

Pro-poor growth in Ghana, and the prospects in the North

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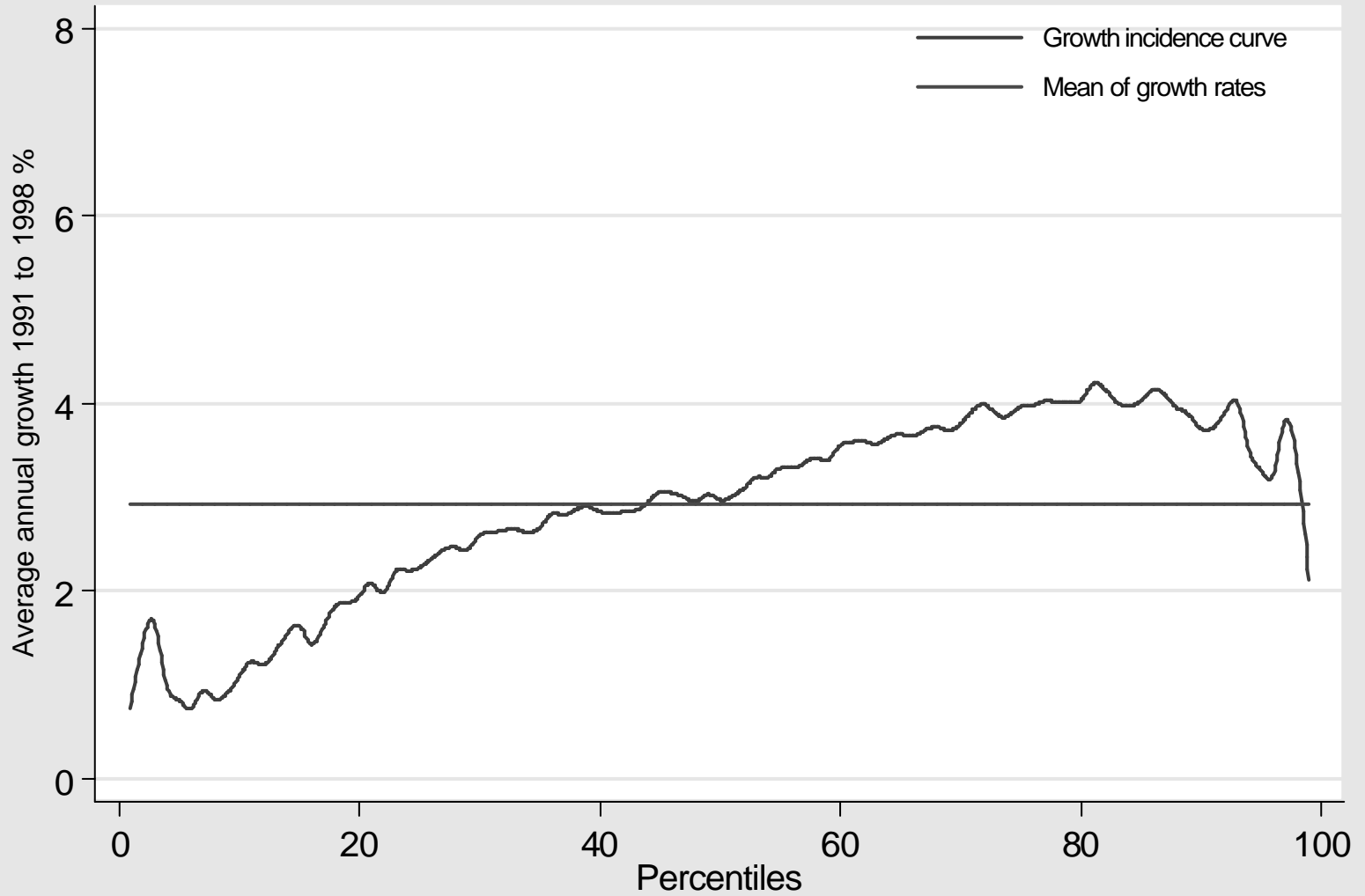
Introduction

- Concept of pro-poor growth about whether poor share proportionately in economic growth
- Two studies form basis for presentation
 - Operationalising Pro-poor Growth in Ghana (with Prof Aryeetey)
 - ODI/CEPA study for DFID of growth prospects in Northern Ghana
 - Team including Charles Jebuni and Seidu Al Hassan

Pro-poor growth: national picture

- Latest data on poverty from 1991/92 (GLSS3) and 1998/99 (GLSS4)
- 1990s decade of macroeconomic instability but overall growth
- Poverty reduction, but poor did not share equally

Growth Incidence curve: Ghana



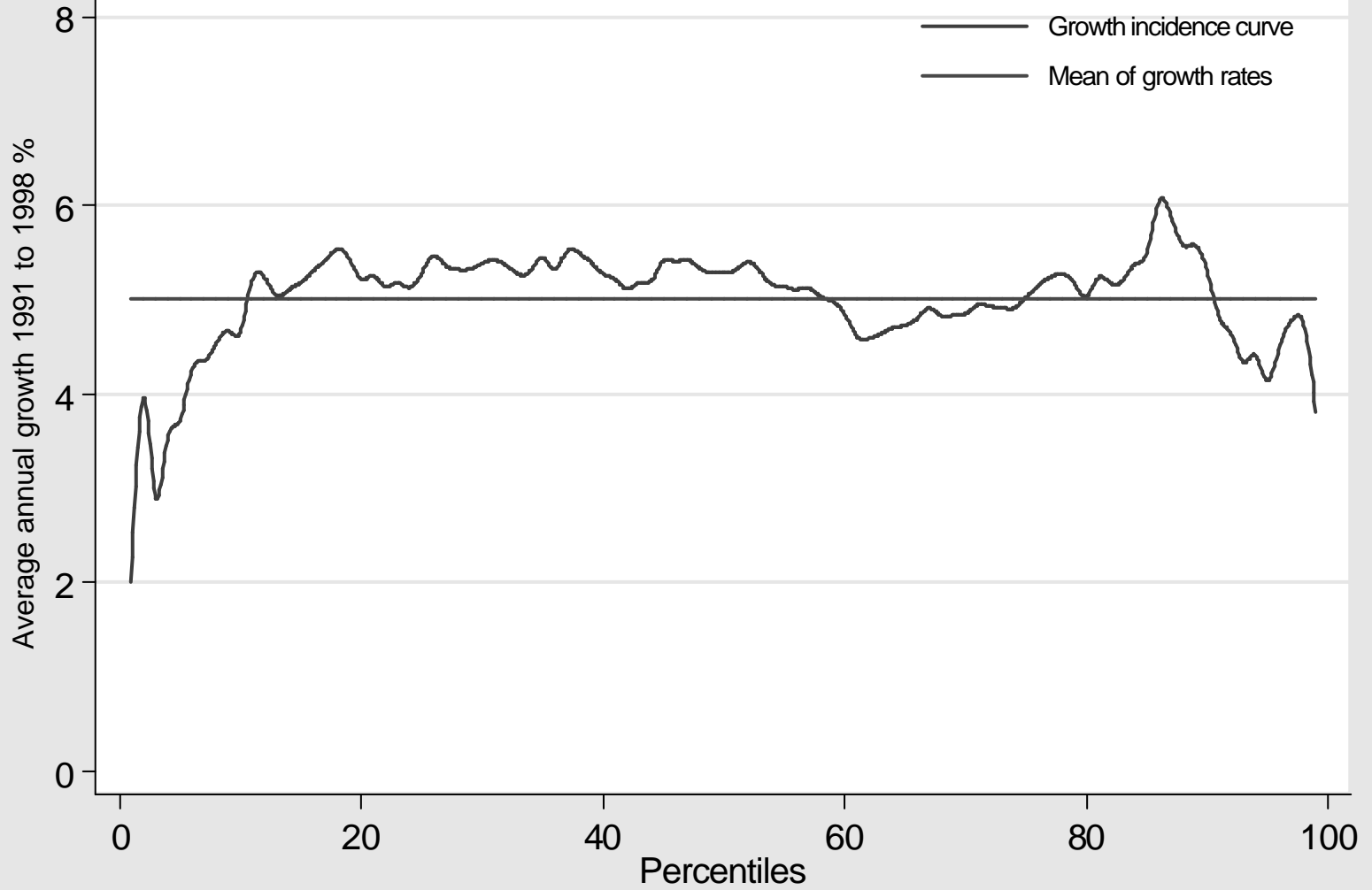
National picture (2)

- Important drivers of growth
 - Trade: export growth and imports
 - Public spending, much aid financed
 - Growth in service activities (especially wholesale and retail trade) and construction
 - Remittances: international and domestic
- But: wage employment contracted, continued weak private investment, and slower growth of non-cash crop agriculture

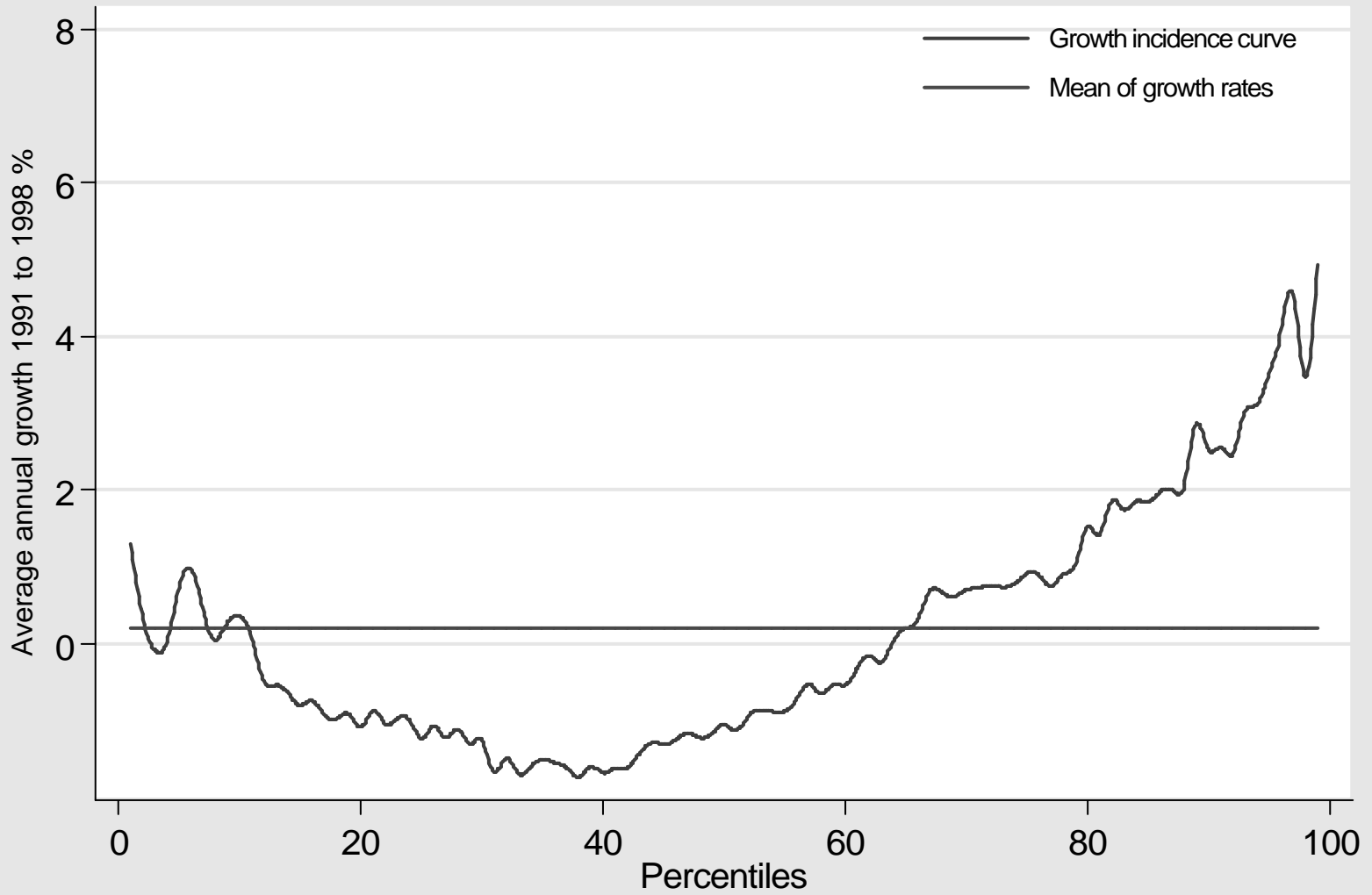
Disaggregating the national picture

- But big variations geographically
 - e.g. rural forest compared to rural savannah
- Absence of growth in north: increasing spatial inequality in incomes in Ghana
- Better endowed and connected regions benefited from both trade and public spending
 - Production patterns
 - Infrastructure
 - Political economy

Growth Incidence curve: Rural Forest



Growth Incidence curve: Rural Savannah



Disaggregating (2)

- Recent position more positive in north for non-income indicators: infant mortality, child malnutrition, school enrolment
- Maybe more positive growth experience since 2000 in some localities in north – but no data

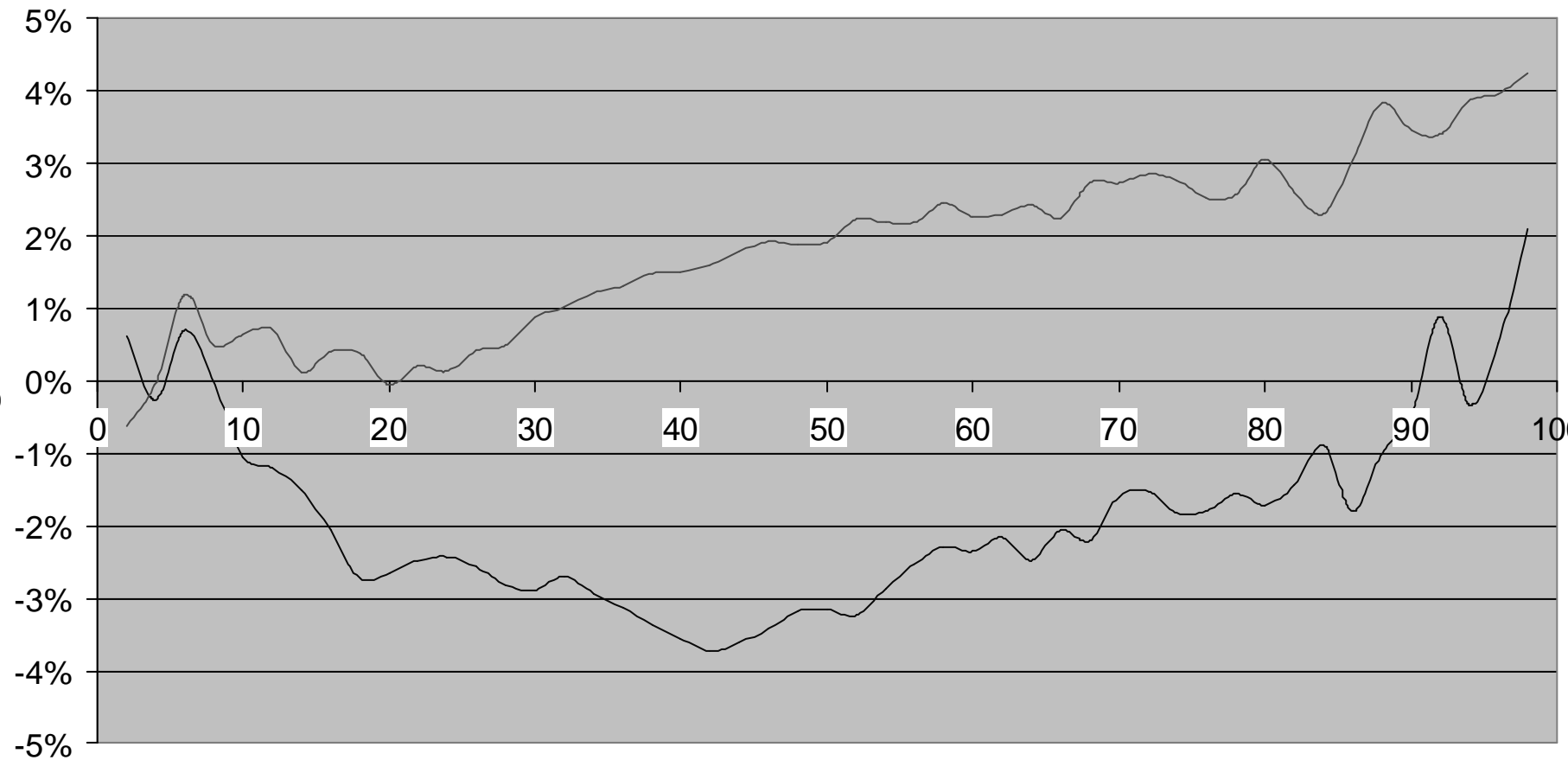
Growth prospects in Northern Ghana

- Study conducted by ODI-CEPA team (interviews, field visits, workshops, literature review)
- Options for lagging regions
 - Moving jobs/opportunities to people or people to jobs
 - Investment of key importance for former
 - Two alternative views
 - There is scope for growth in the North
 - Best opportunity through migration and remittances; plus redistribution and donor interventions

Growth in Northern Ghana (2)

- Very slow growth due to absence of factors important for national growth; plus other adverse factors: especially conflict
- High levels of outmigration from north – though low remittance flow back
- But also strong differentials in north – there has been growth for some even over the 1990s

Growth incidence curves for rural savannah zone, Ghana, 1991-98



Percentile

— more remote — less remote

Growth in Northern Ghana (3)

- Overall pattern one of outflow of capital; and low returns to investment in north
- But neighbouring areas have more positive growth record: Brong-Ahafo; Southern Burkina
 - Lessons for Northern Ghana?

Options for growth in the north?

- Some are old issues ... but no less valid?
- Agric and agro-processing central, but focused on markets – and considering new options
- Unrealised potential of trade
- Tourism does offer significant potential
- Mining unknown ... but need to find out

- Private sector led strategy
- But many changes needed to realise this, some by government

Agriculture and Agro-Processing

- Central area for foreseeable future – but has past focus been on growth?
- Lack of focus on markets (now complex)
- Agro-processing
- Need for dry season agriculture
- New crops, livestock, new methods
- Growth can be combined with food security

Trade

- Trade as important factor in national growth
- North does trade with neighbouring countries – but much greater potential
- Need to expand trade: neighbours, but also south and non-African markets
- Key issues
 - Road connections: to border and key routes in Ghana
 - Excessive checkpoints as barrier to trade – without losing controls on smuggling

Tourism and mining

- Tourism as an important opportunity; with some successes, especially Northern Region (e.g. Mole)
 - Greater potential ... but need to develop sites (plus infrastructure)
 - Develop links to tourism in south
- Reputed rich mineral deposits – but extent unknown, not systematically exploited

Supporting issues

- Substantial investment in infrastructure
- Need to attract investors
- Institutions to address risk/vulnerability
- Resolving key conflict issues
- Appropriate levels of government intervention

Need for substantial progress on infrastructure

- Highways a priority – especially interregional and roads to borders
- Irrigation: rehabilitation of dams, new methods (e.g. water from rivers?)
- New contracting methods
- Electricity, water etc.

Need to attract investors

- Existing investments in trading, hotels etc.
- Constraint finding investors in agric – existing cases for special reasons
- Local firms/investors cannot expand beyond small scale
- Characteristic abilities needed
 - Capacity to mobilise capital without recourse to Ghanaian banks
 - Ability to make linkages to international markets
 - Ability to manage out grower process etc.
 - Need for skilled labour – technical education

Summary on Northern Ghana

- Began with two initial alternative hypotheses
 - There is growth potential *in* northern Ghana
 - The best hope for northern Ghana is ‘better’ out-migration, and growth through remittances
- Findings support first hypothesis, focused around agric and conditional on other factors
- But second still relevant:
 - More so in some regions
 - Important in short to medium term when many cannot participate in growth

Summary (2)

- Need to be able to make the case that growth in north very much in national interest
- Important questions for national policy; local political leadership; donors; and NGOs