



Ghana enters oil age with wary eye on neighbours

Find could bring wealth, but some fear petrodollars may hinder economic recovery

Xan Rice in Axim
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For years the question has puzzled Ghanaians: surely, in a region awash with oil, their country had some black gold of its own? Last month they got their answer. Ghana does have oil, and lots of it.

Tullow Oil, a UK-listed company, announced in June it had found up to 600m barrels of oil in the deep waters off Cape Three Point. If the results are proven - exploration companies believe the estimates may be conservative - Ghana will join the swelling ranks of African oil producers, netting billions of pounds over the next decade or two.

The news was greeted as if heaven-sent. In the capital, the Accra Daily Mail ran the headline: Thank God. Oil at last. Thank God!

Church groups announced a national prayer day to give thanks. In a radio interview, President John Kufuor said petrodollars would turn his country, already regarded as the success story of west Africa, into an "African Tiger".

"With oil as a shot in the arm, we're going to fly," he said.

But as the euphoria dies down, people are debating whether oil is really the economic injection their country needs. After all, the other countries along the Gulf of Guinea that have discovered significant deposits - from Angola to Equatorial Guinea and the Republic of Congo - have sunk rather than flown. And Ghanaians need only travel a few hundred miles east to discover why oil is considered a curse in Africa rather than a godsend.

"Nigeria has oil in abundance, yet the local people have nothing," said George Moore, a 29-year-old restaurant worker in Axim, a fishing village near Cape Three Point. "Is that what is going to happen here?"

Others say Ghana's economy, which relies mainly on gold, timber, cocoa and a budding IT sector, is already doing well without the easy money that oil will provide. Since the near collapse of the economy in the 1980s, economic growth in Ghana has averaged about 5%, climbing to 6% in each of the past three years.

Poverty levels have dropped from 52% in 1990 to 29% today, according to the World Bank, making Ghana one of the few African countries on track for the main Millennium Development Goal of halving poverty by 2015. Compare that to Gabon, which has been pumping hundreds of thousands of barrels of oil a day for more than 30 years and where two-thirds of the population still lives on less than a dollar a day.

"Our country works, but the idea of us producing oil still scares me," said Kofi Bentil, a business lecturer at Ashesi University in Accra. "It will totally change the structure of the economy. It could push us into overdrive, but it could also lead us to self-destruct."

One advantage that Ghana has over its oil-producing neighbours, said Mr Bentil, is experience and political stability. While countries such as Nigeria were already swimming in oil money at independence, Ghana has had 50 years to build up institutions to manage its finances.

It is also one of the few countries in the region to hold free and fair elections with peaceful transitions of power.

Although corruption at state level remains significant, accountability has improved greatly in recent years, donor officials say.

Mats Karlsson, the World Bank country director for Ghana, said that even without oil, Ghana was on track to become a middle-income country by 2015, when it would start to wean itself off aid. Oil revenues could accelerate that process.

"We have all seen how natural resources can ruin good performance in African countries," he said. "But there is reason to believe that Ghana will make the right decisions."

From riches to rags, to riches again

In 1957, when Ghana became the first former British colony to achieve independence in Africa, it had one of the continent's strongest economies. Within a decade however, the country had accumulated **foreign debts** of \$1bn (£493m), and the economic slide was well under way. Political turmoil and a massive drop in both the price and production of **cocoa** - of which it is the world's second largest producer - saw the decline continue until the 1980s.

After a 1981 coup, the country's fourth in 15 years, Flight Lieutenant Jerry Rawlings instituted a far-reaching **economic recovery** programme. Although the political instability and violence continued, the market-oriented plan worked, and Ghana has had enjoyed **growth** ever since. Under President John Kufuor, who beat Rawlings' handpicked successor in a peaceful 2000 election and won re-election four years later, there have been further economic reforms qualifying the country for massive **debt relief**. Many analysts now view Ghana as one of Africa's brightest prospects.

• This article was amended on Monday July 30 2007. In it, we mistakenly called the Republic of Congo the Democratic Republic of the Congo, which is a different country. This has been corrected.

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