Public Interest and Accountability Committee

Press Release 26 November 2020

STATEMENT BY THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE ON THE PUBLICATION OF ITS 2020 SEMI-ANNUAL REPORT

The Public Interest and Accountability Committee (PIAC), has published its Semi-annual Report on the management and use of petroleum revenues for the first half of 2020 on its website www.piacghana.org. This is in fulfilment of Section 56 of the Petroleum Revenue Management Act (PRMA), 2011 (Act 815).

The Report is being released two months later than the statutory reporting date of 15th September. This is largely due to the Covid-19 pandemic, which disrupted planned work programmes of reporting entities and also PIAC.

This Report is also without the Annual Budget Funding Amount (ABFA) expenditure information for the period, arising from the failure of the Ministry of Finance to provide the expenditure data requested by PIAC. This is the fourth time the Ministry has failed to furnish the Committee in a timely manner, with data on ABFA utilisation for the compilation of its Semi-Annual Reports, as required by the PRMA. As a result, PIAC is unable to report on the programmes and activities undertaken with an amount of US$169.51 million disbursed to the ABFA for the period. Similarly, the Committee is unable to provide update on the status of the unutilised and unaccounted for ABFA balance which stood at GH₵1.5 billion, as reported in the 2019 PIAC Annual Report.

The following are some of the key findings of the Report:

• Cumulative raw gas production increased significantly by 65 percent; the highest recorded half-year volume of gas produced since 2010.

• Total petroleum receipts in the Petroleum Holding Fund (PHF) for the period stood at US$322,571,265.64, indicating a decline of 11.32 percent.

• Even though GNPC received GH₵110.96 million under the Cash Waterfall Mechanism, there was no payment into the PHF in respect of raw gas supplied. Consistently, the non-payment of gas revenue denies the PHF of its due entitlement.

• For the period, cumulative indebtedness to GNGC continued to increase to US$942,260,510.63. This is as a result of the failure of GNGC’s suppliers to honour their obligations.
Public Interest and Accountability Committee

- GNPC spent only nine (9) percent of its total receipts on Jubilee equity financing. This is as a result of the re-phasing of work programmes, as well as disputes surrounding the Cash Calls submitted by the Operator. The disputes are currently under negotiations between Senior Management of GNPC and the Contractor Party.

- The Ghana Petroleum Fund reserves recorded a 24.09 percent reduction at the end of the period compared with the same period for 2019. This is as a result of the lowered cap and subsequent withdrawals from the Ghana Stabilisation Fund (GSF). Consequently, the GSF yield reduced by 68.08 percent from that of the same period of 2019.

- For the fourth time, the Ministry of Finance has failed to provide data on ABFA utilisation for PIAC’s analysis and reporting. This practice makes it difficult to reconcile disbursements and expenditure, and ultimately undermines the spirit of accountability as envisaged in the PRMA.

Recommendations

- PIAC reiterates its earlier call on Parliament to bring its oversight mandate to bear on the Ministry of Finance. This is because the Ministry’s persistent failure (fourth time) to provide half-year data on ABFA utilisation is not only adversely affecting the work of the Committee, but also eroding gains in the fight for transparency and accountability in the management and use of Ghana’s petroleum revenues for the benefit of citizens.

- The Committee recommends the continuous monitoring of CSI expenditure by GNPC in order to ensure value for money for the remaining half of the year, and to minimise carryovers into 2021

- Although negotiations are ongoing between GNPC and the Contractor Party, PIAC recommends that a contingency amount should be set aside by the Corporation in anticipation of the eventual outcome of the dispute, as it could go either way.
• GNPC should ensure that appropriate lodgments into the PHF are made once the Corporation receives payments from the Cash Waterfall Mechanism for raw gas supplied.

• Government’s clarification of the roles and mandates of regulatory institutions in the gas and power sectors is important for coordinated planning and improved management capacity. Government will need to design effective institutional arrangements with clear mandates for the institutions in the energy sector, including conducting technical studies on the electricity and gas sectors, to improve sector performance and to provide incentives to prospective investors.

The Committee urges all media houses to obtain a copy of the 2020 Semi-annual Report from its website for further analyses of the issues.

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