

## **THE GHANA POVERTY REDUCTION STRATEGY (GPRS) ISODEC'S POSITION PAPER**

### **Introduction**

Poverty trends in Ghana in the 1990s were favourable as the population defined as poor fell from 52% in 1991-92 to just below 40% in 1998-99<sup>1</sup>. This improvement was attributed to sustained GDP average growth rate of 4.3% during that period. There were also broad improvements in social indicators such as life expectancy, primary school enrolment, and infant mortality rates. However, the reduction in poverty has been geographically uneven and poverty even rose in some areas, notably in the northern part of the country. To put it crudely, Ghana, like most African countries, has grappled with the problems of hunger, ignorance and disease for a very long time. Thus, poverty revolves around these problems: low income, malnutrition, inadequate access to safe water, illiteracy and endemic diseases and increased prevalence of HIV/AIDS.

In the last decade Ghana had prepared an economic policy document, the Ghana Vision 2020, that was supposed to cover the development strategies for the twenty-five year period ending in 2020. The aim was to improve individual and social well-being and make Ghana a middle income country by the end of the period. There were meant to be medium term strategies for the implementation of these strategies throughout the period. The First Step covered the period from 1996 to 2000 but the second step has remained on the drawing board with the change in the government and the emphasis on PRSPs.

Ghana is currently a PRGF-eligible and an IDA-only country, with a per capita of less than \$300. To qualify for the IMF's Poverty Reduction and Growth Facility (PRGF) and assistance from the soft-loan window of the World Bank (the IDA) or the Regional Development Bank, Ghana is, therefore, required to prepare a Poverty Reduction Strategy Paper (PRSP). In June 2000, Ghana prepared an Interim Poverty Reduction Strategy Paper (I-PRSP), which was approved by the IMF and World Bank in August 2000 but, as a World Bank official admitted, it was sections of a number of already existing policy documents that were "cut and pasted" in a rush to get much-needed assistance from these institutions. The urgency of the presentation of a PRSP became more imperative when Ghana decided to opt for the enhanced HIPC initiative. Thus, while using the I-PRSP as an outline for growth and poverty reduction, steps were taken to prepare the final PRSP document, now christened the Ghana Poverty Reduction Strategy (GPRS). The preparation of the GPRS placed greater emphasis on participation of all stakeholders, including civil society, the media, the private sector, all arms of government and development partners. The IMF and World Bank boards gave their blessing to the document last February as part of the process in reaching the HIPC decision point. The document was the principal subject of the Consultative Group Meeting held in Accra recently.

To the government of Ghana, the GPRS is a country-owned and generated set of comprehensive policies to support growth and poverty reduction over the three-year period 2002 – 2004. The goal of the GPRS is "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" (GPRS February 20, 2002). The focus is on stabilizing the economy and laying the foundation for a sustainable, accelerated and job creating agro-based industrial growth. There is also emphasis on the creation of an enabling environment for the empowerment of all citizens to participate in wealth creation and its consumption.

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<sup>1</sup> Ghana Living Standards Survey, Report of the Fourth Round, October 2000, Ghana Statistical Service, October 2000.

The main policy priorities of the government of Ghana as contained in the GPRS which were re-stated in the 2002 Annual Budget Statement are:

- Infrastructural development.
- Modernised agriculture based on rural development,
- Enhanced social services,
- Good governance, and
- Private sector development.

But, for the majority of Ghanaians who live in very desperate conditions, what appears to offer a ray of hope in the GPRS is the assurance of access to health care, quality education, portable drinking water, decent housing and security from crime and violence. The GPRS aims at reducing the national incidence of poverty from 39% in 2000 to 32% in 2004. Real GDP is expected to grow by 5% over the period with per capita growth rising from 1.4% in 2001 to 2.4% in 2004. Other targets include reducing under-five mortality rate from 110 per 1000 to 95 per 1000, increasing primary school enrolment from 78% to 82% and JSS enrolment from 61% to 65%. However, the targets can not be achieved if the government's cost recovery and cost-sharing policies remain in the health and education sectors as access is drastically reduced due to inability to pay for services.

### **What is the PRSP Approach?**

The PRSP was intended to provide a framework for addressing poverty in a comprehensive and long-term manner, as well as guide donor assistance strategies and coordination. Coordination between the Fund and Bank programmes was also intended to assist in the process of streamlining conditionality. For the World Bank and the IMF to endorse a PRSP, they must be satisfied that such a PRSP satisfies the conditions laid down by these institutions for the preparation of PRSPs. Once endorsed, the PRSP also forms a framework for all other donors to relate to the country. However, many CSOs have expressed the concern that the requirement that a country's overall strategy to produce growth and poverty reduction be endorsed (approved) by IFIs who only underwrite small parts of the total cost is a serious infringement on sovereignty, and as a means of forcing poor countries to align with the interests and ideology of these institutions.

### **THE GPRS PROCESS**

The GPRS process in Ghana officially covered the period from July 2000 to February 2002 although work is still going on to refine it and align it with the budget process. The process started with a preliminary study to identify five major thematic areas of significance to poverty reduction and growth. These thematic areas were:

- The restoration of macroeconomic stability (the Macro Economy).
- The promotion of employment through sustainable economic growth (Production and Employment).
- Human resource development and basic services (Human Resource Development).
- The development and implementation of special poverty reduction projects for the vulnerable and those at extreme risk (Vulnerability and Exclusion), and
- Governance (including anti-corruption).

Following this, Teams were set up to address the five thematic areas with technical input provided by consultants. The teams were required to provide a strategic framework for identifying programme objectives and action areas, outputs and outcomes, and specific beneficiary groups. Various consultations were made and workshops held in Accra and in selected districts and regions for input into the work of the relevant teams. Participants were drawn from government agencies, civil society organizations and the donor community. A two-day National Economic Dialogue was held in May 2001 to deliberate on the proposals.

Further consultations and workshops led to the finalisation of the GPRS as well as draft estimates by MDAs for review by Cabinet and Parliament.

### **Participation**

The National Development Planning Commission and the Ministry of Planning and Regional Cooperation made very admirable efforts to carry through a consultative process. This was in spite of the limited resources at their disposal, their own limited experiences of participatory approaches and a generally limited historical practice of participatory approaches in Ghana. This was further constrained by the lack of independent initiatives by CSOs to facilitate participation and the perceived time pressures facing the government as it was initially felt that a full PRSP was a precondition for HIPC Debt relief. Thus, to a large extent, the government had good intentions and put in a lot of effort at ensuring participation and consultation in the preparation of the GPRS.

However, this is not to indicate that there were no limitations imposed on the credibility of the consultative process. The problem of participation is not so much the numbers of persons reached, but the quality of the discussion and the credibility of the consultations. The quality of the discussions is determined both by the diversity and knowledge of the people around the table as well as information parity. On the latter, a lot has been wanting, a situation not caused merely by the government but also by the IFIs. On the part of government, few people outside Accra and a limited number of organizations have had access to the key documents and when they are provided, they tend to come too late for meaningful consultation. In fact, the GPRS has been described as bulky and not reader-friendly, making it difficult for civil society to study the draft and comment.

Credibility relates to how much the government can be trusted to uphold the conclusions of the consultations, especially in its relations with its power creditor/donor community. However, the credibility of the GPRS process has particularly been questionable at 3 levels. First, the transparency of the process has been compromised by the inaccessibility to key information held by the IMF and the World Bank. For example, the World Bank Letter of Development Policy remains secret. The IMF's staff review reports are released selectively. The HIPC documents are also largely inaccessible, even to Parliamentarians let alone NGOs. Second, the credibility of the process has also been undermined by parallel commitments with the IMF (e.g. the Poverty Reduction and Growth Facility) and the World Bank (Poverty Reduction Support Credit), which predetermine the conclusions of especially key macroeconomic and structural reform policies.

Thirdly, major contentious sectoral policies contained in the GPRS were hardly debated. They appear to have either been transported from past programme commitments (e.g. privatization of utility services, energy policies, land reforms, sale of state-owned enterprises, etc.) or picked from official addresses and pasted on or strongly pushed by donors. This creates skepticism about the credibility of the exercise.

However, it is also necessary to emphasize civil society limitations in ensuring independent civil society-led consultations and the development of alternatives. This reflects civil society's capacity weaknesses, the lack of resources as well as the level of maturity of the civil society movement in the country. Participation in economic policy making and the budget process in particular is a new phenomena in Ghana and is viewed as a purely technical subject handled only by the highly educated few in society and politicians.

### **The Content of the GPRS**

The formulation of the key thrust of the GPRS as seeking to promote growth and poverty reduction is consistent with broad expectations and donor requirements. Its growth formular

is described as actions to create wealth by “empowering all Ghanaians to participate in wealth creation” with emphasis on “stabilizing the economy and laying the foundations for sustained growth”. However, despite the numerous revisions, it is still difficult to pin down priorities and issues. It is very important that the document is reduced to a policy framework, e.g. a matrix of commitments, indicating what is to be done, by whom, and within what time frame if the GPRS is to succeed. Even then there are a number of questions that have not been adequately answered:

- At what cost will the economic stability so emphasised be achieved?
- What rate of inflation is desirable?
- What are the incentives generated and what are the trade-offs?
- How do the policies reduce poverty?
- Who bears the burden of taxation?
- Who bears the burden of expenditure cuts?

Thus, the GPRS and the programmes and policies contained in it do not mean much if there is no cost/benefit analysis to clearly show the impact on poor citizens and whether such policies will really reduce poverty.

Moreover, we are also concerned that, although the GPRS covers a three-year period, the MTEF approach to budgeting adopted by Ghana a few years ago was not used in the preparation of the 2002 Annual Budget which states that the year marks the first year for the implementation of the GPRS. In other words, there are no budgetary projections for the two subsequent years to act as a guide for the implementation of the GPRS.

### **The Poverty Diagnosis**

The poverty diagnosis, as conducted in the GPRS, lacks a consistent inequality focus and does not, therefore, see as its principal challenge, the reversal of inequality. Reversing inequality requires two sets of measures – distribution (assets and transfers) and opportunities to participate in new accumulation. The closest to an inequality focus is the spatial analysis. Even there, there is no consistent link between identification of spatial disparities and clear corrective measures to discriminate in favour of these disadvantaged areas. Gender-based inequality is referred to but in terms of measures, this is limited to general targeting and limited specific targeting related to micro-credit and small scale processing technology. In both cases, there is very little association between poverty status and characteristics on the one hand and macroeconomic and structural policy impacts. A welfare, rather than a rights, approach is applied to the consumption of public goods. In terms of sectoral focus, only Health seems to have adopted a clear inequality framework in terms of its analysis and resource allocation framework.

### **Pro-poor Growth for Ghana?**

The growth approach envisaged in the GPRS is a classic trickle down growth approach, with emphasis on agriculture. However, the agricultural sector strategy can hardly be called a pro-poor one as it does not specify and comply with a pro-poor growth conception. Yet the key innovation of the PRSP approach is a realization that inequality is both a constraint on growth and a constraint on the quality of well-being. After many years of ignoring distribution, the development community has come full circle in recognizing that interventions focusing on the poor may be the most effective ways of raising average incomes.

Not only is the character of growth and distribution not seriously discussed, the sources of the modest growth projections themselves are not so apparent and may well be dependent policies that have failed in the past to deliver growth such as trade and capital account, liberalization and a financing of growth model resting too heavily on foreign resource expectations especially private foreign income.

First, the IMF's Financial programming model, the basis of their policy advice, continues to treat growth as exogenous. This means that they make informed guesses of the growth figure and then prescribe measures to produce an agreed inflation rate and external reserves. The Fund is even less concerned with distribution issues. Although they have committed themselves to performing a Poverty and Social Impact Analysis (PSIA) of their macroeconomic policy agreements with governments, they are yet to do so in a consistent manner anywhere and in any form at all in Ghana. These apply equally to the World Bank although the Bank has a lead role on sectoral issues central to distribution. Its own operating models are equally incapable of being applied to poverty and distributional analysis.

If the World Bank and the IMF have inadequate tools, Governments have even much less capacity and the means to analyse policy trade-offs. The Government of Ghana (GOG) relies heavily on the IMF for much of its projections, including the growth targets, treats growth as exogenous. The GOG does not even have a basic tool to make its projections, let alone undertake policy incidence analysis. Another limitation imposed on the quest for pro-poor growth is one of ideology. In spite of claims about policy flexibility, the major institutions remain caught up in mantras such as universal goodness of liberalization (e.g. trade and capital accounts) and privatization, thereby severely squeezing the space for realistic policy trade-offs.

### **Poverty Sensitive Macroeconomic Policies.**

A related innovation of the PRSP approach is the realization that macroeconomic policies impact differently on different social groups, e.g. different social groups bear different proportions of the burden of reducing inflation and benefit differently from low inflation. Every macro-policy has trade-offs and many macroeconomic policy objectives can be reached through different routes over different time periods, each delivering varying distribution patterns. It is for these reasons that the IMF and World Bank adopted the policy, as a response to CSO pressures, to ensure that PSIA's are conducted. This, of course, has not been the case in Ghana. The GPRS continues to pronounce macro-economic stability as if there were no distributional consequences.

### **Revenues Collection and Social Expenditures**

The GPRS tasks the government with playing a supportive role in achieving the transformation of the agricultural sector from a subsistence orientation to a commercially attractive, viable and dynamic activity. This will lead to the achievement of a sustained equitable growth. However, the GPRS also admits that current sectoral allocations of public expenditure do not represent an optimum distribution in support of poverty reduction and growth. The expenditure policy of the GPRS is therefore aimed at:

- Promoting private sector-led growth, including the encouragement of small-scale business development.
- The adjustment of government's budget for increased expenditures on education, health and other priority social sectors.

The role of the state is very important in our efforts at reducing poverty because historically, in the developed countries, the public sector has played a central role in financing, regulating and/or delivering basic social services, as the market alone does not ensure universal access to these services. This is the principle behind the PRSP concept which requires a reorientation of government spending towards the social sectors, basic infrastructure, or other activities that demonstrably benefit the poor, directly or indirectly. The GPRS in principle has complied with this requirement but the implementation would require a commitment to making improvements in the efficiency and targeting of spending in key

sectors relevant of growth and poverty reduction. This has not shown in past government policies.

### **Revenue Generation**

Ghana revenue generation policy as contained in the GPRS requires that

- Funding should not be inflationary;
- Funding should not lead to an unsustainable debt overhang;
- Funding should not lead to the crowding out of the private sector.

This is a commitment government has made to its external development partners which, in effect, ties our hands to a limited source of funding for the GPRS. This raises doubts as to whether we can actually implement the programmes contained in the document. Moreover, the GPRS has stuck to the Fund and Bank's prescription for tax reforms but reliance on regressive taxes like VAT does not appear to bring about equity although they may improve efficiency and bring in more revenue. Tax reliefs in Ghana tend to be regressive in nature and the numerous loopholes and exemptions in the tax system tend to favour the rich who are in a better position to contribute more resources for poverty reduction programmes. The persistence of budget deficits in Ghana is due more to poor mobilization of resources than to overspending of government. This situation is aggravated by waste and inefficiency. Thus, more emphasis should be placed on strengthening the revenue agencies to ensure efficient revenue collection while streamlining expenditure and reducing waste.

### **IMF/World Bank Dictated Policies**

Our trade policy continues to be guided by the perception that low tariffs are essential for growth as they help to integrate our economy into the global economy, the latter by implication seen as a prerequisite to a successful growth strategy. Some of our tariff reduction policies are also pursued on the false understanding that our commitments to the WTO do not permit us to protect our agriculture and our infant industries. But more importantly, our trade policies continue to be driven forcefully by advice from the World Bank and pro-liberalization consultants paid for by donors and creditors. Recent empirical evidence to the effect that there is no systematic relationship between a country's level of tariff and non-tariff barriers and its subsequent growth rates, appear to be passing our policy analysts by. No country has developed simply by opening itself up to foreign trade and investment. Instead, successful development strategies require a judicious blend of imported practices and domestic institutional innovation. Without a growth strategy led by domestic investors, foreign investment does not follow.

The GPRS does not even raise doubts about the liberalization strategy, let alone the trade offs suffered in the form of loss of government revenue and local productive capacity through unfair competition. It is also hard to find what exactly is pro-poor about the trade strategy?

Although the GPRS indicates that a monitoring and evaluation system is being put in place to track expenditure disbursement and actual implementation of poverty reduction programmes and projects, the role of civil society organizations in this would be very important and should form part of the strategies. This could then be enhanced by the proposed community and household surveys.

Improvements in expenditure data and monitoring will also be needed to track some of the envisaged changes. Evidence of improvements in the level, composition, or efficiency of social spending will be an important element in assessing the change in Ghana's budget strategy. One area of IMF conditionality that is acceptable to civil society organization is greater focus and emphasis in improved accountability for resource management. The call is for subjecting fiscal objectives and policies to open public debate and transparent monitoring systems to improve efficient delivery of public service. As Ghana has reached the Decision

Point, there should be specific measures in place to monitor the use of any additional budgetary resources flowing from debt relief. This is set out in the decision point document.

Moreover, where programs are expected to have significant adverse effects on groups of the poor, the government is expected to demonstrate that the effects are carefully considered and that countervailing measures have been built in to the programs, e.g. a big tax increase, subsidy reform, or exchange rate re-alignment or major structural reform, e.g. civil service downsizing or price liberalization.

### **Crucial Issues and Challenges**

The GPRS faces a lot of challenges and problems in its implementation, including the following:

- Limitations and conditionalities imposed by existing agreements with the International Financial Institutions, e.g. the PRGF and the Bank's Country Assistance Strategy that identifies key conditions, "triggers" which determine how much Ghana can borrow.
- Although the year 2002 is supposed to serve as the first year of the implementation of the GPRS, the 2002 Annual Budget did not appear to have any linkage with the GPRS in terms of costing programmes and projects contained in this document. If annual budgets do not reflect the policies contained in development plans then how can the plans be executed.
- The resource envelope for the GPRS is grossly inadequate and dependent on external donors. Ghana's existing tax and nontax revenue base is low, domestic and foreign debt is already high and unsustainable, and there is not sufficient information on the commitments with external donors with regards to the funding of the GPRS. This raises doubts as to Ghana's ability to implement the GPRS. The HIPC debt relief is not likely to make the situation any better as the initiative presupposes that the resources are available and in lieu of paying debt they should be used to fund the PRSP. This is not necessarily the case, as Ghana sometimes has to borrow to service existing debt.
- There is the need for a political will to implement the programmes and projects as specified in the document and to reallocate existing spending into priority areas and away from non-productive, non-priority spending. This is a serious challenge in the face of numerous pressures from various categories of citizens, especially the powerful and influential, e.g. expensive cars for ministers and MPs.
- The role of civil society in their advocacy role is largely limited and ineffective. Civil society has not got a broad base in Ghana and there are no clear incentives for cooperation. Furthermore, the use of the media or other public forums is limited, there is unwillingness to combine protest with constructive engagement with officials, and the ability to challenge policy-makers' assumptions on policies is limited as economic issues are viewed as too technical for the ordinary citizen.
- The level of capacity in terms of existing institutional and administrative structures involved in the implementation of the GPRS is suspect. General comments on the draft GPRS indicate that capacity at the district level for staff and communities in planning and management is low. A serious policy of reducing poverty can best be tackled from the local government level as policy implementation at this level impacts directly the rural poor. Lack of capacity leads to general inefficiency, bribery and corruption and political interference in the delivery of poverty targeted programmes and projects.
- For the GPRS to succeed there is need for it to be generally acceptable. The Trades Union Congress has expressed concern about the failure of the document to provide for labour standards and realistic wages and incomes, worker friendly tax policies, and agricultural subsidies to alleviate the plight of food crop growers. Gender and other advocates have also expressed dissatisfaction with the inadequate manner in which gender and disability issues have been addressed in the GPRS.

## **Conclusion**

In conclusion, the PRSP process in Ghana and the development of the Ghana Poverty Reduction Strategy has generally been participatory and country-generated. However, this was done within the conditions laid down by the donor community for preparing PRSPs. As such, policies such as privatization and full cost recovery of utility services and basic social services as well as full trade liberalization have not been reviewed in spite of general dissatisfaction from the majority of Ghanaians. If poverty is to be reduced in this atmosphere then it is necessary to put in place social safety nets to assist poor households to maintain minimum consumption levels and access to basic social services.

Funding is the major constraint of the GPRS as resources generated internally are grossly inadequate while foreign debt has become unsustainable. The government has tied its hands further by committing to the condition that the funding should not be inflationary (monetary policies), should not lead to an unsustainable debt overhang (external borrowing), and should not lead to the crowding out of the private sector (domestic borrowing). No matter how beautiful the programmes are they will remain on the drawing board if we don't get the necessary funding. This calls for a more efficient use of all resources at our disposal. The HIPC resources (if we get them) must be used to support the programmes in the GPRS. The Poverty Fund that is created should be open to public scrutiny, as past experience has shown that such funds can easily be diverted for political purposes. Local government authorities must be given more resources, but with the necessary capacity, to implement poverty reducing programmes and projects with civil society oversight. For the tracking of poverty reducing expenditures, transparency is a necessary prescription and the involvement of all and sundry is a basic requirement for success in the implementation of the GPRS.

However, even before the GPRS has taken off, another initiative, the New Economic Partnership for African Development (NEPAD) is underway and has already been hailed as the solution to Africa's problems: good social amenities, strengthened infrastructure base, information and technological advancement and efficient and reliable but affordable energy to spearhead growth in 2025. It remains to be seen whether the GPRS is another of those policy initiatives that have yielded no results for Ghana or there is going to be a change this time.

## References:

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2. Ghana Poverty Reduction Strategy 2002 – 2004: An Agenda for Growth and Prosperity. Analysis and Policy Statement, February 20, 2002.
3. Killick, T & C. Abugre. Poverty-Reducing Institutional Change and PRSP Processes: The Ghana Case. Unpublished Paper.
4. The Ghana Living Standards Survey, Report of the Fourth Round (GLSS 4), October 2000, Ghana Statistical Service, October 2000.
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## **COMMENTARY ON THE GPRS**

What process is necessary to develop the monitoring and evaluation of the GPRS?

- Decentralisation (capacity at district level, data collection to be streamlined)
- Composition of the Team to work on Monitoring and Evaluation
- Should CSO belong to the team?
  - Funding
  - Programmes and projects
  - Objectives and expected outputs

- Baseline information

Long term vision of which the PRSP will form a part.

Consultations limited to 38 districts and some selected communities rather than a nationwide process

- M & E should be participatory.
- English-articulate elite NGOs and government agencies.

There is “No, this is what my people want” attitude in the process.

- Where to get the money
- Who is contributing what amount
- Data outdated and unfriendly format
- Freedom to information bill.

Civil society groups and traditional rulers have subjected the GPRS to severe criticism and called for more public consultations and debate before implementation.

Lacked ownership by a greater majority of the people and was prepared in a rush.

Same as old paradigm of development like SAP and others which were imposed on developing countries but which did little to improve the lot of the people.

Need for policy impact assessment of programmes.

No serious debate by Parliament of serious issues of contention, e.g. land reform, water privatization.

Final document not put in the public domain for discussion and debate before presentation to the donors at the CG meeting.