

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

**BY**

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## **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. The 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.

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

Consensus from other independent reviews suggest that the pace of economic growth achieved so far, although remarkable over the relatively short-time span of its implementation,

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<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 2005. The 2006 version of the APR will be issued by the end of June 2007.

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 development 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 is to be achieved through structural transformation of the economy by developing the private sector, diversifying the export base and increasing 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 therefore 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.

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, 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 GPRS II places more 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, thus the change in name from Ghana Poverty Reduction Strategy (GPRS I) to the **Growth and Poverty Reduction Strategy** (GPRS II 2006-2009).

The GPRS II therefore 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 overall growth that will ensure the attainment of 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. These policies will 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.

The 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**

To create the necessary macroeconomic environment to support business and investment, the current macroeconomic stability will be sustained through prudent fiscal policy management, effective monetary policy, and a well-managed debt and international trade regime. The highly reserved posture of macroeconomic policy which was appropriate to the economy under GPRS I is 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

Within this general macroeconomic framework, the economy is targeted to grow at an annual rate of 6 percent to 8 percent towards the realization of middle income status by 2015 under the general assumptions that:

- the population growth rate will not exceed 2.6 per cent per annum, through effective population management policies and strategies
- the inflation rate is kept at single digit as from 2006
- the depreciation rate of the Cedi relative to the Dollar is kept below a 4 percent per annum ceiling.
- cost of borrowing is reduced to act as incentives for private sector investment.
- fiscal deficits is contained.
- domestic revenue mobilization is pursued aggressively and used efficiently to drive the prioritized development targets.

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**

To improve on the competitiveness of the private sector GPRS II focuses on policies which have the strongest potentials over the medium term to strengthen the capacity of the private sector. These are expected to:

- improve Ghana's access to global and regional markets;
- enhance the efficiency and accessibility of national markets;
- strengthen firms' competency and capacity to operate effectively and efficiently;
- facilitate private sector access to capital;

- reduce the institutional and legal bottlenecks; and
- support adoption of technological innovation and entrepreneurship

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 sectors identified to facilitate improved productivity in agriculture and agro-industry 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.

### **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. The broad areas of emphasis: Education, Health, Safe Water and Environmental Sanitation, Urban Housing and Slump Upgrading, and population Management.

#### **Education**

Priority policy interventions under the education sector include: 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**

In the health sector, the broad policy objectives include: 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. In this regard, policy interventions are classified into political and economic governance.

Strategies for Political Governance under the GPRS II 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.

Under Economic Governance, priority interventions 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.

### **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 implementation and effectiveness as well as to identify bottlenecks

associated with the implementation of the Strategy for early resolution. The key instrument for reporting on the progress will continue to be the Annual Progress Report (APR) and the Citizen's Assessment Report. The APR employs a quantitative data on a set of predetermined indicators, and targets in assessing the impact of key GPRS policies. On the other hand, Citizens' Assessment survey is periodically undertaken to provide an opportunity for citizens to participate in the monitoring and evaluation process.

Enhanced efforts in M&E 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

## **6.0 A LONG TERM NATIONAL DEVELOPMENT PLAN**

GPRS I was designed on the basis of limited objectives which were feasible for financing and implementation in the short to medium term. 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. Having prepared GPRS II (2006-2009) the time frame of four years is obviously too short to support the type of fundamental structural transformation required to drive the goal of attaining middle income status.

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. 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 agro-industrial development and infrastructure development (including energy, transport, ICT, water).

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.