

CEPA calls for effective management of oil revenue

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The Executive Director of the Centre for Policy Analysis (CEPA), Dr. Joseph Abbey says Ghana will enjoy economic dividends only if there is an effective mechanism to manage the country's foreign earnings which will lead to the creation of jobs in order to uplift the ordinary people from the current hardships.

Presenting a paper on Ghana's expected movement from an economy hinged on cocoa to the recent discovery of oil, Dr. Abbey said indicators such as inflation and interest rates are crucial to the social economic development of countries and Ghana cannot fail in this respect.

"CEPA expected inflation to decelerate into the third quarter of 2010. After that however, with the projected entry into the phase of the 3-year inflation cycle, a trend reversal is expected, with a gradual rise in inflation reaching a peak in the first quarter of 2012", Dr. Abbey said.

"CEPA's expectations are that all nominal interest rates will follow the policy rate downwards, and stabilize later in the fourth quarter of 2010. Reducing budget deficit in the stabilization programme requires slowdown in government spending and or increased in government revenue mobilization through taxation", he said.

This, he observed, would reduce the overall spending power in the economy resulting in slow economic growth and employment. Dr Abbey also explained that the exchange rate and payment system has been described as a liberal one because the system is free from restrictions on payment and transfers involving merchandise trade, profits, dividends and labour incomes.

According to him although the cocoa sector has over the past 100 years created employment for people and increased central government's revenue mobilization and its foreign exchange earnings, the discovery of oil recently would mean better economic prospects for the country.

The paper, which highlighted CEPA's analysis of the country's entry into the oil era as projected by the World Bank in early 2011 is expected to educate the public about key factors that need to be restored to ensure a stable macro economy system.

The CEA boss urged the security institutions and the Judicial Service to assist government to protect the resources that the country as been endowed with.

Touching on the local currency, Dr. Abbey said it has witnessed some significant stability this year and the trend is expected to continue in the coming year. He said the steady and creeping appreciation of the cedi comes with associated risks of choking off the growth and employment potentials of non-oil sectors in the areas of agriculture and manufacturing.

"The lessons from the experiences of other African oil producers, which windfalls in foreign exchange earnings have had a number of negative economic repercussions, need to be fully learnt," he said.