

## **Ghana: Poverty Reduction Strategy Paper**

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**GHANA POVERTY REDUCTION STRATEGY  
2003-2005**

**AN AGENDA FOR GROWTH AND  
PROSPERITY**

**VOLUME I:  
ANALYSIS AND POLICY STATEMENT**

**FEBRUARY 19, 2003**

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## ABBREVIATIONS AND ACRONYMS

AABZ	Accelerated Agri-Business Zones
AAGDS	Accelerated Agricultural Growth and Development Strategy
ACP	African, Caribbean, Pacific
ADR	Alternative Dispute Resolution
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
ALA	Area of Land under Agriculture
ASIP	Agricultural Services Investment Project
AU	African Union
BoG/BOG	Bank of Ghana
BPEMS	Budget Preparation Expenditure Management System
CAGD	Controller and Accountant General's Department
CBOs	Community Based Organizations
CEPS	Customs, Excise and Preventive Service
CHRAJ	Commissioner for Human Rights and Administrative Justice
CMAs	Central Management Agencies
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
CSO	Civil Society Organisations
CSPIP	Civil Service Performance Improvement Programme
CWIQ	Core Welfare Indicators Questionnaire
CWSA	Community Water and Sanitation Agency
DACF	District Assembly Common Fund
DAs	District Assemblies
DFID	Department for International Development of UK
DPCU	District Planning Coordinating Unit
DPT 3	Diphtheria Pertussis and Tetanus 3
ECOWAS	Economic Community of West African States
EPA	Environmental Protection Agency
EPCC	Economic Policy Coordinating Committee
ERP	Economic Recovery Programme
ESF	Emergency Shock Fund
EU	European Union
FASDEP	Food and agricultural Sector Development Programme
FCDP	Food Crops Development Project
fCUBE	Free and Compulsory Universal Basic Education
FDI	Foreign Direct Investment
FGM	Female Genital Mutilation
G7	Group of Seven developed countries
GAP	General Agricultural Policy
GDHS3	Ghana Demographic and Health Survey 3
GDP	Gross Domestic Product
GEPC	Ghana Export Promotion Council
GES	Ghana Education Service
GFDC	Ghana Food Distribution Corporation
GHS	Ghana Health Service
GLSS	Ghana Living Standards Survey
GNCC	Ghana National Commission on Children



GOG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GPRTU	Ghana Private Road Transport Union
GRATIS	Ghana Regional Appropriate Technology Industrial Services
HIPC	Heavily Indebted Poor Country
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
IEC	<i>Information, Education and Communication</i>
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
IRS	Internal Revenue Service
ITTU	Intermediate Technology Transfer Unit
JDPB	Joint Development Planning Board
JSS	Junior Secondary School
KG	Kindergarten
KVIP	Kumasi Ventilated Improved Pit
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MDPI	Management Development and Productivity Institute
MEMD	Ministry of Employment and Manpower Development
MEPRC	Ministry of Economic Planning and Regional Co-operation
MEST	Ministry of Environment, Science and Technology
MFIs	Micro Finance Institutions
MIS	Management Information System
MLGRD	Ministry of Local Government and Rural Development
MMDAs	Metropolitan, Municipal and District Assemblies
MOE	Ministry of Education
MOF/MoF	Ministry of Finance
MOFA	Ministry of Food and Agriculture
MOH	Ministry of Health
MOTI	Ministry of Trade and Industry
MOWAC	Ministry of Women's and Children's Affairs
MSU	Management Services Unit
MTADP	Medium Term Agricultural Development Plan
MTDP	Medium Term Development Plan
MTEF	Medium Term Expenditure Framework
NADMO	National Disaster Management Organization
NAEP	National Agricultural Extension Programme
NARP	National Agricultural Research Programme
NBSSI	National Board for Small Scale Industries
NCWD	National Commission on Women and Development
NDPC	National Development Planning Commission
NGO	Non-Governmental Organisations
NIRP	National Institutional Renewal Programme
NLSP	National Livestock Services Project
NPO	Non-Profit Organization
NTE	Non-Traditional Exports
OHCS	Office of the Head of Civil Service
OPD	Out Patients Department

PAC	Public Accounts Committee
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment
PARDIC	Public Administration Restructuring and Decentralization Implementation Committee
PLSPF	Private Sector-Led Poverty Fund
PLWA	Persons Living With AIDS
PLWHA	People Living With HIV/AIDS
PPA	Participatory Poverty Analysis
PPMED	Policy, Planning, Monitoring and Evaluation Division
PRPF	Poverty Reduction Policy Framework
PSC	Public Service Commission
PSMRP	Public Sector Management Reform Programme
PUFMARP	Public Finance Management Reform Programme
R&D	Research and Development
RCC	Regional Coordinating Council
RPCU	Regional Coordinating Planning Unit
RTIP	Roots and Tubers Improvement Project
SA	Subvented Agencies
SAP	Structural Adjustment Programme
SCIMP	Smallholder Credit Input Supply and Marketing Project
SIF	Social Investment Fund
SSA	Sub-Saharan Africa
SSIDP	Small Scale Irrigation Development Project
SSNIT	Social Security and National Insurance Trust
SSS	Senior Secondary School
STDs	Sexually Transmitted Diseases
STIs	Sexually Transmitted Infections
TDE	Total Discretionary Expenditure
TIN	Tax Identification Number
UK	United Kingdom
UNICEF	United Nations Children Emergency Fund
US	United States of America
US\$	United States of America Dollar
UWADEP	Upper West Agricultural Development Programme
VAT	Value Added Tax
VELD	Vehicle Examination and License Division
VIP	Village Infrastructure Project
WAJU	Women and Juvenile Unit of the Ghana Police Service
WTO	World Trade Organisation

## **EXECUTIVE SUMMARY**

### **1.0. INTRODUCTION**

The GPRS represents comprehensive policies, strategies, programmes, and projects to support growth and poverty reduction over a three-year period (2002-2004). It is informed by the conviction of the current government that the economy of Ghana needs to be managed effectively to enable wealth creation for the benefit of all Ghanaians.

The Government of Ghana aims to create wealth by transforming the nature of the economy to achieve growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment. This goal will be achieved by:

- Ensuring sound economic management for accelerated growth;
- Increasing production and promoting sustainable livelihoods;
- Direct support for human development and the provision of basic services;
- Providing special programmes in support of the vulnerable and excluded;
- Ensuring good governance and increased capacity of the public sector; and
- The active involvement of the private sector as the main engine of growth and partner in nation building.

The emphasis over the period will be on stabilising the economy and laying the foundation for a sustainable, accelerated and job creating agro-based industrial growth. The GPRS will also focus on providing the enabling environment that will empower all Ghanaians to participate in wealth creation and to partake in the wealth created. It will ensure that all Ghanaians irrespective of their socio-economic status or where they reside have access to basic social services such as health care, quality education, potable drinking water, decent housing, security from crime and violence, and the ability to participate in decisions that affect their own lives.

### **2.0 THE ECONOMY AND POVERTY IN THE 1990s**

One of the fundamental problems that have faced the country is the persistent reliance on the export of a few primary products with little or no value added (cocoa, gold, timber and others). This has made the economy vulnerable to price fluctuations dictated by buyers in the developed economies. The low earnings from primary products have meant low revenue to the country. This in turn has made it difficult to create meaningful wealth in the country. Per capita income in Ghana today is less than what existed at the time we achieved independence 44 years ago.

Ghana's economy, since the early 1990s, has been characterised by high rates of inflation, high interest rates, continuous depreciation of the cedi, dwindling foreign reserves, excessive public debt overhang and stagnant economic growth. Extensive liberalization and adjustment in the 1980s produced some growth in services and mining but did little to produce and sustain growth in agriculture and manufacturing. As a result, both growth and incomes have remained stagnant. The stagnant growth of the economy in the 1990s has produced less than acceptable levels of poverty reduction.

Spending on social programs for poverty reduction such as health and education has been low and constraining to poverty reduction. For instance, the levels of spending on health and education at 2.0% and 2.8 % of GDP respectively are much lower than African averages with a disproportionate amount of the resources used for personnel emoluments and administration.

Over the past ten years, Ghana has experienced growing and deepening poverty an evidence of intensification of vulnerability and exclusion among some groups and in some areas, especially in the north of the country and the Central region. Moreover, population growth during the period far outstripped the rate of decrease in poverty levels.

Five out of ten regions in Ghana had more than 40% of their population living in poverty in 1999. The worst affected being the three northern savannah regions (the Upper East, Upper West and Northern Regions). Nine out of ten people in the Upper East; eight out of ten in Upper West, seven out of ten in Northern Region and five out of ten in Central and Eastern Regions were classified as poor in 1999.

Food crop farmers in the country have the highest incidence of poverty. They constitute fifty-nine percent (59%) of the poor in Ghana. This has been due to several factors including lack of access to markets, high cost of inputs and low levels of economic infrastructure.

### **3.0. STRATEGIES FOR POVERTY REDUCTION**

Strategies for poverty reduction include prudent fiscal and monetary policies; private sector-led industrial production through the application of science and technology; sound and sustainable management of the environment; promotion of commercial agriculture using environmentally friendly technologies; agro-based industrial expansion; export promotion based on diversification and competitive advantages; increased investments in social services; and accelerated decentralisation as the key mechanism for policy implementation. A summary of the strategies pertaining to each of the objectives identified above is presented below.

#### **3.1 STRATEGIES FOR ENSURING MACROECONOMIC STABILITY**

To achieve macroeconomic stability prudent fiscal, monetary, and international trade policy measures will be adopted. The fiscal measures will focus on conversion of short-term debts into long-term instruments, reduction in fiscal deficits, and more effective revenue mobilization. Monetary policy will focus on effective monetary management to ensure low and competitive interest rates, single digit inflation, stable exchange rates, reasonable spread between lending and savings rates, and the establishment of long-term capital market. International trade measures will focus on mechanisms to diversify exports and enhance productivity to ensure international competitiveness to achieve a sustainable level of foreign reserves.

### **3.2 STRATEGIES FOR INCREASING PRODUCTION AND GAINFUL EMPLOYMENT**

The strategy for improving production and generating gainful employment is based on the creation of an enabling environment for improved private sector-led agro-based industrial production propelled by the application of science and technology and the promotion of tourism. This will involve improvement in the capacity of the private sector to adopt an entrepreneurial approach to increase production and generate employment. This will include:

- Easing access to farming inputs such as fertilizers, insecticides, high yielding seed varieties and irrigation-based farming techniques.
- Development of marketing channels for agricultural produce.
- Encouraging the development of non-traditional exports to expand industrial production and gainful employment.
- Accelerated growth of small and medium scale manufacturing industries through among others, the diffusion of appropriate technologies and vibrant training programmes.
- Utilising information and communication technology to further enhance our development efforts.
- Addressing the gender dimensions of production including access to credit.
- Vigorous encouragement of tourism to take advantage of both its foreign exchange earning capability, and its direct and indirect employment creation potential.
- Ensuring the sustainability of resources on which production is based.

The programme on production and employment will seek not only to improve public sector delivery of programmes but also provide sufficient incentives to stimulate private sector activities in increasing and sustaining production of basic staples, production of selected export crops, and vigorously expand employment in sectors such as tourism which can employ and enhance the skills of people in geographical areas where the poor reside most.

### **3.3 STRATEGIES FOR HUMAN DEVELOPMENT & PROVISION OF BASIC SERVICES**

Significant gaps exist in access to and utilisation of basic services by the poor, particularly with regards to health, HIV/AIDS control, population management, water and sanitation, and education and training.

Gaps in health are reflected in high levels and wide geographical disparities in outcomes, particularly under five and maternal mortality and child malnutrition. Diseases that affect the poor, including malaria, guinea worm and tuberculosis continue to exist in considerable dimensions. Quality of care, at current levels and the cost discourages many poor people from consulting qualified health personnel.

The rapid spread of HIV/AIDS has received attention from government and its partners. The immediate challenges include the prevention of the spread of HIV/AIDS and the provision of care for persons living with AIDS and their families.

There are very limited choices on fertility regulation among poor families. These families tend to have large family sizes, which critically constrain sustainable poverty reduction.

With regards to quality education, the constraints include poorly equipped and supervised public basic schools and the wide geographical disparities in access and outcomes. Other constraints are the limited relevance and participation of the poor in post basic education, constraints in regular and timely transfer of approved funds to the education sector and very severe management gaps

Consequently, the GPRS aims at removing key obstacles to access and utilisation, by the poor, of basic education, health care, population control, good drinking water, and improved sanitation. Access to basic education will mean the rehabilitation of dilapidated public school buildings, provision of basic school materials such as furniture, blackboards, chalks, and textbooks to public schools in deprived districts and training more teachers and providing incentives to teachers to stay in deprived areas. Improved basic health care for the poor will include bridging gaps in access to health, nutrition, and family planning services, ensuring sustainable financing arrangement that protects the poor, and enhancing efficiency in service delivery. Strategies for providing safe drinking water and sanitation include accelerated provision of bore holes especially in guinea worm endemic communities and accelerated provision of toilet facilities in poor communities.

### **3.4 STRATEGIES FOR SPECIAL PROGRAMMES FOR THE VULNERABLE AND EXCLUDED**

Special programmes for the vulnerable and excluded will establish systems and provide resources to ameliorate conditions of extreme poverty and social deprivation. The focus will be on interventions that have not been mainstreamed including measures to promote gender balance and equity. These interventions will also be aimed at responding rapidly to the needs of those affected by natural and man-made disasters. This will involve expanding coverage of social security scheme, introducing mutual health insurance to cover majority of workers, developing systems that enforce the rights of the vulnerable especially the rights of children and women and preventing disasters and mitigating their impact on the poor.

### **3.5 STRATEGIES FOR GOOD GOVERNANCE**

To ensure effective implementation of poverty reduction programmes and projects, steps will be taken to establish and strengthen the leadership and oversight functions of the Executive and Parliament. Communication between civil society, traditional authority and all branches of government will be institutionalised as a means of strengthening public policy management.

A major objective of the GPRS is to ensure that no Ghanaian is excluded from participation in governance, from protection of their civil liberties, from the pursuit of freedom and justice under the banner of the rule of law. To realize these objectives the GPRS will focus on ensuring:

- Timely access to justice for all;

- *Transparency of Government decision making;*
- *Accountability and zero tolerance for corruption in both public and private sectors;*
- *Public participation in decision making;*
- *Decentralization of responsibilities;*
- *Observance of both rights and responsibilities; and*
- *Discipline and observance of laws, rules, regulations in both public and private sectors of the society.*

#### **4.0 GOVERNMENT'S MEDIUM TERM PRIORITIES (2003 – 2005)**

Detailed programmes and projects for implementing the strategies identified above can be found in the main text. Given the magnitude of funding required to implement the entire programmes and projects, it became necessary to prioritise them to ensure that financing can be secured and good progress made towards meeting the major poverty reducing targets set out in the GPRS.

The priority programmes and projects, which span the five thematic areas, are infrastructure development and modernised agriculture based on rural development to ensure increased production and employment; investments in education, health, and sanitation to enhance delivery of basic social services; upholding the rule of law, respect for human rights and the attainment of social justice and equity to enhance good governance; and private sector development through macro-economic stability and streamlining of public bureaucracy.

##### **4.1. INFRASTRUCTURE**

The objective is to open up the country, introduce competition and create an enabling environment for the Private Sector. These priorities are consistent with the location analysis and are reflected in the sectoral elements of the GPRS. Actions will focus on the following:

- i. Initiate the construction of three major highways: Accra-Yamoransa; Accra-Aflao; and Accra-Kumasi. This will open up the country and link it up with the trans-ECOWAS highway project. It will ensure that Ghana is able to take advantage of the opportunities from West African economic integration and will lead to the creation of jobs.
- ii. Select one major road to a productive area in every region that links the rural areas of the region to the urban area for rehabilitation or development to open up the country for investment, productivity expansion, and job creation.
- iii. Accelerate the further development of our ports (Tema and Takoradi and inland ports) through private sector participation to make them competitive for global trade.
- iv. Re-negotiate existing telecommunications agreements to introduce more competition and accelerate access to telephones, Internet and information technology in general throughout the country.

- v. Take all steps necessary to increase the availability of energy to boost industrial growth and production. This includes the West Africa Gas Pipeline, the Bui Dam, the expansion of the thermal plant at Takoradi and increased use of solar energy.

#### **4.2 MODERNIZED AGRICULTURE BASED ON RURAL DEVELOPMENT**

Government's objective is to develop the country to become an agro-industrial economy by the year 2010. This will require the development of the rural economy. The actions to be taken will include the following:

- i. Reform land acquisition to ensure easier access and more efficient land ownership and title processes.
- ii. Serve as a catalyst to assist the private sector to increase the production of grains such as rice, maize and tubers so that we can achieve food security. This will include extension and research services, irrigation facilities, and affordable credit to support the farmer.
- iii. Encourage the production of cash crops such as cashew.
- iv. Support the private sector to add value to traditional crops such as cocoa.

#### **4.3 ENHANCED SOCIAL SERVICES**

The objective is to enhance the delivery of social services to ensure locational equity and quality, particularly with regard to education and health services. This will be done through actions including the following:

- i. Change the educational system to ensure that there is uninterrupted education for all Ghanaians from pre-school to age 17 to create the opportunity for human development and reduce poverty.
- ii. Ensure that we develop model senior secondary schools in every district in the country.
- iii. Ensure that we develop model health centres for every district in the country.
- iv. Phase out the cash and carry system and replace it with a more humane and effective system of financing health care.

#### **4.4 GOOD GOVERNANCE**

The objective is to ensure the rule of law, respect for human rights and the attainment of social justice and equity. This is to lead to the strengthening of the three arms of government, the executive, judiciary and the legislature. The actions to be taken include the following:

- i. Support the work of Parliament to enable the institution to play its role for better governance.
- ii. Restructure the civil service to ensure efficiency, effectiveness and related performance-based compensation.
- iii. Strengthen the capacity of the Office of the Attorney General and the judiciary in terms of numbers, technology, training and equipment in order to ensure the appropriate rule of law.



- iv. Enhance social order by improving the police service. Equip them with vehicles, communications, equipment and technology, enhance training and increase their numbers.
- v. Ensure transparency and accountability in resource generation, allocation and management.

#### **4.5 PRIVATE SECTOR DEVELOPMENT**

The objective is to strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction. This is to lead to the creation of wealth at a faster rate in order to reduce poverty in a sustained manner. The actions to be taken will include the following:

- i. Work with the private sector, both foreign and domestic as an effective development partner.
- ii. Provide active assistance through the divestiture programme, financial support and streamlining government bureaucracy.

#### **5.0 TARGETS**

The Ghanaian economy (the gross domestic product (GDP)) needs to grow by more than 7% annually in order for real poverty reduction to take place. Therefore, the long-term strategy of government is to increase growth to an average of 8% by the year 2010. In the short term, the aim of the government is to reduce the national incidence of poverty from 39% in 2000 to 32% in 2005. To make this possible, the GPRS over the three-year period aims to improve real GDP growth to 5.0% and per capita growth from 1.4% in 2001 to 2.4% in 2005.

The incidence of poverty incidence among food crop farmers is targeted to decrease from 59% to 46% by 2005. Under-five mortality rate is planned to drop from 110/1000 to 95/1000. Gross JSS enrolment will grow from 61% to 65%. Gross primary school enrolment will increase from 78% to 82% with that for girls increasing from 71% to 80% within the period.

#### **6.0. COSTING AND FINANCING THE POVERTY REDUCTION PROGRAMS**

The broad objectives and strategies identified above are aimed at reducing overall poverty levels in Ghana. Funds from on-going poverty-related projects, HIPC savings, GOG sources, additional donor support, as well as other non-traditional sources of funding will be used to finance the programmes, projects and activities under the GPRS. In some cases, expenditure will have to be shifted to priority sectors to ensure achievement of poverty reduction targets. Based on planned actions, agriculture, health (including HIV/AIDS), education, housing and community amenities (including environmental sanitation), and production infrastructure will receive the largest shifts.