Do Export-led Poverty Reduction Initiatives Work?  
- The Ghanaian Experience -

A COUNTRY PAPER
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1. Generally, export growth provides a critical contribution to the development of a country’s economy. In recent years, development partners have tended to focus on poverty reduction, as a strategy for addressing the development needs of third world countries, especially in Africa.

2. Interventions by multilateral institutions such as the World Bank and IMF have been particularly insistent on this approach. It comes as no surprise then, that developing countries, such as Ghana, have adopted poverty reduction as a strategic theme to guide their development programming in recent years.

3. As a direct result of this new trend, Ghana has prepared a poverty reduction strategy to extend from 2003 -2005 entitled "An Agenda for Growth and Prosperity". The Ghana Poverty Reduction Strategy (GPRS) document states that "Over the past ten years, Ghana has experienced growing and deepening poverty ... especially in the north of the country and in the Central Region".

4. In this regard, the GPRS notes that the persistent reliance on the export of a few primary products with little or no value-added is part of the fundamental problems affecting the economy. Thus, in formulating strategies for poverty reduction, the GPRS document identified, among other things, ".... Export promotion based on diversification and competitive advantages".

5. From a conceptual point of view, therefore, the conviction that export-led poverty reduction initiatives work is persistent and permeates the GPRS document. The cocoa economy lends credence to this view. Cocoa is cultivated in the forest zones of Ghana as a medium to long term tree crop, which is almost wholly destined for export. The Ghana Living Standards Survey (GLSS) conducted by the Statistical Service of Ghana over the period April 1998 - March 1999 concluded that, based on income measurements, poverty levels were higher in the Savannah regions of Northern Ghana where no tree-based export crops are produced. In contrast, reductions in extreme poverty have occurred noticeably in the rural forest belt covering Brong Ahafo, Western, and Ashanti Regions, where cocoa is cultivated for export.

6. This view of the positive impact on poverty reduction by export-led initiatives is further strengthened by results of a recent research project on the "Promotion of Embedded Services in the Craft Export Sector in Ghana". The project, was carried out by Action for Enterprise (AFE), a US based business development services provider over an 18-month period. The project was commissioned by the Department for International Development (DFID) under its Enterprise Development Innovation Fund (EDIF) programmes, to promote greater understanding and appreciation of embedded business services (EBS) in the enterprise development community. For purposes of the project, the Craft Export industry was selected for review.

7. According to customs statistics, Ghana’s craft exports have risen from $2.6 million in 1993 to $11.3 million in 2002. The main product lines are baskets, ceramics, wooden articles and musical instruments (drums etc.) The final report issued after the project observed that "The craft export sub-sector is a major source of rural income and employment in Ghana". This observation is significant considering that income generation is critical for poverty reduction, as is employment generation.

8. Given the context described above, the project set out to test the hypothesis that improving the capacity of Ghanaian craft exporters to provide an array of business services to a large number of small-scale enterprises in a sustainable and effective manner, can impact significantly on producers in terms of giving them greater income and sustained employment.

9. The project activities carried out were designed to promote or facilitate improved embedded services by selected Ghanaian craft export companies to their producers/suppliers to help increase their competitiveness on the world market. The project activities included:
• improved quality management leading to reduced rejection rates and increased sales,
• better ICT and trade fair skills resulting in improved market access,
• new product designs resulting in new orders, and
• improved production technologies resulting in greater production efficiencies.

10. At the end of the project, issues related to embedded services provided to micro and small enterprises (MSEs) by craft export companies were assessed. Also assessed were issues related to the impact on incomes and poverty alleviation among the SMEs who are producers for, and suppliers to, the selected craft companies.

11. In this regard, some examples emerged to show that the project activities impacted directly on income generation and poverty alleviation concerns. One of these is the return of a major buyer who had significantly reduced purchases over the past years due to poor quality. Upon seeing the improved quality of baskets, resulting from improved quality management services, the buyer resumed the large orders he had been making in the past. This occurred eight months into the project. Yearly purchases from this buyer alone have increased by 4-5 container loads of baskets. This equates on average to 15,000 baskets per year, with a value of 50,000 €uro. After deduction of the export company’s margin and production costs, this translates to a net income generation effect of 15,000 €uro per year for rural households in the Bolgatanga district of Northern Ghana where poverty has been described as endemic. The report states further that “Based on direct feedback the project has received from other importers, it seems likely that there will be additional, similar examples to this”.

12. Given the foregoing, one may conclude that this Ghanaian experience, supports the proposition that export-led poverty initiatives do work. They tend to create jobs and generate incomes, which are prerequisites for poverty alleviation.