

WHY IS GHANA SO POOR YET RICH UNDERNEATH THE SOIL?



On the 14th of February, 2019, the Ministry of Finance announced what is described as the biggest oil find in Africa, **450 million – 550 million barrels**, with potential reserves of nearly **1 billion barrels** of oil. Fortuitously, this new “find” has occurred when Ghana has a President who has shown total disgust for colonialism and its underlying philosophy of extracting Ghana’s natural resources under insidious and oppressive contracts with a few crumbs left to the people of Ghana (the colony).

At a recent meeting with the President of France, Emmanuel Macron, President Akufo-Addo indicated that this business of giving aid to Ghana while extracting its Natural Resources should stop. He stressed the urgent need for Ghana to “go beyond aid” in its efforts to develop the economy. The old colonial principle of “providing foreign aid while extracting our natural resources” with “rent-seeking contracts” is never going to develop Ghana. The past 50 years has seen enough of these different “schemes” by some colonial companies masquerading as “foreign investors”. They cannily exploit our creaky and incoherent set of rules to enrich themselves while the Ghanaian remains poor in the midst of plenty.

But now, the time has come for a new thinking, a new paradigm. This new oil discovery provides our President with a “God sent” opportunity to change Ghana’s course of development for good. Recent studies have shown that with courage and wisdom, the new oil find can be used to create prosperity for Ghana, like Norway, a former fishing village or Dubai, a former desert village occupied by nomadic cattle herders.

At a recent lecture, Professor Paul Collier, the former Director of Research at the World Bank, former Senior Advisor to Prime Minister Tony Blair on the Africa Commission, and the current Director of the Center for the Study of African Economies at Oxford University;

stated that the total cost of recovering a barrel of oil from the ground is about **\$10** (ten dollars per barrel). **This includes exploration and other costs.**

Prof. Collier argues that the only way poor African countries can turn their oil reserves into prosperity and to develop first class countries is by:

- collecting the super profits called *rents* (**\$65-\$10 = \$55 per barrel**);
- investing the rents into the future of their countries instead of allowing “foreign investors” to keep it.

Several countries like Iran, Iraq, Bahrain, Saudi Arabia are using this framework. However, Norway in particular, has accumulated more than **\$1.06 trillion** (about one trillion US dollars) in their Sovereign Funds using this framework to create prosperity for their people. In 2010, Iraq paid Exxon and Shell **\$1.90 per barrel** to recover oil from the ground. On **30th April, 2019**, the British Petroleum Company (BP) and China’s CNPC accepted **\$2** to recover a barrel of oil for the government of Iraq while Exxon Mobil’s bid of **\$4.8** per barrel was rejected.

Mr. President, for Ghana to use its natural resources to develop all of its people, not some, please take a cue from these world class models. We must **stop** writing colonial contracts with odious obligations which enrich **only** a few and leave the bulk of our people poor. The current insidious contracts with these so-called “foreign investors” are spurious at best and only help the signatories and their friends **not** the poor. These insidious contracts remain the bedrock or the cornerstone of the Ghanaian economy, which *you* once referred to as the “Guggisberg Economy”, and need to be reformed.

Mr. President, here is your opportunity to dismantle one of the critical elements of the “Guggisberg Economy” in order to create a new beginning for Ghana to rise! This is your moment Sir.

Ghana requires a new model-contract which pays oil companies per barrel recovered from the ground or seabed. Like Qatar or Dubai, this model will provide huge foreign reserves for Ghana’s development. Other poor African countries will learn and benefit from your example and leadership. This will be a mighty legacy, second to none! Africans are counting on you, Sir.

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Address all correspondence to:

The Editor, The Institute of Economic Affairs, P.O. Box OS 1936, Accra.

Tel: +233-302244716/226333/226359 Email: iea@ieagh.org Website: www.ieagh.org

Facebook: www.facebook.com/ieagh. Twitter: www.twitter.com/IEAGhana