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THE POLITICAL ECONOMY OF OIL MARKETING IN DEVELOPING COUNTRIES: AN ANALYSIS OF THE POLITICS OF PETROLEUM AND PETROLEUM POLITICS IN GHANA.

Awaisu I. Braimah

Department of Political Science Education, University of Education, Winneba.

***Abstract*:** *This article probed the politics of subsidy in developing countries. In spite of the adoption of neoliberal policies of capitalism where production, distribution and exchange of goods and services are supposed to be in the realm of the private sphere, most developing economies are still ingrained unrepentantly in sacrificing scarce national resources meant for infrastructural development on subsidies while scavenging for loans from the International Financial Institutions for development. This paper focuses on Ghana's experience of the unbridled subsidies on petroleum products in spite of the striking parallels that exist between the state's economic resources and the sustainability of petroleum subsidies. This paper argue that Ghana's economic challenges in recent times, and its indebtedness to Oil Marketing Companies (OMCs) are as a result of the unbridled subsidy and politicization of petroleum products since Ghana's Fourth Republic.*

Keywords: Deregulation, Marketing, Petroleum, Political economy, Regulation, Subsidy.

INTRODUCTION

Developing counties are ingrained in the marketing and subsidizing of goods and services in this contemporary global economy that advocate the withdrawal of the state from the production, distribution and exchange of goods and services. Private individuals and firms in capitalists' economies are designated as the touchstone for accelerated growth of an economy. However, several developing economies have either consciously or unconsciously retrogressed into the era of welfare economies of the 1960s through to the late 1970s. In such welfare economies, governments marketed and subsidized prices of commodities ranging from farm inputs to foodstuffs Interference from governments in the management, marketing and 'censorship' of petroleum prices, goods and services through subsidies in one way or another, have deprived emerging economies the necessary resources to embark on infrastructural development. While subsidy is not necessarily a misplaced priority, the inability to map out strategies to target the vulnerable and the poor to benefit from such policies is the focus of this study.

The Ghanaian economy is saddled with various subsidies on commodities and services for citizens. These subsidies include, fertilizer subsidy for farmers; capitation grant or education subsidy at all levels (besides subsidy on school fees, the state also provide school uniforms, school sandals for rural communities, sanitary pad for rural school girls, exercise books, one meal a day, examination fees at the Basic school level); subsidy on health; subsidy on water provision; subsidy on electricity consumption among others. The most devastating subsidy with its crippling effect on the Ghanaian economy is the petroleum subsidy. In spite of the mounting debt standing in government books arising from subsidy on petroleum products, the

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state continue to subsidize the commodity that largely benefit the rich and the middle income earning category. This phenomena have affected the growth of the economy in several fronts. First, the resources of the state can no longer support the ever increasing cost of state subsidy on goods and services. Consequently, successive governments in Ghana have resorted to borrowing from domestic and external sources to finance developmental projects. Second, the government competes with the private sector in the domestic financial market to secure funds to undertake government projects. This invariably, crowds out the private sector from accessing long term financial capital to grow their businesses. The phenomenon has disabled the private sector from creating employment avenues for the teeming unemployed youth in Ghana. This paper seeks to find answers to the following questions: Why will Ghana government continue to subsidize petroleum products in spite of its crippling effect on the economy? Why is the marketing and distribution of petroleum products largely state-centric? Is it possible to have functional deregulation in the petroleum sector in Ghana?

METHODOLOGY

The data and information for this paper was originally gathered from various sources between January and June 2014. The first data consisted of interviews conducted with key participants who were randomly selected. It included 50 commercial drivers (25 each from Tema bus terminal in Accra and 25 from Aboabo bus terminal in Tamale for the southern and northern sector respectively). Again, 50 private vehicle users were also selected from the same bus terminals (25 private vehicle users randomly selected from Accra and Tamale). Accra and Tamale were selected for the study because, Accra is the capital city of Ghana where motor vehicles are usually concentrated and Tamale being the transit city for vehicular movements to Ghana's landlocked neighbouring states (Mali, Niger, Togo, Burkina Faso and their like). Six key officials from the National Petroleum Authority (NPA) were also interviewed. 14 senior officials of Oil Marketing and Distribution companies (OMCs) were also interviewed. Thus, the total purposively sampled size for this study was 120 participants as shown in the table below.

Table 1: Category of Respondents

Category of Respondents	Number Interviewed
Commercial Drivers	50
Privately-owned users	50
Officials of National Petroleum Authority	06
Officials of Oil Marketing Companies	14
Total	120

Source: Field Report (2014).

The second set of data or information came mainly from policy documents, journal articles, newspaper publications, books and monographs. The study adopted a purely qualitative method of research design and analysed data using thematic coding.

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REVIEW OF RELATED LITERATURE

This section is devoted to the examination of 'a set of questions … by means of eclectic mixture of analytic methods and theoretical perspectives' (Gilpin, 1987). This paper focuses on the arguments of Mercantilist and Neoliberal schools of thought in the study of international political economy. The purpose is to undergird this study into a proper context for the purposes of clarity and making sense out of the subject under discussion.

Mercantilism was a school of economic thought that emerged in the 16th and 17th centuries. The School was interested in the relation between a nation's wealth, primarily measured by its reserves in gold and silver and the balance of foreign trade (Bullock & Trombley, 1999). This school advocate strong state intervention and/or regulation of economic activities in a state with the view to accumulating wealth and power for the state. In this perspective, production, distribution, exchange and to a large extent, pricing of commodities must remain the monopoly of the state and its apparatuses. .Mercantilist thought is a variant of *public interest theory of regulation* of social and economic policy change. Advocates of public interest theory argue that regulation increases social equity and fairness in the distribution of state resources; and that the involvement of the private sector in the production, distribution and exchange of goods and services will only benefit capitalists who own the means of production. Fundamental to public interest theories are market failures and efficient government intervention (Hertog, 2010:2). According to these theorists, intervention of government will be the ideal economic policy to ensure benefits for businesses, consumers and the state. As succinctly captured by Hertog (2010):

> There are two broad traditions with respect to the economic theories of regulation. The first tradition assumes that regulators have sufficient information and enforcement powers to effectively promote the public interest. This tradition also assumes that regulators are benevolent and aim to pursue the public interest (Hertog, 2010:2).

In the above supposition, state regulation of economic activities is expected to better serve the interest of the majority poor and the few middle class. It will also be a check on potential market failures in the production and the distribution chain of demand and supply. State regulation eliminates the possibility of private sector exploitation of the proletariat in their quest to make oligopoly profits. Advocates of regulation contend that all modern governments operate and finance industries, purchasing goods, providing services, and promoting various economic activities (Encyclopaedia Britannica, 2012). Regulation has been variously defined by various scholars to mean different thing according to the ideological prism or analysis of the individual scholar (Baron, 1995; Baldwin and Cave, 1999; and Ogus, 2004). Broadly speaking, regulation refers to the 'inward-oriented' economic policies or mechanisms of government intervening in the economy to influence resource allocation. In this paper, regulation is narrowly construed to mean the management of the production, distribution and exchange rights of goods and services limited to the public realm (the state). Private participation in such regulated economies are minimal or peripheral. Hence, these category of scholars dissuade governments from deregulating petroleum products to the private sector because of the critical role energy play in the economic development of states.

In spite of the overwhelming evidence of the influences of globalization and neoliberal polices that reflects the ever-diminishing role of the state, many developing states are still embroiled in the regulation and pricing of petroleum products and other utilities at an unsustainable cost.

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Ghana for example, has expended millions of United States dollars in subsidizing fossil-fuel. Such subsidies are supposed to trickle down to the benefit of the poor and vulnerable in society. Many however doubt the usefulness and the efficacy of fossil-fuel subsidy since the poor and the vulnerable hardly benefited from the state policy – subsidy on petroleum products. This explains why neoliberal policies are advocated in the fossil-fuel sector by some economists as the pathway to economic growth and development.

Another school of economic thought, (e.g. neoliberalism) advocate deregulation and privatization of state controlled industries for efficiency and effectiveness of service delivery. Deregulation is inextricably linked to both theoretically and practically, privatization and/or liberalization as the common characteristics to economic policy change. The broad definition of privatization is any measure that increases the role of the private sector in the economy to ginger competition – for example through deregulation which permits private entry into markets previously reserved for State Owned Enterprises (SOEs) … (Ramamurti, 2000). This competiveness is what Smith (1973), refers to as the "invisible hand" – forces of supply and demand interacting to attain equilibrium in the economy. As succinctly captured by Cypher and Dietz (2009):

> In such an environment, the individualistic desires of consumers for goods and services, combined with the self-interested drive to maximize profits by the producers of these goods and services, will tend toward deterministic levels of output and prices. This is the equilibrium price and quantity where the supply curve crosses the demand curve (Cypher and Dietz, 2009:111).

Privatization of state-owned institutions and liberalization of the economy will generate benefits for consumers because privately owned industries have a greater incentive to produce goods and services in the quantity and quality consumers prefer (Beesley and Littlechild, 1997). Advocates of neoliberal policies do not however, encourage unbridled liberalization or privatization. Privatization they argue must be undertaken based on certain benchmarks or considerations as advocated by Beesley and Littlechild (1997). The benchmarks are:

1. Privatization schemes should be designed to maximize net consumer benefits, measured primarily by lower prices and improved quality of service, rather than stock-market proceeds. A fortunes market for shares would facilitate flotation.
2. The promotion of competition – by removing artificial restrictions on entry, making resources equally available to potential entrance, and restructuring the existing industries – is the most effective means of maximizing consumer benefits and curbing monopoly power.
3. Stricter competition policy is preferable to rate-of-return regulation, efficiency audits and related forms of government 'nannying'.
4. Clear ground rules should be laid down concerning the criteria for providing uneconomic services and the sources of finance for these.
5. Compensation should be paid for serious transitional unemployment, though in the longer run employees' prospects will be enhanced by privatization.
6. Priority should be given to privatizing those industries where consumer benefits are likely to be greatest. Potential benefits will depend upon the size of the industry,

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whether it has already received attention, and whether competition rather than monopoly is likely to ensue.

These benchmarks as proposed by Beesley and Littlechild (1997), were clearly ignored by most developing and transitional economies including Ghana in the 1980s when privatization of State-Owned Enterprises (SOEs) peaked. Some SOEs were diversified in spite of the overwhelming evidence of performance in business sense. The very strategic SOEs such as the telecommunication industry, transport, fossil-fuel, manufacturing industry, national banks were sold outrightly to foreign companies who, customarily repatriates their profit to the disadvantage of the host nation. The expected outcome of reaping benefits for both the state and the consumer were not fully realized. It is as a result of the experience of flawed diversification of state enterprises with less benefit to consumers that, governments in developing economies are cautiously optimistic of deregulating the oil sector. Second, it is the fossil-oil sector that governments in developing countries are able to garner maximum taxation to undertake development projects; and finally, the oil sector is an instrument of politics by politicians to hang onto power. Deregulation of the oil sector will halt governments in developing economies to reduce prices of petroleum products only when general elections are approaching; and increase petroleum products astronomically when it is not an election period. Hence, the prices of petroleum products remain a see-saw affair in most emerging economies including Ghana (my focus)

Boycko et'al (1996) states, 'public enterprises around the world have proved to be highly inefficient, primarily because they pursue strategies, such as excess employment, that satisfy the political objectives of politicians who control them'. Advocates of neoliberal policies seek to transfer the control of production, distribution, exchange and price determination of goods and services from the public sphere to the private sector (Cohen, 2007). Advocates of deregulation are of the view that markets function effectively and efficiently when there is less or no state interference; and allow market forces to determine the prices of goods and services. Like the mercantilists, neoliberals also see the ultimate beneficiaries of a competitive market environment to be the final consumer in the long run – competition breeds quality products and reduced prices of goods and services. Neoliberals point to some drawbacks inherent in the mercantilist thought as the crowding out of the private sector, unsustainable economic cost to the state through subsidy, inability of the state to effectively target the poor and vulnerable to benefit from its subsidy on goods and services and that, the statist approach to economic management encourage mediocrity.

The above debates on the economic management of fossil-fuel partly explains, why there is instability in the strategies or policies by governments of Ghana in the management of petroleum products. The jig-saw that characterizes the management of petroleum products by successive governments include state regulation, deregulation and reregulation – these change of policies is a disincentive to the macroeconomic stability of Ghana; especially, when the fixation of prices of petroleum products are used for the purposes of propaganda for political expediency.

Petroleum Politics: Regulation, Deregulation and Reregulation

Regulation of petroleum products has been under state control since Ghana's independence. Consequently, the determination of prices of petroleum products has been the preserve of the state. This phenomenon has created the window of opportunism for the politicization and the determination of the pricing formula of petroleum products or fossil-fuel. The opposition

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political parties in Ghana have always chastise the government in power for being insensitive to the plight of Ghanaians anytime prices of petroleum products are adjusted upwards - in line with global or international prices. The Provisional National Defence Council (PNDC)/National Democratic Congress (NDC) governments under former President of the Republic of Ghana, Jerry John Rawlings adjusted prices of fossil-fuel annually; but less in line with realistic prices at the global level. These created unsustainable debt stock in the books of the Ghana National Petroleum Corporation (GNPC) and Tema Oil Refinery (TOR) to the extent that, local Banks in Ghana were unwilling to issue letters of credit to the Refinery to guarantee imports of fossil-fuel for domestic use. In this perspective, Ghana started experiencing fossil-fuel shortages with its economic ramifications on food, transport, businesses, electricity supply and long winding queues in search of fuel. The opposition political parties regardless, mounted series of attacks on the NDC government through demonstrations on the streets, press conferences, radio and television discussion to demand lower prices of fossil-fuel. The under recovery continued unabated until the PNDC/NDC lost political power having been in the saddle for almost two decades (19 years precisely).

The main opposition political party – New Patriotic Party – won the 2000 general elections and assumed power on January 7, 2001. The new President (Mr. John Agyekum Kufour) having vigorously campaign against hikes in petroleum products and severely criticized the National Democratic Congress (NDC) government of insensitivity to the plight of the ordinary Ghanaian, was expected to reduce the prices of petroleum products. Accordingly, the usual media coterie and expectations from Ghanaians were, the inevitable reduction of petroleum products by the new government. On the contrary, the NPP government having been confronted with the level of unsustainable debt stock in the books of the TOR and the GNPC, rather imposed a TOR recovery levy on Ghanaian businesses and raised national taxes on goods and services to mitigate the eminent collapse of some local banks that had earlier issued letters of credit to TOR. The prices of fossil-fuel were adjusted upwards at exponential rate by the NPP government after a couple of months in office. While these increases went on, the previous government (PNDC/NDC) was lambasted and chastised for gross mismanagement in the energy sector and failure to adjust prices of petroleum products to be in line with world prices. The Tema Oil Refinery (TOR) unsustainable debt stock was therefore blamed on the PNDC/NDC government. In an effort to avoid future debt stock in the petroleum sector, the NPP government in line with their ideological strand of Capitalism, proposed the establishment of independent body responsible for the regulation of prices of fossil-fuel to be in tandem with global prices at all times. This was the first step toward the total deregulation of the petroleum downstream. In line with this policy, the National Petroleum Authority (NPA) was established by an Act of Parliament, 2005 to 'regulate, oversee and monitor activities in the petroleum downstream industry …' (NPA, 2005:4). The object and functions of the National Petroleum Authority (NPA) were stated as follows:

(1). The object of the Authority is to regulate, oversee and monitor activities in the petroleum downstream industry and where applicable do so in pursuance of the prescribed petroleum pricing formula.

(2). To achieve the object, the Authority shall

> (a) monitor ceilings on the price of petroleum products in accordance with the prescribed petroleum pricing formula;
>
> (b) grant licenses to applicants under this Act;

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(c) maintain a register and keep records and data on licenses, petroleum products and petroleum marketing service providers;

(d) provide guidelines for petroleum marketing operations;

(e) protect the interest of consumers and petroleum service providers;

(f) monitor standards of performance and quality of the provision of petroleum services;

(g) initiate and conduct investigations into standards of quality of petroleum products offered to consumers;

(h) investigate on a regular basis the operation of petroleum service providers to ensure conformity with best practice and protocols in the petroleum downstream industry;

(i) promote fair competition amongst petroleum service providers;

(j) conduct studies relating to the economy, efficiency and effectiveness of the downstream industry;

(k) collect and compile data on

i. international and domestic petroleum production, supply and demand,

ii. inventory of petroleum products, and

iii. pricing of petroleum products

(l) periodically review in consultation with petroleum service providers the prescribed petroleum pricing formula and publish in the Gazette the respective formula;

(m) publish in the Gazette the ex-refinery prices and ex-pump prices of petroleum products based on the prescribed petroleum formula;

(n) monitor daily the import parity price of refined petroleum products and publish the price periodically in the Gazette;

(o) collaborate with relevant institutions for purposes of this Act;

(p) oversee open and transparent international competitive bidding for the procurement of petroleum products and crude oil;

(q) approve charges for the provision of petroleum services within the downstream industry;

(r) monitor and evaluate operations of the UPP fund established under section 62 to ensure the achievement of the object of the fund;

(s) approve expenditure charge on the fund under this Act;

(t) publish in the Gazette user fees for monopoly infrastructure; and

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(u) perform any other function that is ancillary to the object of the Authority and assigned to it under this Act.

The implementation of the above provisions as outlined in the NPA Act, 2005 led to a bi-weekly review of prices of petroleum products by the NPA. The determination of the pricing formula was contingent on the global price of fossil-fuel. In that case, the domestic petroleum prices could either be adjusted upwards or otherwise. This bi-weekly review of petroleum prices was however fraught with several challenges. First, the government that established the National Petroleum Authority (NPA) also undermined the decisions of the Authority hook line and sinker. Government on several occasions reversed the decisions by the NPA regarding proposed domestic hikes in petroleum products. This was as a result of 'fear' of the political cost at the poll. In a populist and panic move, the government then announced that it has absorbed or subsidized the new prices of petroleum products pecked by the NPA. Technically speaking, governments of Ghana have not in the past or present paid fully for subsidized fossil-fuel. The supposedly subsidy were/are usually added to the debt stock of the under recovery of the National Petroleum Authority. Consequently, whenever there is a windfall gain owing to downward prices of crude at the international level, the expectation of citizens to enjoy downward prices of petroleum products did not reflect domestically. The government and the NPA consider the windfall in the prices of crude oil at the international level as an opportune time to clear or pay part of the debt stock owed to the Oil Marketing Companies (OMCs). Second, Ghanaians (businesses, commercial vehicle operators etc) were incensed about the continuous bi-weekly increases in petroleum products in the country and vowed to vote out the NPP administration in the 2008 national elections. Finally, and as expected, the main opposition political party (the NDC) waded into the bi-weekly review controversy of petroleum products by condemning the NPP government of being insensitive to the plight of impoverished Ghanaians. Indeed, the then Presidential candidate of the NDC in the 2008 general elections, John Evans Atta Mills promised to reduce the prices of petroleum products drastically at a time the price of crude oil was at all-time high (i.e. $150 per barrel) at the global level. The promise by the main opposition political party (the NDC) was well received by the electorate. The NPP government in a panic move to win the hearts of the electorate, reduced the prices of petroleum products marginally. In all these politicking, the NPA was relegated to the background in terms of its functions. The incumbent government (the NPP) was defeated at the December 7 2008 polls. Certainly, the fossil-fuel politics played a key role in the exit of the NPP.

The attempt of deregulation of the petroleum sector by the NPP administration - was put on hold although the new administration (the NDC government) did not abolish the ideals that culminated the establishment of the National Petroleum Authority (NPA).

Many reasons or justification for the continued subsidy of fossil-fuel by governments include inter alia, first, to ameliorate the suffering of the poor and the vulnerable of the effects of fossil-fuel increases. Second, keep the cost of foodstuffs at reasonable prices for the ordinary citizens. Third, mitigate the effects of petroleum hikes on civil and public servants who will intend demand wage increases and fourth, to protect a possible exploitation of consumers by Oil Marketing Companies (OMCs) and its surrogates in the petroleum downstream.

However, these reasons offered above are not tenable as justification for fuel subsidy in Ghana. Successive governments have consciously failed to adjust the prices of petroleum products to reflect the increases at the international level for political reasons. Governments 'feared' the political cost (e.g. losing political power) in fossil-fuel increases. The nature of subsidies of petroleum products is such that it is the rich and the affluent that benefit from government

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subsidies. For instance, those who own the private and the commercial vehicles are certainly not the poor and the vulnerable in the Ghanaian society. But the poor and the vulnerable in society face the wrath of increases in the price of food and transport owing to fossil-fuel upward adjustments. The table below is a summary of unpaid subsidies of petroleum products.

Table 2: **Outstanding under Recovery Amount due NPA for the period ending June 2014**.

Monthly Summaries	**Over-Recovery (GHS) A**	**Under-Recovery (GHS) B**	**Net Under-Recovery (GHS) C=A+B**	**Receipt from Min. of Finance (D)**	**Net (GHS) E=C+D**	**Cumulative (GHS)**
Outstanding for the period ending Dec 31, 2013		(169,298,194)	(169,298,194)		(169,298,194)	(169,298,194)
January Accrual 2014 (31 Jan.2014)		(10,948,941)	(10,948,941)		(10,948,941)	(180,247,135)
February Accrual 2014 (28 Feb, 2014)		(14,809,789)	(14,809,789)		(14,809,789)	(195,056,924)
Receipt from Min. of Finance				**40,000,000**	(40,000,000)	(155,056,924)
Receipt from Min. of Finance (April 10, 2014)				**80,000,000**	(80,000,000)	(75,056,924)
Estimated Emergency Cargo U/R for Quarter 1, 2014		(34,592,890)	(34,592,890)		(34,592,890)	(109,649,814)
March Accrual 2014 (31 mar. 2014)		(17,840,759)	(17,840,759)		(17,840,759)	(127,490,573)
April Accrual 2014 (30 Apr 2014)		(38,670,278)	(38,670,278)		(38,670,278)	(166,160,851)
May Accrual 2914 (31 may 2014)		(95,925,656)	(95,925,656)		(95,925,656)	(262,086,507)
Additional Under		(31,629)	(31,629)		(31,629)	(262,118,136)

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Recovery for December 2013						
Emergency ATK Under Recovery, 2013		(2,063,091)	(2,063,091)		(2,063,091)	(264,181,228)
June Accrual 2014 (30 June 2014)		(91,404,005)	(91,404,005)		(91,404,005)	(355,585,232)
TOTAL		**(475,585,232)**	**(475,585,232)**	**120,000,000**	**355,585,232**	**355,585,232**

Source: National Petroleum Authority (2014).

NB: **Outstanding under Recovery Amount due NPA for the period ending June 30, 2014 = GHS 355,585,232 approximately USD$ 118,465,229.**

RESULTS AND DISCUSSION

Marketing and Subsidy of Petroleum Products by Governments

Marketing of petroleum products remained the preserve of governments of Ghana. This has resulted in inefficiencies in the management of the petroleum sector leading to mounting debts on government's records. Even though private Oil Marketing Companies (OMCs) have been licensed to operate, the determination or fixation of prices on petroleum products lie in the bosom of the state. Why is this the case? This question was posed to the respondents in this study. 72 respondents were of the view that, governments' use the marketing and subsidy on petroleum products as a political weapon to either win elections or maintain power. This is always evident before and during elections in Ghana since 1992. Governments will not usually adjust prices of petroleum products in line with international standard prices when general elections are approaching. On the contrary, prices are marginally reduced (in spite of the crippling effect on the economy) to cajole electorates to vote for the government in power 21 of the respondents commended governments of Ghana for subsidizing petroleum products. According to them, the gesture will help the poor and the vulnerable in society against the hardships of adjusting upwards the prices of petroleum products. While 7 respondents could not tell why governments of Ghana continue to subsidize and market petroleum products.

Officials of the National Petroleum Authority were of the view that governments' subsidy of petroleum products to its citizens cannot be a bad policy or idea. The complexity of such state interventions are that, government usually do not transfer or pay the subsidy component to the NPA or the Oil Marketing Companies (OMCs). As a result, raising letters of credit from the local banks to import crude oil is a daunting task. This explains partly, the reason Ghana experienced acute fossil-fuel shortages between 2010 and 2012

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State-centric Oil Marketing and Distribution

This section of the interview guide sought to explore the marketing and distribution of petroleum products by the state from the perspectives of commercial vehicle drivers, private vehicle users, officials of Oil Marketing Companies and officials of the National Petroleum Authority. Some of the operators of commercial vehicles were of the view that the oil industry is critical to national development and must not be deregulated or privatized. They expressed fear that, privatizing or deregulating the energy sector will put their operations in an awkward position through price hikes by the OMCs (whose primary motive is to make supernormal profits). While the rest of the commercial vehicle operators were of the view that, deregulating the petroleum sector will ensure the availability of petroleum products to enhance their operations. Private vehicle users were of the view that, the state must withdraw from oil marketing and allow the private sector ample space to operate and create jobs for the youth. They indicated that, governments hold on the fossil-fuel industry is as a result of using the industry to raise 'cheap' and quick government revenue. The Ghanaian economy is made up of large informal sector – a sector government is unable to rope in to pay taxes for national development. Consequently, an effective way of getting every individual to pay direct and indirect tax to the state is through the various levies on petroleum products. Hence, the unwillingness of government to totally liberalize or deregulate petroleum products.

From the perspective of the Oil Marketing Companies, they advocated the total withdrawal of the state from marketing and desist subsidizing petroleum products to ensure effectiveness and efficiency of the energy sector. According to the officials of the OMCs, the involvement of the state in the determination of prices of the various petroleum products, is not only affecting the OMCs but the state in particular. For, the quantum of money used for petroleum subsidies could have been channelled for other developmental programmes. Officials of the OMCs also contended that, total deregulation of the energy sector will not only benefit consumers and businesses (e.g. competitive pricing, quality products, tax to the government, etc) but the state as well.

The responses from the officials of NPA was ambivalent. While these officials favour deregulation of the energy sector, they also thought government must play a role in regulating the petroleum industry because of the critical role the energy sector play in national economic development. They contended that, the core function of the NPA is to give technical advice to government on pricing formula looking at the crude prices at the international level. The essence is to guide both government and the Oil Marketing Companies on price ceilings; and to ensure constant supply of fossil-fuel to meet domestic demands.

The State and Deregulation of Petroleum Products

This section probes the jigsaw of regulation, deregulation and reregulation that characterizes the petroleum sector by successive governments of Ghana. The deregulation policy only works in Ghana when the prices of fossil-fuel inches up at the international market. The NPA is usually quick and with alacrity to announce upward adjustments of petroleum products. But when prices fall, governments and the NPA remain adamant in reducing the prices of petroleum products to reflect the deregulation formula or principle. The usual coterie of sycophant explanations from the officials of NPA and government functionaries are that, government is unable to adjust prices of petroleum products downward because, the windfall will be used to clear mounting debts owed the NPA by the government through unpaid subsidies. Respondents were of the view that, governments of Ghana only understand deregulation only when prices

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are adjusted upwards. Hence, respondents were of the view that governments will continue to undermine the NPA and Oil Marketing Companies (OMCs) as long as energy sector remain the fastest and cheap source of mobilizing government revenue - through the multiple levies on the ex-pump price of fossil-fuel. For example, in July 2015, government announced the total deregulation of the energy sector to the much relief of OMCs. Consumers and businesses benefited from the policy (deregulation) when the OMCs reduced the prices of petroleum products to reflect the all-time low price of crude oil at the international level. The downward trend of price of petroleum products in the domestic market was halted when the government in December, 2015 unilaterally adjusted the prices of petroleum products to over 60% of the ex-pump price. This again defeated the deregulation policy having been implemented six months earlier.

CONCLUSION

The study was set out to probe the continuous subsidy of petroleum products in spite of its crippling effect on the Ghanaian economy; the involvement of the state in oil marketing and why the implementation of deregulation policy in the petroleum sector in Ghana largely fail.

In analysing why governments of Ghana continue to subsidize petroleum products, the study revealed that Ghanaians largely favoured deregulation of the petroleum sector to ensure constant supply of petroleum products on the market at competitive prices. The study also showed that governments use subsidy as a mechanism to cajole electorates to vote for them during general elections. Superficially, subsidy policy is justified by governments as a pro-poor policy. But in practice, the poor and the vulnerable never benefited from the subsidy. Hence, subsidy of petroleum products is a weapon of politicians that is invoked indiscriminately before and during general elections. This has negatively retrogressed and saddled the Ghanaian economy with stockpiled of debts emanating from unpaid subsidies.

The study further revealed that the state is ingrained in oil marketing because, it is the quickest revenue mobilization for the government. The large informal sector of the Ghanaian economy evade tax because the Ghana Revenue Authority (GRA) mandated for the collection of taxes lack data for the informal sector. Hence, the inability to track the location(s) of small-scale businesses for the purposes of taxation. Governments in developing countries including Ghana touts the critical role of the energy sector to national development.; and therefore, argues that such a critical sector cannot and must not be left in the hands of the private sector.

However, the involvement of the state in oil marketing and distribution has been ineffective and inefficient. The populist policies of government (subsidy and reduction of prices of fossil-fuel at a time crude oil prices soars at the international market) cannot be prudent in business sense. The crippling effect of such policies is the government's hyper-indebtedness to the NPA and OMCs that tend to suffocate the macroeconomic stability of Ghana.

The study concluded that, the implementation of the deregulation policy in the energy sector in the Ghanaian economy is a façade. Governments uphold the principles of deregulation only when price of crude oil inches up at the international level. In that case, the NPA is quick to announce upward adjustments of petroleum products domestically citing price change at the international market. But the NPA is adamant to reduce prices of petroleum products to reflect downward trend of crude oil at the international market. Again, deregulation is thrown to the

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dogs when general elections are approaching. Prices are always kept all-time low at the domestic front in spite of the overwhelming evidence of price hikes at the international market. The net effect is usually the accumulation of unsustainable debt and its crippling effect on the economy.

The energy sector cannot be managed or run on propaganda. Any attempt to manage the energy sector with political spectacle will only bring temporary relief to policy makers for political expediency; but will backfire in the long run. It will also, jeopardize the gains made in the micro and macroeconomic stability of the state.

RECOMMENDATIONS

Based on the findings and conclusions of the study, the following recommendations were offered in a bit to change the outlook of the energy sector: in Ghana:

- The government must allow state institutions to function effectively according to their mandate. In this perspective, the government must refrain from interfering in the affairs of the National Petroleum Authority (NPA) in the determination of petroleum prices. Total deregulation where the OMCs determine their own prices on petroleum products will eventually lead to quality products at competitive prices;

- The state has no business doing business. The state must create the conducive environment necessary for Oil Marketing Companies (OMCs) to flourish. The net effect will be revenue to the state and employment creation for the youth;

- The energy sector must be spared with the everyday political gimmick. Market forces of demand and supply must be the guiding principle in the oil sector. Government subsidy should only be applied when very necessary. In that case, there must be a deliberate policy to target the poor and vulnerable in society to benefit and not the usual en masse subsidy across board.

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