



Public Interest and Accountability Committee

Press Release

14 August 2020

STATEMENT BY THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC) ON THE LAUNCH OF AN ISSUE PAPER ON THE MANAGEMENT AND USE OF PETROLEUM REVENUES

Good morning, Gentlemen and ladies of the Media and citizens

As you may be aware, The Public Interest and Accountability Committee (PIAC) is an independent statutory body established under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815), with three interrelated but distinct mandates provided for under Section 52 of the Act, to ensure efficient and prudent management and use of petroleum revenues.

As the country is gearing into its 10th year of petroleum production in December, doing an introspection of how we have managed the revenues from this natural resource to ensure that we are insulated from potential trappings of the 'resource curse' is imperative.

This is particularly important, given the inverse relationship between our Gold mining history and impact on development outcome which indicates poverty of good governance.

PIAC, has over the years, raised critical issues relating to the management and use of petroleum revenues, and we believe it is time to highlight all these issues in a single document to ensure that they are given urgent attention and commitment for redress. Hence, the launch of this issue paper today.

In the Committee's view, bringing these issues to the fore, is a good way to insulate the upstream petroleum sector from the 'resource curse' phenomenon that characterised the mining sector so as to ensure the needed socio-economic transformation.

I now present to you the highlights of our issue paper.

- PIAC's assessment of the management and utilisation of the Annual Budget Funding Amount (ABFA) mechanism over the years, has revealed that even though government has been consistent in selecting the four priority areas as per the law, actual expenditure normally stretches beyond the 12 listed priority threshold.
- Associated with the above challenge is the thin-spread of the revenue for projects, characterised by paltry allocations, in which way, makes it difficult to appreciate any meaningful impact associated with the expenditure.



Public Interest and Accountability Committee

- Another worrying trend is the non-utilisation of and accounting, for the full ABFA allocation even though the budgetary amount is disbursed to the ABFA account. PIAC's visits to some projects earmarked to receive petroleum revenue revealed that they have been starved of funds at a time when revenues are reported to be unutilised and unaccounted for.
- The Committee also observes that over the years, some International Oil Companies (IOCs) have developed the practice of non-payment and deferred payment of Surface Rentals which is a source of petroleum revenue stream. This practice undervalues the Ghana Petroleum Holding Fund, and does not comply with the provisions of the PRMA.
- PIAC has observed a loophole in allowing the Minister for Finance to place a cap on the Ghana Stabilisation Fund (GSF) at his or her discretion as necessitated by macroeconomic conditions; albeit with the approval of Parliament. To place a cap on how much can be accrued to the Fund, there is no established criteria for the determination of the cap and use of proceeds.
- We note with concern that 10 years into oil, the effectiveness of an Investment Advisory Committee (IAC) is difficult to measure. The country is still stuck to the practice of investing in low qualifying instruments, a practice we believe can be better improved with a well-resourced, functional, and independent IAC. The advice of the IAC is not mandatory on the Minister for Finance, undermining the core essence of the IAC.

It is important to note that though some of these issues have been consistently raised in the Committee's annual reports over time, it has attracted little or less attention. 10 years into oil is an appropriate moment to reflect on how well or otherwise we have done with our oil.

It is our belief that these issues will receive the needed attention among critical stakeholders. Mindful of the fact that our country's resource governance is shaped by the thinking of political groupings (parties) and that these issues be given adequate attention in their manifestoes, policies and action steps.

The understanding that petroleum is a finite resource, hence the need for effective governance must not be lost on us.



Public Interest and Accountability Committee

Next year will mark the tenth anniversary of PIAC, and the Committee will roll out series of commemorative activities on the upstream petroleum sector and its governance.

Signed

A handwritten signature in blue ink, consisting of several loops and strokes, positioned below the word "Signed".

**Noble Wadzah
PIAC Chairman**