

**THE GROWTH AND POVERTY REDUCTION STRATEGY- GPRS II 2006 – 2009**

**BY**

**DR. REGINA O. ADUTWUM**

**(Director-General)**

**National Development Planning Commission (NDPC)**

**Flagstaff House,**

**P.O. Box CT 633, Cantonments – Accra**

**Tel #: +233-21-773089**

**E-mail: [radutwum@yahoo.com](mailto:radutwum@yahoo.com)**

# **THE GROWTH AND POVERTY REDUCTION STRATEGY- GPRS II 2006 – 2009**

**BY**

**DR. REGINA O. ADUTWUM,**

## **1.0 INTRODUCTION**

This presentation is made against the background of the policy environment which has emerged from the implementation of policies and strategies of the Ghana Poverty Reduction Strategy (GPRS I) over the period 2003 – 2005. This paper proceeds to analyze the structure, scope and content of the GPRS II which has been formulated as the successor medium term National Development policy framework to be implemented over the period 2006 – 2009.

## **2.0 REVIEW OF GPRS I: 2003 - 2005**

The Ghana Poverty Reduction Strategy (GPRS I ) 2003-2005 was formulated to enable Ghana to benefit from a significant measure of debt relief under the Highly indebted Poor Country Initiative (HIPC) and to position the country in an improved macroeconomic environment to address critical issues of poverty on an emergency basis.

For the limited objective of attaining a measure of macroeconomic stability, sufficient enough to admit a programme of action for interim poverty reduction strategy (I-PRSP), followed by a “Ghana Poverty Reduction Strategy I”, the GPRS I at that time was designed to focus on addressing poverty reduction through programmes and measures which could be implemented over the medium-term, while a combination of a number of fiscal and monetary policies and reforms to governance were being implemented to stabilize the highly distressed macroeconomic environment at the time.

Thus the focus of GPRS I was to realign the badly distorted macroeconomic environment and improve the conditions for implementation of sectoral policies designed to promote sustainable economic growth and reduce the high incidence of poverty prevalent in the country.

The strategy also focused on that component of human development which targeted measures designed to improve access of Ghana's population to basic needs and essential services. These programmes included basic education, safe water and improved health and environmental sanitation.

Generally in the social development circles there were increased expenditure outlays in support of the medium-term priorities of GPRS I with regard to special programmes targeted at the vulnerable and excluded. These included the rehabilitation of street children, increased access to legal aid services for the poor, integration of Persons With Disabilities (PWDs) into mainstream production and employment, and increased access of economically marginalized women to credit through the establishment of the government's micro-credit scheme and the Women's Development Fund supported by the government of Japan.

In this respect, the **GPRS I**, broadly reflected a policy framework that was directed primarily towards the attainment of anti-poverty objectives consistent with the UN's Millennium Development Goals (MDGs).

After one year of successful implementation of the GPRS I and the satisfactory attainment of the policy environment required to access the HIPC inflows Ghana reached the completion point in June 2004

A general assessment<sup>1</sup> of the overall policy environment which emerged from the implementation of GPRS I indicates a positive and significantly stabilized macro economy, with a potential for attaining higher rates of growth. A review of policies relating to the thematic areas of production **and gainful employment, human resource development and good governance**, under the GPRS I however, produced mixed results on the impact of policy interventions designed to reduce poverty.

---

<sup>1</sup> A review of the the positive attainment and shortfalls of the GPRS I has been fully documented and disseminated country-wide in the form of three successive Annual Progress Reports (APR) prepared between 2002 and 2004. The 2005 version of the APR will be issued by the end of June 2006.

These include service delivery constraints and the persistence of regional differences in the distribution of some key outcomes in the health and educational sectors. The educational sector continues to be confronted with insufficient progress in primary school enrolment as well as geographical and gender disparities.

Economic policy and management under GPRS I has been criticised for concentrating on macroeconomic stability rather than providing a clear policy direction which recognises a stable macroeconomic environment as a platform upon which to generate economic growth as a means to poverty reduction. Another criticism relates to the ineffectiveness of the participatory process adopted during its preparation and the implication for national ownership. A further criticism is the insufficiency of gender focus specification when addressing various poverty issues.

Conclusions from a number of reviews on the implementation of GPRS I (by a wide spectrum of civil society and other groups) point to a consensus that the pace of economic growth achieved so far, although remarkable over the relatively short-time span of its implementation, has neither been sufficient enough to reduce the deep rooted incidence of poverty, nor has it been able to radically transform the existing fragile structure of the economy.

In the face of, especially, the recent shocks in the international oil market, and the existence of a volatile pricing mechanism for the country's principal export commodity, cocoa, there is no reason to assume that the prevailing stability in the macroeconomy can be sustained over any reasonable length of time without a bold programme of action designed specifically to project the growth of the economy unto a higher trajectory.

### **3.0 THE GROWTH AND POVERTY REDUCTION STRATEGY (GPRS II: 2006-2009)**

Against this background, government decided to embark on the design and implementation of a revised medium term policy framework with the central objective of accelerating the growth of the economy so that Ghana can achieve middle-income status (with a per capita income of at

least US\$1000) within a measurable planning period. This was to be achieved through a structural transformation of the economy by developing the private sector, diversifying the export base and increased agricultural productivity, within a decentralized, democratic environment.

The design and preparation of GPRS II (2006-2009) is guided by practical lessons and experiences drawn from the preparation, implementation and monitoring of GPRS I (2003-2005).

It integrates the otherwise disparate development agenda and sectoral commitments that compete for inclusion in the annual national budget into one medium term comprehensive development policy framework. Specifically, it incorporates the relevant development strategies/policy documents of all the various sectors such as the Basic Education Improvement Programme and the 2004 White Paper in Education Reform, the Private Sector Development Strategy, Ghana Trade Policy, the Food and Agricultural Sector Development Programme and the National Gender and Children's Policy.

It also seeks to operationalise various international agreements which are relevant to the poverty reduction objectives and of which Ghana is signatory. Principal among these are the Millennium Development Goals (MDGs), the New Partnership for African Development (NEPAD) and the African Peer Review Mechanism (APRM), the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) and the African and Beijing Platforms for Action. It is also consistent with the relevant ongoing programmes which government is pursuing with development partners.

In contrast to GPRS I the environmental, gender, disability and other crosscutting issues have been mainstreamed into GPRS II

### **3.1 Policy Shift and the Strategic Focus of GPRS II (2006-2009)**

The main thrust of the GPRS II is its emphasis on growth as a means to accelerate poverty reduction and to eliminate the worst manifestations of poverty, social deprivation and economic injustice, from Ghanaian society. This underscores the change in name from Ghana Poverty

Reduction Strategy (GPRS I) to the **Growth and Poverty Reduction Strategy** (GPRS II 2006-2009).

Consequently the GPRS II focuses on the implementation of growth-inducing policies and programmes which have the potential to transform the structure of the economy and maximize the benefits of shared accelerated growth. The expected overall growth that will ensure the attainment of the middle income status is expected to be led by the Agricultural sector which will provide the necessary inputs for a vibrant agro-processing industrial sector in the medium to long term. The emphasis on agriculture-led growth strategy is predicated on a number of factors.

First, agriculture is the highest contributor to GDP and provides employment for over 60 percent of the population. Secondly, the bulk of the poor, especially women, are engaged in agriculture – food crops, livestock and fisheries. Thirdly, increased productivity in agriculture will ensure food security and contribute immensely to health and well being of the population. Fourthly, modernized agriculture will also prepare the ground for structural transformation between agriculture and industry. Finally, while the rural areas can be expected to lose population share to urban areas as part of the long-range perspective of economic growth, a pressing social problem of Ghana today is the acute shortage of employment opportunities for the youth. Given the pervasive shortage of capital the quickest route to the solution of a problem that cannot wait is to absorb a maximum number of these in higher productivity and higher income farming pursuits.

As indicated earlier, the overarching goal of the current socio-economic development agenda is to attain middle income status (with a per capita income of at least US\$1000) by the year 2015 within a decentralized, democratic environment. This is to be complemented by the adoption of an overall social protection policy, aimed at empowering the vulnerable and excluded, especially women to contribute to and share in the benefits of growth of the economy, thus ensuring sustained poverty reduction.

Thus GPRS II is anchored on the following themes:

- continued macroeconomic stability
- accelerated private sector-led growth
- vigorous human resource development
- good governance and civic responsibility

### **3.2 Macroeconomic Policies, Strategies and Targets**

The economic growth targets derived from the current level of development and the feasible expectations for the long term perspective of the economy are based on the following realistic assumptions:

- The population growth rate will not exceed 2.6 per cent per annum, through effective population management policies and strategies
- Continued macroeconomic stability, especially by containing inflation within single digit as from 2006
- A stable Cedi/ Dollar exchange rate with prudent management that will keep the Cedi depreciation below a 4 percent per annum ceiling.
- Reduced cost of investment loans as incentives for stimulating investment in support of private sector-led growth. This is expected to be the dividend from sound macroeconomic management, and also reflect the reduction in risk factors that make loans to SMEs unattractive to banks.
- Containment of fiscal deficits and preventing them from being a major source of monetary instability and price inflation. Prudent, debt management will entail taking into account the maturity profiles of debt against public sector borrowing requirements.
- An aggressive domestic revenue mobilization and its efficient use in driving the prioritized development targets.
- An efficient management of prioritized expenditures in favour of development expenditure and to ensure efficiency in the use of public resources.
- Growth in aggregate investment, especially including such packaged programmes as the Millennium Challenge Account Compact with its integrated agro projects

Within these general assumptions, it is targeted that the economy grows at an annual rate which will rise from 6 percent to 8 percent towards the realization of middle income status by 2015; but this must be firmly situated within the perspective of changing the inherent structure of production.

Continued macroeconomic stability will be realized by ensuring prudent fiscal policy management, effective monetary policy, and a well-managed debt and international trade regime. However the highly reserved posture of macroeconomic policy which was appropriate to the economy under GPRS I has to be modified to meet the needs of a more expansionary thrust of policy under GPRS II. The Bank of Ghana is already leading the way by introducing measures such as the reduction in banks' reserve requirements and the lowering of the cost of credit to business on a broad front

GPRS II will further address the structural constraints at the policy and institutional levels that impede increased productivity, adoption of technology and competitiveness of the private sector in relation to agriculture, industry and service sectors. This will empower the private sector to effectively play its role as the engine of wealth creation and poverty reduction.

### **3.3 Private Sector Competitiveness**

Under this broad policy area, GPRS II focuses on policies which have the strongest potentials over the medium term to address the number of constraints to the private sector's capacity to lead accelerate economic growth.

The capacity of the private sector will be strengthened by improving Ghana's access to global and regional markets; enhancing the efficiency and accessibility of national markets; strengthening of firms' competency and capacity to operate effectively and efficiently; enhancing government capacity for private sector policy formulation, monitoring and evaluation; facilitating private sector access to capital; improving the institutional and legal bottlenecks; supporting adoption of technological innovation and entrepreneurship; enhancing the quality of

public services and accelerating the development of other sectors that are strategic to the attainment of private sector-led growth.

At the technical production level, priority interventions planned to support accelerated growth in the agricultural sector include the following; reform to land acquisition and property rights; restoration of degraded land and environment; accelerated provision of irrigation infrastructure; enhancing access to credit and inputs for agriculture based on selectively targeted production, processing and export; improving access to mechanized agriculture with modernized extension services, accelerated infrastructure for aquaculture. Consistent with the long term vision of developing an agro-based industrial economy, the interventions in agriculture will be complemented with appropriate interventions in the trade and industrial sectors.

The strategic support services sectors identified to facilitate improved productivity in agriculture and agro-industry within this policy framework are transportation, energy, science and technology. The broad policy objectives here are to ensure the rehabilitation, provision, expansion and maintenance of the appropriate package of integrated infrastructure which strategically link production and processing.

Policy interventions within the energy sector will focus on ensuring increased access to alternatives forms of energy by the poor and vulnerable; modernization and expansion of power infrastructure; improving the regulatory environment in the power generation and distribution sub-sector with the view to ensuring efficient service delivery while protecting the poor.

Other sectors which are targeted for accelerated growth and development in view of their employment creation and income generation potentials include: mining (especially exploration and exploitation of the lesser developed minerals such as salt); Information and Communication Technology (ICT), tourism, music and film industry, as well as the development and production of commodities under the Special Initiatives for export.

### **3.4 Human Resource Development**

The goal of Human Resource Development under GPRS II is to ensure the development

of a healthy knowledgeable, well-trained and disciplined labour force with the capacity to drive and sustain private sector-led growth. Thus the broad areas of emphasis under the human resource development component of the policy framework include: Education, Health, Safe Water and Environmental Sanitation, Urban Housing and Slump Upgrading, and population Management.

### **Education**

Priority policy interventions that will deepen and sustain the progress made in the sector under GPRS I and accelerate growth include the following: increase access to and participation in education and training at all levels; bridge gender gaps in access to education in all districts; improve the quality of teaching and learning; and ensuring efficiency in the delivery of education services; promote science and technology education at all levels; provide skills and entrepreneurial training in a gender responsive and equitable manner; promote dialogue between industry and skills/professional training institutions to produce skilled labour required by industry; strengthen and support HR training institutions and promotion of apprenticeship

### **Health**

The health sector will continue to deepen the design and implementation of initiatives based on the following three broad policy objectives: bridging equity gap in access to quality health and nutrition services; accelerating the institutionalization of sustainable financing arrangements that protect the poor; enhancing efficiency in service delivery within the health sector in general and especially in the areas relating to preventive healthcare and environmental sanitation sub sectors

To upgrade labour productivity through the reduction of workdays lost due to illness and the cost of treatment, priority interventions in improved malaria case management, and strategies adopted to prevent the spread of HIV/AIDS in order to keep the prevalence rate below 5% and reduce new HIV/STI transmission and mortality will be promoted.

### **Safe water and environmental sanitation**

The GPRS II focuses on accelerating the adoption of improved environmental sanitation practices in urban and rural areas alongside measures to upgrade the level of access to safe water supplies.

### **Urban housing and slum upgrading**

The provision of housing is treated as a strategic area in the GPRS for its capacity to stimulate economic growth while improving the living conditions of Ghanaians. The very activity of providing housing contributes to economic growth through its multiplier effect on job creation and the local building material industry.

### **Population management:**

Even though the population growth rate in Ghana has reduced from its previously high level of about 3% in 1994 to 2.7% in 2000, it continues to outstrip the provision of social services and infrastructure. The high fertility rate has also resulted in a youthful population with a high dependency ratio. GPRS II emphasizes the formulation of appropriate strategies which have the potential to manage a population growth profile consistent with the quality and level of human resource required to propel accelerated growth to a level which sufficiently impacts on the attainment of priority basic human needs.

## **3.5 Good Governance and Civic Responsibility**

The broad objective of good governance and civic responsibility under GPRS II is to empower state and non-state entities to participate in the development process and to collaborate effectively in promoting peace and stability. Although considerable progress was made in terms of these objectives under GPRS I, challenges still remain.

Strategies for Political Governance under the GPRS II therefore include strengthening Parliament, enhancing decentralisation, protecting rights under rule of law, ensuring public safety and security, managing public policy, empowering women and the vulnerable, enhancing

development communication, ensuring good corporate governance, increasing access to information, and promoting civic responsibility.

Priorities for enhancing Economic Governance under GPRS II will focus on improved management of fiscal, monetary and international trade policies. Strategies for improved fiscal policy management will focus on public expenditure management, promoting effective debt management, and improving fiscal resource mobilization. Monetary Policy management will continue to focus on price and exchange rate stability.

In the area of economic governance strategies for improved fiscal policy management will focus on improved public expenditure management, promoting effective and sustainable debt management, and widening the base for fiscal resource mobilization. Monetary Policy management will continue to focus on price and exchange rate stability. GPRS II will promote international trade by reducing the constraints associated with export and import procedures; minimizing the incidence of “dumping”; diversifying and increasing the export base, promoting new areas of competitive advantage, taking full advantage of Ghana’s preferential access to international markets (AGOA, EU-ACP), engaging fully in multi-lateral trade negotiations, and establishment of an effective information system to track and measure progress..

#### **4.0 MONITORING AND EVALUATION**

The goal of the Monitoring and Evaluation (M&E) System under GPRS II is to facilitate the tracking of progress of policy implementation and effectiveness as well as to identify bottlenecks associated with the implementation of the Strategy for early resolution. The proposed system, which forms an integral part of the GPRS II, will build on the progress made under GPRS I and involves the following key strategies:

- reinforcement institutional arrangements that can support a sustainable monitoring and evaluation processes for tracking the impact of the project scenarios for the accelerated growth and poverty reduction strategy.
- Evolution of an efficient system for evidence-based monitoring and evaluation

- ensure a holistic and participatory approach to M&E including consultative mechanisms such as the APRM

Enhanced efforts to implement the M&E Plan will focus on strengthening institutional capacities to link M&E results to national policy and decision-making and budgeting. The outputs from the M&E efforts will continue to be documented and widely disseminated through the Annual Progress Reports

## **5.0 FINANCING THE GPRS II**

The estimated total resources required to finance the GPRS II is \$ 8.06 billion (2006-2009). These costs exclude wages and salaries and administrative expenses associated with project and programme implementation by the public sector. They consist primarily of investment and service costs. The budgeted expenditures for investments and services over the same period, only amount to \$6.27 billion, indicating an overall funding gap of \$1.79 billion which is expected to be filled by external inflows and resources from the capital market.

### **A Long- Term National Development Plan**

GPRS was designed on the basis of limited objectives which were feasible for financing and implementation in the short to medium term perspectives. The Poverty Reduction Strategy Paper (PRSP) approach was adopted to address the immediate to- medium term priorities which the state of the economy could support at the time. The burden of debt-servicing placed severe constraints on the country's ability to expound and implement a vision for a more comprehensive and long-term national development plan. The time frame of three years was obviously too short to support the type of fundamental structural transformation required to drive the goal of attaining middle income status.

Having prepared GPRS II, a longer term national development plan therefore needs to be formulated to more directly influence the process of socio-economic transformation in order to achieve more concrete outcomes over a shorter period than would otherwise be the case. The

plan should go beyond a generalized policy framework to include detailed prioritized programmes and projects which have the capacity to re-energize and sustain Ghana's rural economy and stabilize the current population drift to the few urban centers.

This plan should include a component to control the fast but haphazard growth of Ghana's population and human settlements. A comprehensive human resource component with programmes for a healthy, motivated, skilled labor force in the right numbers and quality, as well as employment, incomes wages and social security should also be formulated as part of the long term plan. Other components of the national development plan which need to be implemented on a long term basis include industrial development , infrastructure (including energy, transport, ICT, water) and predictable economic models for forecasting.

In this regard, the National Development Planning Commission has initiated steps towards the preparation of a Long Term National Development Plan (2006-2015) aimed at accelerating the process of structural transformation of the Ghanaian economy, while reducing the incidence of poverty to that of a middle income country by 2015.