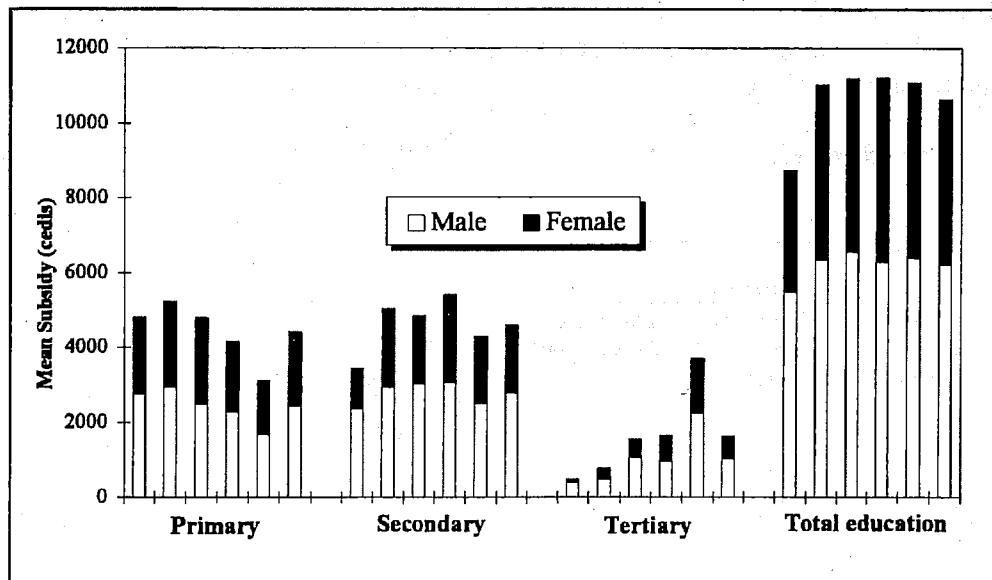
	<i>Education</i>		<i>Health</i>	
	Per capita subsidy (cedis)	Share of total subsidy (%)	Per capita subsidy (cedis)	Share of total subsidy (%)
Quintile:				
1	8731	16.4	2296	11.6
2	11021	20.7	3065	15.5
3	11196	21.0	3692	18.7
4	11207	21.1	4228	21.4
5	11067	20.8	6515	32.9
All Ghana	10644	100	3959	100
Urban	14047	42.1	5808	48.7
Rural	9218	57.9	3039	51.3
Source: Demery et al (1995)				

2.56 On average, the urban population gained more than those in rural areas. An urban resident received, on average, Cedis 14,047 from public education spending and Cedis 5,808 from health spending, compared with just Cedis 9,218 and Cedis 3,309 respectively in rural areas. The relative disadvantage of rural residents is greater in health. There are grounds, however, to believe that these urban-rural differentials underestimate the true differences. First, as already stated, urban and rural areas could not be distinguished in defining the unit costs of education. Had this been possible, it is certain that the urban bias would have been more marked. Second, the GLSS survey was not designed to capture health visits, which meant that few health visits were encountered in the Accra sample. The Ministry of Health (MoH) estimates that there were over 73,000 in-patient visits in Accra in 1992, whereas the estimate from GLSS3 amounts to only 8,567 (just 12 percent of the MoH estimate). This undercount of in-patient visits means that the expenditure incidence analysis will underestimate the claims made by Accra residents on government health expenditures.

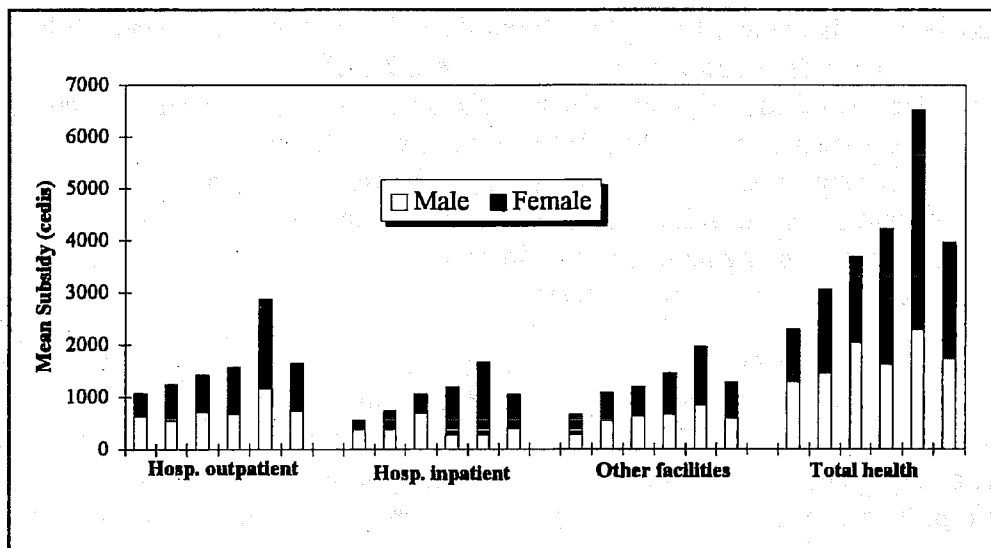
2.57 There is also evidence of *gender* differences in the distribution of social spending in Ghana (see Figures 2.4 and 2.5), especially in education spending. Taking the country as a whole, girls received 45 percent of primary-level subsidies and just 40 percent of secondary subsidies. This gender bias was more marked among poorer households, but was nevertheless in evidence among all quintiles. In health, women gained more of the public subsidy than men, in part because of differing health needs.

Figure 2.3: Distribution of Subsidies for Health and Education

2.58 To gain access to public subsidies in health and education, households must obviously use these publicly-funded services; and to use the services, households themselves must incur costs. To send children to a public school, they must pay for transportation, books, school uniforms, fees and so on, and to benefit from government health services, households pay consultations fees, and the costs of transportation and medicines. These costs can be a major item of expenditure for households. According the GLSS3 data Ghanaian households devoted 15 percent of non-food expenditures to health and education (9 percent to health and 6 percent to education); and for the poor the burden was even greater. In 1992, the poorest quintile spent 20 percent of non-food expenditures on health and education (12 percent on health and 8 percent on education). How do such expenditures compare with the subsidies they received?

Figure 2.4: Mean Education Subsidies by Level, Quintile and Gender, 1992

Note: The first five histograms in each category refer to quintiles 1-5 respectively. The sixth reports the mean subsidy for all quintiles.

Figure 2.5: Mean Health Subsidies by Facility, Quintile and Gender, 1992

Note: The first five histograms in each category refer to quintiles 1-5 respectively. The sixth reports the mean subsidy for all quintiles.

2.59 Overall, household spending represents about a quarter of total spending on publicly-provided education (Table 2.6), with the poor contributing relatively less than the better-off (17 percent for the poorest quintile compared with 31 percent for the richest). However, the situation is not as favorable in health. Households generally make a larger

contribution to health spending (about a half), and this applies across the quintiles. Even the poorest households contribute about as much as they get from the government. These results suggest that much more needs to be done to ease the burden of health spending by the poor, and to increase the contributions of those who can afford to pay.¹³

Table 2.6: Household and Government Spending on Publicly Provided Education and Health, 1992

Quintile	Education			Health		
	Government (Cedis per capita)	Households (Cedis per capita)	Household share of total (percent)	Government (Cedis per capita)	Households (Cedis per capita)	Household share of total (percent)
1	8731	1761	17	2296	1998	47
2	11021	2709	20	3065	2548	45
3	11196	3385	23	3692	3026	45
4	11207	4231	27	4228	4430	51
5	11067	5072	31	6515	7099	52
Total	10644	3432	24	3959	3820	49

Source: Demery, et al (1995)

2.60 How does the incidence of public sector social expenditures in Ghana compare with other countries? Is the low level of targeting the poor in Ghana (especially in health spending) true of other developing countries? Table 2.7 makes a comparison between Ghana and a selection of countries for which social sector spending incidence data are available. Such comparisons must be handled with care, given the different methodologies and underlying data employed in each country. And the results also reflect the broader context of the education and health systems as a whole in the countries—the roles of the public and private sectors being an important element. The results do provide, however, the order of magnitude in inter-country differences.

2.61 The targeting of education spending in Ghana compares favorably with most of the countries covered in the table. The incidence pattern (reflected in the share of the total subsidy going to the poorest and richest quintiles) is broadly similar to Brazil, Colombia, Indonesia, and (especially) Kenya. In Uruguay and Malaysia education spending appears to be significantly better targeted to the poor, and only in Vietnam does education spending get siphoned off by the richest groups.

¹³ There is some evidence (see Demery et al, 1995) that consultations fees charged are higher for the rural poor than for the urban population. This may be due to the fact that the better-off (unlike the poor) seek care even for relatively trivial complaints. But it may also arise from over-charging in rural areas. The PPA documented evidence of chaos in hospital user charges, with providers being uncertain about what charges were to be levied. If this is generally true of the health system, it may well work to the disadvantage of rural populations in general, and the poor in particular. Unofficial rents were also being levied in some of the hospitals visited under the PPA.

Table 2.7: The Incidence of Public Sector Social Spending in Selected Countries

(percentage share of subsidy)

	Year	<i>Education</i>		<i>Health</i>	
		Poorest quintile	Richest quintile	Poorest quintile	Richest Quintile
Ghana	1992	16.2	21.2	11.2	33.6
Brazil	1985	14.3	19.1	16.7	41.7
Colombia	1992	19.8	21.3	28.0	12.2
Uruguay	1989	32.9	14.6	37.0	10.6
Indonesia	1989	15.4	29.3	11.5	28.7
Malaysia	1989	26.0	13.0	29.0	11.0
Vietnam	1992	11.1	44.6	12.0	29.0
Kenya	1993	16.7	20.7	14.0	24.0

Source: Demery, Sen and Vishwanath, 1995

2.62 The comparison is different for health spending. The poor targeting in Ghana applies also in Indonesia, Vietnam, and Kenya. But among this group of poor targeters, Ghana shows the lowest share going to the poorest quintile and the highest to the richest quintile. Health spending in Colombia, Malaysia, and Uruguay is highly targeted to the poor. The richest quintiles in these countries gain only what goes to the poorest quintiles in the four poor targeters.

2.63 In sum, there are striking differences in the targeting of social spending across the sample of countries reported here. This applies particularly to health spending. Ghana reveals the weakest targeting of health spending of all countries, and belongs to a group in which the richest gain far more from public-sector health subsidies than the poorest. Three countries (Colombia, Malaysia, and Uruguay) have managed to target health spending, by channeling public spending to basic services used by the poor, and encouraging the richer groups to use private sector health care. Malaysia and Uruguay have also achieved this pattern in the education sector. This is the pattern that Ghana must seek to achieve in the delivery of publicly-funded education and health services.

Attitudes to social service provision in Ghana

2.64 The pattern of public spending incidence in Ghana is in part driven by the use of public services by households. Whether households make use of a government service—be it sending their children to the local primary school, or using the outpatient department of a regional hospital—depends on their perception of the benefits of using the service against the cost of doing so. Such costs include direct expenditures (such as school fees or medicines) and indirect costs (travel to the facility). Understanding what determines these costs and benefits is important for policy design. Work is currently underway under

the EPS to analyze the determinants of household use of public social services, but results are not yet at hand.

2.65 However, the third round of the PPA was specifically concerned with the utilization by the poor of social services, and offers insights into why households use (or fail to use) publicly-provided services. These are reviewed in the remainder of this section.

Perceptions of healthcare services

2.66 Many small rural communities in Ghana have limited access to modern health facilities. When health services have been closed down or withdrawn (as in the case of mobile services) rural populations tend to use traditional health providers such as traditional birth attendants, herbalist/bone-setters, fetish priests, drug peddlers, and spiritualists. Close proximity to modern health facilities in the urban centers has considerably reduced dependence on these informal sources, though there are certain categories of illness that people prefer to take to a traditional healer. Examples were given of situations in which relatives had withdrawn their patients from hospital to be taken to traditional healers.

2.67 The selection of a health care provider is contingent upon many factors, with visits to a health facility generally following a *sequence*. A visit normally starts with the most accessible and least expensive of the facilities available, though other considerations such as type of illness and convenience may influence the sequence. Sequencing of visits to the health care facility commonly takes the following form: home remedies or visits to the herbalist as the first step in the treatment of illness. When the illness becomes critical, they will proceed to the doctor or the spiritualist/fetish priest, depending on the local classification of the illness.

2.68 Under current conditions, the willingness and ability of poor people to spend on modern healthcare is low. In all three areas studied, high user costs are resulting in limited utilization by the poor of hospital services. The public medical system — laden with accessibility constraints, extralegal charges and often requiring high financial outlays on transport—is widely perceived as expensive. Hospital consultations generally fall during the 'lean season', even though disease tends to be more endemic then, especially among children. In some of the government hospitals (one in particular) there appeared to be a situation of complete chaos in relation to charges for healthcare. Official staff appeared unable to give consistent figures for charges for the most basic services. Furthermore, unofficial fees were charged for a wide range of small services.

2.69 There were generally positive perceptions of all healthcare providers who lived in the community. Services provided from healthcare personnel outside of their official roles (as friends, neighbors, kin, or community members) were in cases more appreciated than the official facilities in which they worked. In the sites where community health workers had been trained, the services were perceived positively. The diagnostic services of drug store pharmacists were highly valued. Pharmacists were generally perceived as 'doctors'

and therefore, implicitly, as giving more reliable advice and treatment than nurses — perceptions which contribute to the dangers of self medication.

2.70 A major finding of the PPA was that provisions for *cost exemption for the poor* generally do not work. Exemption provisions were found to be much more effective when executed by ailment rather than by direct means testing. Indeed, the latter is proving costly in administrative resources — money as well as staff time. Only in the mission and charity hospitals is exemption by means found to be working reasonably well; but even then, with high hidden costs. Sometimes, the assistance of the Department of Social Welfare has to be solicited, and transport facilities provided to enable applicants' circumstances to be investigated. This system is slow and bureaucratic. Often those identified as poor do not receive treatment as there is no provision for resources to assist them.

2.71 It was noted in all the northern communities visited that even the wealthy do not generally hold large cash balances. Therefore finding funding for an emergency treatment is not just a problem for the poor—it applies to everyone in such communities. Generally speaking it takes some days to arrange for the sale of livestock (generally the means by which cash is raised). Under these conditions, it is not surprising that *flexibility* in accepting deferred payment was often more valued as an attribute of a service provider than the simple level of cost.

2.72 The main groups affected by *retrenchment* in the health sector have been the less skilled personnel — drivers, cleaners, orderlies, and similar categories. The most obvious consequence of their retrenchment has been the adverse impact on hospital cleaning services. It must be said, though, that while the situation may have been worsened by the recent retrenchment of lower status personnel, public hospitals in Ghana have had a long history of problems with efficient cleaning. Apart from its inimical effect on cleaning operations, another outcome of the policy of retrenching auxiliary nurses has been to aggravate staff shortages. Throughout the country, relatives of in-patients are having to stay on the wards to help look after their sick kin. Previously, auxiliaries would have been available to perform this function.

2.73 *Access to outreach services:* The mobile health services introduced under the PHC portfolio have had modest success in reaching remote areas. However, according to the PPA, the achievements are somewhat offset by the fact that public outreach teams have tended to be rather unreliable with keeping dates and times. Not uncommonly, they arrive a day or more late, when villagers are not expecting them and have left for their farms. The principal factor constraining outreach visits to peripheral sites was reported to be financial, in particular budgetary cutbacks resulting in reduced transport allocations and fuel rations. The reduction in auxiliary nurse numbers has also imposed strains on the capacity of some health administrations to release professionally qualified nurses for outreach work.

2.74 Occasionally, outreach teams were found levying unofficial charges ostensibly to offset their transport expenses and to purchase necessary consumables for treatment and

nutritional demonstrations. These kinds of informal charges are, of course, not subject to any form of exemption for the poor—and consequently essential public health services (such as vaccinations) are being priced in some instances beyond the reach of the poor.

Local Perceptions of water and sanitation services

2.75 Within the towns and villages studied, the availability of safe water and sanitation is often a function of NGO, or other donor presence. Many poor households rely on streams and uncovered wells of dubious purity. Except where interventions have been implemented, water quality tends to be particularly poor during the dry season when natural water sources tend to dry up. In the Northern Region in particular huge amounts of women's labor time during the dry season are expended on fetching water - affecting their potential access to employment and income-generating opportunities. Evidence from all three rounds of the PPA indicates that for communities where water supply is problematic this remains the over-riding priority — especially for women. In all low-income urban sites, a high level of indiscriminate defecation was found. Understandably, women are more concerned about the deficiencies of water and sanitation: it is they and the children who are responsible for replenishing household water supplies; and cultural norms prevent them from evacuating their bowels in open spaces.

2.76 Obtaining land is a major issue in relation to some kinds of urban services. There is a particular problem with obtaining land for latrines as it lowers the value of surrounding property. It was found that while ventilated improved pit (VIP) latrines functioned excellently in rural communities where population density is low they were virtually impossible to maintain in densely settled urban areas studied. A review should be made of means by which District Assemblies can find ways of making more land available for latrines in poor urban areas, in order to decrease pressure on existing facilities, and thereby set up a virtuous circle where the presence of a latrine in a neighborhood is no longer regarded as a health and environmental hazard.

Perceptions of education services

2.77 Participants reported a number of factors impeding access to basic education services. At the *community level* they reported the very poor condition of school buildings, especially in rural communities. There were also disincentives to continuing education due to lack of senior secondary school (SSS) facilities in rural areas (the cost of boarding fees puts secondary education beyond the reach of the children of the poor).

2.78 At the *household level* participants reported a lack of resources to purchase equipment and pay school fees. Costs of schooling are perceived as having risen rapidly in comparison to capacity to pay. Heavy costs are borne in the first year of junior secondary school (JSS) due to requirements of households to purchase equipment for students (uniforms, tables and chairs, math sets, technical drawing boards, etc.), and in the last year due to costs of registration for exams. These costs outweigh the burden of school fees. Rising real costs combine with poverty to keep significant numbers of children out of

school, often as drop-outs. Cost barriers also remain significant for primary schooling. A major component of this is rising Parent Teacher Association (PTA) fees in line with increasing community responsibility for maintenance of school structures and other related expenditures. The rising costs are more dramatic in the north since the ending of the policy of free schooling in the early 1980s which resulted in a steeper rise in costs. The bulk of the costs are not composed of formal school fees, however, as with JSS. At all levels in certain households the main perceived cost of education was the opportunity cost of losing the child's labor for domestic and productive purposes.

2.79 No evidence was found of any provision for cost exemption for the poor in education. Sympathetic headmasters frequently allow children to attend school for some time without having to pay fees, but head teachers are accountable in the end for collecting fees for all pupils and are not empowered to make exemptions. Some NGOs fund the costs of school fees for the poor (the largest to do this for its project sites is World Vision International). Evidence was found (especially in secondary schools) of schools being forced to tolerate increased levels of absenteeism as many children have to earn the money for their school fees.

2.80 The classic pattern of a drop in the ratio of girls to boys between primary and JSS was observed. Some informants felt that the high costs of JSS were a factor in discouraging female attendance. Some informants also drew the classic conclusion of low female school attendance contributing to higher incidence of teenage pregnancy, the contracting of socially inappropriate unions and, therefore, initiating cycles of poverty.

2.81 The PPA reported local perceptions of education services. The major concern of most community members and teachers canvassed in the PPA was with issues of *quality* rather than of basic access. The mushrooming of rural schools (through community initiatives, particularly under ongoing reforms) has meant that educational resources have had to be spread quite thin. Thus, while schools may be more accessible (in terms of proximity; *not costs*), rural communities tend to have so few teachers per school as to render the quality and value of education in such schools questionable. In terms of the quality of education the following main messages emerged from the research:

- Consistent with the findings of the Ghana Living Standards Survey, the quality of education was found to be perceived as low across the sites studied — in the views of both community members and service providers. Sharing of furniture built for individual pupils is common. Many children are doing piecework or helping on their parents farms and pastures after school, leaving them exhausted and with no time for their homework.
- In some sites supervision of teachers was a major concern — especially with respect to children being made to work on teachers' farms during class hours. Another concern (particularly in urban areas) was that teachers put all their efforts into 'private' lessons for children who stay behind after the formal class is over. The single factor that

seemed to determine the efficiency of the system of teacher supervision was the availability of transportation allowances for school inspectors.

- Parents complained that under the new system (since the education reforms) feedback on the performance of children in class was confusing (this appears to be related to the fact that the overall class position of the child is no longer reported—which is the easiest signal for an illiterate parent to understand). Thus, the poor performance of children at examinations frequently comes as a shock —and parental help is not effectively enlisted in encouraging the child to perform better.
- There is a danger that the policy of retrenchment of untrained teachers will lead to a shortage of teachers in isolated rural communities. Norton et al (1995) suggest that trained teachers are often unwilling to take up rural postings, especially in isolated areas. There may also be unfortunate results in terms of the gender balance of the teacher force — the majority of untrained teachers are women.

2.82 In terms of the *perceived relevance* of education the following main messages emerged from the PPA:

- The criteria by which local communities defined the 'relevance' of the education service were based on two factors — the ability of children to get jobs, and the ability of children to read and write in English (so that illiterate parents no longer have to go elsewhere to get letters read and written, compromising the privacy of the family, and children can perform basic tasks like identifying the correct hospital card for family members etc.). In only one community was literacy mentioned as a basis of improved techniques in traditional occupations — farming in the Mamprusi village in the Northern Region. According to this criterion, basic education is perceived to be failing. Participants consistently stated that their children could not read and write at the end of school. In relation to this, parents in some sites argued that the JSS curriculum was too broad — with insufficient time and attention paid to basic literacy. These findings are similar to those of Glewwe and Jacoby (1992), based on the second round of the GLSS. Tests were applied to assess the reading, mathematical, and abstract-thinking skills of all persons aged 9 to 55 covered by the GLSS2 survey. Based on the simplest tests applied, they find that the level of skills acquired through schooling are extremely low. Respondents with even 6 years of schooling obtained mean scores of only 2 out of 8, which is what could be expected if all respondent answered the questions randomly.
- Regarding the match between user aspirations and the revised curriculum for first-cycle (JSS) schools, the PPA indicates that the reforms are not fulfilling the purpose for which they were designed. In both rural and urban areas, the implementation of the technical training component, kingpin in the educational reform program, is largely perceived as unsatisfactory. In case after case — in schools, communities and in Government Education Service offices — informants alluded to the lack of tools, working materials, workshop buildings, and trained teachers. This situation, a serious impediment to effective skills training in the JSSs, has arisen mainly because, in the

current cost-sharing framework, communities are not only responsible for financing capital requirements and school furniture, but also for providing tools and other inputs needed for the program. Consistently, therefore, the skills training objective is being undermined by the high incidence of poverty. There is also a clear geographical dimension to this, with research suggesting that communities in the poorer areas of the country (in this case specifically the sites in the northern Ghana sample) are less able to meet these extra responsibilities than those elsewhere. Lack of skilled craft teachers is also a major constraint in all the rural areas of the study. The technical training component was consistently described as the weakest link in the JSS agenda.

2.83 With reference to a *functional literacy program* the PPA found that the availability of materials was very good. The main constraint in most communities (especially rural ones) was the lack of volunteer facilitators. This was generally seen as resulting from poor pay incentives. The majority of participants in all sites were adult women (there was no evidence of the program picking up school-leavers who had had to abandon their education).

2.84 The quantitative and qualitative approaches to poverty assessments have complemented each other to good effect in the analysis of the use of social services in Ghana. Incidence analysis quantified the distribution of government spending on health and education, whereas the PPA provided valuable insights into the factors underlying the use (or non-use) of government services by the poor. Additionally, many of the PPA findings are fully consistent with the GLSS results. Both point to a critical problem of *access* to health care services for the rural poor, and to the problem of *quality* in the provision of education services.

3. POVERTY PAST: ECONOMIC RECOVERY AND THE POOR IN THE 1980S

3.1 Has poverty decreased in Ghana in recent years? There is a commonly-expressed view that living standards have fallen in the country, and this is reflected in part in the views expressed by urban respondents in the PPA (Norton et al, 1995). Yet this is difficult to interpret, since the time context of these perceptions is rarely defined. The marked deterioration in living standards up to 1984 has certainly left a lasting impression in the minds of Ghanaians. Alderman (1994) estimates that even with a GNP growth rate of 5.8 percent per annum, it would take until the end of the century for Ghanaian living standards (i.e., GNP per capita) to return to their 1965 level—following nearly ten years of growth. It is quite understandable, therefore that Ghanaians persist in the view that things are not what they used to be.

3.2 The interest of this section lies not so much with this longer perspective as with the short-run effects of the ERP. Ghana initiated an effective adjustment as early as 1983, and so avoided many of the problems which come from unwarranted delays. This relatively agile response to the economic crisis meant that a recovery was sustained for much of the decade. The evidence also suggests that this recovery was broad-based, leading to a general rise in living standards for most groups, for the period 1984-92—albeit from very low levels.

Policy reforms and the economic recovery

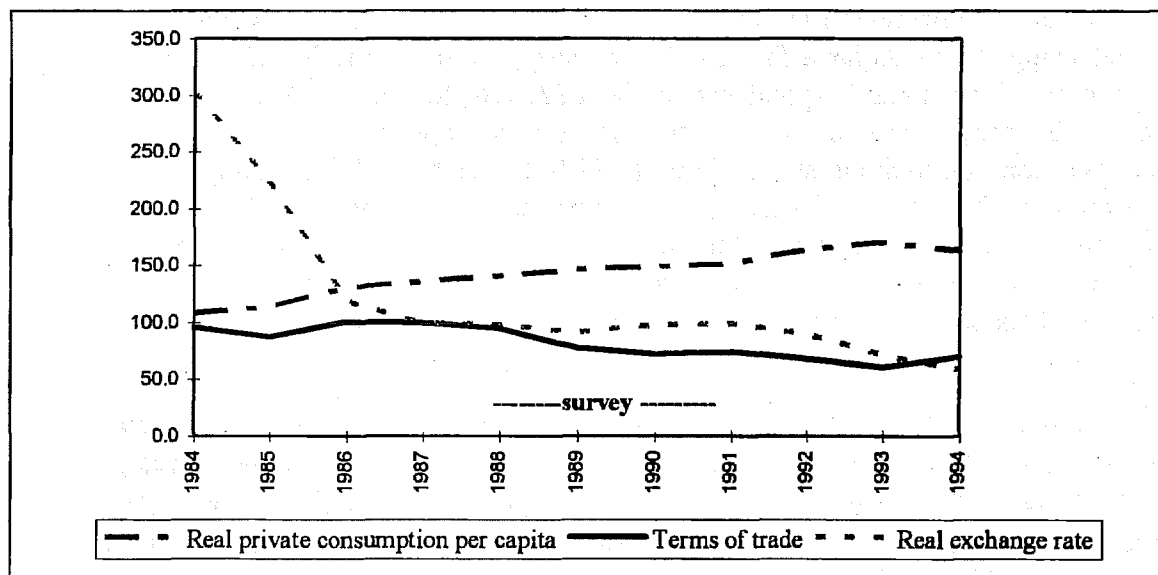
3.3 After a period of serious economic decline, Ghana has undergone dramatic economic change since 1983 under its ERP. The adjustment initially emphasized stabilization, with major monetary adjustments (especially in the exchange rate). Increasing emphasis has since been placed on structural changes, including a measure of trade liberalization and privatization.

3.4 Exchange rate policy was the centerpiece of the adjustment effort, with a sharp depreciation (and unification) in the real exchange rate correcting for the grossly overvalued cedi prior to the ERP (Figure 3.1 and Table 3.1). Leechor (1994) estimates that by 1982, the overvaluation of the cedi exceeded 1,000 percent — an exporter would get cedis 2.75 per US dollar surrendered officially, but more than cedis 60 in the parallel market. This premium fell rapidly as a result of the exchange rate policy, disappearing by the early 1990s. Most controls on the marketing of export crops (with the important exception of cocoa) were removed, and the taxation of exports was reduced.¹² The mining sector was opened up to foreign investment. As a consequence, export growth

¹² Stryker (1991) demonstrates the highly negative effect of pre-ERP policies on agriculture, especially export agriculture.

was strong, averaging 10 percent per annum in real terms between 1984 and 1994. The surge in imports was of a similar order.

Figure 3.1: Macroeconomic Trends, 1984-94



3.5 In parallel with these trade and exchange reforms, the fiscal deficit was closed, mainly through an increase in government revenue which meant that major expenditure cuts were largely avoided (Leechor, 1994). There was also an improvement in monetary discipline. Interest rate and credit ceilings were abolished. Inflation, reflected by annual increases in the Consumer Price Index (CPI) came down to just 10 percent in 1992. However, price stability has proved evasive in Ghana. An election-induced fiscal expansion in 1992 has since fueled the fiscal deficit and an acceleration in prices (annual inflation running at about 25 percent in 1993-94). Price stability, therefore, has not yet been fully achieved in Ghana (World Bank, 1994).

3.6 In the early years of the adjustment, import controls were dismantled rapidly. The sharp depreciation in the exchange rate buffered domestic producers from the full impact of these trade reforms. Tariff reductions have been applied more gradually (Leechor, 1994). Progress with the divestiture program of the ERP was slow. This was symptomatic of a somewhat ambivalent attitude of the government to the private sector, particularly foreign investors. The failure to sustain price stability and the continuation of government direct involvement in economic activities (in export crop marketing and through public enterprises) are signals that would not be well-received by private investors. Recently, there has been an acceleration in the privatization program (World Bank, 1995).

3.7 However, the effects of the ERP on economic performance have been remarkable by African standards. Real GDP growth has averaged 5 percent per annum over the 1984-94 decade. This translates into a per capita growth of about 2 percent per annum,

which compares favorably with the previous long period of decline.¹³ The sectoral composition of this recovery is significant. The strongest performing sectors have been mining, utilities, construction, and most of the service sectors, especially transport and the wholesale/retail sector. Manufacturing expanded rapidly in 1984-86, but has since grown at a pace below that of the economy as a whole. All sectors of the economy benefited from financial sector liberalization. By removing credit controls in early 1988, sectors were able to freely compete for available investible funds.

3.8 After an initial spurt, the national accounts estimates suggest that agriculture performed below its potential and thus has been a constraint to accelerated growth. Given the importance of the sector for poverty, this is clearly an important feature of the adjustment. Was the agricultural response so weak, and if so, why? Was it due to price or non-price factors? Weather conditions have affected year-on-year changes (for example 1991, a good year, was followed by poor weather and decreased output in 1992). Yet weather cannot explain the apparently disappointing trend in agricultural output over the ERP period. Real producer prices of export crops increased significantly under the ERP. The World Bank (1994) estimates prices increased by 96 percent between 1981-83 and 1989-91, and Alderman (1994) reports payments to cocoa farmers increasing from cedis 5 billion in 1983/84 to 13 billion in 1987/88 (in constant 1985 prices). But this improvement came mainly as a one-time shift in prices during the early years of the adjustment (1984-87), deriving mainly from the exchange rate depreciation (Figure 3.1). As a consequence, agricultural output grew by 3.4 percent per annum during 1984-86, with cocoa expanding by 6.6 percent.

3.9 Whereas cocoa prices increased during 1983-87, they fell consistently during the period 1987-93 (World Bank, 1995). As a result, the growth in cocoa output was not sustained. Part of the explanation for the fall in cocoa prices is found in declining world prices, which was not matched by any further significant exchange rate depreciation until 1992. The unresponsiveness of the real exchange rate to the terms of trade decline was due in turn to the inflow of net transfers on the capital account (Younger, 1992). But the failure to reform cocoa export marketing, and the continued burden of high taxation of cocoa producers have also played a role.

3.10 Trends in non-export agriculture are less clear. First, it remains a matter of conjecture as to whether the sub-sector has performed as poorly as the national accounts data suggest. It may be that agriculture performed better than indicated in the national accounts estimates for the sector. This is discussed further below.

3.11 Price policies were less important for the non-export agricultural sector. Unlike many African countries, food crops were not subsidized in Ghana, so that the problem of low productivity was not principally one of pricing policy. Alderman (1994) suggests that the main constraints facing non-export agriculture lay (and continue to lie) in structural weaknesses—inadequate roads, poor access to markets, inappropriate agricultural

¹³ Stryker (1991, p. 89) estimates that GDP per capita fell by 30 percent in real terms between 1950 and 1984.

practices, low technology, etc. Such constraints point to a more active supporting role for government. Both price and non-price factors, therefore, have combined to limit the response of agriculture to the adjustment policy reforms (especially after 1986).

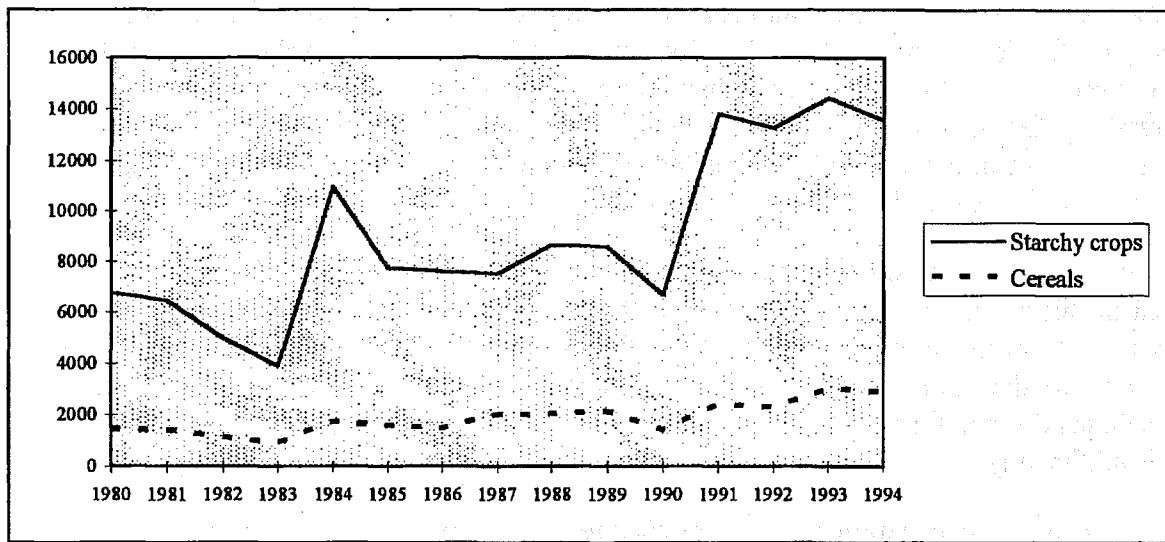
3.12 To summarize, the ERP has had a significant impact on the Ghanaian economy. It turned a dismal state of affairs in the early 1980s into a sustained recovery in output. All this has been achieved in the face of continued terms of trade losses through the period. This is not to suggest that government policy was without its failings. The ERP was not strictly adhered to through the period, and there were policy lapses. Three weaknesses are important from our perspective. First, full macroeconomic stability has not been achieved. Fiscal deficits and inflation in double digit levels have characterized the economy in the 1990s. Second, while improving the returns to export agriculture through the exchange rate correction, little advance has been made to improve arrangements for the marketing of cocoa exports, including developing rural infrastructure. Third, the slow progress in the privatization program during the 1980s gave mixed signals to private investors.

Table 3.1: Main Macroeconomic Indicators, 1984-94

	1984-86	1987-92	1993-94
<i>Percentage annual growth in:</i>			
GDP	5.9	4.6	4.4
Industry	11.5	5.2	3.6
Mining	6.2	10.3	7.1
Manufacturing	14.6	3.1	1.9
Utilities	12.8	11.0	6.8
Construction	4.6	7.8	5.3
Agriculture	3.4	2.0	1.9
Cocoa	6.6	0.0	2.3
Forestry	1.1	2.8	1.5
Other agriculture	3.4	2.3	1.9
Services	7.5	7.3	6.8
Transport	9.5	9.4	5.8
Wholesale/retail	12.6	9.2	8.1
Financial	6.3	5.5	5.5
Government	2.6	5.8	7.3
Other services	16.4	6.1	3.0
Exports	14.2	8.6	9.4
Imports	14.6	6.4	9.1
Real private consumption per capita	7.8	5.0	0.7
<i>Other items:</i>			
Terms of trade (1987=100)	96.2	77.5	65.4
Real exchange rate (1987=100)	186.1	95.4	65.6
Average inflation rate - CPI (% pa)	28.6	24.4	24.7
Fiscal deficit (% of GDP)	-0.9	0.2	-0.2
Source: World Bank data			

3.13 Uncertainty surrounds the robustness and reliability of the national accounts estimates of agricultural output in Ghana. Government crop production statistics give a more positive account of agricultural production during the ERP years (Figure 3.2). Food crop production (measured as calories obtained from both starchy crops and cereals) increased from an annual average of 1.0 billion calories during 1987-89 (approximately the period covered by GLSS1 and 2), to 1.6 billion calories 1991-92; and this increase appears to have continued until 1994. Cocoa production is estimated to have fluctuated around a constant trend during this period. If these data are to be believed, there would be every expectation that the GLSS data would indicate a fall in poverty—a reduction coming from much improved food-crop output (Jones and Xiao, 1995).

Figure 3.2: Production of Food Crops, in Calories, 1980-94



Source: Ministry of Food and Agriculture

3.14 Did poor households benefit, and does the evidence suggest that poverty fell as a result of the ERP-induced recovery? To address this question this section relies mainly on evidence from GLSS data for 1988, 1989, and 1992. The period covered by these data follows the more dramatic recovery in output during the early years of the adjustment (1983-87). Taking the real exchange rate as the key proxy variable for the adjustment effort, it is clear (from Figure 3.1) that by the time the surveys take up the story, the major shift to sustainable macroeconomic management was largely achieved. GDP growth had subsided somewhat, in part because of a lower growth in agriculture (Table 3.1). In addition, the growth in real private consumption had decelerated slightly by 1987 after the initial surge during 1984-86. In this sense, then, the GLSS data do not reflect the full impact of the ERP on household welfare. The evidence reviewed below suggests that most groups did benefit significantly. The major exceptions were the residents in Accra. Moreover, the factors underlying the improvements in household welfare also make sense in the context of the macroeconomic events of the period covered by the data.

Preparing the evidence

3.15 The first priority for the EPS was to establish the direction of change in poverty over the critical years covered by the GLSS data. To generate meaningful comparisons between the three years of survey data, a number of important adjustments were made to the original data. Some of these are commonplace in analysis of this kind, and others were less conventional. But all have an important bearing on the findings, so that it is important to review the procedures used.

3.16 To compare *changes* in the welfare indicator over time, adjustments must be made to account for the effect of price inflation on the measure. These adjustments are in addition to those already discussed which corrected for *geographical* price variations. Over time price deflators (based on the Consumer Price Index) were applied separately for urban and rural areas, and for food and non-food items. Given the very high rates of inflation during the period covered by the GLSS data, the deflators were defined on a monthly basis (household expenditures being deflated depending on the month of interview). Coulombe and McKay (1995) report sensitivity tests to establish whether the weights used in this deflation exercise have a noticeable effect on the poverty estimates and trends. Taking the expenditure shares of the poorest 50 percent of the Ghana population as an alternative to the weights used in the CPI, they find only marginal changes in the estimates of real household expenditures, and in the poverty trends.

3.17 In a high inflation context, trends in real variables (including the welfare indicators selected in this report) are highly sensitive to the deflator that is used. Even though the results are not particularly sensitive to the CPI weights, they may well be affected by adjustments to the components of the CPI. Without alternative estimates of over time price changes there is little that can be done at this stage to assess whether the CPI price series is sufficiently accurate for purposes of this study. This issue is discussed below.

3.18 A second complication arises from changes in the design of the GLSS surveys. Whereas GLSS1 and 2 used identical questionnaires, changes were introduced in GLSS3. These changes generally improved the design, but since they included modifications to the expenditure section of the questionnaire, they are certain to undermine the comparability of the welfare measure in GLSS1/2 and GLSS3. This would clearly bias poverty comparisons. The main source of the difficulty is the use of much shorter recall periods in GLSS3 compared with the earlier years. Whereas in GLSS1/2 respondents were asked about expenditures over a 14-day recall and reference period, in GLSS3 there were asked to recall expenditures over only 2-3 days. By revisiting households, these recall periods were combined to provide estimates of monthly spending on the various items covered. In many ways the GLSS3 design is to be preferred, since it will give more accurate estimates of household expenditures. Recall errors are likely to be much higher in GLSS1/2. Some of the increase in *measured* welfare may therefore come from the more accurate estimates of GLSS3, as they involve lower recall errors. Differences in recall did not apply to all expenditure items, but mainly to frequently purchased and consumed *food* items.

3.19 Fortunately, adjustments can be made to household food expenditures to correct for the higher recall error in GLSS1/2. These are based on the findings of a research study conducted in Ghana to assess how the recall period is related to recall error (see Scott and Amenuvegbe, 1990). For each household, the GLSS1/2 estimate of food expenditures is inflated by 2.9 percent for each *additional* day up to a limit of 7 days¹⁴ of recall beyond the recall duration used in GLSS3. These adjustments are therefore applied only to GLSS1/2 food expenditures, with GLSS3 data being unchanged.

3.20 A third potential blemish in the underlying data arises from the failure of the samples to be drawn evenly through the year. This appears to be a particular problem with the GLSS1 data, but is true for all years. This unevenness in the sample biases estimates of expenditures which are subject to marked seasonal variations. Coulombe and McKay (1995) and Jones and Xiao (1995) apply weights to correct for this, and show that the trends in poverty are not significantly changed. However, the effects of the adjustment depend in part on how the weights are applied—for example whether on a monthly basis, or on a two-monthly basis. To check on whether potential seasonality biases affect the results of the over-time analysis, seasonally adjusted estimates (based on monthly weights) are also reported in what follows.

3.21 To summarize, the analysis of over time changes in poverty in Ghana is based on per capita household total expenditures expressed in constant Accra May 1992 prices, with recall-error adjustments made to the GLSS1/2 estimates. The poverty line is taken as two-thirds of 1988 mean expenditures (the upper line), with the focus on two poverty indices—the headcount ratio and the poverty-gap ratio.

Has poverty fallen?

3.22 Having established that with suitable modifications the data sets are reasonably comparable, this section can now address a critical question: does the evidence suggest that poverty has fallen during the ERP, or at least during that time slice of the ERP covered by the GLSS data (1988-92)?

3.23 Tables 9 and 10 decompose the changes in poverty between 1988 and 1992 by area and by broad socioeconomic group. They clearly demonstrate the broad-based characteristic of the economic recovery. Poverty (as represented by both the headcount and poverty-gap ratios) declined steeply between 1988 and 1992 in all areas except Accra; and between 1989 and 1992, the declines are even steeper.¹⁵ These declines were most

¹⁴ The 7-day limit is applied because after 7 days respondents tend to report normative or 'usual' expenditures.

¹⁵ Differences in the GLSS1 and GLSS2 estimates of household size and income sources raise questions about these two data sets. According to Coulombe and McKay (1995), the evidence on balance suggests that GLSS2 is to be preferred. For this reason little emphasis is placed on GLSS1 and GLSS2 comparisons, and on the reported marked increase in poverty between these years. The estimated fall in real household expenditures per capita run counter to national accounts estimates. However, until further research establishes this more firmly, all three years are reported.

marked in rural areas, and especially in the poorest area, rural Savannah,¹⁶ where the headcount fell from 49 percent in 1988 to just 38 percent in 1992.

3.24 But poverty has clearly persisted as a major problem in the capital city. The increase in poverty incidence over just the two years 1988-89 from just 9 percent to 22 percent is hardly credible. As mentioned previously, there are doubts about the comparability of GLSS1 and GLSS2 data. Although this is a subject for further investigation, it is possible that the GLSS1 survey has underestimated poverty in Accra. This is also suggested in the participatory assessment. If this is the case, it appears that the period has witnessed a gradual increase in poverty in the capital city (by just one percentage point between 1989 and 1992), and with population growth, of course, a larger increase in the numbers in poverty. Against a general setting of economic recovery and growth, this gradual decline in living standards in Accra is a source of major concern. Jones and Xiao (1995) report that the small increase in the headcount index in Accra between 1989 and 1992 is a result of two conflicting effects: *mean* expenditures fell in Accra, which would have the effect of raising poverty. But the *distribution* of expenditures narrowed, which would (other factors constant) reduce poverty. If the distribution of expenditures in Accra had remained unchanged during the period, the decline in mean expenditures would have increased poverty by just under 6 percentage points. Moreover, if mean expenditures had remained unchanged, the improvement in the expenditure distribution would have reduced poverty by just over 5 percentage points. What does all this mean? It simply means that the decline in living standards in Accra has affected mainly the middle income groups, and not so much the poor. Jones and Xiao (1995) also show that the decline in welfare in Accra was mainly among wage earners and households with no clear single source of income. The decline in wage income is certainly related to the high rates of inflation, with imperfect nominal wage adjustments.¹⁷ Real expenditures did not decline as much in households engaged in non-farm self employment and those which relied on remittance income—households which are more likely to be poor.

3.25 The frequently-expressed view that poverty in Ghana has increased as a result of the ERP is probably a reflection of what has happened in Accra. First, the evidence strongly indicates a major improvement in economic welfare elsewhere in Ghana. Accra residents may well be mistakenly generalizing from their own experience. Second, even within Accra, it is the better-off, who are invariably the most vocal, who have lost out in recent years, and not so much the poor. Of course, these views may also reflect more recent (post 1992) economic outcomes.

¹⁶ Just under a third of the poor live in this region.

¹⁷ Morley (1994) presents evidence to suggest that inflation aggravated urban poverty in Latin America during the 1980s. When ordered adjustment brought inflation under control, the urban poor benefited the most. But the urban poor in Ghana rely far less on wage income than their Latin American counterparts.

Table 3.2: Headcount and Poverty-gap Indices by Area, 1988-92

(percent)

	1988		1989		1992	
	Index	Contribution	Index	Contribution	Index	Contribution
<i>Headcount ratio</i>						
Accra	8.5	1.9	21.9	4.7	23.0	6.0
Other Urban	33.4	23.5	35.1	19.5	27.7	22.0
Rural Coastal	37.7	14.4	44.6	16.5	28.6	12.9
Rural Forest	38.1	30.3	41.9	30.3	33.0	31.0
Rural Savannah	49.4	30.0	54.8	29.0	38.3	28.1
Ghana	36.9	100.0	41.8	100.0	31.4	100.0
<i>Poverty-gap ratio</i>						
Accra	1.7	1.2	6.2	4.1	5.6	5.7
Other urban	10.1	22.2	10.2	17.4	7.1	21.0
Rural Coastal	12.4	14.7	14.9	16.9	6.8	11.9
Rural Forest	11.4	28.2	12.8	28.5	8.3	30.4
Rural Savannah	17.8	33.7	20.4	33.1	10.5	29.9
Ghana	11.9	100.0	13.6	100.0	8.1	100.0
Source: GSS (1995a)						

3.26 Poverty in Ghana is concentrated among two major socioeconomic groups—food-crop farmers and self-employed workers. Together they accounted for 77 percent of total poverty (based on headcount and poverty-gap ratios) in 1992 (Table 3.3). Both the incidence and depth of poverty among these two groups fell between 1988 and 1992, and even more dramatically during 1989-92.¹⁸ These two factors had a major impact on overall poverty in the country. Significant reductions in poverty were also experienced among other groups, such as export crop farmers and private informal-sector employees, but these had less of an impact on the aggregate. Only public sector employees appear not to have shared in the general increase in living standards. This is obviously related to the decline in welfare in Accra where the majority of these employees are found.

3.27 Do these findings change if corrections are made for possible seasonal biases in the underlying data? Applying weights which effectively even out the GLSS samples over each month of the year, yields similar patterns in poverty across areas and groups, and even more marked reductions in poverty (Table 3.4).

¹⁸ The income-gap ratio (see Box 2.1) fell from 35 percent in 1988 to 27 percent for food-crop farmers, and from 29 percent to 23 percent for the self employed. This indicates a lower depth of poverty.

Table 3.3: Headcount and Poverty-gap Indices by Socioeconomic Group, 1988-92

(percent)

	1988		1989		1992	
	Index	Contribution	Index	Contribution	Index	Contribution
Headcount ratio						
Public employees	22.2	8.9	26.9	9.0	21.5	9.3
Private formal employee	18.8	3.1	29.9	4.5	15.7	2.0
Private informal employee	32.4	2.4	33.3	2.1	27.7	2.7
Export crop farmer	43.1	8.5	44.2	7.4	37.4	7.5
Food crop farmer	46.2	54.9	53.0	49.4	39.0	54.4
Self employed	30.6	21.3	36.2	26.6	25.7	22.7
Inactive	34.5	0.9	43.1	0.9	19.6	1.3
Ghana	36.9	100.0	41.8	100.0	31.4	100.0
Poverty-gap ratio						
Public employees	5.1	6.3	6.6	6.8	5.4	9.1
Private formal employee	6.5	3.3	7.8	3.6	4.9	2.4
Private informal employee	12.5	2.9	13.3	2.6	6.1	2.3
Export crop farmer	13.4	8.1	14.8	7.6	10.1	7.9
Food crop farmer	16.2	59.2	18.6	53.2	10.5	56.7
Self employed	8.9	19.0	11.1	25.1	6.0	20.5
Inactive	13.8	1.1	15.4	1.0	4.1	1.1
Ghana	11.9	100.0	13.6	100.0	8.1	100.0

Source: GSS (1995a)

Table 3.4: Comparison of Headcount Indices With and Without Seasonal Adjustments, 1988-92

(percent)

	1988		1989		1992	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Headcount ratio						
Accra	8.5	8.5	21.9	21.9	23.0	23.0
Other urban	33.4	31.7	35.1	33.2	27.7	28.1
Rural Coastal	37.7	44.2	44.6	43.6	28.6	23.6
Rural Forest	38.1	40.3	41.9	41.3	33.0	33.8
Rural Savannah	49.4	52.2	54.8	57.9	38.3	40.7
Ghana	36.9	38.6	41.8	41.7	31.4	31.6

Source: Jones and Xiao (1995)

3.28 While seasonal weights hardly affect the headcount estimates for 1989 and 1992 (with the exception of Rural Coastal in 1992), they have the effect of raising the poverty estimate in 1988 (by about 2 percentage points). The fall in the headcount is therefore indicated to be even greater when the adjustments are made to the data—by 7 percentage points between 1988 and 1992 (compared with 5.5 percentage points without the adjustment). The adjustments also lead to a change in the rank order of areas, with the Rural Coastal now becoming the second poorest area in place of Rural Forest.¹⁹

3.29 To check the robustness of these findings that poverty fell in Ghana during the period, the GLSS results were compared with the national accounts estimates of real private consumption per capita (based on the CPI deflator). The national accounts indicate an increase in consumption per capita of about 16 percent between 1988 and 1992 (and 11 percent between 1989 and 1992). Real per capita household expenditures reported by the GLSS data (adjusted for recall error) increased by 8 percent and 15 percent, respectively, over these periods. Compared with the national accounts, the GLSS estimates would appear to overstate the welfare improvement between 1989 and 1992, but to underestimate it during 1988-92. But, both GLSS and the national accounts point to improvements in welfare during these years.²⁰

3.30 The use of the CPI deflator is common to both these estimates. It is possible that the improvement in the welfare indicator in both the national accounts and GLSS might be due to a downward bias in the CPI. By how much would the CPI have to be biased to produce no change in the welfare indicator? The CPI indicates that prices in 1992 are approximately 232 percent higher than in 1988. If this were increased to 268 percent, there would be no measured improvement in real private consumption per capita. In other words, the CPI would need to be subject to a downward bias of greater than 16 percent in order to reverse the measured improvement in the welfare indicator.

3.31 The most striking feature of these results is the decline in poverty in rural areas. If the national accounts data are to be believed, this would suggest that non-agricultural incomes must have risen during the period to give such a marked drop in poverty. On the other hand, crop production data paint a more positive picture of agricultural production trends, showing a particularly marked increase in food production. Table 12 reports the composition of household income in rural and urban areas. The GLSS survey reports a decline in the share of rural (and other urban) income coming from agriculture, and an increase in the contribution of non-farm self employment. According to World Bank (1995), this applies as much to the poor as to the non-poor. Whereas non-farm self employment accounted for just 20 percent of total income in poor households in 1988, it

¹⁹ The results of the previous poverty profile (Glewwe and Twum-Baah, 1990, and Boateng et al, 1990), and other studies relying on the GLSS1 data (such as Sarris, 1994) should be interpreted with this in mind.

²⁰ They differ, however, in their account of the change between 1988 and 1989. GLSS indicates a reduction in welfare, while the national accounts indicates an increase in real private consumption per capita.

increased to 26 percent in 1992. World Bank (1995) also reports that over a half of non-farm self employment income came from service activities, mainly wholesale and retail trading. Similar trends occurred in employment patterns in Ghana. The share of non-farm self employment has increased marginally from 11 percent to just under 13 percent between 1988 and 1992.

3.32 It is unlikely, however, that this increase in non-farm activities would be sufficient to generate such a large increase in welfare without some improvement in agricultural output itself. Clearly, this is a subject for further study. From the available evidence, it would appear that agriculture has performed better than indicated by the national accounts, and that food production in particular has increased sharply during the period covered by the GLSS data. At the same time, households have found many opportunities to diversify out of agriculture, and have engaged increasingly in non-farm enterprises. The fall in poverty can therefore be traced to both these favorable changes—an increase in farm food production, and improved non-farm income-earning opportunities.

Table 3.5: Sources of Household Income by Area, 1988-92
(Percentage)

	<i>Rural</i>		<i>Urban</i>			
	1988	1992	Greater Accra		Other Urban	
	1988	1992	1988	1992	1988	1992
Poverty incidence:	42	34	9	22	33	28
Source of income:						
Wage employment	8	8	45	40	28	26
Agriculture	69	62	1	-	25	15
Non-farm self employment	15	22	35	42	32	44
Rents (actual and imputed)	2	3	3	2	2	2
Remittances	5	5	10	13	10	11
Other	1	1	7	4	4	2
Source: World Bank (1995)						

Corroborating evidence

3.33 The evidence of an improvement in welfare over 1988-92 discussed above is based mainly on a money metric indicator—real per capita household expenditure. To what extent do other more direct indicators of well-being support the conclusion that poverty fell during this period?

3.34 Jones and Xiao (1995) review changes in the food share as reported by the GLSS. Overall, food shares have fallen in Ghana during this period, which indicates an improvement in welfare. However, they note some irregularities in the data. Food shares fell in Accra, which would not be expected given that expenditure levels also fell. To

some extent, this is due to a fall in relative food prices during the period. Food shares decline less in rural areas, despite the fact that mean expenditures rose more. In Rural Savannah, the food share has been virtually unchanged. It is possible the stability of the food share in Rural Savannah is due to the very low levels of expenditure and incomes in the area. Food shares, however, are potentially subject to the same measurement problems as apply to the money-metric indicator. Do more direct measures of well-being tell the same story?

3.35 Social and human capital indicators from the GLSS and other data sources also show improvements in quality of life in Ghana. The GLSS data indicate that the gross enrollment rate for primary schooling increased from 79 to 88 percent, and for secondary schooling from 37 percent to 39 percent during 1989 and 1992. The data from the Demographic and Health Surveys 1989 and 1993 also indicate considerable improvement in other social indicators (see Table 3.6). The infant mortality rate, which is not only an important indicator of health status, but also of socioeconomic status, has fallen by 14 percent. Child mortality fell by 32 percent and under 5 mortality by 23 percent during these years. These are considerable improvements in a relatively short time span. They undoubtedly reflect improvements in immunization, but they are also likely to be a result of improvement in overall living standards.

Table 3.6: Selected Social Indicators, 1988 and 1993

	1988	1993
Health		
Infant mortality (per 1000 births)	77	66
Under-5 mortality "	155	119
Child mortality (per 1000)	84	57
Nutrition		
Stunted (% of age group)	31	26
Wasted "	8	11
Immunization Coverage	31	55
Other		
Total fertility rate	6.4	5.5
% using modern contraceptive methods	5	10
Age at first marriage	18.3	18.9
Source: Demographic and Health Survey, 1993		

Poverty past—summary

3.36 There can be little doubt from the available evidence that the ERP raised GDP growth and household incomes throughout most of the 1984-94 decade. The GLSS evidence is generally consistent with the main macroeconomic trends. The expansion in crop production and non-farm self employment generated income and expenditure increases, all of which have had a measurable impact on poverty. The household survey evidence tells only what happened after the early benefits of the ERP were reaped, and in

that sense, it underestimates the full effects of the ERP on household welfare. To illustrate the order of magnitude of this underestimate, headcount poverty estimates were derived for 1984 assuming that real household per capita consumption grew at the same rate as the national accounts estimate of real private consumption per capita, and assuming no change in the distribution of income from that of 1988 (that is, assuming that expenditure growth was distributionally neutral between 1984 and 1988).²¹ The exercise indicates that under these assumptions, the headcount would have declined by 10 percentage points between 1984 and 1988, which gives an indication of the gains not accounted for by the GLSS data.²² An exercise using similar assumptions traced what might have happened to the headcount index between 1992 and 1994 had there been a distributionally neutral growth in real per capita household expenditures as indicated by the national accounts. This would suggest a fall in the headcount of 1 percentage point between 1992 and 1994. The measured improvement during the years 1988-92 would appear, therefore, to understate the full impact of the recovery. Most other indicators of welfare (food share, education enrollments, health status, etc.) also seem to have improved.

3.37 How the fall in poverty relates to the ERP is difficult to judge. A key issue in interpreting the data is whether the increase in crop output in 1992 was the result simply of good weather, or of improved rural infrastructure, increasing the growth *trend* of agricultural output. If the improvement was due mainly to weather, then the reduction in poverty reported in the GLSS data could not be entirely attributed to the ERP.²³ Although higher GDP growth and the growth in non-farm incomes (brought about by the ERP) would have contributed to poverty reduction, the fortuitous effects of a good harvest would play a dominant role. But if raised agricultural output reflects an upward trend in productivity, then a stronger case can be made for attributing the fall in poverty to the ERP. This is clearly a subject for further inquiry.

3.38 This recent episode in Ghana's history raises a number of important policy questions. First, the adjustment itself has been incomplete, with policy lapses from the ERP having important repercussions for the poor. The government has not put in place policies to secure price stability. And the GLSS data suggest that urban living standards may have been aggravated by this failing.

3.39 The second policy issue raised by these recent events concerns the sustainability of economic growth in the longer term, and the likelihood that such growth would be as broad-based as the recent past. The failure to achieve and maintain price stability is not

²¹ This assumption can be justified on the grounds that the Gini index remained unchanged during the period 1988-92—as reported in the GLSS surveys.

²² These findings are of a similar order to those of Sarris (1994) who uses a household model to estimate how welfare might have changed before and after the ERP (the model being calibrated on the GLSS1 results). He found that real incomes of the poor had most probably increased markedly after 1983.

²³ The PPA also reported evidence of return migration from neighboring countries which could have acted as a supply shock to agricultural output (easing the labor constraint).

conducive to increased private investment, and yet this is critical if Ghana is to accelerate its growth rate. Second, insofar as the recovery of the past was based on services, it is unlikely to be a basis for long-run growth. Accelerated growth requires sustained agricultural growth, and an expansion in industry, especially labor-intensive manufacturing (World Bank, 1992). Finally, the human capital base in Ghana remains too weak to sustain accelerated growth, at least if the East Asian experience is anything to go by (World Bank, 1992). There is little evidence from the GLSS data that the targeting of government spending on the social sectors to the poor has improved—at least comparing 1989 with 1992 (Demery et al, 1995). Even if accelerated growth can be achieved, its benefits to the poor would be conditional on a marked improvement in their access to human capital enhancing services. This theme is taken up in the next chapter.

4. POVERTY FUTURE: AN AGENDA FOR FURTHER POVERTY REDUCTION

4.1 The Extended Poverty Study has examined poverty past and present in Ghana. In describing poverty present the study has brought up to date previous work in two important respects. First, it has been able to establish more recent estimates of the pattern of poverty than had been possible. Second, it has complemented the quantitative estimates of poverty with a qualitative participatory assessment. This has provided much added richness to the poverty profile for Ghana, and has document carefully what the poor themselves think about their circumstances and what should be done about them

4.2 The analysis presented in the EPS on poverty past has concentrated on establishing what happened to poverty during the time slice of the ERP covered by the household data. It has devoted less attention to explaining these changes. From the available evidence, it appears that poverty fell markedly between 1988 and 1992. Other direct indicators would also point to welfare improvements. These gains have occurred mainly in the rural areas of Ghana, and appear to be due to a sharp increase in food-crop production, though this is a subject clearly in need of further investigation.

4.3 But these encouraging messages about poverty past should not lead to any complacency about poverty future. First, poverty remains a serious problem in Ghana, and the lives of many millions are facing its reality each day. There are pockets of poverty which have been more resistant to the effects of growth. Poverty and hunger are persistent problems which continue to face many rural communities, especially in the north of the country. That many poor rural areas have experienced welfare gains in the recent past does not mean that all areas have benefited.²⁴ The well-being of the Accra population has deteriorated during the recent past, and there is a clear need to implement policies and programs which will address the serious problems of the poverty that has emerged as a result. Second, events since 1992 have not been as encouraging. With a slow-down in economic growth, it is likely that there has been little if any further decline in the incidence of poverty. Third, the past is not necessarily a reliable guide for the future. There is no guarantee that the sectoral composition of future growth will be the same as that of the recovery in output. Therefore, it remains to be seen whether future growth will be as broad-based as the recovery in the latter half of the 1980s and early 1990s.

4.4 Mindful of this, and in part a response to the findings of the EPS, the Government has recently taken action to develop a meaningful and effective poverty-reducing strategy. It has set up a poverty coordinating committee, which will establish the policy agenda on

²⁴ According to GSS (1995a), poverty is indicated to have *risen* in Brong Ahafo, Greater Accra and Western regions, and to have remained unchanged in Upper West between 1988 and 1992. Although the GLSS sample is not designed to give robust estimates at the region level in Ghana, these results serve to highlight the fact that some groups have not benefited from the recovery in output.

poverty for the coming years. It will also set priorities for further work on poverty in Ghana. Among other objectives, it will review the EPS, and other similar work, establishing what the findings mean for Government policy. While not seeking to anticipate the deliberations of this committee, this section reviews the key messages emerging from the first phase of the EPS for government policy in Ghana. What are the messages for government policy and action emerging from this first phase of the EPS? What needs to be done today to ensure that future growth will not only accelerate, but be effective in reducing poverty?

Continued economic growth is critical

4.5 To maintain the impetus in poverty reduction that has been achieved over recent years, it is essential that growth is maintained, and if possible accelerated. Poverty reduction in Ghana during recent years was due mainly to a strong growth in mean expenditures, with little or no impact coming from redistribution (Jones and Xiao, 1995). Without strong growth, there is little that can be done to reduce poverty. For example, consider the number of years it would take to reduce the poverty headcount ratio in Ghana to 10 percent (at which point it could be assumed that group- and region-specific interventions, as opposed to overall growth, would be needed to reduce poverty further).²⁵ If per capita incomes grow at 3 percent per annum, it would take Ghana 12 years to achieve the target. But if per capita growth were to slow to just 1 percent per annum, it would take over 34 years for poverty to fall to 10 percent. And an acceleration to 5 percent would mean that the target could be achieved in just 7 years. The future poverty scenario, therefore, depends critically on the rates of economic growth that are achieved.

4.6 The recent deceleration in economic growth, therefore, is a cause for some concern, being attributable in part to a lack of fiscal and monetary discipline, and the fall out from it (World Bank, 1995). Maintaining economic stability must clearly be of the highest priority if Ghana is to continue its efforts to reduce poverty. This is because macroeconomic instability is not only inimical to rapid growth, but it also harms the poor directly. Fiscal and monetary indiscipline can quickly erode the gains achieved in the past, with inflation hurting the urban poor, and those on wage incomes that are slow to adjust to changes in the price level.

4.7 But important though these considerations are, they are not the main focus of this section. Here two important additional ingredients for an accelerated, sustainable and broad-based growth are highlighted: the expansion of agriculture; and an improvement in Ghana's human capital (World Bank, 1990). Improvements in human capital, if broadly based, will not only enhance economic growth, but will lead directly to poverty reduction and to improvements in the lives of the poor.

²⁵ These estimates are based on a mean-income (arc) elasticity of the headcount ratio of -1.78. The elasticity reflects changes in both the mean and distribution of income.

Improve rural livelihoods and agricultural productivity

4.8 To ensure that growth benefits the poor, it is essential that rural livelihoods are improved. This implies that agricultural growth is critical. Agriculture accounts for about a half of Ghana's GDP, and provides a livelihood for about 70 percent of its population. Without accelerated agricultural growth, there is little prospect of sustainably higher GDP growth rates. Additionally, without rapid improvements in agriculture, it is very unlikely that the benefits of future growth will be as broad-based as they have been during the 1980s. Clearly, setting out a complete agenda for raising agricultural growth rates is beyond the scope of the present report. This section simply highlights the main components of such a strategy.

4.9 First, agriculture (as any other sector) needs macroeconomic stability. Over-ambitious fiscal and monetary expansion (with inflexible nominal exchange rates) penalizes agriculture by leading to overvalued exchange rates and lower returns to farmers (Kreuger et al, 1991). This situation has been well documented for Ghana in the past (Stryker, 1991). Under a flexible exchange rate system—which characterizes post-ERP Ghana—nominal exchange rates must constantly adjust (i.e., depreciate) to maintain international competitiveness when domestic inflation runs ahead of inflation in trading partners. Such exchange rate instability is costly, and is not consistent with rapid growth in international trade in general and in agricultural exports in particular. Not only is macro stability good for growth in Ghana, it is good for the farmer.

4.10 Second, the Government must avoid over-taxing the agricultural sector. Although a case can be made for an optimal export tax based on Ghana's large share of the world cocoa market, this does not justify the high levels of taxation imposed on export farmers (World Bank, 1995). Given the near monopoly of the Ghana Cocoa Board (COCOBOD) in marketing cocoa, taxation of producers is derived as a residual, amounting to its entire surplus. The producers' share of cocoa earnings in the crop year 1993/94 amounted to just 40 percent, which is well below what cocoa producers receive in other countries such as Malaysia and Indonesia (World Bank, 1995).²⁶ By siphoning off income flows from export-crop farmers, the government is dampening potentially large multiplier effects of export earnings on the rural economy, benefiting among others, the poorer food crop farmers.²⁷ Ravallion and Datt (1994) show that these indirect effects can be important in the long-term (for rural India at least).

4.11 Third, the economic reform policy agenda must give high priority to liberalizing export marketing of cocoa. Although much reduced compared with previous years, the operating costs of the COCOBOD remain high by international standards. The World Bank (1995, p. 65) concludes that, 'continued policy reforms in cocoa marketing are

²⁶ The producers' share in 1994/95 is expected to be 51 percent (World Bank, 1995).

²⁷ Thus, although the cocoa sector does not make much of a direct contribution to poverty (Table 2), the indirect effects of raising incomes from cocoa can be significant. Clearly, food-crop farming needs to be the priority target for rural poverty reduction.

critical to restoring the health and vitality of the cocoa sector and in assisting Ghana in achieving accelerated growth'. Among such reforms must be included improved credit arrangements for private sector marketing institutions.

4.12 For the cocoa sector, therefore, a case can be made for reducing the role of government as both a trading and taxing authority. But this does not mean that there should be 'less government' to achieve agricultural development. Alderman (1994, p. 40) views one the symptoms of the economic malaise in the early 1980s as too little government, concluding that 'with the exception of export crops, agriculture suffered less from over government than undergovernment during the downturn'. Although the government has sought to correct this (in increasing budget allocations to support agriculture), there are indications that much more remains to be done in increasing its role in supporting private-sector activity—improving rural infrastructure being perhaps the most important.

4.13 Agriculture in Ghana has reached a threshold. Whereas in the past growth has been achieved through an expansion in the area under cultivation, the land frontier is rapidly closing. Future growth must involve a transition to more intensive farming, increasing agricultural yields, applying increased inputs (both traditional and non-traditional) to land parcels, and generally improving agricultural technology. Moreover, these changes must be consistent with environmental concerns. There is evidence (for example from the PPA) that environmental degradation has been taking place in Ghana, resulting either from extensive practices leading to deforestation, or from intensive agriculture, shortening fallow, and reducing soil fertility. Subramanian (1995) reviews the evidence and shows how poor Ghanaians can be affected adversely by these environmental changes.

4.14 There is evidence of a 'yield gap' in Ghanaian agriculture, with actual yields on the ground being much lower than potential yields demonstrated under experimental conditions. This implies that there is a potential for substantial improvements in agricultural productivity if farming practices are changed. Improved husbandry, crop rotation and seeds, and timely applications of fertilizers, pesticides and herbicides would have a marked impact on productivity levels. There is also a need (expressed in the PPA) for more crop diversification. Farmers should be encouraged to move into non-traditional, higher-value crops (such as pineapples, for example). Research and extension services need to be strengthened to assist farmers in reaping these gains. Such services should be particularly tailored to the special needs of women farmers. There has been a distinct feminization of farming in recent years in Ghana, which means that added labor constraints face farmers (women's time devoted to the family must be factored in). Such constraints must be taken into account in extension service design. They also suggest that significant improvements in the welfare of farming households (especially the welfare of female members) can be obtained from better access to water, grinding mills, and improved transport and energy-supply technologies. These would have a major impact on freeing women's time.

4.15 Poor farmers in the north of Ghana reported in the PPA that their first priority need is *water*—for both consumption and production. The Savannah area has the lowest rainfall and the shortest growing period; and the potential to improve the situation there is limited. The flat topography of the area would require extensive reservoirs, taking large tracks of potentially cultivable land, and subject to high evaporation losses. Improving water availability in the north is more likely to come from local small-scale irrigation projects, exploiting groundwater resources which are generally close to the surface throughout the country. But, Ghanaian agriculture is likely to continue to rely on rainfed farming for some time to come.

4.16 Most of agriculture in Ghana is devoted to food production for the domestic market. The poverty profile indicates that most of the poor are to be found among such producers. Although broad-based growth would undoubtedly lead to an increase in demand for food, most farmers covered by the PPA complained about inadequate feeder roads and marketing arrangements for their produce. The results are high transportation margins, keeping production incentives and farm incomes low. Ghana's road network comprises some 13,700 km of trunk roads and 21,300 km of feeder roads—a road density of just 122 m/km²—similar to that of India in 1950. Moreover, the feeder roads in Ghana are poorly maintained, and not always usable during the rainy season. There has been some recent improvement, and the Government has launched a major national feeder roads development program. This initiative is a critical component of an agricultural development strategy.

4.17 Finally, the PPA reports that many farmers, especially those in the South, consider credit as a critical constraint to increased output and incomes. Rural credit markets in Ghana are dominated by informal institutions, such as *susu* collectors, but only limited involvement of the formal banking system. The development of the latter has been limited by factors common to the area—asymmetric information, high transactions costs, high risks and lack of collateral among borrowers (World Bank, 1995). There is no doubt that agricultural growth in Ghana depends on a major improvement in financial intermediation in rural areas, enhancing the availability of credit to the farming community. To reach such communities, more innovative approaches (than formal banking institutions) are clearly called for.

4.18 In summary, the policy agenda for agriculture includes improving price incentives through less taxation of export agriculture, and raising agricultural productivity and incomes in general through non-price policies. Such policies must emphasize improved irrigation, water supply, feeder roads, extension services, and credit. This is a long-term agenda, and an agenda which requires an active role for the government.²⁸

²⁸ For a discussion of the role of the private sector in infrastructure development in Ghana see World Bank (1995).

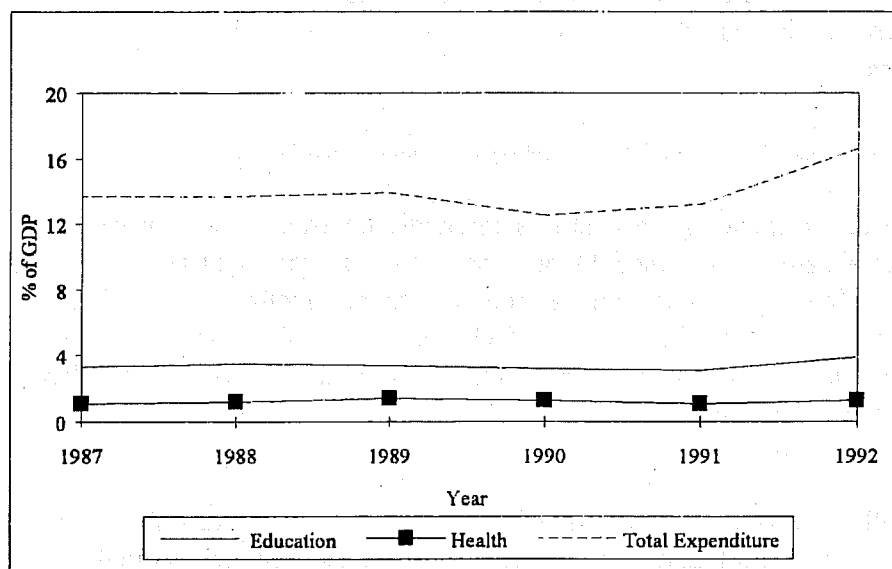
Deepen human capital

4.19 Experience teaches that investing in human capital is one of the most effective ways of reducing poverty. The *Accelerated Growth* study (World Bank, 1992) compares the level of human resources development in Ghana with that in some East Asia countries, pointing out that without more and effective investment in human capital, Ghana will not be able to achieve accelerated economic growth. It concluded that 'Ghana cannot achieve the rapid growth seen elsewhere if it does not invest more, and more effectively, in human capital' (p. 17). One of the preconditions for fast growth, which is yet to be achieved in Ghana, is human capital. Even though, Ghana compares favorably with other Sub-Saharan Africa countries in its human capital indicators, it falls behind most of the East Asian countries when their economies began accelerated growth. The literacy rate in Ghana (estimated by GSS to be 49 percent in 1992) lags behind the literacy rates of 79 in Thailand, 69 percent in Singapore, 88 percent in Korea twenty years ago. Ghana's primary enrollment of 88 percent in 1992 is lower than the rates in Korea, Malaysia, and Thailand in 1980. However, as discussed below, the problem in Ghana is with the extremely low quality of the education provided.

4.20 For the poor to participate in and benefit from the economic growth, Ghana has to empower them with the needed human capital, such as skills, knowledge, and better health. Evidence from the GLSS clearly shows that the human capital levels of the poor are much worse than indicated by national averages. For example, the enrollment rate of the poorest quintile was 26 percent lower than that of the richest quintile at the primary level, and 18 percent lower at the secondary level. Similar inequalities are present in health (and have been demonstrated above). There also are strong regional inequalities in the provision of public services which need to be addressed, with the poor in Accra being better served (in terms of access to schools, health facilities, clean drinking water, etc.) than the non-poor in some regions (such as Rural Savannah).

4.21 Public investments in education and health increased dramatically from low levels after 1983 and under the ERP (Alderman, 1994). The recovery in education spending was more marked than that of health. Since then, the share of GDP devoted to these social sectors has remained relatively stable (Figure 4.1). The share in GDP has been in the region of 3.7 percent for education and 1.2 percent for health (the shares in 1992). Are these allocations sufficient for accelerated growth? What are the main policy messages from the EPS for these sectors?

**Figure 4.1: Government Spending on Health and Education, 1987-92
(% of GDP)**



Pursue reforms of the health sector

4.22 Government involvement in the provision of basic health services is a critical component of a broad-based growth strategy. The PPA and incidence analysis components of the EPS place much emphasis on this. Most poor groups are extremely concerned about their lack of access to good quality health care, and this is borne out in the more quantitative incidence analysis. Poor Ghanaians benefit very little from health spending in the country, and there is an undoubted need to continue the reforms of the health system in order to improve the targeting of health subsidies.

4.23 The government has introduced a number of important reforms in the health sector, many of which have been implemented since the period covered by the EPS. Nevertheless, there is a strong case for these reforms to be pursued further—in part arising from the serious lack of targeting to the poor, but also from the views expressed in the third round of the PPA.

Increase government investment in health

4.24 Health expenditures are low in Ghana even compared with those in other low-income countries. Total health spending in Ghana, at US\$14 per capita in 1990, was lower than in the average for Sub-Saharan Africa — US\$24. As a percentage of GDP government spending on the provision of health services was less than 2 percent, which again was lower than the average for Sub-Saharan Africa (2.5 percent of GDP). This level of spending on health simply does not allow adequate provision of a minimum package of health services as recommended in the World Bank (1993) for low income countries (which is estimated to require US\$12 per person per year). The governments annual

health spending, at only US\$6 per capita, is only half the cost of the minimum package. A strong case can therefore be made for the government to increase its spending on health. Because the provision of the minimum health care package can create positive externalities and reduce poverty, increased government subsidies can be justified on both efficiency and equity grounds.

Re-orientate government health expenditures to rural communities

4.25 Government spending on health is markedly centralized and urban biased. Two teaching hospitals alone consumed 11 percent of total government recurrent spending on health in 1994. In the past, little funding actually reached facilities at the district level and below. This meant that health centers and clinics were unable to offer any service at all and explains the low utilization rates that were observed at that level. It is also consistent with the poor targeting of government health spending to the rural poor, even through health centers and clinics.

4.26 Recently government funds have been earmarked for, and directly channeled to, health facilities at district and sub-district levels. This will undoubtedly improve the services available through these facilities, and should (as utilization rates respond to improved service) lead to better targeting of government health expenditures to the poor. It is critical that the new financial arrangements introduced by the Ministry of Health are monitored to ensure that resources reach rural communities.

Encourage the use of peripheral health facilities by the poor

4.27 The EPS shows that there were few differences in the pattern of health facility use by the poor and non-poor in Ghana. Despite their easier access, clinics and health centers did not offer any real alternative to the outpatients departments of hospitals, which are less accessible to the poor. The poor were as likely as the rich, therefore, to visit a hospital as compared with a health center. The improvements in the financing of district and sub-district facilities will improve this situation, but more should be done to encourage the use of these facilities by the poor. Government policy should encourage self-selection in service utilization by charging different prices for different levels of service. A steeper slope of the price schedule would divert users to lower service levels. Such a cost-recovery schedule would imply a higher government subsidy to clinics and health centers than is presently the case; and such subsidies would be more likely benefit the poor.

4.28 In addition, changes in the methods of collecting fees and in exemption provision are also called for. The PPA found that poor households had difficulty in finding the needed cash for medical costs, especially during the hungry season. More flexibility in the timing of payment of medical expenses is needed if the poor are to obtain care at times when they have little available cash. The problems reported by participants in the PPA with exemption provisions call for the introduction of a more workable system of exemption (for example, exempting the elderly and children, or exempting the treatment of selective diseases from which the poor suffer disproportionately).

Review and investigate health charges in the field

4.29 Both the PPA (Norton et al, 1995) and the GLSS data (Demery et al, 1995) suggest the possibility that rural populations in general, and the poor in particular, are being asked to pay more for health services than those in urban areas. It is unclear why this should be, but there is the suggestion that extralegal fees are being applied, and that many service providers are unaware of the correct scale of fees. Clearly, this needs to be investigated and corrected. Initiatives are needed to increase awareness (among both service providers and users) of the scale of health charges.

Persevere with education reforms

4.30 As a share of GDP, government spending on education in Ghana compares favorably with Asian average (3 percent). Intrasectoral allocations also compare favorably. Ghana spends 41 percent of its education budget on primary education, 41 percent on secondary education, and 11 percent on tertiary education in 1992. The corresponding shares are 48, 31, and 19 percent in Asia and 51, 26, and 24 percent in Latin America. Primary and junior secondary education are considered as 'basic education' in Ghana. In recent years, government spending on basic education has reached 70 percent of its education budget.

4.31 Although the overall resource envelop devoted to education appears satisfactory in Ghana, and the intrasectoral emphasis is appropriately on basic education, there remain serious questions about the *quality* of schooling that is provided through the state. The PPA results discussed above point to major problems with schooling quality. And these problems were also in evidence in the GLSS data. Clearly, there is a need to ensure that resources devoted to education are used efficiently in delivering these services.

4.32 Three major changes need to be made to enhance the provision of education services in Ghana. First, it is essential that the overall management of the education system be significantly improved. At present, the Ministry of Education has little knowledge of actual expenditures in the various institutions, nor how much they deviate from the budgeted amounts. It is essential that the Ministry be able to monitor and re-allocate resources so that they may be targeted more effectively to basic education.

4.33 Second, there is a serious need for greater discipline among teachers in the public sector. The PPA reports absenteeism and very little actual teaching going on. Linked to this is a need to increase the number of teachers who are trained in the profession. The GLSS data suggest that households pay tuition fees even for primary and JSS enrollments. It is unclear why such fees are reported in the survey—they may refer to charges imposed by the teacher for private tuition. The PPA suggests that many participants thought that teachers put greater effort into additional private tuition than into classroom teaching. Clearly, this needs to be investigated further, and appropriate action taken.

4.34 Finally, government allocations to non-salary costs (typically less than 5 percent at the primary and JSS levels) are inadequate, resulting in ineffective service delivery.

Glewwe and Jacoby (1992) conclude that schooling quality and cognitive achievement can be improved significantly with relatively minor changes to the provision of education services—the provision of blackboards and textbooks, and necessary maintenance. Given the allocations of funds in the past, these inputs have not been provided. Poor communities have proved unable to finance such inputs as school supplies, desks, chairs and school building maintenance which has led to a seriously underfunded component of the service.

Strengthen direct targeted poverty interventions

4.35 The persistence of poverty in some parts of the rural sector and in urban areas, especially Accra, points to the need for other targeted interventions to assist the poor to participate in the growth process. A case can be made to establish a social fund which would target the needs of poor households, groups and communities, ranging from those in remote rural communities to those in the urban informal sector. Although the nature of the support needed is not yet clearly established, the focus would likely be on employment creation and the delivery of basic social services, with an emphasis on strengthening NGOs, local governments, communities, and small-scale private initiatives.

4.36 From the EPS results, and especially the PPA findings, a social fund is likely to be more effective in improving the welfare of the poorest households and communities if its resources can be effectively targeted to the most needy. This means that its resources should be targeted geographically. For the poorest communities in the north, an essential objective would be the creation of employment and income-earning opportunities during the lean season. If the activities so funded improve the rural infrastructure, the social fund would have a double edged effect on poverty—on the one hand raising current incomes and improving food security today, and on the other, creating an enabling environment for future growth.

Continue and strengthen poverty monitoring

4.37 The GSS has proved itself able to field and process a survey as complex as the GLSS. Yet, it has taken some time to process and clean the data, so that the GLSS3 report has been published some three years after the fieldwork was completed. There is, therefore, a clear need to further strengthen poverty monitoring in Ghana, and to enhance the capacity of the GSS to undertake this responsibility.

4.38 The GLSS data are now clearly dated. In relying on these data, the EPS has not sufficiently reflected developments since 1992, many of which have been adverse for the poor, which leads to two major implications for the future. First, the priority must be for a repeat of the GLSS in the near future. This should be undertaken with minimal changes to the survey design—especially the questionnaire. If changes are required, appropriate pre-tests should be applied to enable analysts to assess the effect of the amendments.

4.39 Second, given the cost of the a survey as complex as the GLSS, it is unlikely that it could be fielded every year. Even if this were possible, the time taken in processing the data make it an inappropriate instrument for *monitoring* welfare and poverty. This would suggest a role for a complementary instrument which would be a much simpler and lighter instrument, but applied each year. It would obtain information on those dimensions of welfare that are subject to year-on-year changes, and which are sensitive indicators of the well-being of the poor. GSS should consider developing such an instrument in order to keep policy makers informed of changes in the welfare of the poor in a timely manner. A particular priority would be monitoring the food security situation in highly vulnerable northern communities.

4.40 Further work should also be considered to build a consensus on the meaning of poverty and on the poverty line itself. The EPS has begun this process, but clearly there needs to be more debate on this in Ghana. Both quantitative and participatory approaches are needed for this.

Establish policy research priorities

4.41 The work summarized in this report is only a beginning. It is a first phase of a program of work that will continue. What are the priorities of the future? The *second phase* of the EPS has two components. First, it will seek to develop further the policy and program implications of the first-phase findings. The recently formed government poverty coordinating committee will clearly assume the responsibility for this. Second, there will be further policy research, building upon the findings of this report. While these priorities will be established through the poverty coordinating committee, it is likely that the following elements will be important:

Access to public services: The public social spending incidence analysis takes as given the pattern of use by households of public services. This study will seek to explain what determines the effective access of households to public services. To what extent is the low use of services by the poor a result of their low incomes, or of the inaccessibility of the facilities providing the service? The study analyses health, education and rural infrastructure services.

Labor markets and the poor: given the 'growth-pole' strategy suggested in the report *Ghana 2000 and Beyond*, a key to the participation of the poor in the process lies in the efficient operation of the labor markets. This study has three components:

- does the labor market in Ghana function efficiently?
- what are the returns to education in Ghana?
- is there a migration response to employment opportunities by the poor?

Agriculture, the environment and poverty in Ghana: It is likely that three policy research issues will be dealt with under this component. First, an analysis is required of the processes through which rural living standards have changed in Ghana during the 1988-92 period. This will throw light on questions not fully resolved in the first phase of the EPS. Second, there is a need to investigate the links between environment deterioration on the one hand, and poverty on the other (dealing with both urban and rural forms of environmental change). Evidence on environmental changes (based in part on satellite imagery) will be combined with welfare and other behavioral indicators from the GLSS. Finally, more information is needed on the specific needs of poor Ghanaian farmers in the context of the overall rural economy (that is, not simply agriculture). This will inform government about the services that are most important to the farming communities.

Poverty and gender in Ghana: While gender is established as a key dimension of poverty and social policy in most of the EPS work, a more focused assessment the specific problems and opportunities facing women, and their policy implications, will be made. The study will emphasize the economic and political participation of women and their access to social services. It will be used to raise awareness of, and effect changes, in gender disparities, and to explore ways to improve institutional capacity to deal with gender issues.

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