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PRESS RELEASE

**POSITION OF THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE
(PIAC) ON PLACEMENT OF CAP BY THE MINISTER OF FINANCE ON THE GHANA
STABILISATION FUND**

The Public Interest and Accountability Committee (PIAC) has noted with concern the manner in which the Petroleum Revenue Management Act (PRMA), 2011 (Act 815) has been interpreted to justify transfers of money from the Ghana Stabilisation Fund (GSF). The Ghana Stabilisation Fund is intended primarily to be a back-up support for the annual budget in times of petroleum revenue shortfalls.

Media reports in May 2014 which were subsequently confirmed by the Minister of Finance in his statement made to the Parliament of Ghana during the presentation of the supplementary budget in July 2014, indicated that: “The Ghana Stabilisation Fund has been capped at US\$250 million consistent with section 23(3) of the Petroleum Revenue Management Act, 2011 (PRMA). As at May 2014, an excess of US\$176 million had been realized. Out of this amount, US\$16 million (GH¢50 million) was lodged into the newly established Contingency Fund and the difference of US\$159 million is being used for debt repayment.”

The PIAC has subsequently investigated the matter and wishes to state that:

1. Even though Section 23(3) of the PRMA empowers the Minister to recommend for the approval of Parliament, a cap on the Ghana Stabilisation Fund, the wording of the Section suggests that the capping is supposed to be done prospectively and not retrospectively as has happened in this instance. At the time the cap was recommended, funds in the Ghana Stabilisation Fund had already exceeded the cap of US\$250 million.
2. The approval of Parliament ought to have been sought before any disbursement of the excess amount from the Ghana Stabilisation Fund.

Approval of the Budget for the Ministry of Finance was for the specific or finite amounts that were estimated to be released to Ministries and Departments to carry out Government business for the year. In the case of the Ghana Stabilisation Fund, Parliament was not informed about the amount that was expected to be in excess and therefore specific approval was required before the amount could be moved out of the Ghana Stabilisation Fund, taking into account the provisions of Section 12(5) of the PRMA. Section 12(5) of the PRMA states that “Transfer out of the Ghana Stabilisation Fund shall only be done for the purpose of alleviating shortfalls in actual petroleum revenue...” Clearly, the condition precedent prescribed in subsection 12(5) did not exist to warrant the withdrawal.

3. In the opinion of the PIAC, the amount that should have been transferred from the Ghana Stabilisation Fund must be limited to US\$107,457,183.71 which is the difference between the existing balance at the end of 2013, which was US\$319,034,153.16 and the amount of US\$426,491,336.87 accumulated at the time of the Minister’s instruction to the Bank of Ghana through the Controller and Accountant General’s Department.

Consequently, it is the view of the PIAC that the cap must be reviewed to the original US\$319,034,153.16 which was the amount existing in the Ghana Stabilisation Fund at the beginning of 2014 by restoring the amount of US\$69,034,153.16 from subsequent proceeds of liftings in the second half of 2014.

The PIAC wishes to state that the Ghana Stabilisation Fund is a backup for the Annual Budget Funding Amount (ABFA) in the event of petroleum revenue shortfalls. The government should therefore apply the rules and go by the procedures established by law to gain access to the fund through the people’s representatives in Parliament.

The PIAC reiterates its position, captured at page 24 of its 2013 Semi Annual Report that closer attention should be paid to the projection of the Benchmark Revenue leading to allocations into the ABFA, the Ghana Stabilisation Fund and the Ghana Heritage Fund. Any serious understatement of expected revenue leads to under-allocation into the ABFA and subsequently more funds into the GSF and GHF. An overstatement of the Benchmark Revenue is equally undesirable as it would also result in the under-funding of the two Funds (GSF and GHF).

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Chairman
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