

**Tuesday January 17, 2012**

## **Fuel Subsidy Debate Rages On**

The debate on whether fuel subsidies should be restored or abolished continues unabated with interest groups expressing diverse opinions.

While trade unionists, civil society and business groups still maintain that the government should restore fuel subsidies, some economists think the restoration of the subsidies should be thoroughly debated and managed well in order not to threaten the economy.

Dr. Joe Abbey, an economist and the Executive Director of the Centre for Policy Analysis (CEPA), said fuel subsidies had benefited the rich rather than the poor, adding, “let us not use the poor to gain more benefit for the rich. It is not fair that in the name of the poor, we will get more for the rich.”

He told *BUSINESS GUIDE* that it was prudent for government to remove fuel subsidies since the country had adopted a non-transparent pricing of key petroleum products over the last couple of years.

He added that “if we believe that there should be a subsidy, we should have said so in the budget. We must take our budget laws seriously. This continuous practice by government to exceed and spend beyond the authority of Parliament should stop. At any point in time, Ghanaians should be made aware of the reference point of computing pricing of petroleum products.”

Dr. Abbey attributed the high interest spread in the country to excessive spending on the part of government, which he said had led to high lending rates despite low inflation.

Dr. Robert Osei of the Institute of Statistical, Social and Economic Research (ISSER), also told *BUSINESS GUIDE* that the whole issue of fuel subsidies must be looked at holistically, noting that “problems with commercial banks, non-performing loans on the books of banking system and high interest rates go back to the problem of subsidies.”

“If we decide to subsidize, we have to look for money to do so. We have to find out whether the choices we make will create any adverse repercussions.”

He said, "If we all understand that then we can agree that there should be one percent subsidy on fuel and then also, we can conduct research and find out how we are going to finance that."

He explained that Ghana should know its objectives and how to maximize such objective functionally.

In 2011, it was believed that the government spent about GH¢400 million on fuel subsidies.

Dr. Abbey said, "If we are going to subsidize, then it will mean taxing more of the other sectors to recoup the deficit. We should understand that if there is no provision for expenditure, but we want to spend, then we have to go to Parliament to seek approval."

He said in Nigeria, fuel prices had been doubled while there had been labour complains of massive corruption in the petroleum sector.

Labour leaders recently rejected the Nigerian government's proposal after a nationwide strike paralyzed the country last week.

The Association of Ghana Industries (AGI) still maintains that the decision by government to increase fuel prices between 15 and 30 percent will collapse industries.

Nana Owusu Afari, AGI boss, said the manufacturing sector, which grew by a paltry 1.3 percent last year, would be adversely affected while industries would have no option than to lay off workers if the cost of production goes up.

The Ghana Trade Union Congress (GTUC) also maintains that government's withdrawal of subsidies on petroleum products and the manner in which the decision was taken was inappropriate. It therefore called on government to restore the subsidies.

The GTUC said in countries where governments did not subsidize petroleum products, there was an efficient and highly-subsidized public transport system that benefitted the poor.

“We do not have that in Ghana. The conditions that necessitated the introduction of subsidies by previous governments are still prevalent and there is an overwhelming necessity for government to continue to subsidize petroleum products.”

A few days after Christmas, the National Petroleum Authority (NPA) announced an upward adjustment of between 15 and 30 percent in the price of petroleum products.

Petrol, which recently sold at GH¢6.80 per gallon, now goes for GH¢7.80 or **GHp175.48** per litre while diesel now sells at GH¢8.00 per gallon.

LPG and kerosene sell at **GHp136.19** per kilogramme and **GHp91.00** per litre respectively. Premix fuel used by fishermen now sells at **GHp54.27** per litre.

**Source: Business Guide**