

## **Why northern Ghana lags behind in Ghana's growth and poverty reduction success**

John Baptist D. Jatoe<sup>1</sup>, Ramatu Al-Hassan<sup>1</sup>, and Bamidele Adekunle<sup>2</sup>

*Draft policy brief submitted to the African Economic Research Consortium (AERC) for the AERC Collaborative Research Project on Understanding the Links between Growth and Poverty in Africa*

---

<sup>1</sup> Department of Agricultural Economics & Agribusiness, University of Ghana, Legon, GHANA  
Email: [jjatoe@ug.edu.gh](mailto:jjatoe@ug.edu.gh)/ [jjatoe@gmail.com](mailto:jjatoe@gmail.com); [aramatu@ug.edu.gh](mailto:aramatu@ug.edu.gh)/ [ramatu\\_mahama@yahoo.com](mailto:ramatu_mahama@yahoo.com);  
Website: <http://www.ug.edu.gh/>

<sup>2</sup>  
School of Environmental Design and Rural Development, University of Guelph, Guelph, & Ted Rogers School of Management, Ryerson University, Ontario, CANADA  
Email: [badekunl@uoguelph.ca](mailto:badekunl@uoguelph.ca); Website: [www.uoguelph.ca](http://www.uoguelph.ca)

## **Problem investigated and the issues**

Ghana's post adjustment growth and poverty reduction performance has been hailed as impressive, albeit with spatial disparities in the distribution of welfare, especially between the north and south of the country. Researchers generally agree that economic growth does not always reduce poverty. Indeed, the effectiveness of growth in reducing poverty depends on the level of inequality in the population. Growth that increases inequality may not reduce poverty; growth that does not change inequality (distribution-neutral growth) and growth that reduces inequality (pro-poor growth) result in poverty reduction. Policy makers can promote pro-poor growth by empowering the poor to participate in growth directly. Policy makers can focus on interventions that improve productivity in smallholder agriculture, particularly export crops, increasing employment of semi-skilled or unskilled labour, promoting technology adoption, increasing access to production assets, as well as effective participation in input and product markets. Also, increasing public spending on social services and infrastructure made possible by redistribution of the benefits of growth benefits the poor, indirectly.

This brief provides insights into north-south welfare disparities in Ghana by exploring the pro-poorness of growth in the country, and explains why northern Ghana has derived much less benefit from growth in the national output. The brief compares northern Ghana and the south in terms of changes in poverty and inequality, and pro-poorness of growth over 16 years (1991 – 2006), and addresses the following questions:

What is the extent of spatial (north-south) differences in the level of poverty and inequality in Ghana?

Are there spatial (north-south) differences in the determinants of poverty in Ghana?

Has economic growth in Ghana been pro-poor, both nationally and across the north-south divide?

## **Why the issue is important**

Evidence on the pro-poorness of growth over the past 16 years will indicate the effectiveness, or otherwise, of past and current poverty reduction interventions. This will guide policy makers in choosing interventions for poverty reduction in the future. Also, evidence on the levels and changes in poverty and inequality among the populace is useful both for designing targeted social protection policies and for understanding the poverty reduction performance of policy options or interventions. Also, identifying location specific determinants of poverty will improve our understanding of poverty in different contexts and hence our ability to effectively fight it.

## **Method of analysis**

The study investigates the links between poverty, inequality, and growth by decomposing poverty into growth and inequality effects<sup>1</sup>. Inequality is estimated using the entropy measure which decomposes inequality into the within group and between group components<sup>2</sup>. We use an econometric model to identify the determinants of poverty for each period, separately, for

northern and southern Ghana. The model helps highlight whether the determinants of poverty are the same for northern and southern Ghana. Finally, pro-poorness of economic growth in Ghana is assessed using growth incidence curves (GIC) and pro-poor growth rates<sup>3</sup>. The GIC shows how the growth rates for equal segments of the population vary according to income levels. We use data from the Ghana Living Standards Surveys (GLSS), a comprehensive national household survey conducted in 1991/92, 1998/99 and 2005/06, by the Ghana Statistical Service. The standard of living for each individual is measured as the total consumption expenditure, per adult equivalent, of the household to which he or she belongs, expressed in constant prices of Accra. The non-availability of panel data on poverty in Ghana poses a very big constraint to any investigation of the growth-poverty-inequality nexus in the country.

## **Key findings**

### *Northern Ghana lags behind the south in poverty reduction and the gap is widening*

Reduction in the proportion of people who cannot afford their basic needs and nutritional requirements (as well as those who cannot afford their nutritional requirements alone) is lacking or negligible. Also, the average poor person in Northern Ghana is further below the poverty line than his/ her counterpart in southern Ghana. Between 1991 and 2006 southern Ghana reduced its incidence of poverty by 58.66 percent compared to only 8.87 percent reduction for northern Ghana. Indeed, poverty in Northern Ghana increased between 1991 and 1998.

### *Northern Ghana has had poorer growth performance than the South between 1991 and 2006*

The rate of economic growth in northern Ghana was only 35 percent of that for southern Ghana for the period 1991 - 2006. The north failed to grow because of its reliance on staple crop production where growth has been slow, average incomes are lower to begin with, and income growth is slower. In addition there is lower access to infrastructure that is critical to growth, including communication, transportation, and banking facilities. As a result poverty is reducing in southern Ghana but, at best stagnant or increasing in northern Ghana.

### *Inequality is worsening faster in Northern Ghana than in the South*

Inequality in northern Ghana rose by 25 percent compared to 9.7 percent in the south between 1991 and 2006. The results point to two facts: the poor are not a homogenous group; the gap between the rich and the poor is increasing. Increases in inequality in northern Ghana further dampen potential poverty reduction gains from growth.

### *There are spatial (north – south) differences in the determinants of poverty; but female headship of households is a national problem*

Female headship of households is associated with higher poverty levels in both north and south. In northern Ghana, other factors that are associated with poverty include large household size, limited access to infrastructure (extension service) and prevalence of malaria. On the contrary in

rural south, households with access to extension services, and roads tend to have lower levels of poverty.

### *Two decades of growth in Ghana has not been pro-poor, but more so for the North*

In general, whilst economic growth was not pro-poor, inequality increased at a faster rate in northern Ghana, which dissipates some of the poverty reduction benefits of growth. Consequently, the rates of pro-poor growth for northern Ghana were only about 22 percent of the national average, and a miserable 16.37 percent of the rate for southern Ghana.

### **Policy implications**

- Current poverty reduction strategy does not generate pro-poor growth; continuing with it will only worsen the plight of the poor, especially in Northern Ghana
- Current national growth and poverty reduction strategy only produces growth in Southern Ghana; continuing with it will only increase internal migration to the south and worsen urban poverty and pressures on social infrastructure and services in those urban areas
- Current growth promotion strategies are increasing inequality in Northern Ghana rapidly; continuing on that path will create a class society with persistent poverty in Northern Ghana thereby hurting human development and the match towards attaining the Millennium Development Goals (MDGs)
- Current distribution and investment in infrastructure limit growth opportunities in northern Ghana; maintaining prevailing trends will make it almost impossible to reduce poverty in the area

### **Key Recommendations**

- Government's agricultural policy needs to emphasize investment in small-holder agriculture, especially food crops to engender pro-poor growth

- Government and development partners need to review past and current social protection interventions to better target the poor, especially in northern Ghana, in order to reduce inequality and promote pro-poor growth
- The low responsiveness of poverty to growth in northern Ghana is due to a huge infrastructure deficit, along with a virtual non-existence of markets or at best very poor price signals. The government needs to directly intervene in unique ways, for example by setting up a Northern Infrastructure Development Fund, that compliment current efforts to create the needed infrastructure.

---

<sup>1</sup> **Datt, G. and M. Ravallion. (1992).** Growth and Redistribution Components of Changes in Poverty Measures: A decomposition with applications to Brazil and India in the 1980s. *Journal of Development Economics* 38, 275-295.

<sup>2</sup> **Bourguignon, F. (1979).** Decomposable Income Inequality Measures. *Econometrica* 47: 901 – 920.

<sup>3</sup> **Ravallion, M. and S. Chen. (2003).** “Measuring pro-poor growth”. *Economics Letters* 78: 93 – 99.

### **Acknowledgement**

The brief derives from earlier research funded by the AERC on understanding the links between growth and poverty reduction in Africa.