

In Ghana, such data would then only be relevant for less than 24% of the working population. Since January 2024, the minimum wage in Ghana is set at GHC 18.15 per day (up from GHC 14.88 before).

Assuming 26 working days per month, this results in a set minimum income of GHC 472 per person per month. One can add a certain amount from additional income sources such as the sale of self-produced goods and services, transfers, national (or international) remittances, etc.

This would then result in about GHC 1,000 per family, very close to the national poverty line as indicated above, and also close to what is assumed in our BoP analysis as the threshold for very poor households.

The approach used in this study is based on the objective to find household income (not expenditure) thresholds (not mean or average) in GHC (not USD) in 2023 – 2024 prices (not 2016 or 2017) and make the data relatively consistent with national poverty classifications and international discussions.

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What is the BoP in Ghana: The BoP thresholds in the Ghana IB/IGB Study



What is the BoP?

The IB/IGB initiative: The poor and low-income people (BoP) are typically in the bottom 40% of income groups. We suggest for Ghana, these households typically earn less than GHS 4,000 per month, and are further categorized as:

- **Very Poor:** Households earning up to **GHS 1,500**.
- **Poor:** Households earning between **GHS 1,501 and GHS 2,500**.
- **Vulnerable Low-Income:** Households earning between **GHS 2,501 and GHS 4,000**.

Rural thresholds are slightly lower, urban are higher. Hence the BoP are more than the people under the national or international poverty line.

The international poverty line: Poverty estimates are typically done on expenditure data. Since 2018, the World Bank has introduced four international poverty lines (\$2.15, \$3.25 \$6.85, and \$15) for countries to be used according to their income level (GNI per capita). These thresholds are based on international purchasing power parity calculations (2017) and are always based on the national income and expenditure surveys (NIES) of the respective countries. In Ghana:

- **24%** of the population lives below the **\$2.15** poverty line.
- **41%** live below the **\$3.65** poverty line.
- **76%** live below the **\$6.85** threshold.

Some countries use a relative poverty concept assuming households as poor when their income is less than 60% of the mean income.

The national poverty line: Ghana is identified as a lower-middle-income country. However, the national poverty line set by the government of Ghana is rather about **\$2.3**, much lower than international standards for lower-middle-income countries.

In the Ghana Living Standard Survey (GLSS), the national poverty line is set at two-thirds of the national average household income. According to the 2016 National Income and Expenditure Survey, **23.4%** of the population is categorized as poor. Poverty is more prevalent in rural areas, with **60.64%** below the **\$2.15** line, compared to **19.94%** for urban poverty.

Why use mean income and not expenditure data? The poverty discussion typically uses expenditure data as it is interested in what society (and people therein) can afford.

However, companies do not know much about people's expenditures but find it much easier to estimate their workers' or value chain suppliers'/customers' income levels.

Also, households know much more about their income than their expenditure. For poor people, income is typically lower than expenditures, while for the better off, they are higher. Also, income data are highly location specific.

While minimum wage data are not sufficient. Many countries have minimum wage data. However, these are only applicable to the formal sector and exclude all people working in the informal sector and in agriculture.

