

Poverty, Livelihoods, and Access to Basic Services in Ghana

Joint presentation on Shared Growth in Ghana (Part II)
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Presentation based on a paper by Harold Coulombe and Quentin Wodon,
in collaboration with the Ghana Statistical Services.

World Bank Seminar

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6 parts in overview “poverty” paper:

1. Introduction
2. Poverty & inequality trend (91-06; 97-03; 67-97)
3. Poverty profile & determinants, incl. poverty map
4. Income sources, incl. cocoa and remittances
5. Labor markets and wages
6. Access to basic services, incl. education, health, and basic infrastructure

Objective of Presentation Today (25' limit)

Answering 6 questions:

2 questions on poverty and inequality:

1. Is the drop in poverty between 1998-99 and 2005-06 believable ?
2. How serious is the increase in inequality ?

2 questions on income sources and livelihoods:

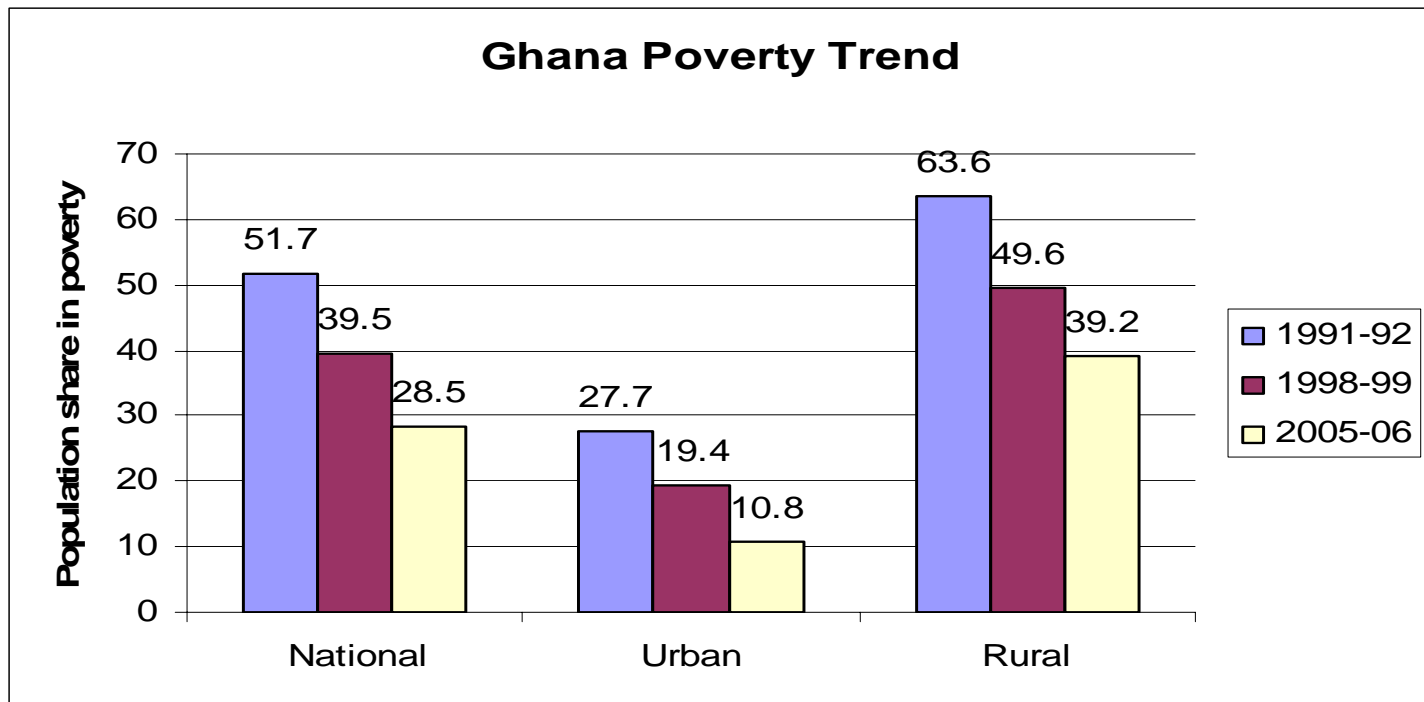
3. What drives/explains standards of living at the household level ?
4. What is the impact of selected income sources (cocoa, remittances)?

2 questions on access to basic services:

5. How equitable is access to basic services ?
6. Who benefits from public spending for basic services?

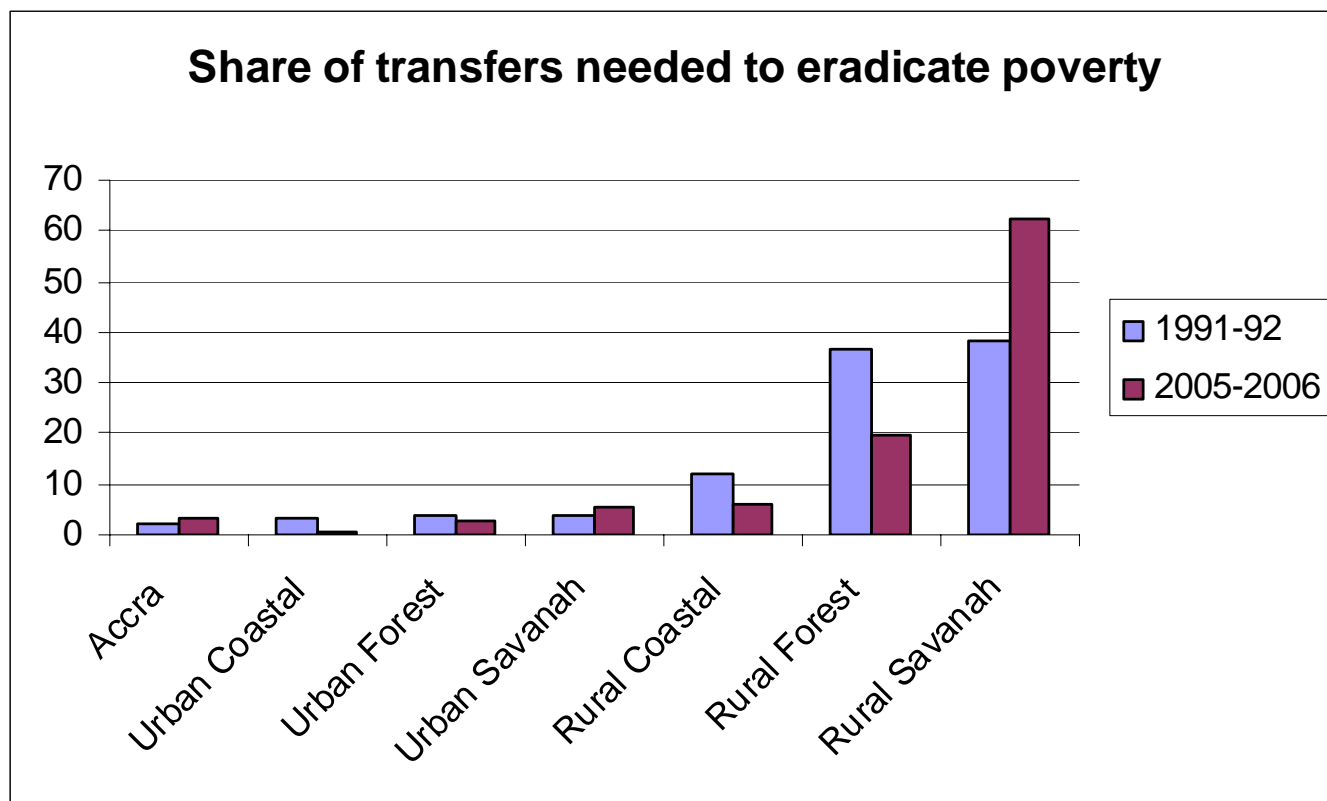
2 questions on poverty/inequality

- Background: Key result from GLSS5 vs. GLSS4
 - Reduction in population share in poverty from 39.5% to 28.5%
 - Increase in Gini index of inequality from 35.3% to 39.4%



2 questions on poverty/inequality

- Background: Key result from GLSS5 vs. GLSS4
 - Poverty is becoming increasingly rural, especially if one takes into account the distance from the poverty line



2 questions on poverty/inequality

- Question 1: Is the sharp drop in poverty believable?
 - Methodology for poverty estimates: comparison of levels of real consumption in household survey to cost of basic needs (basic needs include basic food needs as well as basic non-food needs)
 - Test 1: National Accounts and price data information
 - Test 2: Comparison with asset-based poverty (1997 to 2003)
- Question 2: How serious is the inequality increase?
 - Inequality in consumption & in income
 - Inequality in access/usage of basic services and benefit incidence analysis for public spending (last part of presentation)
 - Impact of changes on inequality on poverty (different issue from impact of inequality on subjective perceptions of well-being)

Q1: Is the drop in poverty believable?

- Test 1: National Accounts and Price Data Information
 - Order of magnitude of increase in real consumption correct
 - Growth in real consumption per capita in national accounts between last 2 survey years: 37%
 - Growth in real consumption per capita from GLSS4 to GLSS5: 35.5%
 - Said differently: the ratio of consumption in the survey to consumption in the national accounts is very stable (111.8% in 1998/99, 111.3% in 2005/06)

Important note:

- Growth accounts for large share of increase in consumption
- But shifts in relative prices mattered as well (some of those shifts themselves are likely to result in part from growth, for example due to higher food production)

Q1: Is the drop in poverty believable?

Contribution to growth in real consumption between 1999 and 2006

Macroeconomic data	
Cumulative growth in GDP per capita	18.4%
Price effect: Cumulative differential between GDP deflator and CPI	18.7%
Real growth in consumption assuming stable consumption share (1) +(2)	37.0%
Comparison of macro and microeconomic data from the GLSS	
Increase in real consumption per eq. adult between 1998/99 and 2005/06	35.5%
Ratio of total consumption in 1998/99 GLSS survey to National Accounts	111.8%
Ratio of total consumption in 2005/06 GLSS survey to National Accounts	111.3%

- Test 2: Comparison with asset-based poverty
 - Order of magnitude of decrease in asset-based poverty similar between the 1997 and 2003 CWIQ surveys (7 points in 6 years, versus 10 points in 7 years using GLSS)
 - Note: due to limited data, asset-based poverty may be over or underestimated depending on changes in prices/quality of goods

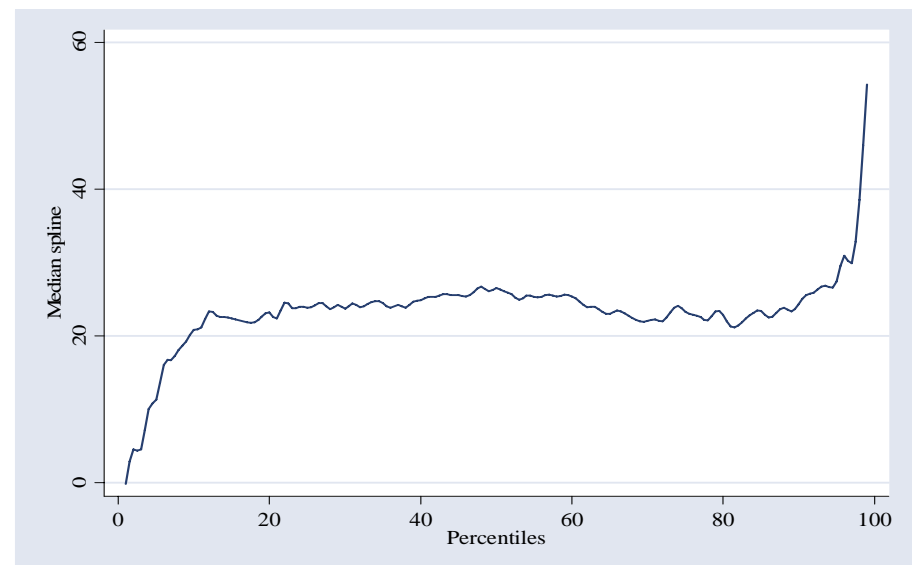
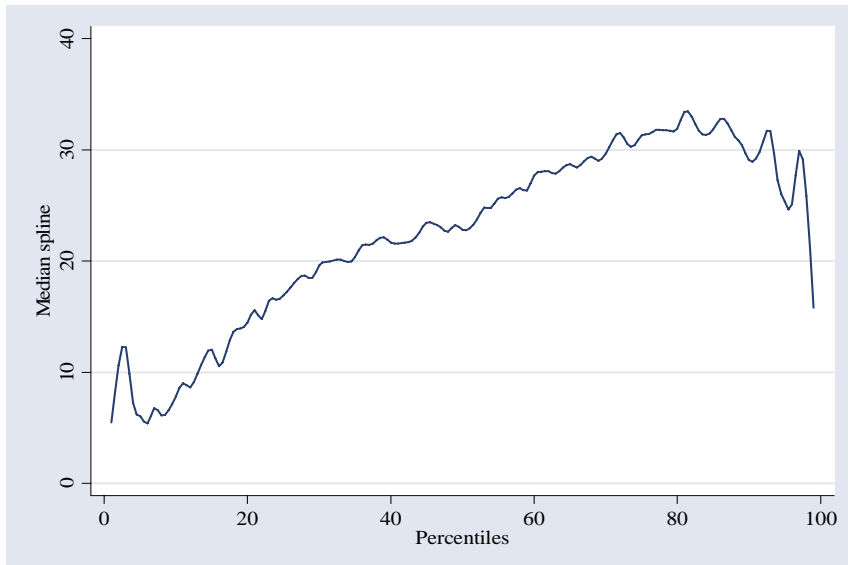
Asset-based poverty, Ghana 1997-2003 (percentages)

	Rural	Urban	National
	Headcount index		
Poverty in 1997	55.207	25.002	45.711
Poverty in 2003	51.831	21.072	38.880
Change in poverty	-3.376	-3.930	-6.831

Q2: How serious is the increase in inequality?

- Trends in inequality (Gini index)
 - Consumption: 0.353 → 0.378 → 0.394
 - Income: 0.526 → 0.573 → 0.657
 - Difference in pattern between first and second periods

Growth incidence curves for consumption 1992-1999 and 1999-2006



Impact of change in inequality on poverty

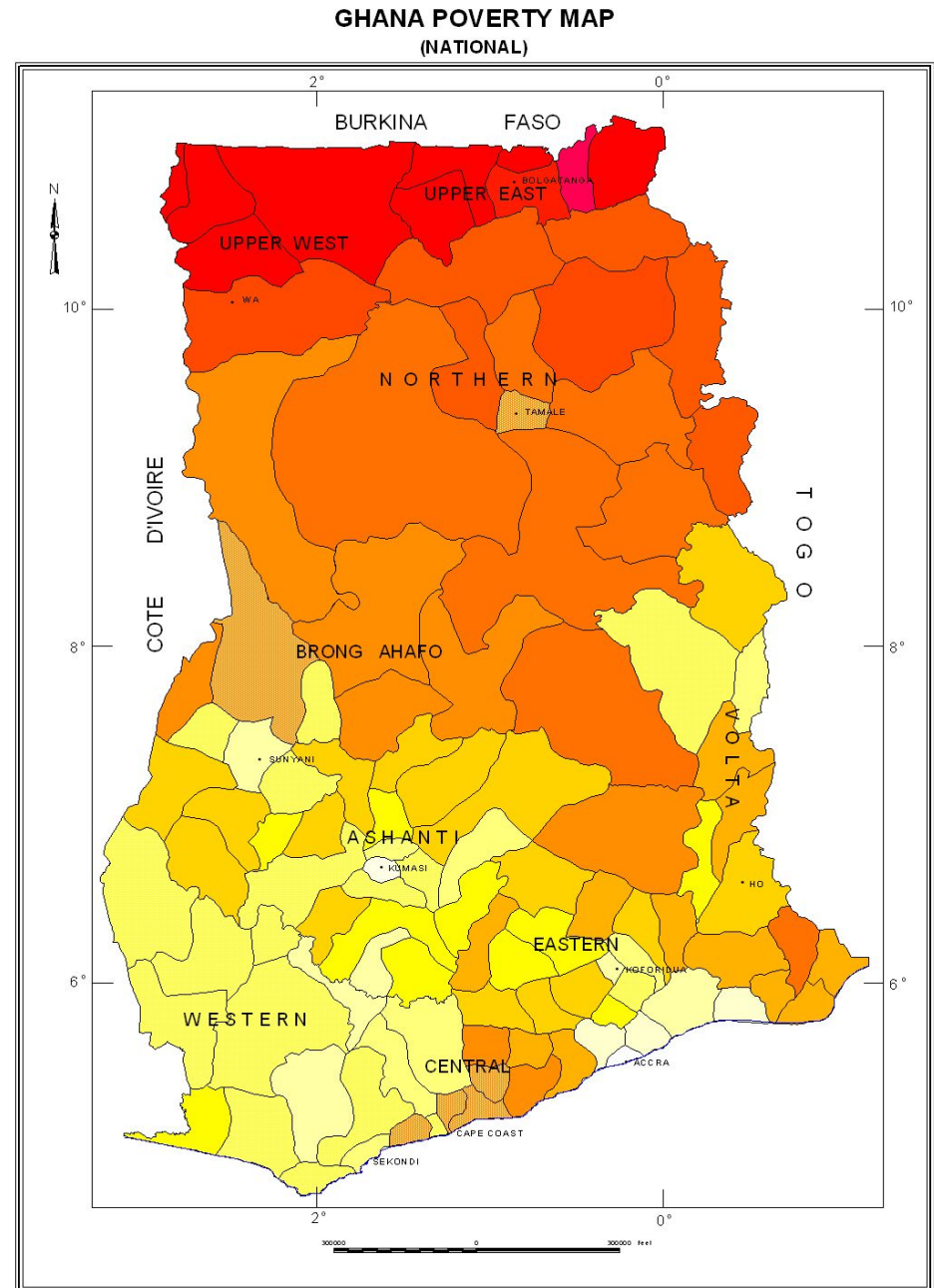
	Total Change	Share of change due to:	
		Growth	Redistribution
<i>1991/92 to 1998/99</i>			
National	-12.3	-13.1	0.9
Urban	-8.3	-10.7	2.4
Rural	-14.0	-14.4	0.3
<i>1998/99 to 2005/06</i>			
National	-10.9	-13.5	2.6
Urban	-8.6	-8.6	0.0
Rural	-10.4	-13.8	3.4
<i>1991/92 to 2005/06</i>			
National	-23.2	-27.5	4.3
Urban	-16.9	-20.0	3.1
Rural	-24.4	-28.7	4.3

Poverty/Inequality have strong geographic components

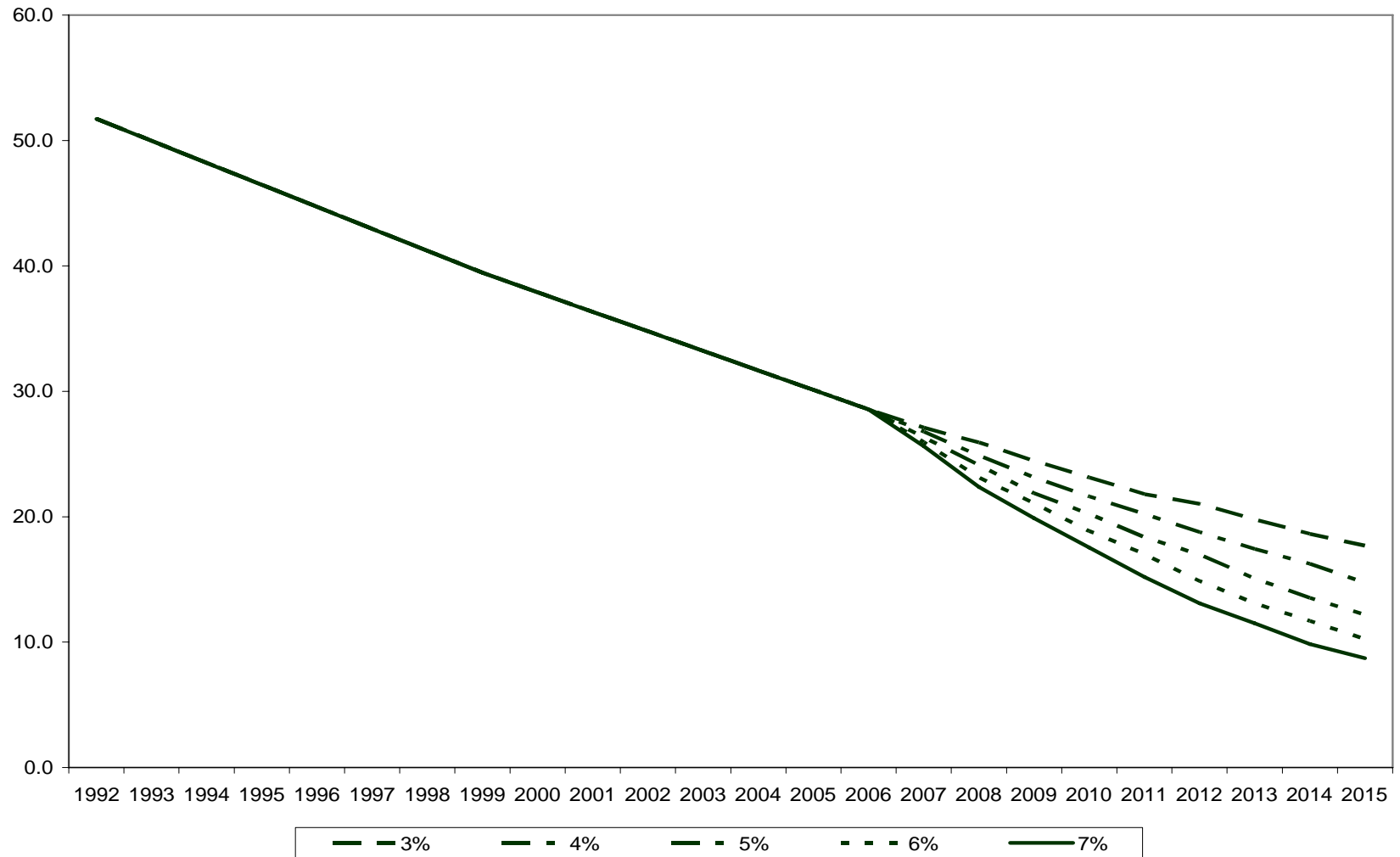
1. Poverty map based on the 2000 census

2. Share of the poor in rural Savannah areas:
32.6% in 1991/92
49.3% in 2005/06

3. Share of poverty gap in rural Savannah areas:
38.1% in 1991/92
62.1% in 2005/06



Simulations for future poverty depending on growth



Q3: What drives/explains standards of living at the household level ?

- Determinants of consumption per equivalent adult
 - Demography: additional person -13% to -17%
 - Education of household head: no marginal impact from primary level; lower secondary: 15% to 17%; upper secondary level: 27% to 29%; higher level: 41% to 49% (note: lower “returns” for the spouse of the head)
 - Limited impacts of other variables included in the regression, such as sector of activity of head; but informality linked to lower consumption in urban areas

Q3: What drives/explains standards of living at the household level ?

- Changes in consumption levels 1991-2006: difference between urban and rural areas
 - Urban areas: +46.1% in regression
 - 20.5% « general effect »
 - 12.2% better returns to employment
 - 8% better demographics, 8% better education
 - Rural areas: +37.8% in regression
 - All of it is a « general effect »
 - No improvements in returns or characteristics

Decomposition of changes in consumption levels (1991-2006)

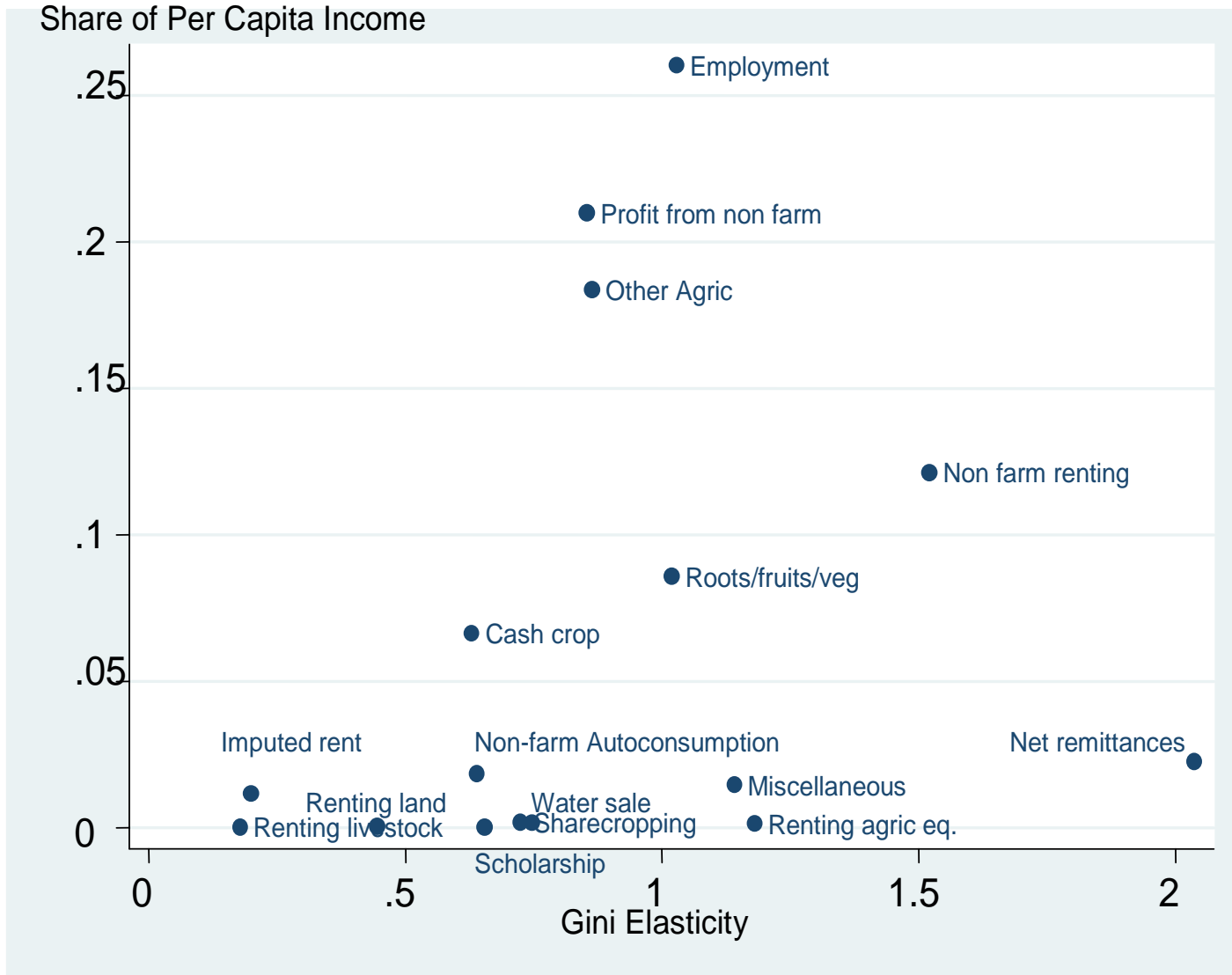
	Change in returns	Change in characteristics
	Urban	
Geography/overall	20.5%	-1.0%
Demographic	2.5%	7.9%
Education	-0.9%	7.8%
Employment	12.2%	-0.3%
Others	-3.1%	0.4%
Total	31.3%	14.8%
		46.1%
	Rural	
Geography/overall	38.8%	0.2%
Demographic	2.8%	2.0%
Education	2.0%	1.4%
Employment	-8.1%	-0.3%
Others	-1.1%	0.0%
Total	34.4%	3.3%
		37.8%

Q4: What is the impact of income sources ?

- Note: income often less well measured in surveys than consumption
 - Impact of an income source on poverty and/or inequality depends on
 - How large is the income source (amounts, coverage of the population, etc.)
 - Who benefits from the income source
- Simple visualization in 2 dimensions

Q4: What is the impact of income sources ?

Figure 8: Gini Decomposition by Income Source, 2005/06



Income from Cocoa

- Cocoa sector accounted for 28% of agricultural growth over 2001-05
- Significant drop in share of producers in poverty

	1991/1992	1998/1999	2005/2006
Poverty, population as a whole	51,7	39,5	28,5
Poverty, cocoa producers	60,1	36,7	23,9

- Vulnerability to price shocks remains (20% drop in producer price would increase poverty by 4 points)
- Only 15% of cocoa income today goes to the poor

Income from remittances

- Importance of international WORKERS' remittances
 - US\$ million: 49 → 143 → US\$ 270 millions in 2005/06
 - Small proportion of households receiving them (6% to 8%)
- Importance of domestic remittances:
 - Larger domestic remittances/private transfers (US\$ 271 million)
 - Larger population receiving them (1/4 to 1/3 of households)
- Net remittances:
 - 2.6% of total income, much of which is received by the non-poor
 - Therefore impact on poverty (without multiplier effect) limited
 - Headcount reduced by less than one point with international remittances, and by 1.5 point with domestic remittances (total impact of remittances on poverty is 2 percentage points)
 - International remittances tend to be inequality increasing while domestic remittances tend to be inequality reducing

Q5: How equitable is access to basic services ?

- Need to conduct more detailed analysis – at this stage, brief comments on trends in access for various sectors
 - Limited gains in school enrollment (smaller gender gap over time, but rural-urban gap persists); gains limited to urban areas – this may have changed since 2005/06 (administrative data)
 - Important role of pharmacists/Chemical Stores in improving access to health care for the poor + possibility of looking at impact of insurance schemes using GLSS5
 - Important gains in access to electricity, with half population now having access (gains related in part to rural electrification)
 - Increase in access to water (borehole) in rural areas
 - Increase in access to adequate toilet facilities in urban areas
 - Gaps remain between poor and non-poor, but are expected to decline in future years, given “trickle down” of access rates

Q6: Who benefits from public spending for basic services?

- Need to conduct more detailed analysis – preliminary results
 - Public spending for education: pro-poor only at primary level
 - Public spending for health: neutral for clinics (not for hospitals)
 - Only roughly 10% of implicit electricity subsidies reach the poor (due to lack of access to network and poor targeting of subsidies)

Share of students enrolled in public schools by quintile and by cycle, 1991 to 2006

Quintile	Primary		Secondary		Tertiary	
	1991/92	2005/06	1991/92	2005/06	1991/92	2005/06
Poorest	21.3	24.1	15.7	12.1	0.0	1.8
2 nd quintile	23.1	24.7	18.6	17.2	5.3	7.8
3 ^{er} quintile	21.7	22.9	22.8	23.7	0.0	9.4
4 th quintile	19.4	17.6	21.4	23.3	21.1	14.1
Richest	14.5	10.7	21.6	23.8	73.7	66.9

Conclusion

- Impressive reduction in poverty (best in Africa)
- Role of relative prices apart from growth
- Increase in inequality, but limited at this stage
- Higher concentration of poverty in northern areas
- “Characteristics” of rural households lagging
- Role of cocoa production and remittances
- Limited gains in education as compared to other sectors (but this may have changed since 2005/2006) and room for better targeting of a range of subsidies/government programs

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Gains from work on both Growth and Poverty

- “Packaging” or public relations – the World Bank cares about poverty as well as (as much as?) about growth, and we did our homework to analyze impact of growth on poverty
- Capacity building/local collaboration – work in close collaboration with GSS to get the poverty/household survey story right
- Substantive agenda for additional analytical work and better policies and programs for northern areas (will this be followed up ?)
- Going beyond/against popular perceptions in some areas
 - Accra poverty increase → in (large) part a statistical artifact
 - Job creation and wages → not only informal; increase in wages
 - Remittances → definitions matter and limited role for poverty reduction
 - Subsidies → poor targeting in some cases – example: “to reduce poverty, it may be smart to actually increase electricity tariffs”
- At the same time, to a large extent, the poverty and growth work still were following parallel track, and I am not sure we have really dug deep enough into the issue of what drives shared growth