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PETROLEUM REVENUE MANAGEMENT MANUAL

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ACRONYMS AND ABBREVIATIONS

ABFA	Annual Budget Funding Amount
AOE	Additional Oil Entitlement
BoG	Bank of Ghana
FPSO	Floating Production Storage and Offloading
GDP	Gross Domestic Product
GHF	Ghana Heritage Fund
GNPC	Ghana National Petroleum Corporation
GPF	Ghana Petroleum Funds
GRA	Ghana Revenue Authority
GSF	Ghana Stabilization Fund
L.I.	Legislative Instrument
PA	Petroleum Agreement
PIAC	Public Interest and Accountability Committee
PNDC	Provisional National Defense Council
PRMA	Petroleum Revenue Management Act
PHF	Petroleum Holding Fund
RG	Republic of Ghana
USD	United States Dollar
VFM	Value for Money

PART 1 INTRODUCTION

The discovery of oil in commercial quantities in Ghana in 2007 brought forth an expectation that Ghana will join the group of oil-rich countries in the world and boost its economy with revenue obtained from the industry.

Notwithstanding the high revenue benefits from natural resources, there is also a "paradox of plenty" or "resource curse". For instance, countries like Chile, Botswana, and Norway with prudent and transparent management practices have benefited from their natural resource wealth. On the other hand, countries like Nigeria, Chad, Liberia and Angola continue to be poor due to poor resource governance.

Transparency and Accountability in oil sector operations are necessary to improve governance in oil – producing countries. To chart a better course for development and economic growth, it is expedient for Ghana to utilize its oil revenues efficiently to avoid the resource curse. In a bid to achieve this, the Government of Ghana (Parliament) passed into law the Petroleum Revenue Management Act (PRMA), 2011. The Act provides a framework for the collection and management of petroleum revenue from upstream and midstream petroleum operations. The rationale behind the Act is to ensure responsible, accountable and sustainable use of the petroleum resources so that both present and future generations of the Republic of Ghana can benefit from the oil discovery. The PRMA establishes the Petroleum Holding Fund, the Annual Budget Funding Amount, Ghana Petroleum Funds and the Ghana Infrastructure Investment Fund needed to adequately manage oil revenues received by the government.

To be able to hold government accountable in the expenditure of oil revenues all stakeholders must have a good grasp on the laws that govern petroleum revenue management. It is, however, evident that there is a general lack of knowledge and understanding of the PRMA's purpose and content.

1.1 Objective of The Manual

The rationale for the Petroleum Revenue Management Manual includes:

1. To act as a reader-friendly guide to understanding the Act.
2. To provide a brief on best practices in the management of petroleum revenue.

1.2 Good Resource Management Practices Around the World

Specific country contexts result in varying methods by which resources are managed; hence, there is no one-size-fits all answer to the management of resource revenues[1]. The way a country manages petroleum resource revenues will determine whether or not there would be long term economic benefits or a negative economic impact. Natural resource revenues are finite, have volatile commodity prices and are usually accessible to a small fraction of the population.

[1] Haysom, N. and Kane, S. (2009). Negotiating natural resources for peace: Ownership, control and wealthsharing (Briefing Paper). Geneva: HD Centre. Retrieved from: http://comparativeconstitutionsproject.org/files/resources_peace.pdf

Most importantly natural resource revenues can cause Dutch disease which is a result of an economy being unable to absorb and efficiently utilize huge revenue inflows. Dutch disease is characterized by inflation, exchange rate appreciation, and a mass movement of skilled labor from other sectors of the economy to the extractive industries[2]. For a country to surmount the negative impact of poorly managed resource revenues, following best practices in resource revenue management can be applied.

Budget Allocation

Governments of resource wealthy nations invest revenues in public expenditure. In this scenario, resource revenue spending is targeted at sectors considered to be priority areas through the government's annual budget. This form of resource revenue allocation is guided by a national development plan to ensure an efficient and equitable distribution of national resources. Malaysia, through budgetary allocations, focused the spending of oil revenues in education which resulted in an improvement in the education sector[3].

Subnational Jurisdictions

Countries that have a decentralized style of governance have the option of distributing revenues through sub national jurisdictions such as provinces, districts or municipalities. In this scenario, payments can be made by the company directly to the subnational jurisdictions like is done in the Philippines.

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[2] Revenue Management and Distribution Addressing the Special Challenges of Resource Revenues To Generate Lasting Benefits Available at: https://resourcegovernance.org/sites/default/files/documents/nrgi_primer_revenue-management.pdf

[3] Revenue Management and Distribution Addressing the Special Challenges of Resource Revenues To Generate Lasting Benefits Available at: https://resourcegovernance.org/sites/default/files/documents/nrgi_primer_revenue-management.pdf

Alternatively, transfers are made from the government to the sub-region like it is done in Indonesia. Allocations from the government may take into consideration budget proposals and most importantly the direct impact of resource extraction on the region[4]. This method is applied in countries such as Nigeria, Indonesia and Peru.

Natural Resource Funds

Natural resource funds serve as a channel through which governments can allocate resource revenues. These funds can act as savings for future generations who may not have the benefit of exploiting natural resources. Where these funds are invested in global real and financial assets they are referred to as Sovereign Wealth Funds (SWF)[5].

A SWF provides an avenue for countries to implement counter cyclical fiscal policies in order to act as a buffer from global economic shocks. Chile's SWF provided a buffer against the drop in global copper prices in 2008 to 2009 during the global financial crises. Chile's experience provides a good example of the benefits of having a Sovereign Wealth Fund.

Direct Cash Transfers to Citizens

The direct cash transfer scenario involves governments directly handing physical cash to citizens. This is done to ensure a direct transfer of resource benefits to the citizens of the country and increase citizenry engagement in demanding accountability. Cash transfers are usually treated as income and taxed to sustain social and public services[6].

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[4] Subnational Revenue Distribution Natural Resource Revenues in a Decentralized Context Available at: https://resourcegovernance.org/sites/default/files/nrgi_Subnational-Distribution.pdf

[5] Definition of Sovereign Wealth Funds Available at: https://en.wikipedia.org/wiki/Sovereign_wealth_fund

[6] Armah-Attoh D. (2015), 'Ghana's oil revenue management: Convergence of popular opinion, the law, and practice'. Afrobarometer Policy Paper No. 19 Available at: http://afrobarometer.org/sites/default/files/publications/Policy%20papers/ab_r6_policypaperno19.pdf

Alaska follows this method of resource revenue transfer.

Resource rich nations, through thorough economic analysis, should select one or a combination of these options to ensure that the revenues from natural resources meet the needs of the country in an effective and efficient manner.

PART 2 AN EXPOSITION TO THE PROVISONS OF THE PETROLEUM REVENUE MANAGEMENT ACT

2.1 Introduction to the Petroleum Revenue Management Act

Petroleum revenue is generated from activities directly related to the production, exploration and sale of oil and gas called resource rent, which is the value of the resource less production costs. It is also generated from activities not directly related to the production, exploration and sale of oil and gas such as taxes paid by companies in the industry (PIAC, 2017).

The Petroleum Revenue Management (PRMA) Act, 2011 (Act 815) was passed by Parliament in March 2011. The objective of the Act is to be the framework for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefits of the citizens of Ghana in accordance with Article 36[7] of the constitution and for related matters. The law was described by stakeholders as most progressive and provided a transparent framework for managing Ghana's petroleum revenues.

[7] Article 36(1) provides that "The State shall take all necessary action to ensure that the national economy is managed in such a manner as to maximize the rate of economic development and to secure the maximum welfare, freedom and happiness of every person in Ghana and to provide adequate means of livelihood and suitable employment and public assistance to the needy."

In 2015 the Government of Ghana amended the Petroleum Revenue Management Act, 2011 (Act 815). The amendment addressed some inconsistencies and operational challenges in the management of revenue from the oil and gas sector, key amongst which is the provision for consistent transfers to the Ghana Petroleum Funds, whether or not actual petroleum receipts exceeded expectations. It also provided for the allocation of funds from the petroleum revenue to the Ghana Infrastructure and Investment Fund for the purposes of infrastructure development, as well as a regular funding regime for the activities of the Public Interest and Accountability Committee (PIAC). It also observed that the Bill would make the Ghana National Petroleum Corporation (GNPC) an operator in the field and empower it to borrow on the strength of its own balance sheet and not to rely on central government guarantees. Overall, the amendment did not change the substance of Act 815; it rather clarified some issues and provided strong oversight for smooth implementation of the Act.

The table below provides a summary of the key sections in the PRMA that informs the analysis in this manual.

Table 1: Summary of provisions in the PRMA for the manual

Topic	Section
Application of the PRMA	Section 1
Establishment and management of the Petroleum Holding Fund	Section 2 -5, 8, 15,16
Sources of Revenue to the Petroleum Holding Fund	Section 6-7
Establishment and management of the Ghana Petroleum Funds	Section 9-14, 20, 23, 24-28
Benchmark Revenue	Section 17
Establishment and management of the Annual Budget Funding Amount	Section 18, 21, 22
Investment Advisory Committee	Section 29-39
Audit of Petroleum funds	Section 42-48
Accountability, transparency and Public oversight	Section 10-53
Public Interest and Accountability Committee	Section 51

Source: The Petroleum Revenue Management (Amendment) Act, 2011 (Act 815).

Section 60 of the Act requires regulations to be made by the Minister to cover reference pricing, measurement of the quantity of petroleum and the operational and management guidelines of the Petroleum Funds. Petroleum measurement Regulations, L.I. 2246 was passed in 2016; however, regulations for reference pricing, and for operational and management guidelines are still pending. These regulations are key to ensuring effective implementation of the law and should not be delayed. Their absence will subject very important provisions in accounting for the revenues and management to Ministerial discretion; a practice that is unreliable and unpredictable.

2.2 Primary agencies Responsible for Petroleum Revenue Management in Ghana

The PRMA highlights various agencies involved in the management of petroleum revenues and their specific responsibilities. This section throws light on these agencies and their specific responsibilities:

2.2.1 Payment Making Entities

These are companies operating in Ghana's upstream sector who, by the terms of the petroleum agreements, are required to transfer oil revenues to the Petroleum Holding Fund.

2.2.2 Ghana Revenue Authority

The Ghana Revenue Authority (GRA) was established by the Ghana Revenue Authority Act, 2009 (Act 791) to mobilize revenue for national development in a transparent, fair, effective and efficient manner. The PRMA appoints the GRA to assess, collect and account for Petroleum revenue due the Republic.

2.2.3 Bank of Ghana

The Bank of Ghana manages the Petroleum Holding Fund, a designated public fund, purposed to receive and disburse petroleum revenue due the Republic. Specifically, the BoG is responsible for:

1. transferring the relevant portion of the petroleum revenue due to the Ghana National Oil Company not later than three working days after the receipt of petroleum revenue into the Petroleum Holding Fund.

2. investment of the capital of the Ghana Petroleum Funds in financial instruments and receiving and accounting for the investment income and other revenues of the Ghana Petroleum Funds.

2.2.4 Parliament

The Parliament of Ghana has the responsibility of passing and amending relevant laws related to the management of petroleum revenue. Also, parliament makes key decisions on the allocation, expenditure and monitoring of revenues. Under article 268 of the 1992 Constitution of Ghana, Parliament also has constitutional power to ratify all resource contracts.

2.2.5 Public Interest and Accountability Committee (PIAC)

PIAC is mandated to

1. monitor and evaluate the compliance of government and other institutions with the PRMA in the management and use of petroleum revenues and investments.

2. provide an avenue for the public to debate whether spending prospects and management or use of revenues conform to development priorities as provided under section 21(3), and

3. carry out independent assessments on the management and use of petroleum revenues to assist Parliament and the executive in the oversight and performance of related functions respectively.

2.2.6 Investment Advisory Committee

The Investment Advisory Committee was established to:

1. advise the Minister on matters related to the Ghana Petroleum Funds and to monitor the general performance and the management of the Ghana Petroleum Funds.

2. formulate and propose to the Minister the investment policy and management of the Ghana Stabilization Fund and the Ghana Heritage Fund.

3. the Committee is to advise the Minister on the broad investment guidelines and overall management strategies relating to the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund.

4. develop the benchmark portfolio, the desired returns from and the associated risks of the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund.

2.2.7 Ministry of Finance

The Ministry of Finance and Economic Planning (MoF) is responsible for the efficient mobilization, allocation and management of financial resources which includes petroleum revenues. The MoF provides reports on the budgeting and allocation of petroleum revenues ensuring there is transparency and accountability in the use of revenues.

2.2.8 Auditor General

The Auditor general is responsible for the annual external audit of the Petroleum Funds. It submits this report to parliament.

2.3 Other Agencies Responsible for Petroleum Revenue Management and Utilization in Ghana

The following agencies are not categorically named in the PRMA, but have strategic roles to play in practice in ensuring that revenues from petroleum are prudently and transparently utilized.

2.3.1 National Development Planning Commission (NDPC)

The core mandate of the NDPC, according to Article 87 of the Constitution, is to advise the President on development planning policy and strategy. In addition to this, the NDPC is mandated to study and make strategic analyses of macro-economic and structural reform options, and monitor, evaluate and coordinate development policies, programs and projects among other responsibilities.

To ensure that petroleum revenues contribute to uniform economic development across the country the NDPC has a key role to play by developing a national development plan to guide the expenditure of petroleum revenues.

2.3.2 Ministry of Energy

The Ministry of Energy, in addition to developing and implementing policies in the energy sector, is responsible for the general oversight of institutions active in the energy sector. Through the Ministry, the Minister for Energy also plays key functions in the decision making and reporting processes of allocating oil blocks, revenue generation as well as management in accordance with the Petroleum exploration and Production Act 919 and the PRMA.

2.3.3 Other Relevant Ministries, Departments, and Agencies (MDAs).

All MDAs in charge of the priority areas that receive funds from the Annual Budget Funding Amount are responsible for ensuring that revenues are allocated to the right projects. Also, they are responsible for ensuring that there is a high value for money in projects through good procurement practices and project supervision.

2.3.4 Civil Society Organizations

Civil Society Organizations (CSOs) have a role to play in ensuring that the government keeps the interest of the citizens' paramount in all its decisions and actions. CSOs also act as a liaison between the government and the citizens ensuring that the opinions and desires of the people are taken into consideration. Importantly, CSOs can also play an important role in the monitoring and tracking of the use of oil revenues to ensure there is no waste or corruption.

2.3.5 The Media

The media has an important role of disseminating information and educating the public about the use of petroleum revenue. The media also has the responsibility of channeling the concerns of the public to the government. Most importantly the media can be used as an important tool to promote transparency and accountability in the management of oil revenues.

PART 3 THE LAW AND PRACTISE OF PETROLEUM REVENUE GENERATION IN GHANA

This part highlights the relevant laws/guidelines for petroleum revenue generation, the importance of accurate fiscal metering to petroleum revenue generation, and explores revenue generation at the contract stage through fiscal instruments in petroleum contracts. It goes further to highlight the disparities in the guidelines and what happens in reality.

3.1 Relevant laws/guidelines for petroleum revenue generation

The following laws guide petroleum revenue generation in Ghana:

3.1.1 The Petroleum (Exploration and Production) Act, 2016 (ACT 919).

The Petroleum (Exploration and Production) Act, 2016 (ACT 919) is the parent law that governs petroleum activities in the upstream and midstream sectors of the industry. It was enacted to *"provide for and ensure safe, secure, sustainable and efficient petroleum activities in order to achieve optimal long-term petroleum resource exploitation and utilization for the benefit and welfare of the people of Ghana"* (section 2). The Act makes detailed provisions on Petroleum agreements, responsibilities of stakeholders (i.e. Government, Contractors and Regulatory bodies), the measurement of petroleum obtained from fields and fiscal provisions to determine revenues due the country. Some of the fiscal provisions include a minimum carried and participating interest of 15%, royalties, corporate income tax, acreage, additional oil entitlement, among others. Act 919 was enacted in 2016 to repeal the Petroleum (Exploration and Production) Act, 1983 (PNDC Law 84).

3.1.2 Petroleum (Exploration and Production) (Measurement) Regulations, 2016 (L.I. 2246)

The L.I 2246 was passed in 2016 to ensure that measurement and allocation of petroleum was carried out in an accurate manner. The measurement and allocation of petroleum determines the amount of revenue that accrues to the Republic, a contractor, licensee or the Corporation (Section 2 of L.I. 2246).

These regulations are to be applied in the planning, design, testing, calibration, operation and maintenance of a metering system, equipment and methods for measuring and determining allocated quantities of petroleum produced, transported or sold. These regulations also apply to the documentation, reporting and applications related to the measurement, allocation, metering system, equipment or method of measurement (Section (1)(a), (b), (c)). In February 2017, the Petroleum Commission published the guidelines to the L.I. 2246 to aid in the application of regulations stated in the legislative instrument.

3.1.3 Petroleum Income Tax Law 1987 (P.N.D.C.L.188) (PITL).

The Petroleum tax law created in 1987 was designed to provide income tax regulations for all contractors involved in upstream petroleum activities.

On 1 January 2017 the Tax Law 1987 (P.N.D.C.L. 188) was also repealed and the Revenue Administration Act, 2016 (Act 915) became effective.

3.1.4 Income Tax Act, 2015 (Act 896)

The Income Tax Act makes provision for taxing the income of a person involved in petroleum operations, contractors and subcontractors. Additionally, it provides for withholding tax, disposal of petroleum rights and for transactions not included in the scope of Petroleum Agreements in cases where a fiscal stability clause exits in the petroleum agreement (PWC, 2017).

3.2 Petroleum Revenue Generation at the Contract Stage

For an oil company to partake in petroleum production it is required to enter in to a petroleum agreement with the Republic of Ghana and GNPC, in accordance with section 10 of the Petroleum (Exploration and the Production) Act, 2016 (Act 919). The petroleum agreements specifically state the terms and conditions under which the contractor or oil company is allowed to carry out petroleum operations in Ghana. These agreements, ratified by Parliament, detail the revenues to be paid to the government in various forms such as royalties, income tax, and surface rentals. The following sub-section discuss the sources of petroleum revenue at the contract stage.

3.2.1 Royalties

Royalties are the entitlement of the country to a portion of petroleum produced and saved and not utilized in petroleum activities. Royalties are calculated as a percentage of gross daily production rates. Section 85 of the Act 919 stipulates that the amount to be paid by oil companies is determined by the terms in the petroleum agreement. Royalties in the form of barrels of oil should be handed over to GNPC and proceeds from the sale of the petroleum should be paid into the Petroleum Holding Fund according to section 4 of the PRMA. However, according to section 3 of the PRMA, at the Minister of Finance's request, a direct payment of royalties in cash can be made to the Petroleum Holding Funds. So far, royalties paid by companies in Ghana differ depending on a number of factors, including geology, and have ranged between 5% and 12%. For instance according to contract areas, Ghana obtains 5% royalties from Jubilee field- Deep Water Tano, 5% from West Cape Three Points and 12.5% from Heritage/Blue Star.

3.2.2 Acreage Fee

Annually, oil companies are to pay an acreage fee or surface rental. These rental payments are for the occupation and use of petroleum blocks belonging to the State (Section 86 of Act 919).

Table 2: Standard Surface Rental Amounts

Phase of operation	Surface rentals per annum
Initial Exploration Period	US$ 30 per sq. km
1st Extension Period	US$ 50 per sq. km
2nd Extension Period	US$ 75 per sq. km
Development & Production Area (on creation)	US$ 100 per sq. km

Source: PWC (2015)

3.2.3 Additional Oil Entitlement (AOE)

According to Section 89 of Act 919, the country is entitled to a portion of the oil company's share of oil produced from each field. This is determined on the basis of the after-tax inflation adjusted rate of return on each field. The AOE is a windfall tax to the government. Its computation is done per the terms of the petroleum agreement.

3.2.4 Corporate Income Tax

All oil companies in upstream petroleum operations are to pay income tax in accordance with Petroleum Income Tax Law, 1987 (P.N.D.C.L. 188) and the Income Tax Act, 2015 (Act 896) which stipulates that the petroleum income tax to be paid is 35%.

3.2.5 Carried and participating interest

This is revenue due from the direct or indirect participation of the Republic in petroleum operations.

Section 10(14) of Act 919 provides a minimum carried and participating interest of 15% to be held by the GNPC.

3.2.6 Additional participating interest

At the option of the Republic, an additional participating interest may be acquired when there is commercial discovery. Unlike the carried and participating interest, the additional interest is a paid up interest to cover all costs of petroleum activities except exploration cost (Section 10(14) of Act 919).

3.3 Fiscal metering and petroleum revenue generation

Fiscal metering is an integral part of oil and gas production which has direct impacts on revenues generated from the oil and gas sector. It is used interchangeably with custody transfer and refers specifically to the metering that exists at the point of a commercial transaction where physical quantities of oil and gas are being transferred from one location or party to another[8].

Accuracy in fiscal metering is vital. This is because an error in the measurement of oil or gas while it is being transferred can cost a company or country millions of dollars in revenue. In the transfer of crude oil, for instance, a 0.05 error in the measurement of a transfer of $10,000,000 barrels worth of oil per day is an error of $500,000 per day at the cost of one party. Fiscal metering requires devices that are exceptionally accurate, repeatable, and one which provides auditable values.[9]

The Petroleum (Exploration and Production) Act, 2016 (Act 919) directly addresses the measurement of petroleum obtained from fields.

It states in Section 37(1) that a contractor should measure and analyze the petroleum produced, transported and sold from a field. The contractor is to do this using a method customarily used in good international petroleum industry practice. The Petroleum Commission and the Standards Authority are also mandated to examine and approve the system for measurement (Section 37(2)). Flowing from the Act 919, the Petroleum (Exploration and Production) (Measurement) Regulation, 2016 (L.I. 2246) directly addresses planning, design, testing, calibration, operation and maintenance of a metering system, equipment and methods for measuring and determining allocated quantities of petroleum produced, transported or sold.

8 See https://en.wikipedia.org/wiki/Custody_transfer

9 E. Dupuis and G. Hwang (2010) Custody Transfer: Flowmeter as Cash Register Available at https://www.controleng.com/index.php?id=483&cHash=081010&tx_ttnews%5btt_news%5d=39535

In the event that the method used in measuring or calibration is found to be wrong, it is believed that the method or calibration has been wrong for a period determined by half of the period from the last test date to the day the equipment was found to be incorrect. Based on this, royalties and any other payments to the government, Petroleum Commission or the Company should be recalculated and payments made accordingly (Act 919, Section 37(8) & (9)). A contractor who intentionally employs an inaccurate measuring method will be duly punished in accordance with penalties stated in section 93 of Act 919. Penalties stated in ACT 919 include a fine, imprisonment or both.

3.4 Juxtaposing Theory against the Reality of Petroleum Revenue Generation and Fiscal Metering

This section seeks to highlight the variation between what is expected from the companies by law and regulations versus what happens in reality.

3.4.1 Revenue Generation

To boost investment in Ghana's upstream sector, government put in place more favorable fiscal terms in the early 2000s. Royalties paid to the Government by oil companies ranged between 4% and 12%, with majority falling below 7%. These royalties are a tax-deductible cost in evaluating tax liability[10]. Carried interest was also fixed at 10%.

[10] PWC (2015) Ghana's oil and gas tax regime. Tax Guide for Petroleum Operations in Ghana

Currently, 35% corporate income tax is paid by oil companies in line with conditions in their respective Petroleum Agreements (PAs). Oil companies are generally exempt from paying Value Added Tax in line with provisions in petroleum agreements.

Unfortunately, investigations have shown that some companies have not fulfilled their side of the agreements signed with the State. Despite the provisions in the PRMA some companies defaulted in surface rentals payments.[11] An Estimation of US$1.5 million surface rental was due the government as at the end of 2016 according to the Auditor General.[12] Companies affected by the moratorium by the International Tribunal for the Law of the Sea (ITLOS) which placed injunction on field operations in the disputed area until the determination of the case between Ghana and Ivory Coast were granted permission to halt payments till the ruling was made. However, some companies outside the disputed area also failed to make payments.

3.4.2 Fiscal Metering

On a daily, weekly, monthly, quarterly and annual basis, GNPC personnel on board the FPSO are required to submit production monitoring reports to GNPC[13]. Representatives from the Standards Authority and Customs are also required to be present to verify measurements at all times.

[11] B. BOAKYE (2017), Petroleum Contracts Monitor, 2017; A Public Interest Report. Available at: https://s3.amazonaws.com/new-acep-static/reports/Petroleum+Contract+Monitor+Report.pdf

[12] Ghana Audit Service. (2017). Report of the Auditor-General. The management of Petroleum Funds for the financial year ended 31 December 2016. Available at http://www.ghaudit.org/gas/site/newsletters

[13] See http://ghanatrade.com.gh/file/petroleum%20laws/Petroleum%20Info%20MoE.pdf

In 2011, media reports brought to light the removal of the Ultrasonic Export Flow Meters onboard the FPSO Kwame Nkrumah vessel because they were faulty. Following the removal of the system, oil quantities were measured using a manual system called ullaging, where a dip stick or rule is used to calculate the amount of oil meant for export. This raised concerns about the accuracy of the measurements of oil exported from the country. Speculations were that, the country had lost a total of over 4.5 million barrels of crude oil from the Jubilee oil field between January and October 2011.[14]

In August 2011, the Ministry of Energy announced the installation of new Ultrasonic Meters onboard the FPSO Kwame Nkrumah to improve and guarantee accurate crude oil measurements [15].

However, Oil and Gas CSOs were concerned that the officials of the Standards Board could not detect whether the metering system was not functioning accurately since they did not have the requisite training to do so.[16] In subsequent years, there have been no reports questioning the accuracy of measurements of crude oil for export.

[14] Ghana's Crude Oil Is Totally Mismanaged Available at: http://www.peacefmonline.com/pages/comment/features/201112/85393.php
[15] Measurement System on FPSO Kwame Nkrumah Enhanced Available at: http://ghananewsagency.org/economics/measurement-system-on-fpso-kwame-nkrumah-enhanced-31946
[16] CSOs raise red flag over FPSO metering system Available at: https://www.ghanaweb.com/GhanaHomePage/NewsArchive/CSOs-raise-red-flag-over-FPSO-metering-system-225200

PART 4 PETROLEUM REVENUE DISTRIBUTION IN GHANA

This section highlights how petroleum revenues are distributed from the petroleum holding fund to the National Oil Company, ABFA, Ghana Petroleum Funds as well as the Contingency fund.

4.1 The Petroleum Holding Fund

The Petroleum Holding Fund (PHF) is a designated public fund which receives petroleum revenues from various sources for further disbursement to other funds. Figure 1 shows the Petroleum Holding Fund's sources of revenue.

Figure 1: Sources of Petroleum Revenue

Source: PRMA 2011, ACT 815, Section (6) & (7)

4.1.1 Payments to the PHF:

1. On a monthly basis, petroleum revenues assessed shall be paid by direct transfer into the Petroleum Holding Fund by the fifteenth day of the following month by the entities obliged to make the payment.

2. An entity that makes a payment is to notify the Ghana Revenue Authority in writing of the payment into the Petroleum Holding Fund.

3. If Payment is not made on or before the deadline, the entity will pay as a penalty. The penalty is an additional five percent of the original amount for each day of default. Alternatively, the entity will pay a predetermined default rate established under any other law, whichever is higher.

4. Petroleum revenue paid into the Petroleum Holding Fund shall not be treated as part of the normal tax revenue.

5. Government can choose to receive payment in petroleum instead of cash. The Ghana Revenue Authority will report the value of the petroleum in United States Dollars (USD) on the day it is received as payment to the PHF.

6. The PHF is to be credited with the proceeds of the sale of the petroleum within sixty calendar days after the receipt of the petroleum.

7. For reporting purposes, the USD equivalent of the payment of petroleum in kind will be shown as a receipt in the PHF.

4.1.2 Disbursement from the Petroleum Holding Fund

Disbursements from the Petroleum Holding Fund. shall be made only

1. To the National Oil Company

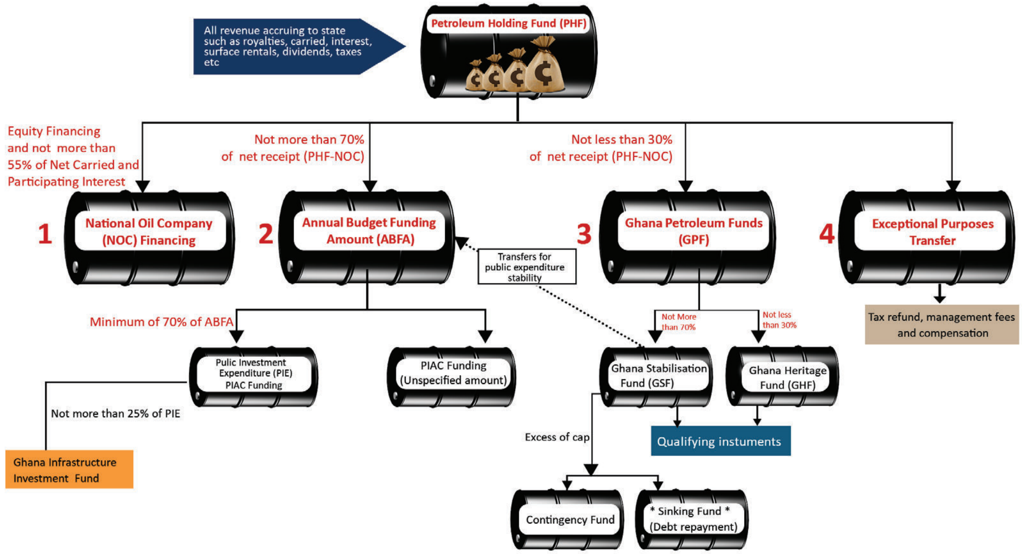
2. to the Consolidated Fund in support of the national budget

3. to the Ghana Petroleum Funds for purposes of saving and Investments, and

4. for exceptional deductions according to the provisions of this Act.

Details of the formula for disbursing petroleum revenue from the PHF are summarized in the figure below, and further explained under subsequent sub-headings.

Figure 2: Disbursement of oil revenues



Source: ACEP 2018

[17] See PIAC (2017) SIMPLIFIED GUIDE TO GHANA'S PETROLEUM REVENUE MANAGEMENT LAW available at: http://www.piacghana.org/portal/files/downloads/simplified_guide_to_ghana's_petroleum.pdf

4.1.2.1 Disbursement to GNPC

Prior to allocating funds to the ABFA and the GPF, National Oil Company (NOC) receives its share. GNPC is entitled to the equity financing costs and less than or equal to 55% of the net carried and participating interests of the Republic. The NOC receives this in cash or the equivalent in barrels of oil as recommended by the Minister and approved by Parliament.

The allocations of the net carried and participating interest to the NOC will be done for a period of fifteen years only. However, every three years the parliament is to review the cash or barrels of oil equivalent of petroleum ceded to GNPC. The amount remaining in the PHF is referred to as the 'Net Petroleum Revenue'.

4.1.2.2 The Concept of Benchmark Revenue as basis for Disbursement to ABFA and the Ghana Petroleum Fund

To fully appreciate the distribution of revenues between the ABFA and the Ghana Petroleum Funds, an understanding of the Benchmark Revenue is key.

Benchmark Revenue refers to the governments estimated expected revenue from petroleum operations for a corresponding financial year. The benchmark revenue is calculated as follows:

Benchmark Revenue = Expected current receipts from oil + Expected gas royalties + Expected dividends from the national oil company

1. Expected current receipts from oil

Expected revenue from crude oil is the product of the unit prices and quantity data of crude Oil

   a. Unit prices calculation: this is the actual and expected average unit price for crude oil and natural gas derived from a seven-year moving average.

The seven years refers to the four years immediately prior to the current financial year, the current financial year itself and two years immediately following the current financial year

b. Quantity calculation: The expected quantity is calculated on the basis of expected average government take in gross oil over a three-year period. The three years refers to the immediately preceding, the current financial year, and the one year ahead projection following the current financial year.

2. Expected gas royalty

Expected gas royalty is calculated on the basis of anticipated royalties on associated gas derived from a seven-year moving average. The seven years being the four years immediately prior to the current financial year, the current financial year and two years following the current financial year.

Although this method enables the government to calculate expected revenues, the government in reality, was unable to meet the benchmark revenue targets in reality from 2014 to 2016. This was attributed to unforeseen production challenges and the volatility of world prices of oil. In 2017 however, actual receipts exceeded the benchmark revenue due to higher production volumes than expected and a realistic benchmark price.

4.1.2.3 Disbursement to the ABFA and the GPF

The Annual Budget Funding Amount is integrated into the national budget to maximize the rate of economic development, promote equality of economic opportunity with a view to ensure the well-being of citizens and undertake even and balanced development of the regions.

The ABFA also allocates funds to the Public Interest and Accountability Committee and the Ghana Infrastructure Investment Fund.

The Ghana Petroleum Funds is made up of the Ghana Stabilization Fund and the Ghana Heritage Fund.

1. The Ghana Stabilization Fund (GSF)

a. Objective: cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls

b. Parliament determines the percentage of petroleum revenue the GSF is to receive from the Petroleum Holding Fund as savings

2. Ghana Heritage Fund (GHF)

a. Objective: provide an endowment to support development for future generations when petroleum reserves have been depleted and receive excess petroleum revenue.

Parliament determines the percentage of petroleum revenue the GHF is to receive from the Petroleum Holding Fund as savings.

After petroleum revenues are received in the Petroleum holding funds, the allocation to GNPC is deducted. The Net petroleum revenue is then disbursed between the ABFA and GPF as follows

a. Where the Net Petroleum Revenue (NPR) is equal to the Benchmark Revenue:

Where the net petroleum revenue is equal to the benchmark revenue, 70% of the revenue is allocated to the ABFA and 30% is allocated to the Ghana Petroleum fund

b. Where the Net petroleum revenue exceeds the benchmark revenue:

Where the Net petroleum revenue exceeds the benchmark revenue the difference between the NPR and the Benchmark revenue is allocated to the GPF.

The remainder equal to the benchmark revenue is then split up to 70% to the ABFA and not less than 30% to the GPF.

c. Where the Net Petroleum Revenue is less than the benchmark Revenue:

Where the Net Petroleum Revenue is less than the benchmark Revenue, up to 70% of the entire revenue is allocated to the ABFA and not less than 30% is allocated to the Ghana Petroleum fund.

The Ghana Heritage fund receives not less than 30% of the amount allocated to the Ghana Petroleum fund and the remaining not more than 70% is allocated to the Ghana Stabilization Fund

4.1.2.4 Contingency Fund

According to Section 23(3) the Minister is to recommend a limit of funds that can be allocated to the GSF. Any funds that exceed this limit is transferred to the Contingency Fund or for debt repayment.

4.1.3 Reconciliations of Petroleum Holding Fund

Annually, at the end of the first quarter, the Minister shall reconcile the actual total petroleum receipts and the Annual Budget Funding Amount of the immediately preceding year and a written report shall be submitted to Parliament. The report should include the following information:

1. The Annual Budget Funding Amount for the immediate past two years

2. The actual inflows and outflows of the Petroleum Holding Fund for that year

3. The balance of actual receipts for the year being reconciled over the Annual Budget Funding Amount

4. Recommendations for the reconciliations and adjustments needed to account for any deviations so that the inflows and outflows related to the Ghana Petroleum Funds match the actuals of the year.

PART 5 PETROLEUM REVENUE EXPENDITURE

This part reviews the expenditure of petroleum revenues through the ABFA and the GPF. It also looks at the laws relevant to procurement and fiscal discipline.

5.1 Utilization of the Annual Budget Funding Amount (ABFA)

Expenditure of the ABFA should be guided by a medium-term expenditure framework aligned with a long term national development plan. Where the national development plan is nonexistent, the PRMA states that the Minister of Finance, through the budget, is to prioritize the activities or programs in the following sectors:

Figure 3: ABFA priority areas

Agriculture and industry	Potable water delivery and sanitation	Physical infrastructure and service delivery in education, science and technology
Infrastructure development in telecommunication, road, rail and port	Physical infrastructure and service delivery in health	Housing delivery
Environmental protection, sustainable utilization and the protection of natural resources	Rural development	Developing alternative energy sources
The strengthening of institutions of government concerned with governance and the maintenance of law and order	Public safety and security	Provision of social welfare and the protection of the physically handicapped and disadvantaged citizens

Source: PRMA, 2011

To maximize the impact of the use of the petroleum revenue, the Minister is to prioritize a maximum of four areas selected from the list of priority areas when submitting a program of activities for the use of the petroleum revenue. The program shall be reviewed every three years after the initial prioritization, except that in the event a national disaster, the Minister may make a special request to Parliament to release revenues.

The use and expenditure of the ABFA are guided by the same budgetary processes employed to ensure efficient allocation, responsible use and effective monitoring of expenditure.

The ABFA also makes provision for the funding of PIAC to support its activities and ensure its sustainability. In addition, an allocation is given to the Ghana Infrastructure Investment Fund

5.1.1 ABFA Disbursement Process

According to the Ministry of Planning, oil revenues allocated to activities under the ABFA follow the procedure below:

1. Selection of activities in alignment with National Budget Process, medium-term fiscal framework and government strategic and sector priorities,
2. Assessment of the available fiscal space from GoG including ABFA sources, IGF, and the projected disbursements from development partners in support of various projects and programs
3. Discussion with Cabinet on preliminary allocations
4. Budget Preparation Guidelines - Issuance of tentative expenditure ceilings for Ministries, Departments and Agencies (MDAs) based on actual expenditures, MDA programmes and policy intervention programmes/projects of the four (4) priority areas;

5. Budget Hearings

6. Finalise ABFA expenditure allocations for specific projects/programmes under MDAs;

7. Cabinet approval for final allocations;

9. Ministry of finance disbursement of funds through relevant ministries

10. Actual expenditures

5.1.2 Implementation Realities of Priority Areas Spending

In 2011 to 2016 the government, in line with the provisions in the PRMA, selected four priority areas. ABFA spending in the first three years focused on amortization of loans, agriculture modernization, roads and other infrastructure, and capacity building. Though this was a step in the right direction, ambiguity in these areas, especially roads and other infrastructure and capacity building, resulted in a very thin spread of revenues across many projects in many sectors of the economy. Thus, many projects have been abandoned due to insufficient funding. It is also important to note that poor planning and monitoring of implementation has contributed greatly to projects being abandoned.

In 2017, in accordance with provisions in the PRMA, the priority areas were changed to road, rail, & other critical infrastructure development, agriculture, physical infrastructure & service delivery in education, physical infrastructure & service delivery in health. This change appears to be more targeted to specific areas therefore reducing the extent of ambiguity that existed in the previous categorization of the priority areas. However, there is still room for improvement. For example: clarity must also be given to what the government defines as 'critical infrastructure' to ensure that the ambiguity which creates the opportunity for uncontrolled spending is reduced.

To avoid the thin spread of revenue and increase efficiency in spending, the government should focus its spending on a few projects at a time to ensure timely completion and high value for money.

An alternative solution, which is not in the law, is to freeze the deployment of the Fund for some years of production to ensure there is a favorable balance in the account capable of fully supporting a given number of projects before expenditure begins. This will also ensure that investments in subsequent years can be properly planned, funded and executed because they will not be subjected to the mercy of volatile commodity prices.

The PRMA, according to Section 18(7), allows the government to use the ABFA as collateral for debts and other liabilities for a period of ten years after the commence of the Act, i.e. from 2011 to 2021. The Act however does not give a limit on the amount of debt that the government can incur against the ABFA. There must be a cap on how much can be borrowed against the ABFA to ensure that accumulated debt does not outstrip the returns of projected oil production. The Government must create an exit strategy from oil revenue collateralization at the end of the legally mandated ten-year period. That is, it is not enough to provide that the collateralization of the Annual Budget Funding Amount shall be allowed for ten years without a clear alternative debt substitution policy. If by the end of the collateralization regime, an alternative is not made available, there is no doubt that politicians will amend this section of the Act to extend the collateralization regime.

The debt circle will engulf the country and affect fiscal sustainability, as well as postponing the burden of repaying unproductive debts to future generations; a situation that is morally wrong. [18]

5.2 Ghana Petroleum Funds

This section highlights the PRMA requirements for the expenditure of funds in the Stabilization and Heritage Funds. It also highlights the experiences in managing the funds.

5.2.1 Ghana Stabilization Fund

Expenditure from this fund is only allowed when petroleum revenue collected in any quarter falls below one quarter of the Annual Budget Funding Amount for that financial year. The amount withdrawn should be the lesser of the following

i. 5% of the estimated amount of the shortfall of that quarter,

or

ii. 25% of the balance standing to the credit of the Ghana Stabilization Fund at the beginning of the year

Transfer out of the Ghana Stabilization Fund shall only be done to alleviate shortfalls in actual petroleum revenue.

5.2.2 Ghana Heritage Fund

Expenditure from the fund is only allowed after petroleum resources are exhausted. However, section 10(4) allows Parliament to review the restrictions on the Heritage Fund to authorize spending of a portion of the interest accrued to the Fund.

[18] See http://acepghana.com/wp-content/uploads/2013/12/ATT00051.pdf

5.2.3 Ghana Petroleum Fund Implementation Realities

In 2018, according to the Africa Sovereign World Fund Index developed by Konfidents Africa, 12 functional SWFs in Africa were analyzed. The Ghana Petroleum Funds, which placed 3rd out of 12 active funds across Africa, was assessed based on governance and disclosure, size of fund, mandate, and source of funding.

Currently, the GPF is invested in a Unites States 10- year and 2 -year Treasury notes. According to the 2017 Reconciliation Report on Petroleum Holding Funds by the Ministry of Finance, the GHF total year to date returns was 2.96% while the GSF total year-to-date returns was 0.96% since inception to end of 2017 the total GPF net profit was US$28.21 million [19].

5.2.3.1 Expenditure from the GHF

Although expenditure from the GHF is not permitted till oil is depleted, the PRMA according to Section 10(4) allows Parliament to review the restrictions on the Heritage Fund to authorize spending of a portion of the interest accrued to the Fund. There are genuine fears that with their high appetite for heavy spending, politicians are likely to abuse section 10(4) by using their numbers and parliamentary whip system to authorize the spending of the interests on the heritage fund and prevent the growth of its assets, especially when these abuses are frequent.

5.2.3.2 Expenditure from the GSF

In 2015, the severe decline in oil prices led to a slash in Ghana's national budget. This necessitated the transfer of US$ 53,685,579 from the GSF to support the ABFA.

[19] See h http://mofep.gov.gh/sites/default/files/reports/petroleum/2017-Petroleum-Annual-Report_2018-03-26.pdf

Over a period of 7 years (2011 to 2017) a total amount of US$430.64 million was withdrawn from the GSF to support the ABFA and debt servicing. Also, in 2014 and 2015 US$17,433,144 and US$ 23,755,073 respectively were transferred to the contingency fund.

Section 23 of the Act requires the Minister to determine the maximum limit of the Stabilization Fund and that any excess revenues above the limit shall be transferred to the 'Contingency Fund or the Sinking Fund to be used for debt repayment'. For instance, the minister in 2014, capped the GSF to allow a transfer of us$ 288,251,545 from the GSF for debt servicing. The Act, however does not, provide guidelines for setting the limit and this permits the Minister to apply discretionary power to determine the ceiling. Also, the Act does not have jurisdiction over the spending of the Contingency Fund, which is based on Ministerial discretion and governed by different rules. These situations increase the possibility of inefficient utilization of oil revenues.

Importantly, there have been arguments about whether or not to spend oil revenues today or save for the benefit of future generations. Concerns have also been raised about who qualifies to be referred to as the 'future generation' to enjoy the benefits of the GHF. The PRMA is however clear in Section 10 (2) (a) as it refers to the generation at the time oil is depleted.

The school of thought in favor of spending today believes that, in a country with high infrastructure deficit amongst other economic challenges, oil revenues must be spent on improving the state of infrastructure to spur on industrialization such that there would be lower dependence on oil revenues when the economy is diversified. They believe that the best gift to give future generations is an economy that is already developed and properly functioning and to do that investments must be made today. The other school of thought in favor of saving believes that, spending all revenues today will deprive future generations of benefitting from the oil revenues in the future which will help sustain the future economy when oil revenues are no longer available.

It is important to note that what is key is finding a balance between saving and expenditure. A counter-cyclical fiscal policy which enables the government to save more when revenues are high and to increase spending when revenues fall is ideal. This helps in preventing economic shocks in times of oil prices hikes or slumps. There must be adequate dialogue between the government and beneficiaries of oil revenues to identify the most pressing needs which need to be tackled to ensure significant economic growth in the short term.

Another key issue is in relation to whether the Ghana Petroleum Funds should be invested in the domestic or international market. Currently the GPF is invested on the international market. According to the African Sovereign World Fund Index, funds invested oversees have lower accountability and transparency in relation to governance of the fund compared to funds invested in the domestic market. Also, domestic investment is key to diversifying the economy when investments are made in non-oil sectors. However, it is less feasible in countries with inefficient corporate governance structures. It is therefore advisable to developing nations to improve corporate governance to enable domestic investment of the SWF.

This will fuel industrialization, reduce the dependence of the economy on oil revenues and reduce the likelihood of Dutch disease.

5.3 Fiscal Discipline

In the expenditure of petroleum revenues, the Government is expected to ensure that it is disciplined, ensuring that it does not spend beyond receipts. According to Section 5 of the PRMA (2011), the Petroleum Holding Fund shall not be used:

1. To provide credit to the government, public enterprises, private sector entities or any other person or entity.
2. As collateral for guarantees, commitments or other liabilities of any other entity, and;
3. No Borrowing shall be done against the Petroleum reserves

5.4 Public Procurement

Procurement is viewed as a strategic function to ensure efficient utilization of government resources and to derive a value for money on government projects and services. Procurement in public sector agencies involved in the expenditure of petroleum revenues is guided by regulations in the Public Procurement Act, 2003 (Act 663) and the amended Procurement Act, 2016 (Act 914). Contracts for projects financed with petroleum revenues are to be awarded through a competitive tender process. Tenders submitted by contractors are to be vetted and short listed based on technical and financial capabilities. The final selection process is based on a grading system and the project is awarded to the contractor with the highest score. However, in exceptional cases of urgency or when the service or goods can only be supplied by one entity, sole sourced procurement is permitted after prior approval from the Public Procurement Authority.

5.5 Revenue Monitoring and Tracking

5.5.1 Value for Money

Value for Money (VFM) is the fundamental principle behind Government procurement. Value for Money (VFM) refers to the satisfaction resulting from a sum of money spent. Value for money is founded on the minimum purchase price (economy), maximum efficiency and effectiveness of the purchase[20]. VFM requires a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle (whole-of-life costing).[21]

In the expenditure of revenues from a finite resource such as petroleum, it is expected that every expenditure made provides the country with high value for money.

Value for Money assessments are to be carried out, most importantly, during the procurement stage and regularly at various stages of projects funded with petroleum revenue to ensure that steps are taken to maximize efficiency and effectiveness at the most favorable cost to the nation.

According to section 21 of the PRMA, the ABFA is part of the national budget process, hence, its expenditure is subject to the same budgetary, expenditure and monitoring processes employed in the use of other government funds. In this light, the Auditor General is to monitor and report on the use of the ABFA by MDA's to ensure that there is no loss of revenue to corruption and mismanagement.

[20] Value for money Definition Available at: http://www.businessdictionary.com/definition/value-for-money-VFM.html. Accessed on: 20th December 2017.

[21] Manu (2005), "The Principle of Value For Money In Procurement". Available at: https://www.modernghana.com/news/117197/the-principle-of-value-for-money-in-procurement.html. Accessed on: 20th December 2017.

Monitoring and evaluation units in public institutions are also responsible for monitoring and supervising government projects to ensure Value for Money. All agencies responsible for regulating the chosen priority areas are also required to ensure that projects are done with maximum efficiency.

To improve transparency and accountability, the Public Interest and Accountability Committee (PIAC) and other Civil Society Organizations such as the Africa Center for Energy Policy also carry out VFM audits on oil funded projects across the country.

5.5.2 Value for Money Shortfalls

Value for money audits carried out across the country on projects financed with oil revenues showed little or no value for money. This was due to unavailability of funds, poor quality of workmanship, incompletion of projects and poor allocation of projects to locations.

The inefficiencies in government spending defeat the purpose of the PRMA in the long run and does not ensure that citizens derive maximum benefits from resource revenues.

5.6 Transparency and Accountability

Transparency and accountability in the management of Petroleum receipts is highly instrumental in the quest for ensuring maximum impacts of petroleum revenue utilization. Section 49 of the PRMA demands that the highest internationally accepted standards of transparency and good governance should be applied in the management of petroleum revenue saving and expenditure.

5.6.1 Contract Transparency

Assessment of revenues is based on the fiscal terms which are negotiated in the petroleum contracts.

Section 56 of the Petroleum (Exploration and Production) Act, 2016, Act 919, dictates that the Petroleum Commission is to create register of petroleum agreements, licenses, permits and authorizations which will be open to the public. In accordance with this, the Commission launched the Ghana Petroleum Register, an online platform which allows the general public to review petroleum agreements between the government and oil production companies operating in Ghana. Though a step in the right direction, the details of contracts are kept hidden until contracts have been signed.

Over the years, there has been no open and competitive bidding for oil concessions. The 2016 Production and Exploration Act however requires that contracts must be awarded through competitive bidding. However, in peculiar cases, direct negotiation is permitted.

The Government has therefore instituted the Licensing Bid Rounds and Negotiation (LBRN) Committee to oversee the allocation of oil blocks. This LBRN is a 23-member committee consisting of representatives from GNPC, Petroleum Commission, Ministry of Energy, Ghana Revenue Authority, Environmental protection Agency, Ministry of Finance and the Auditor General. Members of this committee are grouped into the Legal, Commercial and Technical subcommittees to ensure that all key aspects of upstream requirements are adequately covered. This is to ensure that personal interests are reduced, and the country obtains a fair deal at the contracting phase.

Additionally, contract transparency at the contracting phase will give non-government stakeholders an opportunity to contribute to the process making revenue monitoring and tracking more meaningful.

5.6.2 Transparency in Reporting

According to Section 8 of the PRMA:

1. The records of petroleum receipts shall be published simultaneously by the Minister in the Gazette and in at least two state owned daily newspapers, within thirty calendar days after the end of the applicable quarter.
2. The information shall also be published online on the website of the Ministry and presented to Parliament on the date of the Gazette publication.
3. The Minister shall publish the total petroleum output lifted and the reference price in the same manner as provided in points (1) and (2).

According to Section 48 of the PRMA (as amended):

Annually, in addition to the Budget, the minister is to present a detailed report on the petroleum funds. This report is required to have

1. detailed audited financial statements that cover funds received and transferred from the PHF and GPF and the instruments of the GPF.
2. detailed information on the stage of implementation of planned activities funded using the ABFA and the portion of ABFA funds allocated to the GIIF.
3. any reports prepared the Auditor General which highlights issues or matters that should concern Parliament
4. income derived from investments of the GSF and GHF during the financial year under review and a comparison to the previous two financial years.
5. the liabilities of government borrowings; and
6. a list of people holding positions required for the operation and performance of the Ghana Stabilization Fund and the Ghana Heritage Fund.

The Ministry of Finance has religiously released an annual report on the petroleum holding funds meeting most of the criteria in the PRMA. However, these reports do not give details on the completion status of projects funded with the ABFA. Additionally, ACEP and PIAC, during their value for money analysis on various oil funded projects discovered some projects mentioned in the Petroleum reports are nonexistent. In Brong Ahafo, a kindergarten which was to be built in Dabaabi was nonexistent. In 2016, according to PIAC's 2017 Semi Annual Report, three projects that were funded by oil revenues on paper were also nonexistent.

These shortfalls show the need for more effort in improving the transparency in reporting on oil revenue expenditures. Projects must also be monitored closely at district levels to ensure quality and completion in a timely manner.

It is important to note that though reporting may be properly done, the inaction on the part of the Parliament of Ghana, that receives these reports, makes reporting futile. Parliament must act on the reports received to ensure that acts of misuse are duly punished. This will deter other officials from mismanaging petroleum revenues.

Table 3: Summary of Petroleum Revenue Monitoring Reports to be Submitted

Report	Institution Responsible	Timeline
Quarterly Reports on petroleum receipts	Ministry of Finance	Quarterly
Petroleum reconciliation Holding Fund report	Ministry of Finance	Annually
Report on the Management of Petroleum Revenues	PIAC	Semiannual – 15th September
Report on the Management of Petroleum Revenues	PIAC	Annual - 15th March each year
Report on PHF	Bank Of Ghana	Three months after the end of the Financial year.
Audit Report of the PHF	Auditor General	Submit to parliament 6 months after the end of the BOG financial year and Publish 30 days after submission to parliament.

Source: PIAC, MOF, PRMA 2011

5.6.3 Disclosure of Information

Disclosure of information that could prejudice the performance of the Ghana Petroleum Funds can be declared confidential by the minister of Finance with the approval of Parliament. The Declaration of confidentiality, however, must have clear explanations and must be aligned to the public's right to information.

5.7 Conclusion

Good petroleum revenue management practices are key to ensuring efficient and equitable distribution and use of petroleum revenues to guarantee holistic socio-economic development in a country. To achieve this, the Petroleum Revenue Management Act was passed in 2011, and further amended in 2015. It is, however, evident that there is a general lack of knowledge and in-depth understanding of the PRMA's purpose and its contents among the public. This poses a challenge for the public in holding government accountable in the expenditure of oil revenues. All stakeholders must have a good grasp on the laws that govern petroleum revenue management.

This petroleum revenue management manual highlights revenue management practices around the world. Most importantly, it has simplified the contents of the PRMA while linking it to other relevant laws that govern the petroleum upstream sector. It also highlights the current challenges faced by the government in its quest to ensure efficient utilization of oil revenues through the enforcement of the PRMA. This is aimed at improving the understanding of all relevant stakeholders on petroleum revenue management in Ghana.

GLOSSARY

Item	Meaning
Additional Oil Entitlement	the portion of a contractor's share of petroleum produced to which the Republic is entitled to a share computed on the basis of the after-tax inflation adjusted rate of return that the contractor achieved with respect to each field.
Annual Budget Funding Amount	the amount of petroleum revenue allocated to the budget for spending in the current financial year.
Benchmark Revenue	the governments estimated expected revenue from petroleum operations for a corresponding financial year
Carried interest	interest held by the Republic in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the Republic.
Contingency Fund	fund established under Article 177 of the constitution from which withdrawals are made if there is an urgent or unforeseen need for expenditure for which no other provision exists to meet the need.

Item	Meaning
Ghana Petroleum Funds	Refers to both the Ghana Stabilization Fund and the Ghana Heritage Fund.
Ghana Infrastructure Investment Fund (GIIF)	means the fund wholly owned by the Republic of Ghana to mobilize, manage, coordinate and provide financial resources for investment in a diversified portfolio of infrastructure projects in Ghana for national development.
National Oil Company	Ghana National Petroleum Corporation and any other national oil or Gas Company that may be established by the government to participate directly in petroleum activities.
Participating Interest	the interest held in petroleum operations by a party to a Petroleum Agreement.
Petroleum Agreement	an agreement between the State (or through the national oil company acting on behalf of the State) and one or more private investors listing the rights and obligations of the private investor.

Item	Meaning
Petroleum Funds	refer to the Petroleum Holding Fund, the Ghana Stabilization Fund, and the Ghana Heritage Fund, and subsequently the Ghana Petroleum Wealth Fund.
Sinking Fund	the Fund established by the Minister of Finance to be used to redeem specified debt obligations of Government

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