



**THE STRUCTURAL ADJUSTMENT PROGRAMME  
AND THE  
POVERTY LEVEL IN GHANA**

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## Summary

Ghana gained independence from Great Britain on sixth march 1957, with the hopes of achieving rapid socio-economic development. Indeed, in the first two decades following the independence, Ghana's economy experienced rapid growth. However, because of unsustainable economic policies and over-dependence on one crop (cocoa) for most of the foreign earnings, the economy of Ghana had turned in downward spiral by the mid-1970. Between 1975 and 1983, the national economy declined on the average by about 10% per year (NDPC1997) This spiral decline, coupled with crop failure resulting from a severe drought and the repatriation of over one million Ghanaian from Nigeria in 1983 force the government (then PNDC under Rawlings to take serious look at the economic situation of the country,

The Government of Ghana therefore initiated an Economic Recovery Programme (ERP). The framework of the ERP was determined jointly with the Bretton Woods Institutions, namely the International Monetary Fund and the World Bank. The policies under the ERP were designed to free the economy from state controls and market distortions, promote a liberalised private-sector-led trade and investment regime, pursue an export-led economic growth strategy and restructure the public sector of the economy in order to improve growth prospects.

In the first ten years of the ERP, an economic progress in the country was remarkable, with almost all macroeconomic indicators showing growth or response in the appropriate directions. The GDP increased by an average of about 5% per annum between 1983 and 1992, the rate of inflation was reduced from 123% in 1983 to 10% in 1992, and most of the price distortions in the economy were removed. However, the stable and congenial macroeconomic environment of the 1983-1992 period could not sustained, thus leading to a general downward in the improvement in the performance of the Ghanaian economy since 1983.

In 1995, Ghana presented a 25years development framework document, the vision 2020. The vision in Ghana's vision 2020 was that, the country will attained the status and standard of living of an upper middle-income country, with Gross National Product (GNP) per capita of about 10,400,000cedis or just above US\$4,000 by year 2020.

The first step of the vision 2020 was implemented between 1996 and 2000. At the end of the first step, the actual key macroeconomic indicators deviated significantly from the targeted, large fiscal deficit, higher growth of money supply, increasing external debt, etc. With these unfavourable indicators, the Government of Ghana has indicated to apply for the Enhanced HIPC-Initiative Assistance, in order to reduce the debt burden and used the sources available from the HIPC Assistance for the development purposes.

Between 1988 and 1998, the trend in the social indicator had been favourable in Ghana but unfavourable compared with other developing countries. Since 1988, there has been a continuous analysis of the household data – the Ghana Living Standards Survey (GLSS). After the fourth round of the GLSS, it indicates that, poverty trend has been improved in Ghana, population defined as poor has fell after an increased in 1989 during the second round of GLSS. The reduction in poverty incidence in the latest GLSS shows

that, the decline was not evenly distributed geographically. While the poverty reduction being concentrated in Accra and forest (urban and rural) localities, savannah zone (urban and rural) registered an increase. Throughout the survey, poverty in the rural areas has been high and even increased in the latest survey. The reduction in the urban and increased in rural areas brought the population below poverty line to over 30%. The 30% of population below the poverty line, coupled with clear sign of faltering in social and economic progress since 1995, the achievement of an appreciable reduction of poverty remains a challenge of mighty proportions.