



CENTRE FOR POLICY ANALYSIS

LAUNCH STATEMENT

SPECIAL EDITION

**GHANA ECONOMIC REVIEW AND OUTLOOK
2009 - 2012**

“THE DAWN OF THE OIL ERA”

This Special Edition of “**Ghana’s Economic Review and Outlook**”, dubbed “**The Dawn of the Oil Era**”, covers a four-year period from 2009-2012 and offers an assessment of the macroeconomic policies and outcomes from 2009-2010 and an outlook for the near term, 2011-2012.

The period under review marks a number of important developments that make for a rich discussion of some of the opportunities and challenges facing the country going forward. Among these are the commencement of oil production and the publication of the new, rebased, national accounts figures which effectively moved Ghana into lower middle-income status. In CEPA’s view, the medium-term prospects of the economy are bright but there are short-term challenges as well.

As Ghana assumes this new position (of oil producer and middle-income country) it must learn to effectively deal with the related pressures from the citizens to increase expenditures in order to overcome infrastructural deficiencies, institutional weaknesses, as well as improve economic wellbeing. With these legitimate pressures come questions of financing —from domestic revenue mobilization, foreign aid and borrowing and their consequences.

How these pressures are managed can have significant implications for economic stability, job creation, the concessionality of external loans (both in terms of grants and the grant element of the loans), the ‘Dutch Disease’, and the governance issues associated with the ‘natural resource curse’. These implications warrant special attention and in this Special Edition, CEPA offers insights into the challenges at hand and provides some suggestions for addressing them.

In addition to assessing developments in the various sectors of the economy — including public finance and fiscal operations, money, interest rates, credit conditions and inflation, and external trade and payments — this flagship publication provides an intuitive appraisal of the financial health of the economy of Ghana both against the background of the high non-performing loans (NPLs) in the banking system and the important evolving lessons from the global financial crisis and its consequences of world recession.

A number of suggestions and guidelines have also been advanced in the publication, among other things, in the setting of budget deficit targets;

provisioning realistically for key expenditure items such as the public sector wage bill and government (as opposed donor) financed development budget; and dealing decisively and effectively with the so-called ‘informal’ domestic public debt problem. The informal domestic debt are payment arrears to suppliers of goods and services, including contractors, to government as well payment obligations to state-owned enterprises (SOEs) — in particular, Tema Oil Refinery (TOR) and the Volta River Authority (VRA) — estimated at the end of 2010 at GH¢3.5 billion or 8 percent of GDP. A recent assessment concluded that over a half of NPLs in the banking system can be traced to these ‘informal domestic public debts. In CEPA’s view, these are issues requiring serious considerations of the Ministry of Finance and Economic Planning and the Bank of Ghana. A resolution of these problems will require close collaboration and cooperation between these two institutions.

Finally, it is important that increases in the policy rate of the Bank of Ghana that may become necessary as a response to high oil price increases in international markets (and which if passed through into domestic prices cause a resurgence of inflation, as happened in January 2011), do not result in automatic increases in the lending rates of the commercial banks. Lending rates, particularly to the indigenous small and medium-scale enterprises (SMEs), are already seen as onerous and have been blamed for the lackluster performance of the private sector in the creation of jobs for the youth.

It is my pleasure to launch this Special Edition of the CEPA Flagship dubbed **“The Dawn of the Oil Era”** Both the Main Report and an Abridged Version are available for sale at the following prices:

- **Main Report — GH¢15.00;** and
- **Abridged Version — GH¢5.00**

Copies of these reports and other CEPA publications are also available at

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