



SIMPLIFIED GUIDE TO THE **PETROLEUM REVENUE MANAGEMENT LAW IN GHANA**



**Public Interest &
Accountability Committee**
REPUBLIC OF GHANA



The Public Interest and Accountability Committee (PIAC) is a citizens-led statutory body established under Section 51 of the Petroleum Revenue Management Act 2011 (Act 815) as amended by the Petroleum Revenue Management (Amended) Act, 2015 (Act 893) to provide independent oversight over the collection, allocation and utilisation of Ghana's petroleum revenue. PIAC has three main objectives as outlined in Section 52 of the Petroleum Revenue Management Act (PRMA):

1. To monitor and evaluate compliance with the Act by government and relevant institutions in the management and use of petroleum revenue and investments..
2. To provide space and platform for the public to debate on whether spending prospects and management and use of revenues conform to development priorities.
3. To provide independent assessment on the management and use of petroleum revenues to assist Parliament and the Executive in the oversight and the performance of related functions.

The PRMA provides the framework for the collection, allocation and management of petroleum revenue in a responsible, accountable, and sustainable manner, for the benefit of the citizens of Ghana, in accordance with Article 36 of the Constitution.

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Simplified Guide to Petroleum Revenue Management in Ghana

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FOREWORD

The Public Interest and Accountability Committee (PIAC), a citizens-led statutory body established under Section 51 of Ghana's Petroleum Revenue Management Act, 2011 (Act 815) as amended by (Act 893) is glad to present this Simplified Guide to Petroleum Revenue Management in Ghana.

The development of this guide was informed by the need to create awareness among the media, traditional rulers, civil society and community-based organisations, donors, partners and the public on the legislative processes concerning the PRMA. This document will be available to all the stakeholders above as one of the tools to ensure government accountability.

This Simplified Guide provides comprehensive and comprehensible information and infographics about the law (as amended) to equip citizens with knowledge of the PRMA. With enhanced knowledge of the governing framework for the management of petroleum revenues, it is our hope that the public will be in a position to better understand the PRMA and thus demand transparency and accountability from the Government on the judicious use of petroleum revenues.

This will advance the development of Ghana's oil and gas sector in an effective and efficient manner for the benefit of all citizens. It is our hope that this document together with other public campaigns and efforts, will contribute to the development of an oil and gas sector that reflects the desires and aspirations of all Ghanaians.

We hope you find this guide useful.

Thank you very much.

Mr Joseph Winful

Chairman, Public Interest and Accountability Committee



ACKNOWLEDGEMENTS

This Simplified Version of the Petroleum Revenue Management Act (as amended) was produced by PetroConsult Africa Ltd for the Public Interest and Accountability Committee (PIAC) of Ghana.

The team was led by Dr. Theophilus Acheampong. It included Marcia Ashong and Mohammed Naziru Mohammed.

Frank Adjei Otu was responsible for design and document production.

A photograph of an offshore oil rig structure, featuring a complex network of white steel beams and yellow safety railings, set against a backdrop of deep blue ocean water.

ABBREVIATIONS

- ABFA** - Annual Budget Funding Amount
- CSO** - Civil Society Organisation
- GHF** - Ghana Heritage Fund
- GIIF** - Ghana Infrastructure Investment Fund
- GNPC** - Ghana National Petroleum Corporation
- GRA** - Ghana Revenue Authority
- GSF** - Ghana Stabilisation Fund
- IAC** - Investment Advisory Committee
- IOC** - International Oil Company
- MOFEP** - Ministry of Finance and Economic Planning
- MOE** - Ministry of Energy
- NOC** - National Oil Company
- PA** - Petroleum Agreement
- PIAC** - Public Interest and Accountability Committee
- PRMA** - Petroleum Revenue Management Act



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A large-scale photograph of an offshore oil rig at sunset. The rig's complex steel structure, including multiple levels of walkways, ladders, and large cylindrical storage tanks, is silhouetted against a sky transitioning from orange to grey. The rig is supported by several vertical legs in the dark ocean. Two smaller inset images are visible: one on the left showing a close-up of blue-painted steel beams, and one on the right showing a tall, grey industrial stack.

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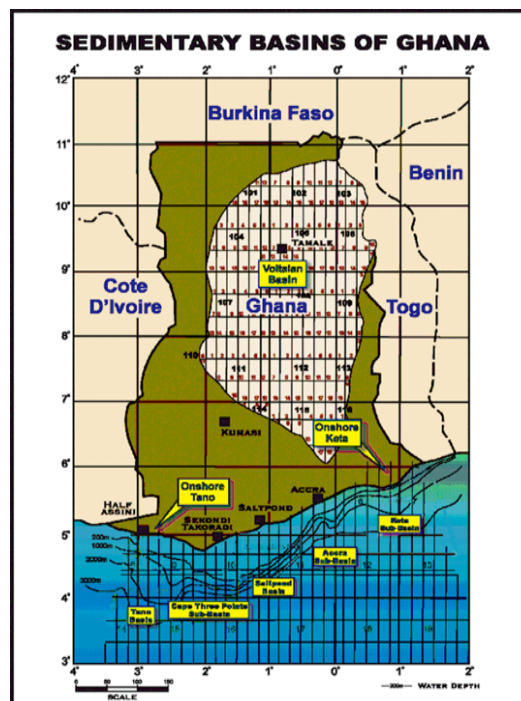
INTRODUCTION



1. INTRODUCTION

In December 2010, Ghana joined the league of oil producing nations with the production of first oil from the Jubilee Field, located offshore Ghana. This was after a consortium of companies comprising Tullow Ghana Limited, Kosmos Energy Ghana, Anadarko Petroleum Corporation, Sabre Oil and Gas Holdings Limited, and the E.O. Group in conjunction with the Ghana National Petroleum Corporation (GNPC), discovered significant oil and gas resources in the offshore Tano-Cape Three Points Basin in 2007. There are four petroleum basins in Ghana namely the Tano-Cape Three Points Basin, Saltpond Basin (Central Basin), Accra-Keta Basin (Eastern Basin) and the Voltaian Basin (Inland Basin). The four petroleum basins are shown in the offshore activity map in Figure 1-1 below.

Figure 1-1 Ghana Offshore Activity Map



Source: Petroleum Commission



In 2011, Ghana's Parliament enacted important governance reforms to manage this newfound wealth. Thus, the Petroleum Revenue Management Act, 2011 (Act 815) was enacted by Parliament in March 2011 to govern the management of petroleum revenues. The Act, at its core, defines the framework for accounting for receipts and expenditure from petroleum revenues. Additionally, it also provides clear rules on investment and savings in line with industry practice. The Petroleum Revenue Management (Amendment) Act (893) of 2015 amended the existing legislation to deal with deficiencies in the Act.

The PRMA has enabled journalists, civil society groups and parliamentarians to undertake forensic analysis of how the government is managing proceeds from crude oil sales. The PRMA has been described by industry stakeholders as one of the most progressive in Africa and has provided a clear framework for managing Ghana's petroleum revenues notwithstanding some operational challenges.

To further enhance transparency and accountability, this Simplified Guide provides comprehensive information about the PRMA. The intent is to equip citizens with enhanced knowledge about the governing framework for the management of petroleum revenues. The ultimate objective is to position the public to better understand the PRMA and thus demand transparency and accountability from the government on the judicious use of petroleum revenue.

1.1 What is Petroleum Revenue Management?

Petroleum revenue come from two sources, namely, activity related and non-activity related sources. Activity related sources, called resource rents, represent the value of a petroleum resource minus all the necessary costs of production. Non-activity related sources represent general taxation measures applicable to the industry.

Petroleum revenue is influenced by government tax policy and external factors such as oil prices. Most resource-rich petroleum producing countries have two goals: to attract international oil companies to invest in exploration and production of their petroleum resources, and the maximization of wealth from the resources through the revenues collected.

Like any other funds, petroleum revenue requires management rules to enhance effective use. These rules are often codified into revenue management laws in most oil and gas jurisdictions. The rules typically cover the establishment and management of a central repository for petroleum funds, allocations and disbursement from the fund including allocation for current spending and saving, as well as transparency



and accountability mechanisms. Thus, the petroleum revenue management law provides the framework for the collection, allocation and management of petroleum revenue in a responsible, accountable and sustainable manner for the benefit of citizens.

Experience from other established oil and gas jurisdictions call for good resource management practices, particularly those anchored on long-term national development strategies that aim to invest in the public sector instead of private consumption. This should also aim to ensure future generations also benefit from the finite oil and gas resources.

1.2 Why a Simplified Guide to Petroleum Revenue Management?

The objective of this simplified version of the Petroleum Revenue Management Act (Act 815) as amended by Act 893 is to equip citizens with knowledge of the PRMA. With enhanced knowledge of the governing framework for the management of petroleum revenue, the public will be in a position to better understand the PRMA and demand more transparency and accountability from the government on the judicious use of petroleum revenues.

In meeting this objective, this material has been presented in as simple a language as possible in order to make it readily accessible to the general public. The target audience for this guide are the media, traditional rulers, civil society and community-based organisations, donors, partners, and the general public.

1.3 What Laws and Policies Govern Upstream Petroleum Activities in Ghana?

The legal and regulatory structure for upstream oil and gas development in Ghana is governed primarily by:

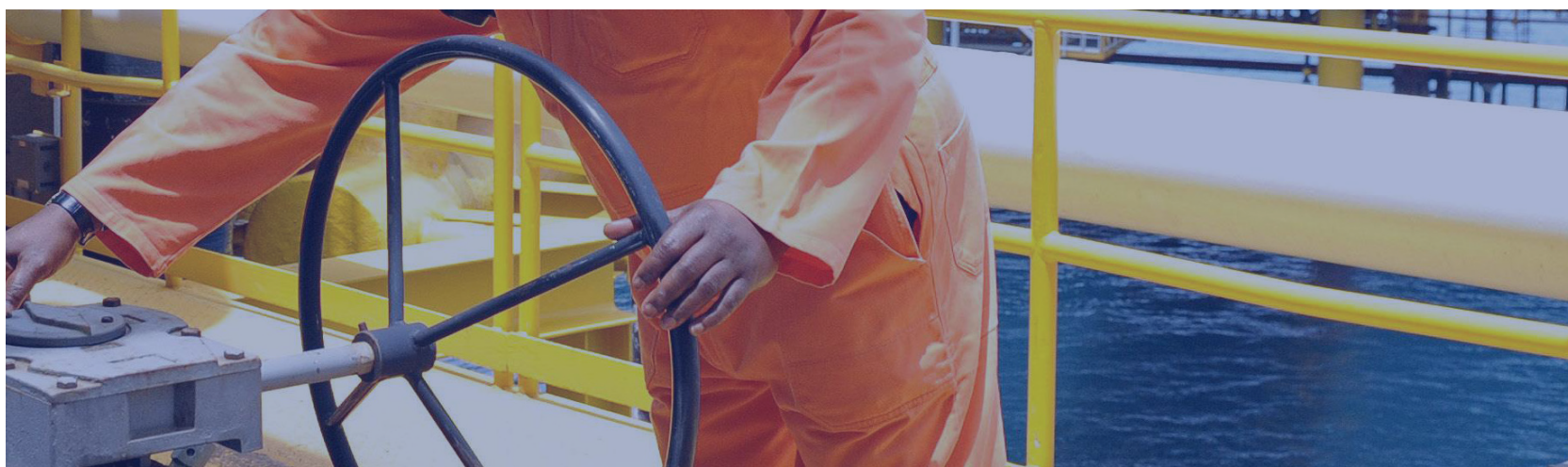
1. The 1992 Constitution of Ghana
2. The Ghana National Petroleum Corporation Act, 1983 (PNDC Law 64)
3. The Petroleum Income Tax Act, 1987 (PNDC Law 188)
4. The Environmental Protection Agency Act, 1994 (Act 490) along with the Environmental Assessment Regulations, 1999 (L.I 1652) as amended by (L.I. 1703)
5. The Petroleum Revenue Management Act, 2011 (Act 815) as amended by (Act 893)
6. The Petroleum Commission Act, 2011 (Act 821)
7. Petroleum (Local Content and Local Participation) Regulations, 2013 (L.I. 2204)
8. The Income Tax Act, 2015 (Act 896) as amended by (Act 902)
9. The Petroleum (Exploration and Production) Act, 2016 (Act 919)



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PETROLEUM
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2 PETROLEUM REVENUE MANAGEMENT IN GHANA

2.1 What is the Purpose of the Petroleum Revenue Management Act?

The PRMA was enacted to provide a framework for the upstream petroleum sector on the collection, distribution, and management of all revenue associated with the sale or other commercial activities of oil and gas resources produced in Ghana for the benefit of Ghanaians.

The PRMA makes provision for the responsible use of such revenues, and provides a framework through which the relevant public agencies are to collaborate. It ensures not only the sustainable use of the revenues for national development, but also the dissemination of information regarding all petroleum receipts on a regular basis for public knowledge and consumption.

The PRMA is guided by one major principle: petroleum resources as stipulated in Article 257(6) of the Constitution belong to the people and is vested in the President in trust for and on behalf of the people of Ghana. As such, all activities related to such resources must benefit the citizens of Ghana. It is under this principle that the PRMA makes provision for a public accountability body (PIAC), which is charged with ensuring that the managers of the resource uphold their responsibilities in relation to the law.

2.2 Where do the revenues come from and how are they collected?

Petroleum revenue collected by government is derived from a number of sources. Some are linked specifically to petroleum extraction activities and others are general levies on corporations.

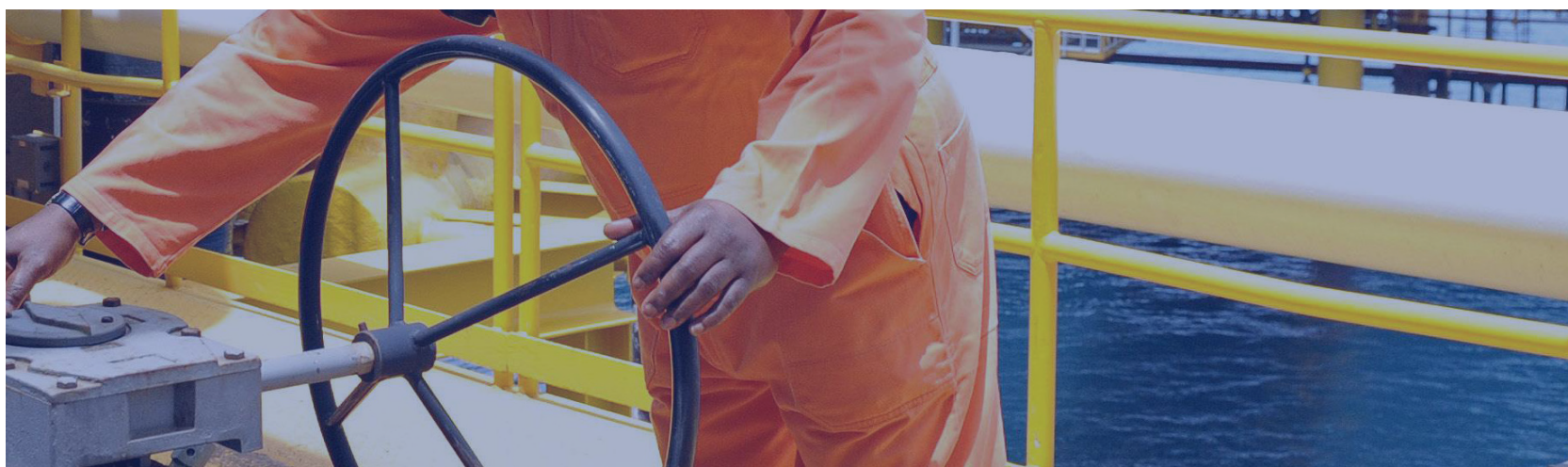
The table below details some of the major revenue generating sources and the basis behind their collection:



PETROLEUM REVENUE MANAGEMENT IN GHANA



REVENUE GENERATING SOURCE	REVENUE BASIS	PERCENTAGE OF REVENUE
Royalty	Royalties are paid by the oil companies to the State as the owner of the mineral rights. The State, which is the owner of the resource, is entitled to part of the total production before any deductions whatsoever are made. The State may opt to take the royalty in cash or kind (oil) and the practice has been for the State to take it in kind. Where the state elects for payment in kind, the value of the oil in US dollars on the day the petroleum is received is reported and recorded by the Ghana Revenue Authority as payment to the State.	In the Ghanaian context (and depending on the specific petroleum agreement) royalties have ranged between 5 to 12.5% of total gross production.
Carried Interest	In most petroleum agreements, the State is 'carried' by the IOC in the sense that GNPC/State does not pay anything when it comes to costs incurred during exploration and development. The State, however, pays for its share of the costs when oil production starts.	Petroleum agreements that existed prior to the enactment of the Petroleum Act of 2016 had a minimum of 10% carried interest to the State. This has been increased to a minimum of 15% carried interest under the Petroleum Act of 2016.
Additional Interest	In the event of a commercial discovery, Ghana has the option of increasing its stake in the field within a specified period of time following the declaration of the discovery. The maximum percentage if it decides to exercise the option is contractually agreed to in the petroleum agreement entered into by the parties. Here, the State/GNPC pays for all costs from that stage onwards including development and production costs if it decides to increase its interest.	Based on current petroleum agreements, additional interest has been no more than 25%.



Corporate Income Tax	This is a tax on the profits of oil and gas companies. The Petroleum Income Tax Act stipulates a tax rate of 50% but also provides that a petroleum agreement can provide for some other	Because of the provision that allows the State to vary the stipulated 50% rate, all existing petroleum agreements have an effective corporate income tax rate of 35%.
Additional Oil Entitlement	Here, the State becomes entitled to an additional percentage of the IOCs share of crude oil on each separate field once profitability passes certain agreed rate of return thresholds.	In the agreements entered into so far, it has been at a maximum of 30% government take.
Surface Rentals	Surface rentals are annual rents paid by the IOCs to the State for leasing the surface of the sea or land to explore for oil and gas resources. Surface rentals are paid in dollars per square kilometre of acreage operated by the licensees of the area.	
Other Receipts	(1) Capital Gains Tax: This is applied when an IOC sells its petroleum assets and realizes a profit. Tax is charged on that profit. (2) Dividends: Refers to monies paid regularly (typically annually) by GNPC to the State out of its profits	

Using oil revenues from the Jubilee Field as an example, revenues accrue to the State as follows:

1. A royalty of 5% is imposed on gross oil production.
2. GNPC is entitled to 10% carried interest.
3. GNPC has acquired an additional interest of 3.64%.
4. A 35% income tax on profits is levied.
5. An additional oil entitlement of between 10-25% of petroleum revenue (minus royalties and the GNPC interest) can accrue depending on the rate of return of the project.



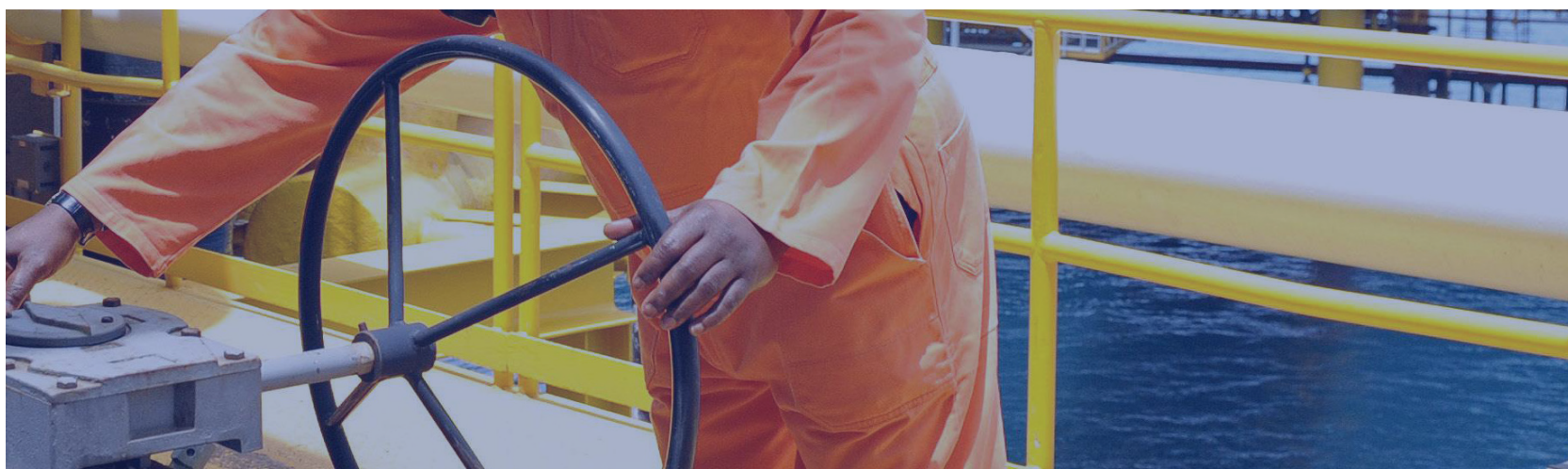
- 6. Surface rentals are paid per square kilometre of field acreage.
- 7. Any interest or dividend payments made would be subject to 8% withholding tax.

A summary of the petroleum revenue sources is depicted in Figure 2-1 below.

Figure 2-1 Petroleum Revenue Sources



After the petroleum revenue is collected through these various sources, it is deposited into an account at the Bank of Ghana, known as the Petroleum Holding Fund.



2.3 The Petroleum Holding Fund (PHF)

The Petroleum Holding Fund (PHF) is a general account located at the Bank of Ghana, which serves as the initial repository of all petroleum payments due to the State. As the name suggests, the amount is simply held there before disbursement. Thus, all allocations and disbursements are made from the Petroleum Holding Fund.

All revenue due are to be collected and assessed by the Ghana Revenue Authority (GRA), and paid through direct deposit into the PHF no later than the 15th of each month. Violation of this provision or failure to deposit by the designated date will be subject to a penalty of 5% of the original amount owed for each day of default.

In some instances, the government opts to receive payments in petroleum as opposed to cash. In this case, the GRA is tasked with assessing the value of the petroleum received by government on the specific date received. This is because petroleum prices fluctuate on a daily basis. The GRA is therefore to record this as a payment received. It is also mandated that the revenues from the sale of the received petroleum be deposited into the PHF within 60 calendar days after receipt of the petroleum.

The money lodged in the Petroleum Holding Fund is not kept there permanently but disbursed according to laid down procedure in the PRMA.

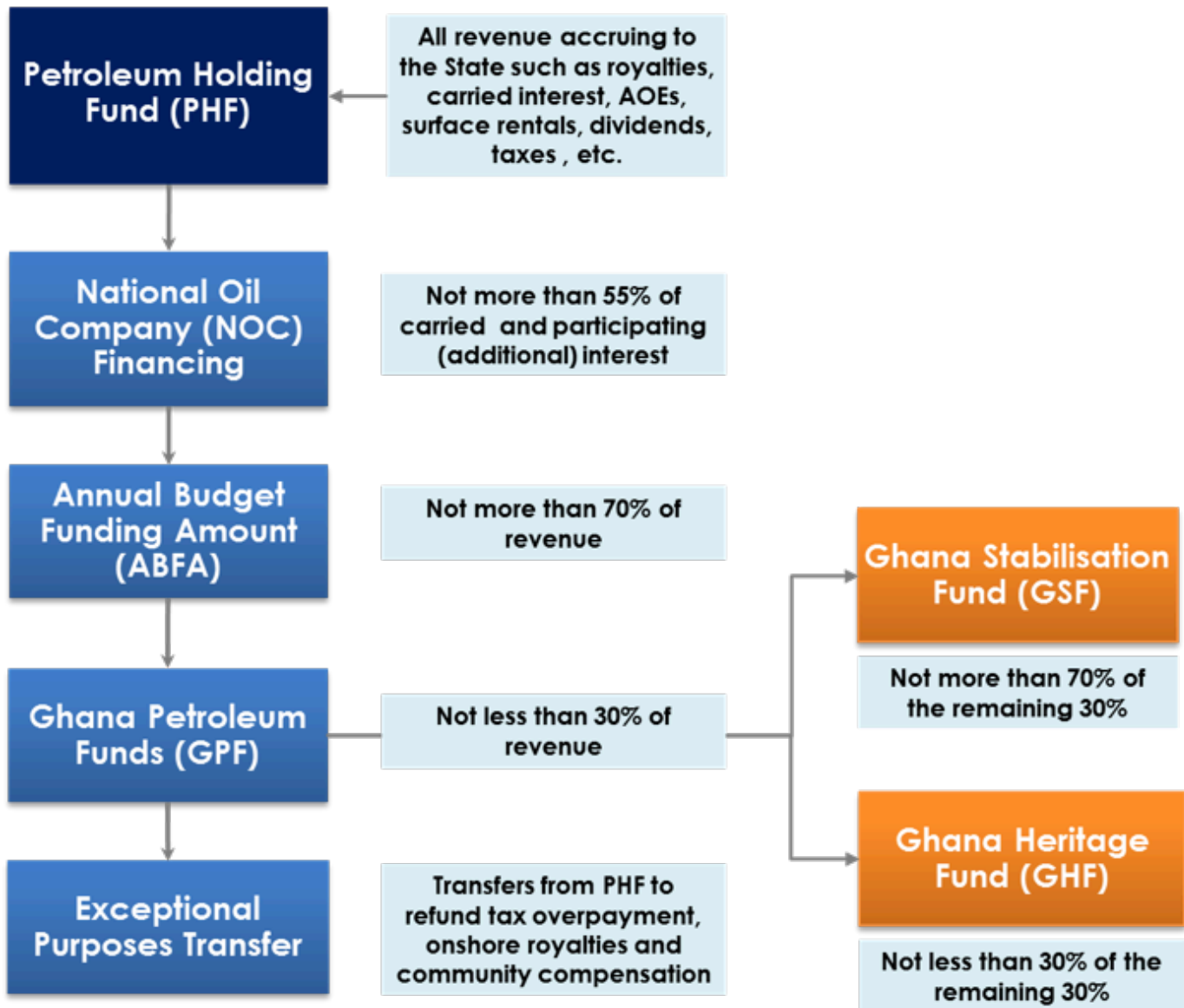
2.4 Allocations from the Petroleum Holding Fund (PHF)

The money from the Petroleum Holding Fund is disbursed in accordance with the PRMA as follows: It is disbursed first to the national oil company to finance its operations and then to the Consolidated Fund (Annual Budget Funding Amount) to support the national budget. Thirdly, it is disbursed to the Ghana Petroleum Funds (Heritage and Stabilisation Funds) for purposes of savings and investments, and lastly for exceptional purposes such as tax refunds.

Figure 2-2 below provides a simplified outline of disbursements under the PRMA whereas Figure 2-3 provides a more detailed outline of spending allocations.



Figure 2-2 Outward Flows from the PHF



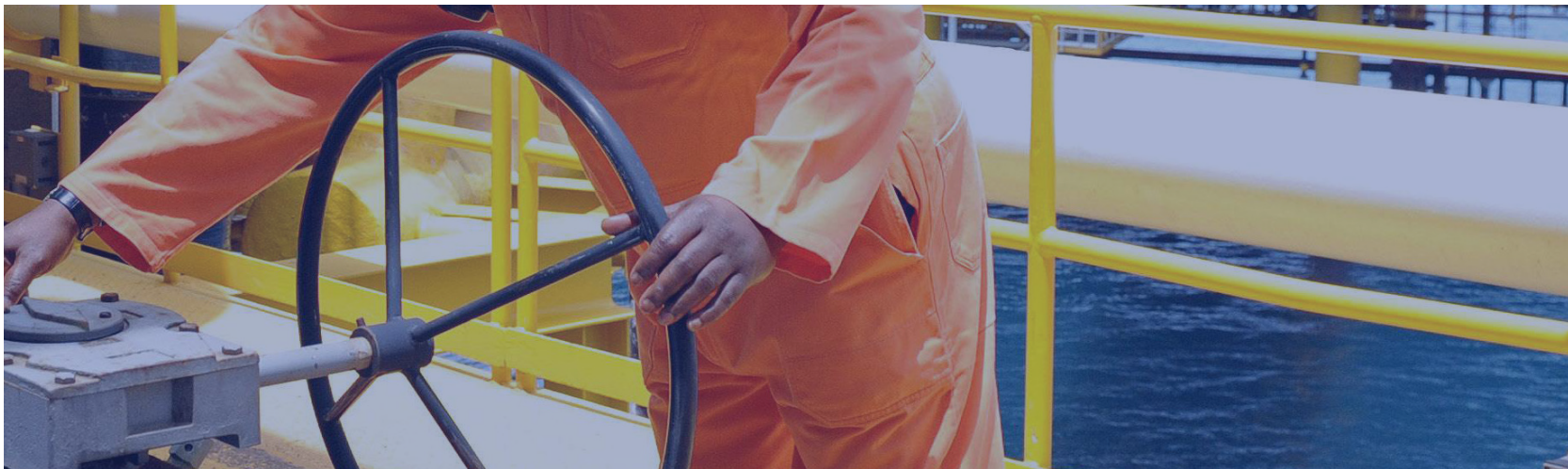
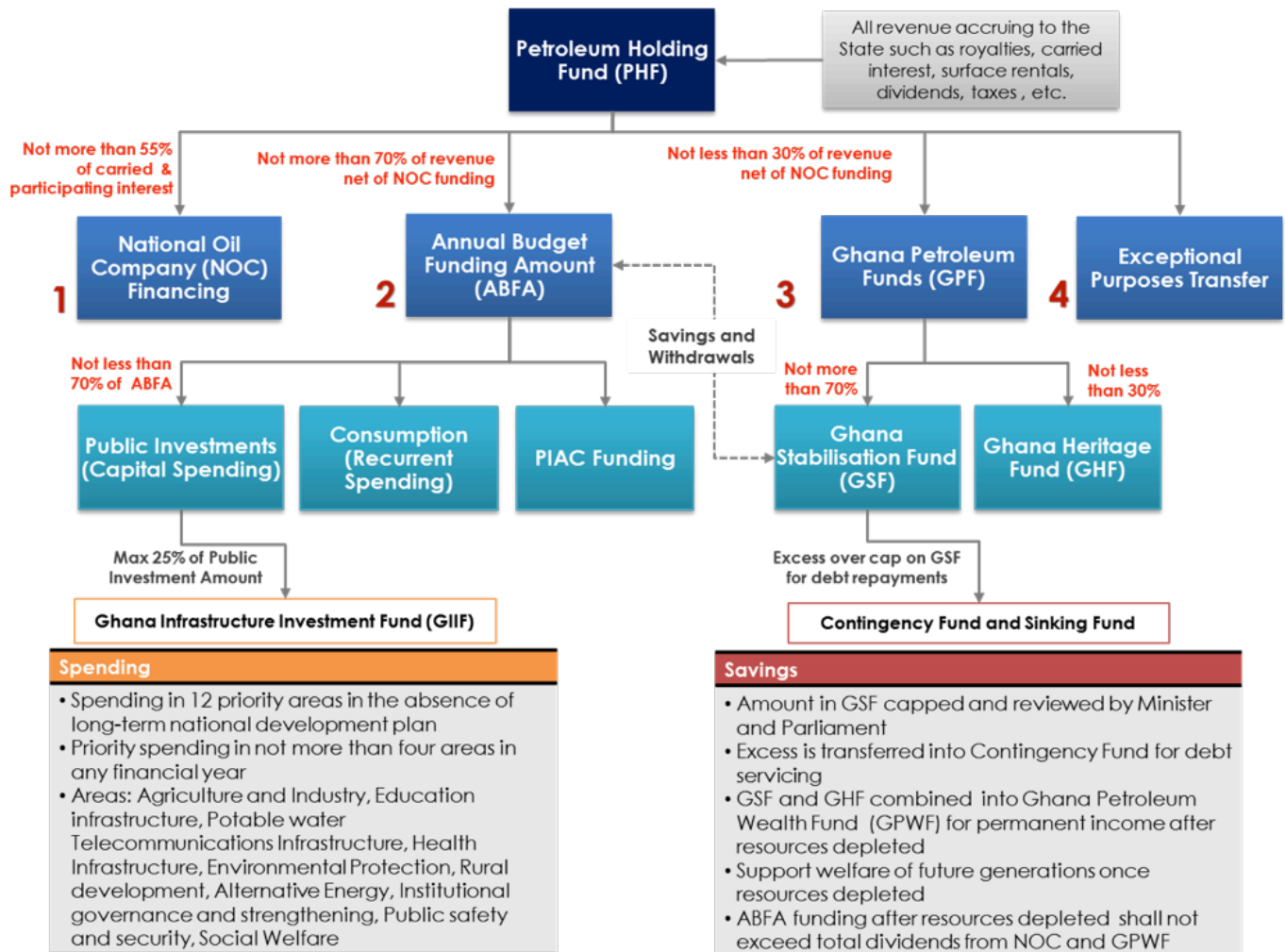


Figure 2-3 Spending Allocation of Oil Revenues under the PRMA





2.4.1 National Oil Company (NOC) Funding

The PRMA makes provision for payment to a national oil company. GNPC represents the State as the national oil company. GNPC's interest in essence is Ghana's interest. Payments from the Petroleum Holding Fund to GNPC are to cater for the cost of financing its activities in relation to the interest it holds in petroleum agreements.

The PRMA mandates this transfer to GNPC **not to exceed 55%** of the money accruing from the carried and participating interests of the Republic after deduction of equity financing costs. The PRMA mandates the cash or barrels of oil equivalent of petroleum ceded to GNPC to be reviewed every three years by Parliament. In addition, Parliament approves the programme of activities of GNPC every year.

2.4.2 Annual Budget Funding Amount (ABFA)

The Annual Budget Funding Amount (ABFA) constitutes the main channel through which petroleum revenues are used to support the budget. The PRMA calls for allocations to the ABFA to be guided by a medium-term development strategy aligned with a long term national development plan. As a result of Ghana's lack of a long-term national development plan, the PRMA mandates that the ABFA should give priority to – but not be necessarily limited to – programmes or activities relating to **twelve (12) areas**. The government is however enjoined **not to prioritise more than four (4) areas** when submitting a programme of activities for the use of the petroleum revenue. This is to avoid a situation where a government will attempt to tackle too many of these areas at the same time thus spreading revenues too thinly, with minimal transformational impact. The 12 priority areas for selection are shown in Figure 2-4 below.

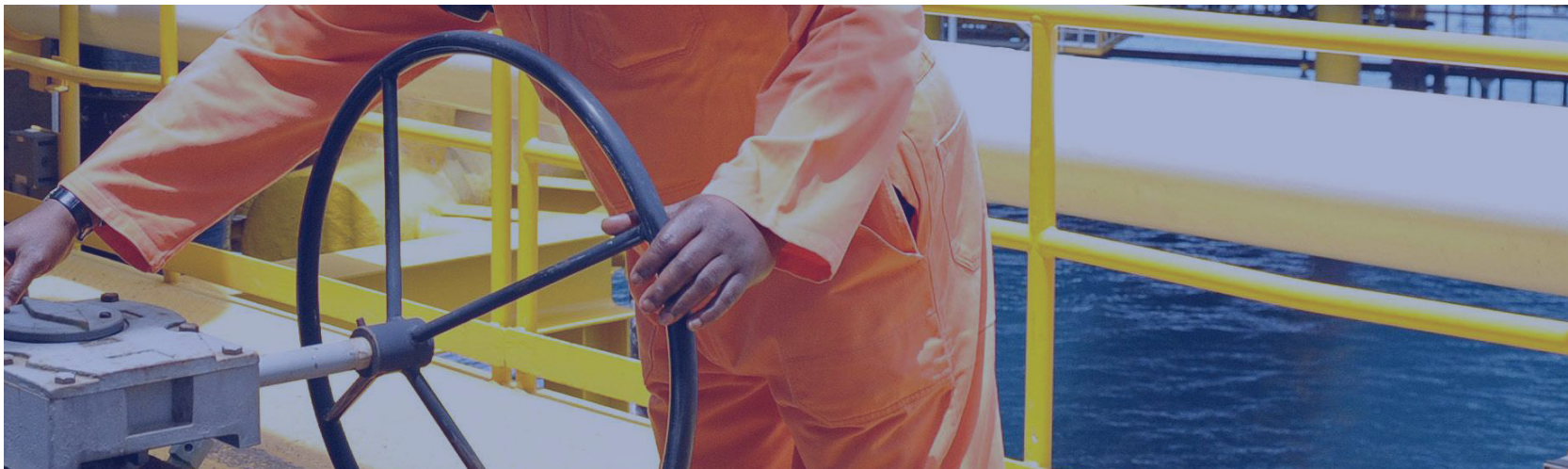


Figure 2-4 ABFA Priority Areas



Amounts allocated to the ABFA are required to be approved by Parliament as part of the national budget and spending allocations and are reviewed every three years. Thus, from 2011 to 2013 and from 2014 to 2016, the government prioritised expenditure and amortisation of loans for oil and gas infrastructure, road infrastructure, agriculture modernisation, and capacity building (including oil and gas). The new areas selected for the 2017 to 2019 period are agriculture, physical infrastructure and service delivery in education, physical infrastructure and service delivery in health, road, rail and other critical infrastructure development. This will be reviewed at the end of the period.

A maximum **70% of petroleum revenue** is allocated to the ABFA. Of this allocation, a minimum of **70% of the ABFA amount** is to be used for **public investment expenditure** aligned with a development plan.



Also, a maximum **25% of the amount allocated for public investment** expenditure is to be allocated to the Ghana Infrastructure Investment Fund (GIIF). In addition, the law allows the ABFA to be used as collateral for debt servicing and settling other government liabilities but only for a period of not more than ten years after the commencement of the PRMA, that is, no longer than 2021.

2.4.3 Ghana Petroleum Funds: Stabilisation Fund and Heritage Fund

The Ghana Petroleum Funds comprise the Ghana Stabilisation Fund (GSF) and Ghana Heritage Fund (GHF). They are the channels through which excess petroleum revenues are deposited for savings and investments. In terms of disbursement, the law mandates not less than 30% of the benchmark revenue or actual petroleum revenue in any year to be paid into the Ghana Petroleum Funds. A **minimum of 30%** of the revenue accrued to the Ghana Petroleum Funds is transferred into the Ghana Heritage Fund and the balance transferred into the Ghana Stabilisation Fund.

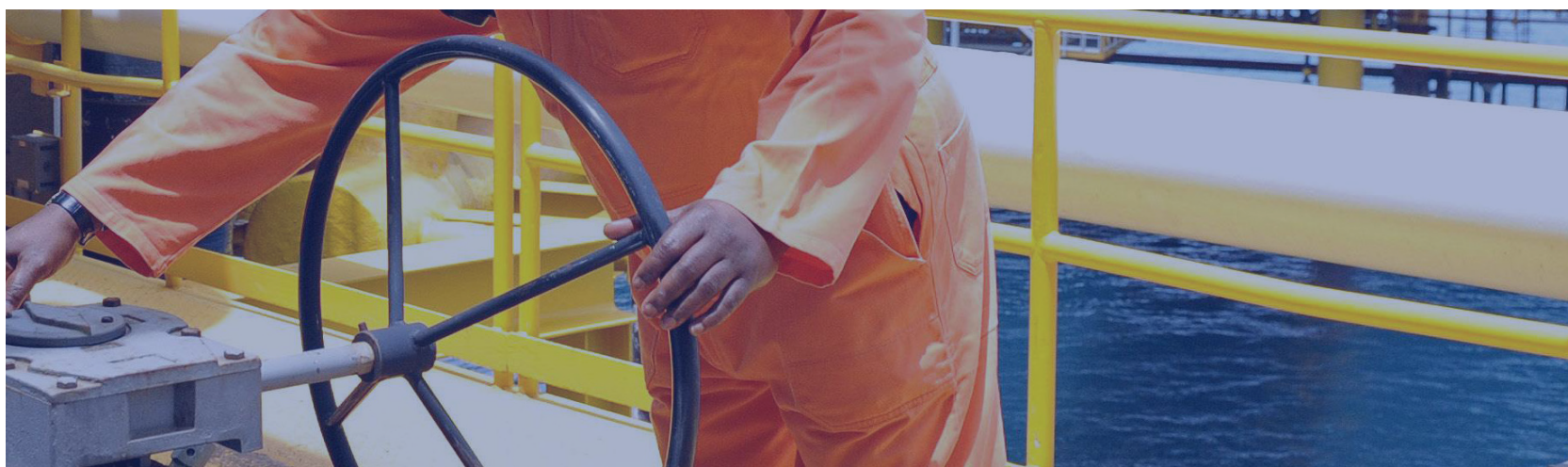
2.4.3.1 Ghana Heritage Fund (GHF)

The Ghana Heritage Fund provides for an inheritance to support development for unborn generations when Ghana's petroleum reserves have been depleted. The funds are invested outside Ghana in safe investments and the yields are generally low because they are low-risk investments. The range of qualifying instruments is limited to investment grade bonds and convertible currency deposits issued by sovereign states, central banks, and multilateral organisations such as the Bank for International Settlements among others.

The Heritage Fund receives **not less than 30 percent** of the allocation to the Ghana Petroleum Funds. Parliament is allowed every fifteen years to review restrictions placed on transfers from the Heritage Fund and also transfer portions of the accrued interest into any other fund.

2.4.3.2 Ghana Stabilisation Fund (GSF)

The GSF has been set up so that government can draw from the Fund in times of shocks to the economy, or unanticipated shortfalls in oil revenue which necessitates that money be sourced to balance the budget. Hence, the Fund cushions the impact on public expenditure capacity such as was witnessed in 2015 and 2016 when low oil prices caused unanticipated shortfalls in oil revenues.



The Stabilisation Fund receives **not more than 70 percent** of the allocation to the Ghana Petroleum Funds. The Minister of Finance has discretion, subject to Parliamentary approval, to place a cap on how much can be accrued to the Ghana Stabilisation Fund as necessitated by macroeconomic conditions. For example, the capped amount can be reviewed downwards when oil prices fall or upwards in periods of high oil prices.

The Minister of Finance announced during the 2016 mid-year budget review that the cap on the Ghana Stabilisation Fund had been reduced further to US\$100 million from US\$150 million and an initial US\$250 million cap. Once this capped amount is reached, amounts of monies that subsequently would have been transferred into the Ghana Stabilisation Fund are transferred into the Contingency Fund (Sinking Fund) or for debt repayment subject to approval from Parliament.

2.4.4 Exceptional Transfers

Transfers can be made from the Petroleum Holding Fund for exceptional purposes under three scenarios:

1. Refund tax overpayment and to pay management fees
2. Pay royalties to local communities with regard to onshore operations, and
3. Provide appropriate compensation to communities that may be adversely affected by petroleum operations.

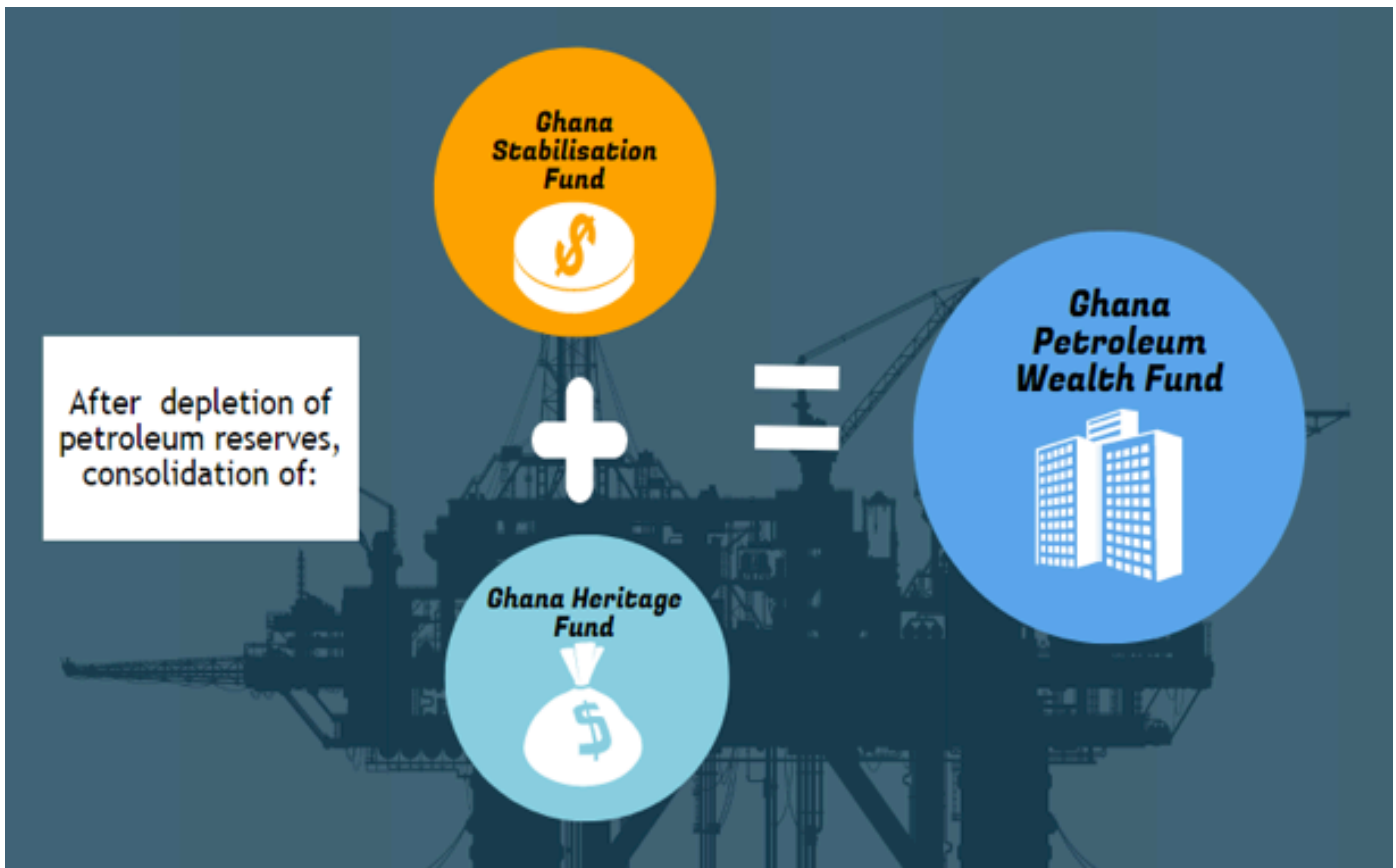
2.5 Ghana Petroleum Wealth Fund (GPWF)

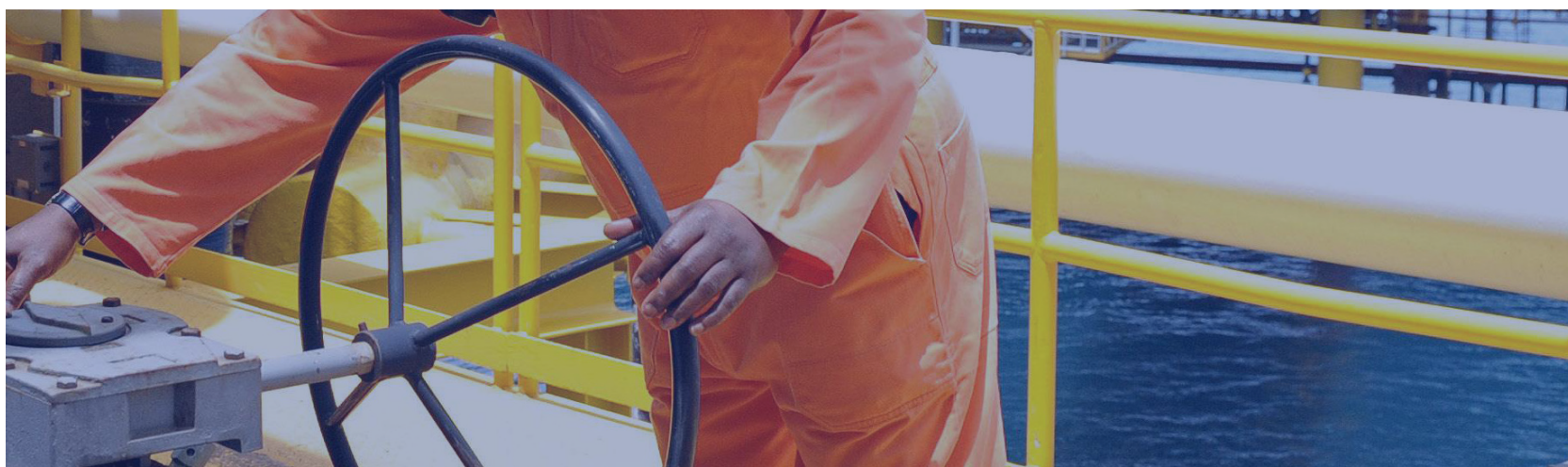
Within a year after petroleum resources are depleted, the amounts held in both the Ghana Stabilisation Fund and Ghana Heritage Fund must be consolidated into a single Fund to be known as the Ghana Petroleum Wealth Fund (GPWF). After this consolidation is done, the Ghana Stabilization Fund and the Ghana Heritage Fund shall cease to exist. Figure 2-5 below shows the outline of the Ghana Petroleum Wealth Fund.

The Ghana Petroleum Wealth Fund is to provide permanent income. The monies are to be invested in qualifying instruments which shall be reviewed every 3 years or sooner by the Minister on the advice of the Investment Advisory Committee. The sum of the dividends from the GNPC and the earnings on the Ghana Petroleum Wealth Fund is what will be used to support the budget through the ABFA after petroleum reserves are depleted.



Figure 2-5 The Ghana Petroleum Wealth Fund





2.6 What are the Investment Rules Governing Ghana's Petroleum Funds?

The PRMA mandates government to prescribe the qualifying instruments that the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund shall be invested. On the advice of the Investment Advisory Committee (IAC), the range of instruments designated as qualifying instruments shall be reviewed every three years or sooner by the Minister. The seven-member Committee advises the Minister of Finance on investment and management of the funds.

2.7 Reporting Requirements and Auditing of Ghana's Petroleum Funds

As a means of keeping the public abreast and informed, the PRMA requires that the Minister of Finance publishes a gazette on a quarterly basis and makes available online, details and records concerning the receipt of payments into the Petroleum Holding Fund. The Minister is also tasked with presenting the same information to Parliament, and in the same publication, detail the total petroleum lifted with references to pricing.

The Bank of Ghana and GRA are responsible for the collection, assessment, accounting and general management of revenue accruing to the Petroleum Holding Fund. Figure 2.6 below lists the petroleum revenue reporting schedule timeline and the agencies responsible for this.

Reports: The PRMA mandates the Bank of Ghana to present to the Minister of Finance and to the Investment Advisory Committee, quarterly reports on the performance and activities of the Ghana Stabilization Fund and the Ghana Heritage Fund no later than the end of the month following the end of each quarter. The Bank of Ghana is also mandated to publish semi-annual reports on the Ghana Stabilization Fund and the Ghana Heritage Fund, to present the report to Parliament, and publish it in two state owned national dailies and on its website.

The Minister of Finance is also mandated to publish an annual report on the Petroleum Funds during the presentation of the annual budget statement and economic policies to Parliament. This report includes previous year's audited financial statements on receipts and transfers from the Petroleum Holding Fund and the deposits into and withdrawals from the Ghana Petroleum Funds, as well as activity report on ABFA funded projects.

Books of the Petroleum Funds: The Bank of Ghana is mandated by the PRMA to keep proper books of accounts and records on the Petroleum Holding Fund and the Ghana Petroleum Funds.



Auditing of Petroleum Funds: The PRMA calls for regular audits of the accounts, records, systems and procedures on the petroleum funds. This is to be carried out by the internal audit department of the Bank of Ghana and the Auditor-General.

Accountability, Transparency and Public Oversight: The PRMA mandates that the management of petroleum revenues and savings must always be carried out in accordance with the highest internationally accepted standards of transparency and good governance.

Non-compliance: According to the PRMA, any person who fails to comply with any obligation to publish information provided for in the Act, or causes another person to fail to comply with, or in any manner hinders or causes another person to hinder the compliance with the obligations, commits an offence and is liable on summary conviction to a fine.

Restrictions on the Petroleum Funds: There are specific prohibitions to the use of petroleum funds.

- **Petroleum Holding Fund (PHF):** (1) The PHF is not to be used to provide credit to any agency or person, be they private or public; (2) The PHF is not to be used as collateral/guarantee for debt, guarantees, commitments or any other liabilities, for any agency or person, be they private or public; and (3) No entity, private or public may borrow against the PHF.
- **Ghana Heritage Fund:** Likewise, the Heritage Fund cannot be tapped into, or used as collateral for borrowing although Parliament can authorise at intervals of fifteen years from the commencement of the PRMA, the transfer of a portion of the accrued interest into any other fund established under the PRMA.
- **The ABFA:** The ABFA, however, can be used as collateral to service debts and other government liabilities for a period of not more than ten years after the commencement of the PRMA. Thus, the end period for this is 2021.

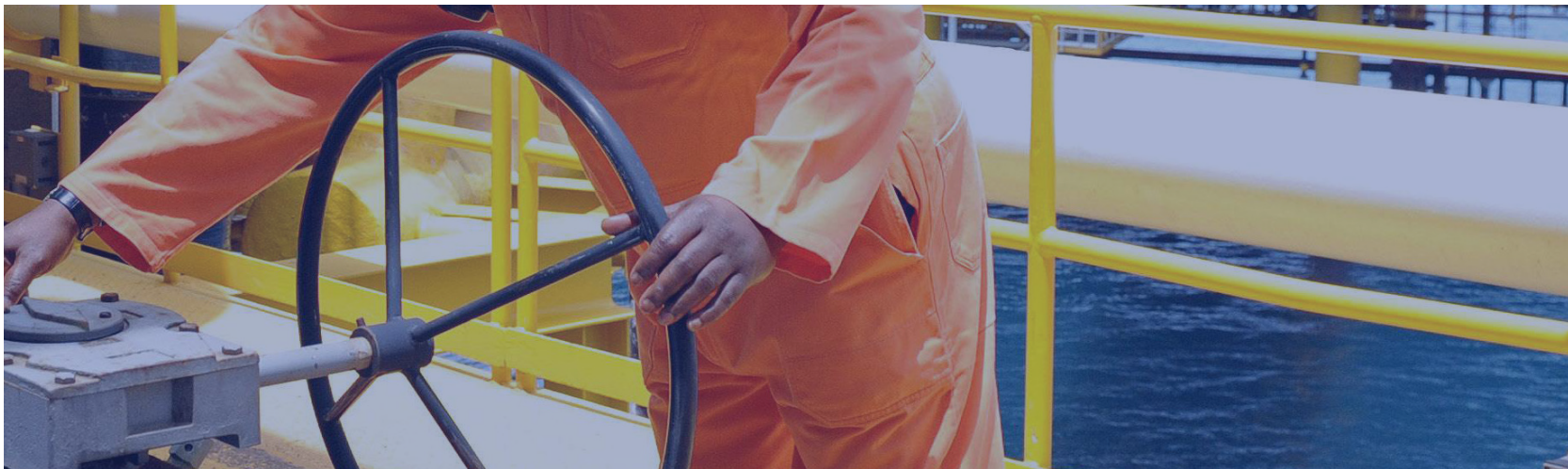
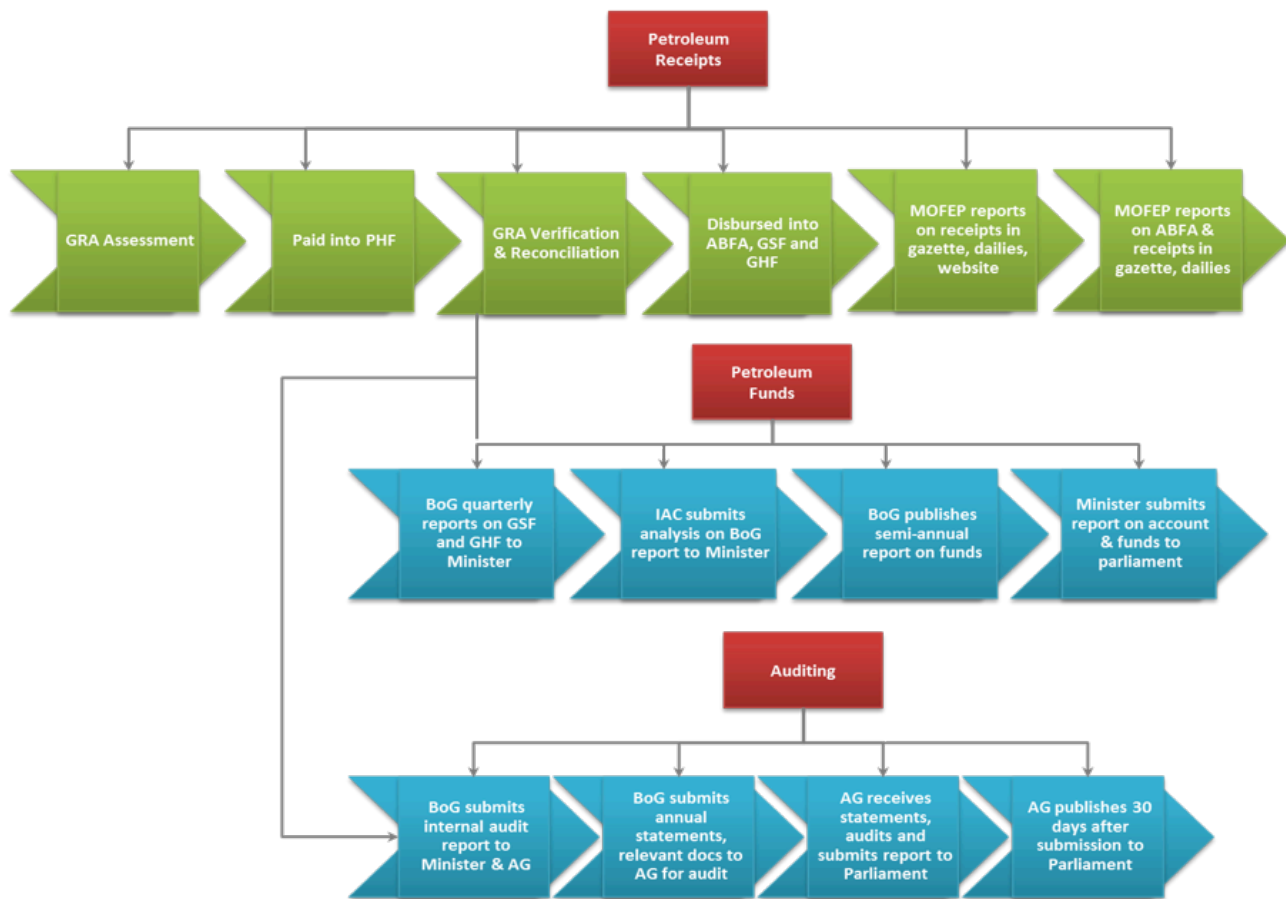


Figure 2-6 Petroleum Revenue Reporting Schedule



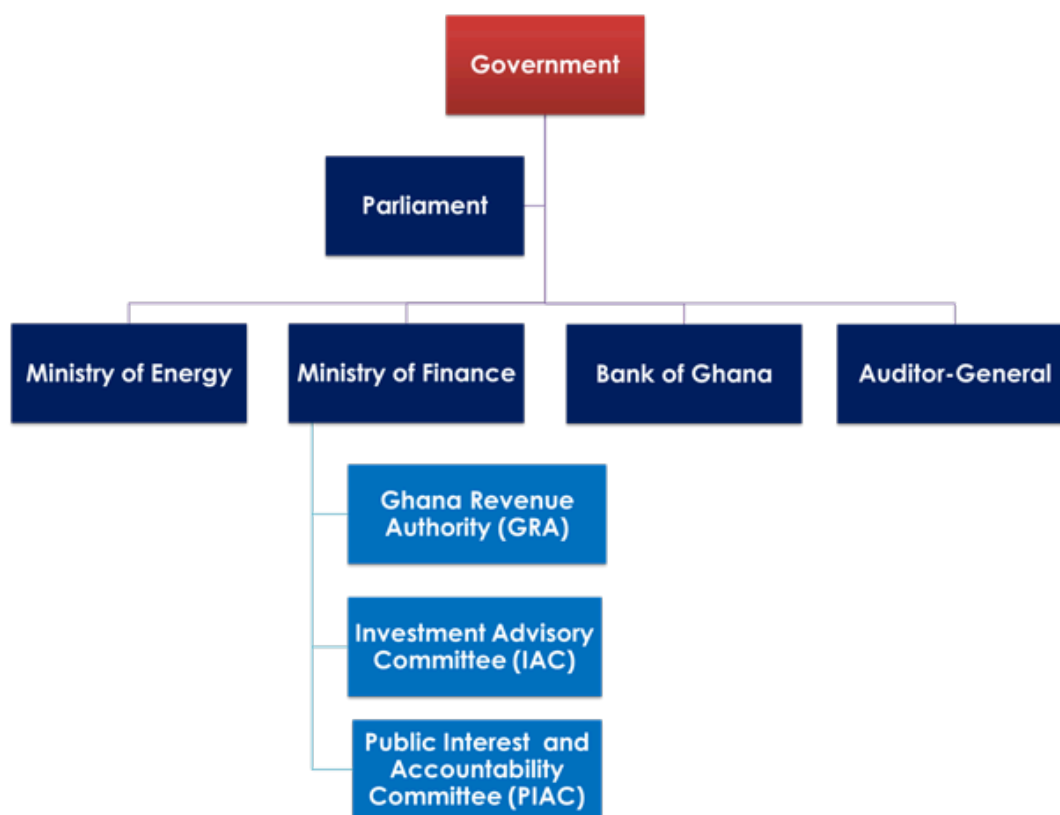
Source: Ministry of Finance and Economic Planning

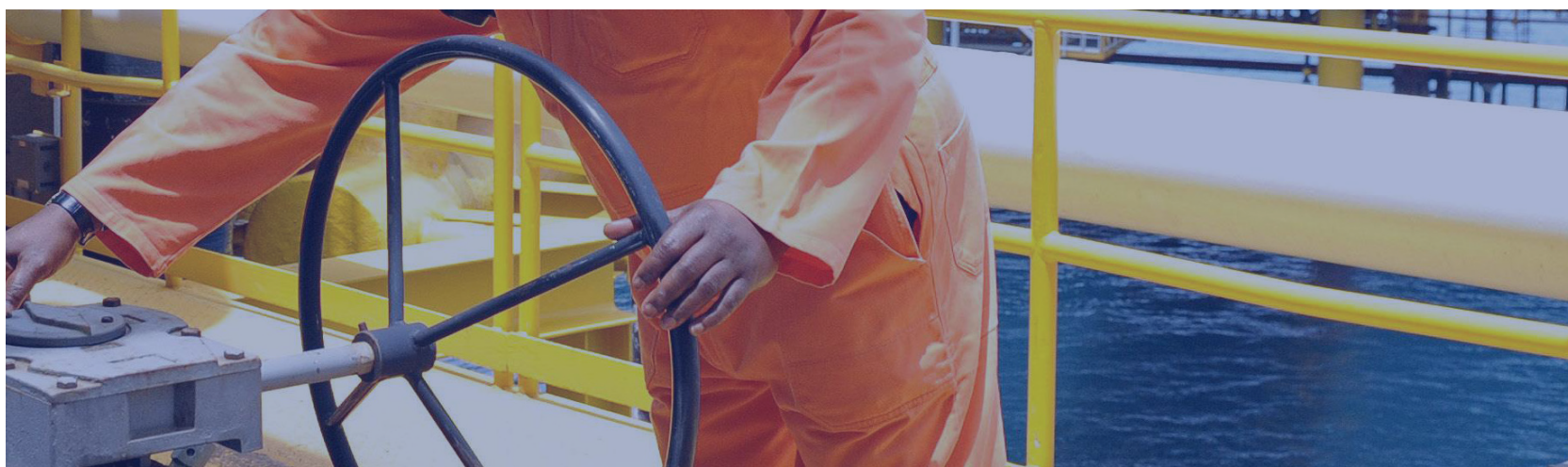


2.8 Which Institutions are involved in Petroleum Revenue Management?

The state institutions involved in petroleum revenue management activities are shown in Figure 2-7 below.

Figure 2-7 Institutions Involved in Petroleum Revenue Management





2.8.1 Parliament

Parliament has the responsibility for the final approval of petroleum agreements. This is known as ‘ratification’ of the petroleum agreement and is enshrined in Article 268 of Ghana’s constitution. Parliament decides each year how much of the petroleum revenues is to be spent through approving the ABFA as part of the national budgetary process.

2.8.2 Ministry of Energy

This ministry is responsible for developing and implementing energy sector policy in Ghana and for supervising the operations of a number of government institutions including GNPC and its subsidiary, Ghana National Gas Company (GNGC).

2.8.3 Ministry of Finance

According to the PRMA, the Minister for Finance is responsible for developing an investment policy for the investment of the Ghana Petroleum Funds. He is also responsible for the overall management of the Funds and oversees transfers into, and disbursements from the Funds. Additionally, the Minister has an obligation to make decisions in relation to investment strategy or management of the Funds after seeking the advice of the Investment Advisory Committee and the Governor of the Bank of Ghana.

The Minister is also mandated to enter into an Operations Management Agreement with the Bank of Ghana for the operational management of the Funds. The Minister in consultation with the Governor nominates members of the Investment Advisory Committee. The Minister has the power by legislative instrument to make Regulations under the Act.

2.8.4 Bank of Ghana (BOG)

The PRMA tasks the Bank of Ghana with responsibility for the day-to-day operational management of the Petroleum Holding Fund, the Ghana Petroleum Funds, and subsequently the Ghana Petroleum Wealth Fund under the terms of the Operations Management Agreement agreed to with the Minister of Finance. The central bank is mandated to manage the funds prudently within the framework of the operational and



management strategy provided by the Minister taking into account the investment guidelines used by the Bank for investments of a similar nature, internationally recognized principles of good governance, and the need to support the national currency against destabilizing factors.

2.8.5 The Auditor-General

The Auditor-General is responsible for the external audits of the petroleum funds and is mandated to audit them each year. The Auditor-General may delegate this duty to an external auditor. However, this delegation shall be for a period not exceeding three years and is non-renewable. The Auditor-General also submits an annual audit report to Parliament

2.8.6 Ghana Revenue Authority (GRA)

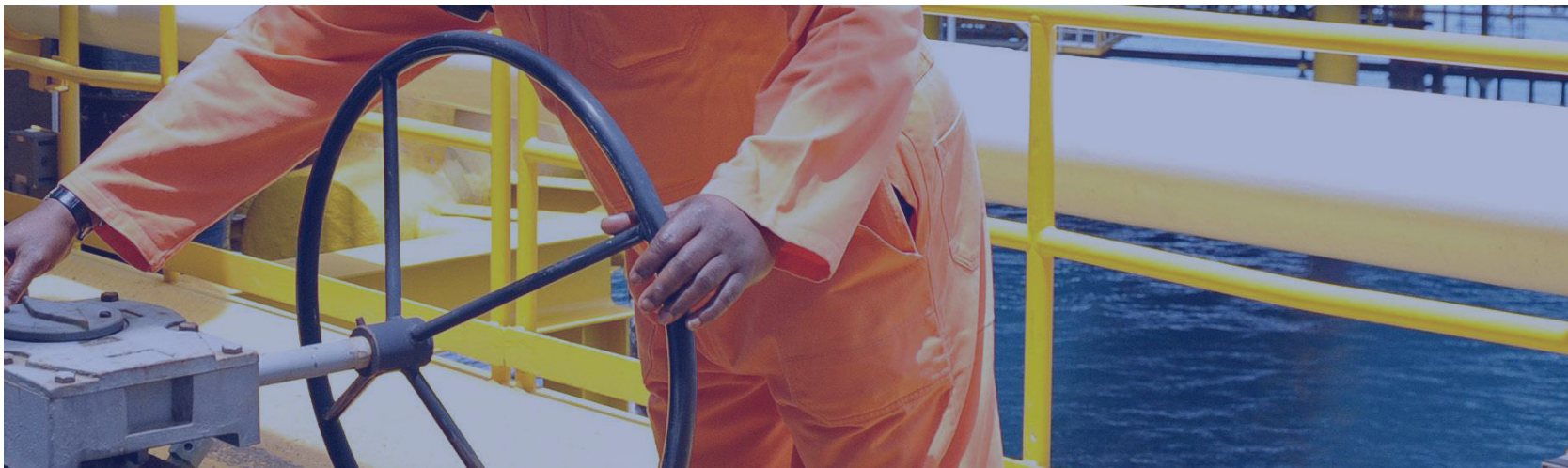
The Ghana Revenue Authority assesses, collects and accounts for all petroleum revenues due the State. It is established by law under the Ghana Revenue Authority Act, 2009 (Act 791).

2.8.7 Investment Advisory Committee (IAC)

The PRMA mandates for the establishment of an Investment Advisory Committee to advise the Minister on the general performance monitoring of the management of the Ghana Petroleum Fund. Its function, amongst others, is to formulate and propose to the Minister the investment policy and management of the Funds. It also provides advice on broad investment guidelines and overall management strategies.

Appointment of the Members: The Investment Advisory Committee comprises seven members who are nominated by the Minister of Finance in consultation with the governor of the Bank of Ghana, for appointment by the President. At least two of these must be women and shall be persons of proven competence in finance, investment, economics, business management or law, or similar disciplines.

Oversight of and Reporting on the Ghana Petroleum Funds: The Investment Advisory Committee is responsible for reporting to the Minister of Finance on a quarterly and yearly basis, the performance and activities of the Ghana Stabilization Fund and the Ghana Heritage Fund for the purpose of reporting in the annual budget and financial statements.



2.8.8 Public Interest and Accountability Committee (PIAC)

The Public Interest and Accountability Committee (PIAC) has been established under the PRMA to monitor and evaluate compliance by government and other relevant institutions in the management and use of the petroleum revenues and investments. It also has a mandate to provide space and platform for the public to debate the extent to which spending prospects as well as the management and use of revenues conform to development priorities. Additionally, it provides independent assessments on the management and use of petroleum revenues.

Figure 2-8 Mandate of PIAC





Membership: The Committee consists of thirteen (13) members nominated by their respective institutions. After the nomination by these respective bodies, they are thereafter sworn into office.. It is composed of representatives from the following:

- An independent policy research Think-Tank
- Civil Society Organizations
- Trade Union Congress
- National House of Chiefs
- Association of Queen Mothers
- Association of Ghana Industries and Chamber of Commerce
- Ghana Journalists Association
- Ghana Bar Association
- Institute of Chartered Accountants
- Ghana Extractive Industries Transparency Initiative
- Christian groups namely the National Catholic Secretariat, the Christian Council and the Ghana Pentecostal Council on a rotational basis
- The Federation of Muslim Councils and Ahmadiyya Mission on a rotational basis; and
- The Ghana Academy of Arts and Sciences

The Chairperson of the Committee is elected by the Committee members from among their membership. The Committee has its own Secretariat that facilitates the performance of its functions/activities.

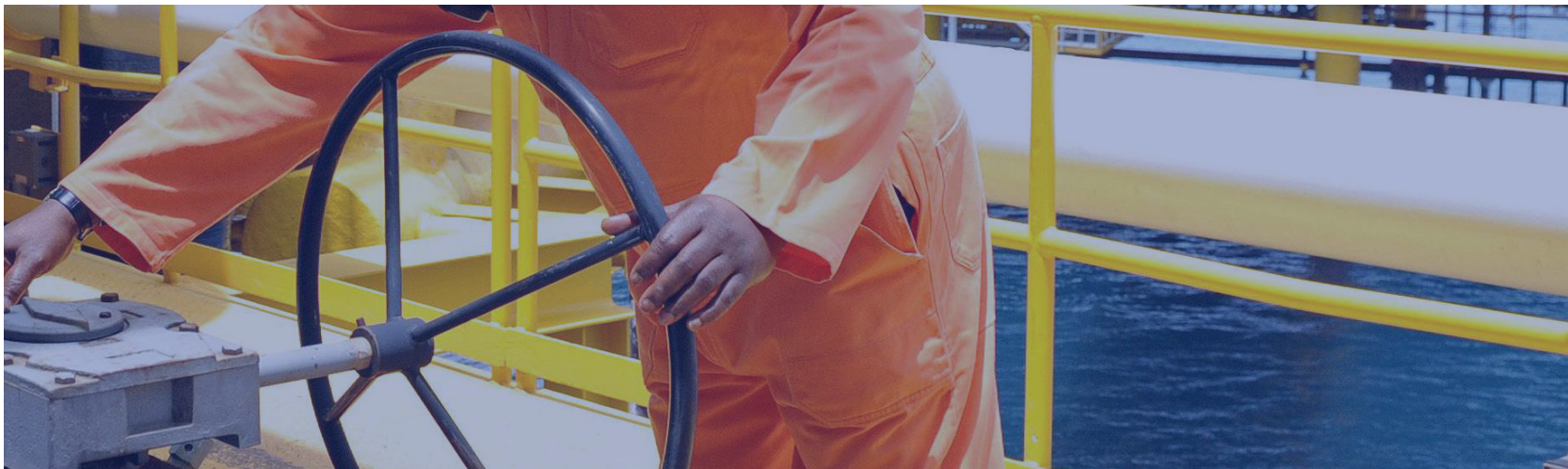
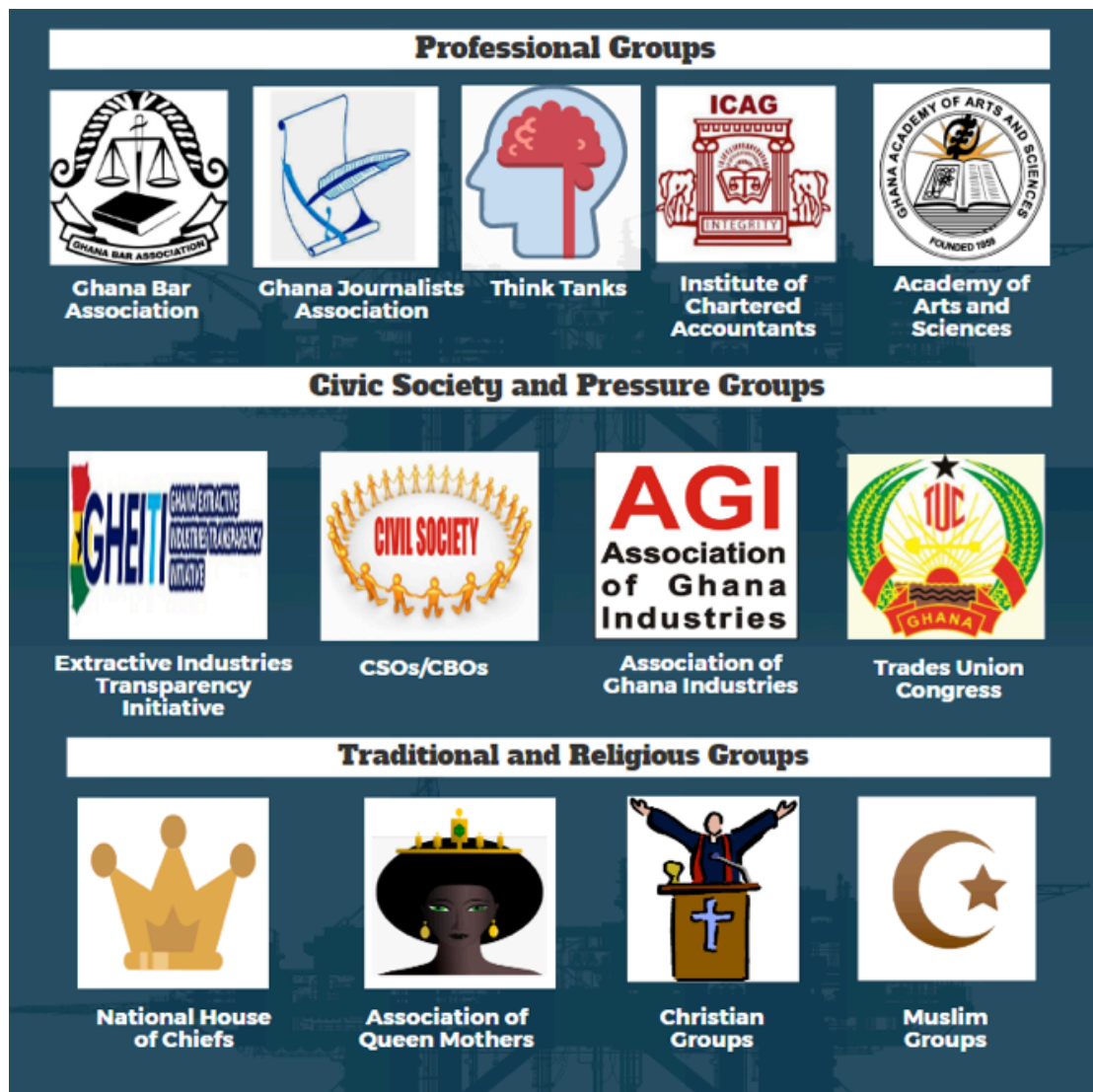


Figure 2-9 PIAC Membership Composition





Tenure of Members: The tenure of office of the committee members is two or three years. Those appointed for a two-year term are eligible to be appointed for another two years whereas a member appointed for a three year term is not eligible for re-appointment. Members appointed to the Committee have security of tenure in the sense that they may not be suspended, retired or removed from office unless provided for by law, or for medical reasons. This is because the Committee is supposed to play a watchdog role and members should be able to do their job without fear of political retribution.

Reporting Mandate: PIAC is mandated to publish semi-annual and annual reports on petroleum activities and hold two public meetings each year to report on its mandate to the general public. It also presents copies of its reports to the President and to Parliament.

Funding and Allowances: The Committee's annual budget is included in the annual national budget prepared by the Minister of Finance and is surcharged on the Annual Budget Funding Amount. Members of PIAC are paid allowances determined by the Minister of Finance.

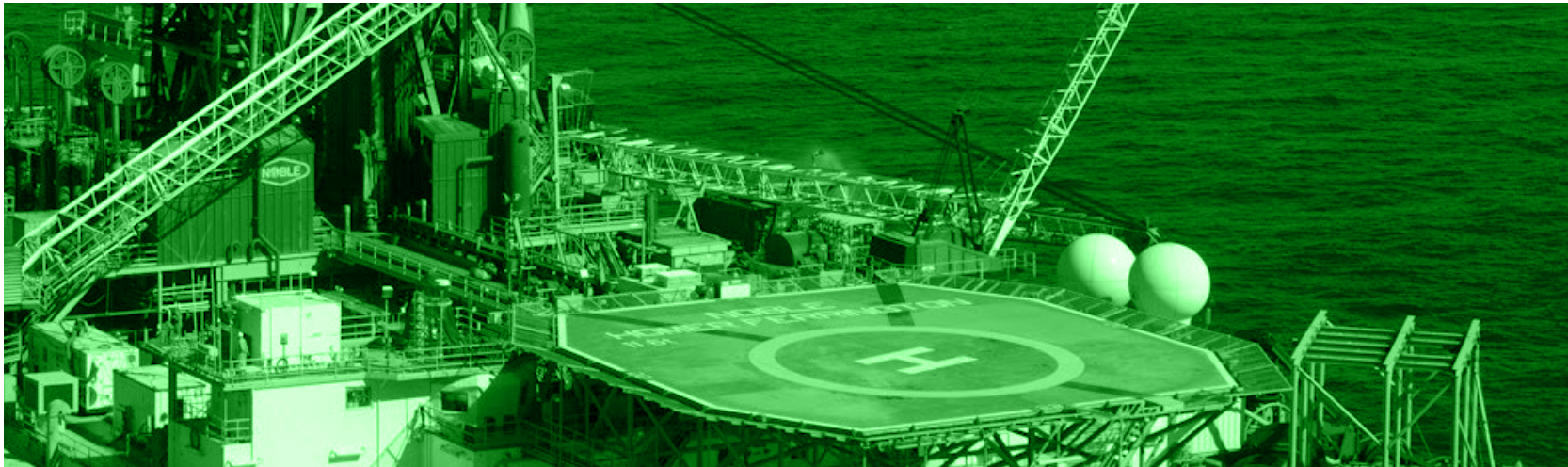
PETROLEUM REVENUE MANAGEMENT IN GHANA



An aerial view of a large offshore oil rig in the middle of the ocean. The rig is a complex of steel structures, including a tall derrick, various platforms, and cranes. The sea is a deep blue, and the sky is clear. The rig is surrounded by a white mist or smoke. The rig has several blue containers and a white crane. The rig is supported by a large platform. The rig is a complex of steel structures, including a tall derrick, various platforms, and cranes. The sea is a deep blue, and the sky is clear. The rig is surrounded by a white mist or smoke. The rig has several blue containers and a white crane. The rig is supported by a large platform. The rig is a complex of steel structures, including a tall derrick, various platforms, and cranes. The sea is a deep blue, and the sky is clear. The rig is surrounded by a white mist or smoke. The rig has several blue containers and a white crane. The rig is supported by a large platform.

3

CONCLUSION



3 CONCLUSION

It is hoped that this simplified version of the Petroleum Revenue Management Act has provided comprehensive and comprehensible information about the law and equipped stakeholders with enhanced knowledge of the governing framework for the management of petroleum revenues. This should allow the public to be in a position to better understand the PRMA and thus demand transparency and accountability from the government on the judicious use of petroleum revenues.

4

GLOSSARY





GLOSSARY

Additional Oil Entitlement means the portion of a contractor's share of petroleum produced to which the Republic is entitled to a share computed on the basis of the after-tax inflation adjusted rate of return that the contractor achieved with respect to each field.

Annual Budget Funding Amount means the amount of petroleum revenue allocated for spending in the current financial year budget.

Benchmark Revenue means the estimated revenue from petroleum operations expected by the government for the corresponding financial year. It is equal to what the government estimates to receive from crude oil and gas sales plus the expected dividends from GNPC. It also includes corporate income tax, surface rental and any other revenues. It serves as the basis for the allocation of the Annual Budget Funding Amount (ABFA) and savings into the Ghana Petroleum Fund (GPF). To calculate this, the Minister is mandated to use average oil prices from the previous seven years and three-year average production volumes.

Carried interest means any interest held by the Republic in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the Republic.

Contingency Fund means the fund established under Article 177 of the constitution from which withdrawals are made if there is an urgent or unforeseen need for expenditure for which no other provision exists to meet the need. Withdrawals from the fund are subject to approval from the committee responsible for financial measures in Parliament.

Ghana Petroleum Funds means the Ghana Stabilisation Fund and the Ghana Heritage Fund.

Ghana Infrastructure Investment Fund means the fund wholly owned by the Republic of Ghana to mobilise, manage, coordinate and provide financial



resources for investment in a diversified portfolio of infrastructure projects in Ghana for national development.

Manager of the Ghana Petroleum Funds means a person appointed by the Bank of Ghana to act as a financial intermediary for the proper management of the Ghana Petroleum Funds including fund managers, brokers and dealers.

National Oil Company means the Ghana National Petroleum Corporation and any other national oil or Gas Company that may be established by the government to participate directly in petroleum activities.

Operations Management Agreement means an agreement between the Minister of Finance and Economic Planning and the Bank of Ghana for the day to day management of the Ghana Stabilisation Fund and the Ghana Heritage Fund, which collectively are referred to as The Ghana Petroleum Funds.

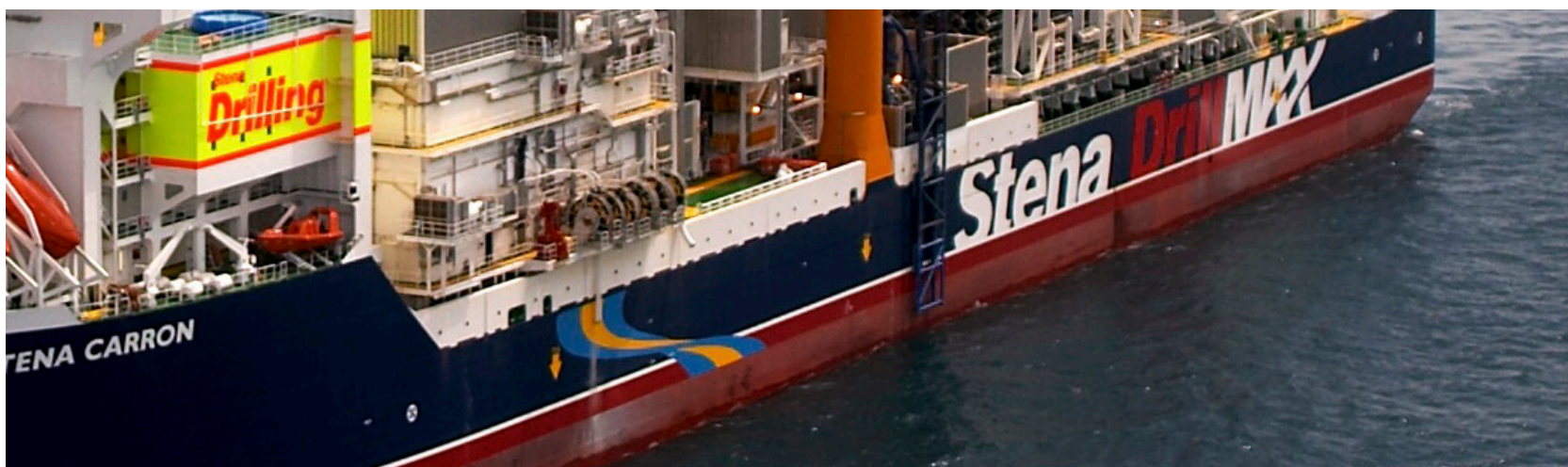
Participating Interest means the interest held in petroleum operations by a party to a Petroleum Agreement.

Petroleum Agreement is an agreement between the State (or through the national oil company acting on behalf of the State) and one or more private investors listing the rights and obligations of the private investor.

Petroleum Funds means the Petroleum Holding Fund, the Ghana Stabilisation Fund, and the Ghana Heritage Fund, and subsequently the Ghana Petroleum Wealth Fund.

Petroleum Law for the purposes of this Guide means the Petroleum (Exploration and Production) Act, 2016 (Act 919)

Sinking Fund means the Fund established by the Minister of Finance to be used to redeem specified debt obligations of Government



The benchmark revenue for each financial year is equal to what the government estimates to receive from crude oil and gas sales plus the expected dividends from GNPC. It also includes corporate income tax, surface rental and any other revenues.

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