

Escaped or Trapped? The Untold Story of Ghana's Poverty Reduction

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Key messages

- Ghana's poverty reduction has been remarkable in the past few decades.
- For poor households, the likelihood of poverty exit has been greater than the chances of remaining in poverty, leading to a poverty reduction from 31.9% in 2006 to 23.4% in 2017.
- Despite the high likelihood of poverty exit across the population, chances of experiencing chronic poverty remain high among the poor, and many non-poor households have elevated chances of falling into poverty.



- Since 2013, poverty has become more entrenched in Ghana and poor people are less able to escape poverty.
- Households living in rural areas and in the northern part of Ghana and households whose heads have a less advantaged social background are more exposed to long-lasting poverty and have a higher risk of slipping into poverty than others.

What is the issue?

Ghana's economic growth and poverty reduction have been remarkable in the past few decades. However, the pace of poverty reduction has decreased since 2013. In addition, there are large differences in poverty levels across regions and socio-economic groups.

People living in rural areas, those in traditional farming, and low-productivity informal sectors are vulnerable to various shocks including climate shocks, job losses, etc. The COVID-19 pandemic has further worsened the situation. Its negative effects on businesses, employment, and income have led to heightened vulnerabilities for many non-poor households and poverty persistence for poor households.

Furthermore, there is unequal access to development opportunities across the population. At least 14 percent of the income disparities in Ghana are explained by unequal access to opportunities, which is an important factor behind poverty traps and persisting inequalities.

Although the government of Ghana has implemented numerous social programmes, including the Livelihood Empowerment Against Poverty (LEAP) cash transfer programme, inequalities increased over time and remain entrenched across the population.

The categories of people that face the greatest challenge to escaping poverty are those in rural areas, those that reside in the northern part of Ghana, and those that have a disadvantaged social background. Even when they are not poor, these groups of people, the unemployed and those in vulnerable employment are more likely to slip into poverty than others.

Why is this issue important to Ghana?

In Ghana, exit from poverty has been a key feature of the dynamics of poverty between 2006 and 2019. However, over time, it has become more difficult for the poor to break out of poverty.

Over the years employment has expanded in low-productivity and informal activities and regional disparities in the access to infrastructure, productive resources, and development opportunities have persisted. This situation has exposed some poor people to chronic poverty and led to a high likelihood of slipping into poverty among non-poor households.

Due to the country's underdeveloped credit and insurance markets and market imperfections, many of these households are not able to adequately respond to negative shocks that are due to factors within the households as well as external factors such as climate change. Moreover, they are not able to adequately invest in education and productive activities that would help them innovate and contribute to Ghana's growth, build their resilience, and lift them out of poverty. In addition, some people have been left behind. These categories are more vulnerable to entrenched poverty or more likely to fall into poverty than others.

The Ghanaian government should take concrete actions to adequately support those that are trapped in poverty as well as those at high risk of falling into poverty. Targeted social interventions are vital to consolidating the country's gains and eliminating poverty of all forms everywhere by 2030 in line with Sustainable Development Goal One (SDG1).

What should policymakers do?

Several policy priorities would help the government of Ghana to break the vicious cycle of poverty and help non-poor households sustain their livelihoods.

First, the government of Ghana needs to implement programmes to foster productivity growth in small-scale farming and small and medium non-farm enterprises, particularly in rural areas and northern Ghana. Efforts targeted at productivity growth in the agriculture and informal sectors need to be accompanied by balanced investments that bridge the existing infrastructure gaps between northern and southern Ghana and between rural and urban dwellings without jeopardizing the needs of key economic sectors.

In addition, the government should improve the business environment by pursuing effective macroeconomic management and appropriate regulatory systems that are conducive to private investments, trade, business growth, and job creation.

Implementation of social programmes in Ghana must focus on building the resilience of vulnerable households to shocks. Poverty reduction policy and implementation in Ghana need to be intentional about providing more equal access to productive potential and opportunities for individuals from disadvantaged backgrounds in terms of education and employment. For sustained benefits, social spending by the government of Ghana in this regard must maintain the right balance between ensuring fiscal sustainability and reaching the ‘left behind’.

What do we recommend?

- Existing flagship programmes (e.g., Planting for Food and Jobs, the National Entrepreneurship and Innovation Programme, etc.) should be complemented by multifaceted and sustainable rural development and infrastructure development programmes, particularly in northern Ghana.
- Pro-poor policies and programmes that seek to ensure equal access to educational and employment opportunities in Ghana (such as the Free Senior High School (SHS) policy) should be devised or revised to better target the most vulnerable groups. These groups include poor people residing in rural locations and northern Ghana, especially persons from disadvantaged backgrounds, the unemployed and those in vulnerable employment.

Further reading

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