



Public Interest and Accountability Committee

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Utilisation of the Ghana Heritage Fund for COVID-19 Alleviation Programme

PIAC's Position

The Public Interest and Accountability Committee (PIAC) notes with grave concern Government's intention to amend the Petroleum Revenue Management Act (PRMA) to access the Ghana Heritage Fund (GHF) as part of proposed fiscal measures to mitigate the impact of the COVID-19 pandemic.

As a body whose membership represents a broad spectrum of the Ghanaian society, the Committee's position articulated in this statement is informed by its mandate under Act 815, to provide independent assessment on the management and use of Ghana's petroleum revenues; by faithfully adhering to the principles and philosophy that informed the passage of the PRMA in the first place.

It is worth noting that there have been previous attempts by successive governments to access the Heritage Fund for various reasons, to which PIAC objected. The Committee's position is consistent with its understanding of the spirit of the PRMA on the management and use of the Ghana Heritage Fund (GHF) – to cater for the intergenerational ownership of the petroleum resource as well as the shared compensation on the adverse effects of petroleum extraction.

The Committee acknowledges the threat the COVID-19 pandemic poses to the Ghanaian society and the world at large, in which regard the Committee commends the efforts of government and citizens focused on containing the pandemic.

Government's search for resources to address the economic impact of the COVID-19 pandemic is in the right direction.

PIAC observes with interest, government's intention to lower the cap on the Ghana Stabilisation Fund (GSF) to US\$100 million in order to use the excess for contingency purposes.

The PRMA is not oblivious of national emergencies, and made provision for transfers from the Ghana Stabilisation Fund (GSF) into the Contingency Fund. However, governments over the years have made limited petroleum revenue transfers to the Contingency Fund thereby depriving it of the needed resources for addressing emergencies such as the COVID-19 pandemic.

The Ghana Stabilisation Fund (GSF) is meant for shoring up the ABFA in times of budget shortfalls, providing for contingency, and debt servicing. However, withdrawals from the Ghana Stabilisation Fund (GSF) over the years have been heavily tilted in favour of debt servicing, as against a balance between the budget, debt servicing, and contingency purposes.

Again, the Committee notes that, although the Heritage Fund is primarily future generation-oriented, it equally provides opportunity for the current generation to benefit from the interest earned on the Fund's investment after 15 years of coming into force of the PRMA, to be determined by a two-third majority vote of Parliament.

It is worth emphasising that, the Heritage Fund receives **ONLY** nine (9) percent of the country's petroleum revenues in a given fiscal year. This makes available a whopping 91 percent of petroleum revenue for government spending.

The Committee is also concerned that, although the Health Sector has featured in the Annual Budget Funding Amount (ABFA) expenditure since 2011, yet allocations to the Sector have been paltry, even after its selection (Health sector) as a priority area for the period 2017 - 2019. This pattern has translated into the poor state of the country's health system, as exposed by the COVID-19 pandemic.

The proposals put forward by Government would involve an amendment of the PRMA. Any amendment of the PRMA would come across as reactionary and a risky option, which when unchecked could provide a recipe for abuse of the intent of the law at the least opportunity.

Accessing the Heritage Fund will not only dim the spirit of the law but derail the Country's intended purpose of applying international best governance practises to our Hydrocarbon Resources. PIAC posits that, the country risks slipping back into the very terrain that necessitated the promulgation of the Petroleum Revenue Management Act in 2011.

Recommendations

- For the short term, government must review and reduce planned 2020 ABFA expenditure, and apply the savings to the COVID-19 Alleviation Programme (CAP). Reduce the capital expenditure focusing on roads and infrastructure.
- Considering that in the best of times since 2011, petroleum revenue constitutes just 10 percent of total government revenues, PIAC recommends that other domestic revenue sources such as cocoa and minerals should be explored, given that these sectors are still in active operation.
- Going forward, there must be a balance in allocating funds to the budget, the Sinking and Contingency Funds, as skewed withdrawals towards debt servicing have not prepared the country for national emergencies.

- Even though the Health Sector is a priority area for ABFA expenditure, the pandemic has reinforced the critical nature of the Sector, with its interconnections to economic development, national security, food security, and the survival of the citizenry. Government must therefore review allocations to the sector vis-à-vis allocations to other priority areas (Roads & Rail, Education and Agriculture).
- PIAC supports the use of part of the Stabilisation Fund for Covid-19 but is against the utilisation of the Heritage Fund for Covid-19.

Therefore having made these recommendations, PIAC strongly urges Government not to disturb the arrangements that underpin the PRMA.

Signed

Mr Noble Wadzah
Chairman, PIAC

Interview Contacts:

1. Mr. Noble Wadzah – 0242257972
2. Prof. Akosua Darkwah – 0208141466
3. Mr. Mark O.A. Agyemang – 0268469445