

# **Ghanaian government called to make hard choices before oil production**

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**By Alex Boateng**

The Executive Director of Ghana's think tank on Friday called on the government to make hard choices ahead of the scheduled commercial oil production later this year to make it beneficial to all Ghanaians.

Dr. Joe Abbey, Executive Director of the Centre for Policy Analysis (CEPA), said the year 2010 was expected to mark a transition from 100 years of a cocoa economy to an oil economy for the West African country and it was important for Ghanaians to consider the opportunities as well as the challenges that could arise from the dramatic change.

Speaking at the launch of a research report dubbed, "The year 2010: From a Cocoa Economy to an Oil Economy", Dr Abbey warned "we should not be deceived by the oil discovery, otherwise the oil find could destroy the economy through the neglect of our production sector".

"Let us not base decisions and choices of effectively managing the oil on rhetoric since the oil exploration by itself does not guarantee jobs locally," he said, adding "donors and policy advisers should face the government with the various options and possibilities of managing the oil effectively as well as their consequences".

Dr Abbey explained that if the above happened, Ghana would be affected by what was called a "Dutch Disease", an economic jargon used to describe a situation where majority of the population have access to foreign exchange which results in high importation and low local productivity and, in turn, let other sectors of the economy like the tourism, agriculture and industry as a whole to suffer to the benefit of oil exploration.

He urged the government to manage the exchange rate effectively if it wants oil revenue to enhance growth prospects of the country, saying that an effective management of the exchange rate was very critical to the success of oil production in Ghana.

He warned that the current appreciation of the Ghana Cedi against the major currencies such as the US dollar, the Euro and the Pound Sterling showed early signs of the "Dutch Disease", which he described as "a resource curse". He told the gathering that Ghana as a country should focus on economic growth and think about unborn generations rather than focusing on the current well-being at the expense of future jobs.

"We should begin to quantify what the real size of the oil is? How much revenue will the country generate? How much of the oil revenue should be saved for future generations?" Dr Abbey suggested.

He said issues relating to the oil find and its management should be discussed devoid of partisan politics and urged politicians to be level headed in their analysis and treat the oil as a facilitation resource, "a resource that would supplement the main economy and not the only source of the economy,".

In the interval of the occasion, Dr Abbey predicted that the signs of the cedi appreciating against key currencies in the first quarter of this year would continue for the rest of the year.

A stable and creeping appreciation of the cedi could be associated with risks such as choking off growth and employment prospective of non-oil sectors of the Ghanaian economy particularly agriculture and manufacturing.

He called on policy makers in the country to learn lessons from the experiences of other African oil producers, where windfalls in their foreign exchange earnings had a number of negative economic repercussions.

For the last century, the key structural characteristics of the Ghanaian economy included a highly open economy relatively well-integrated into the global trading system and critically dependent on three commodities, cocoa, gold and oil.

The World Bank has projected that Ghana would start the production of oil in commercial quantities in early 2011 although the Ghanaian government maintained that it would begin commercial oil production before the end of this year.

CEPA is an independent, non-profit and non-governmental think-tank dedicated to fostering good economic management and governance in Ghana through the provision of rigorous research and analysis on economic policy issues of relevance to Ghana and the developing world.