Press Release

23rd June, 2020

STATEMENT BY THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC) ON THE PUBLICATION OF THE 2019 ANNUAL REPORT

The Public Interest and Accountability Committee (PIAC) has published the Annual Report on the management and use of petroleum revenues for 2019 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 three months later than the statutory reporting date of 15th March, due to the delay in release of data by some of the reporting State agencies, and the outbreak of the Corona Virus Disease (COVID-19) which disrupted timely completion of the Report.

Today’s launch is clearly a departure from the usual way of bringing together stakeholders, state agencies and our partners to play an active role, primarily due to the pandemic – and its resultant need for social distancing. As usual, we trust that the media will convey the findings and recommendations of this Report to the public.

Since its establishment in September 2011, PIAC has been monitoring and evaluating the management and use of Ghana’s petroleum revenues by institutions of state, in accordance with its statutory mandate.

The Committee’s Reports aim at keeping Ghanaians and other interested stakeholders constantly informed as to how the country’s petroleum revenues are being managed, as well as serving as a tool for citizens’ feedback to be collated and shared with duty bearers including policymakers. So far, 17 reports – 9 Annual and 8 Semi-Annual - covering the period 2011 to 2019 have been published.

The 2019 Annual Report covers the period January to December. It encompasses a broad range of issues associated with the management and utilization of petroleum revenues, such as information on production, liftings, revenue accrued, revenue received, allocation and utilization of these revenues by government, and the management of the funds set aside in the Ghana Petroleum Funds (Ghana Stabilisation Fund and the Ghana Heritage Fund). The Report
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also contains an examination of other issues and findings pertinent to the performance of various institutions charged with responsibilities in the Petroleum Revenue Management Act, 2011 (Act 815) as amended by the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893).

In previous Reports, PIAC recommended a well-coordinated framework for routine shutdown and maintenance, to minimize disruption to production and gas exports. The Committee observes for the period under review, the improved coordination and synchronization of shutdowns and maintenance, which has contributed to reducing disruptions, with positive outcomes on production. The Committee commends the partners in the sector for this.

Recommendations

- PIAC urges Parliament to bring its oversight mandate to bear on the Ministry of Finance’s impunity and failure in not accounting for unutilized ABFA. For the third consecutive year, the actual ABFA has not been fully utilised and accounted for, bringing the total unutilised and unaccounted ABFA to GH¢1.5 billion at the end of 2019.
- The Committee reiterates its earlier call to Parliament to consider placing some restrictions on the proportion of GNPC’s budget on CSI and guarantees to state institutions, particularly in the light of the Corporation’s inability to respond to some of its cash calls.
- PIAC continues to call on Government, as a matter of urgency, to address the unsustainable debt of GNGC.
- The Committee further restates its recommendation to the Ministry of Finance to diversify the qualifying instruments in investing the Ghana Petroleum Funds (GPFs.)
- PIAC calls on government to expedite action on the infrastructure requirement for gas evacuation and utilization, in order to avoid huge backlog of make-up gas volumes and the potential for resource waste.
KEY FINDINGS

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

- The total Annual Budget Funding Amount (ABFA) available for spending in 2019 was in the region of GHC2.7 billion, out of which GHC1.2 billion was utilized, leaving a balance of (GHC1.5 billion) unutilized. For the third consecutive year, not only has a sizable proportion of the ABFA not been fully utilized but it has also not been accounted for, impeding PIAC's appreciation of the full scope of accounting to the public on the utilization of our petroleum revenues.

- In 2019, 45.14 percent of the actual ABFA was spent on recurrent expenditure, with 54.86 percent on capital expenditure. This is in violation of Section 8(4)(a) of Act 893 which requires that a minimum of 70 percent be spent on public investment expenditure.

- For the second consecutive year, there was no allocation from the ABFA to the Ghana Infrastructure Investment Fund (GIIF), contrary to the provisions of the PRMA and GIIF Act 877.

- The Ghana National Petroleum Corporation (GNPC) continues to provide guarantees for a range of state-owned enterprises (SOEs), amounting to US$645.5 million in 2019. This is about double, compared with the previous years' and also outweighs the Corporation’s total equity financing expenditure of US$164.79 million for the period.

- In 2019, GNPC supplied US$334.6 million worth of raw gas to the Ghana National Gas Company (GNGC), but no payment was received, in respect of the supplies. This is largely on account of VRA’s inability to pay GNGC for the lean gas supplied. Added to the outstanding balance of US$333.5 million, this brings the total indebtedness in respect of lean gas supplies to US$668.1 million.

It is the expectation of the Committee that the public will find time to read the Report and provide feedback during public engagements following its launch and also reach out to the Secretariat via its various contacts, including social media channels.

The Committee also urges the media to obtain a copy of the 2019 Annual Report from its website for further analyses of the issues raised.

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