Ghana Revenue Management Analysis Tool

Every year the minister of finance on behalf of the president of Ghana reads the budget speech to members of parliament. This includes economic forecasts, estimated revenues and proposed resource allocation for the upcoming financial year. During the deliberation period that follows, parliamentarians have an important opportunity to question the executive’s performance and on past and present actions, and make inquiries about future plans. It is through this process that parliaments can gain more information for their decision-making process, while strengthening the system of checks and balances.

For this reason, we have prepared a list of questions, based on information obtained from government reports, that parliamentarians can ask the executive in order to gain a clearer picture of the results of oil revenue collection and allocation during the past three years. We have also included a set of questions that can be used to assess the 2015 budget.

Questions for the 2015 budget analysis

**Estimated oil revenue collection**

1. Is 2014 oil revenue collection on track to meet its budgeted target? What explains any observed variation?

2. What is the amount of projected oil revenue for 2015? How does total estimated oil revenue for 2015 compare to oil revenue obtained in past years?

3. What estimates of volumes and prices were used to derive benchmark revenues for 2015?

4. Current level of production is 103,000 barrels/day, and the oil price is US $80. Is this consistent with benchmark projection?

5. How much does the government expect to obtain for royalties, corporate income, surface rentals and for carried and participating interest?

6. Has the government included gas receipts as part of its projection? If so, is it feasible that these resources will be collected during 2015? Does the budget contain any information that would help evaluate its “feasibility”?

**Projected oil revenue allocation**

1. Is 2014 benchmark revenue on track to meet its budgeted target? What explains any observed variation?

2. Of total benchmark revenue, how much money has been distributed to the annual budget funding amount (ABFA) and to the Ghana Petroleum Funds? Is the distribution consistent with the Petroleum Revenue Management Act (PRMA) and are the percentages approved
by parliament? ¹

3. What is the estimated amount of Benchmark Revenue for 2015 and how is it distributed? Is the distribution in line with the PRMA?

4. How much will be allocated as part of the ABFA and what is its proposed distribution across the four priority areas?

5. What new projects will be financed within the four priority areas? Is there a justification for the selection of these new projects?

6. How much estimated revenue will be allocated to the Ghana Infrastructure Fund? What projects are being financed with these resources? Is there a justification for the allocation for these projects? Is there an expected timeline to complete these infrastructure projects?

7. How much revenue will be transferred to the Ghana National Petroleum Corporation (GNPC)?

8. For what projects will these resources be used and what is the justification for investing in these projects?

Questions for budget hearings

1. In 2011 and 2012, oil revenues were overestimated, because the impact of carry forward of losses from the Jubilee field was not taken into account. Have all previous losses been now recovered by investors or how much will be carried forward to 2015? And what impact will this have on estimated revenue for 2015?

2. In 2013 and 2014 revenues from the Ghana Gas project were budgeted but have yet to materialize. When are revenues from the gas infrastructure expected to be first realized?

3. In 2013, the Ministry of Finance established a US $250 million cap on the Ghana Stabilization Fund. Will US $250 million dollars be enough to compensate the national budget during an eventual shortfall so as to avoid spending cuts? What are the main assumptions behind this estimate?

4. Until June 2014, the Stabilization and Heritage funds had accumulated over US $3 million in returns. What is the average annual return rate that each fund is receiving? What returns does the Advisory Committee expect and how do these compare to the investment income that the funds have been receiving? What are the risks associated with the current portfolio of investment for each fund?

5. What formula has been used to determine Benchmark Revenue? What main assumptions and macroeconomic data have been used to determine Benchmark Revenue for 2015? And what is the expected variance?

6. Since 2011, over GH¢ 2.2 billion has been allocated through the ABFA to 4 priority areas: expenditure and amortization of loans for oil and gas infrastructure, agriculture modernization, road and infrastructure and capacity development. Of these, roads and infrastructure received GH¢ 1.171 billion and agriculture modernization, GH¢ 235 million. For each area:

¹ Note: ABFA should receive 70 percent of benchmark revenue and petroleum funds should receive 30 percent; however, since the Stabilization Fund has reached its maximum level of accumulation, how much has been allocated to the Debt Account? How much to the Contingency Fund? How much to the Ghana Investment Fund?
- How many projects have received ABFA resources?
- Of these, how many projects have been completed?
- How many projects have not been completed and why? What is the timeline for completion?
- Specifically, what type of infrastructure projects have been developed with ABFA resources?
- What is the number of projects per sector?
- Where have these infrastructure projects been developed? What percentage of these has been developed in urban and what percentage in rural areas?
- How many kilometres of roads have been constructed?
- How many people have benefitted from these projects?
- How has agriculture production increased or expected to increase and in what timeline with the implemented projects?

7. Have oil revenue projects been used to undertake corporate social responsibility actions? How much revenue has been allocated for this purpose? What was the reason for categorizing this as GNPC CSR instead of spending through the budget? What has been accomplished? Will the company undertake any other activities during 2015? Where and how many people will benefit?

8. Since 2011, over GHC 190 million has been spent in the capacity development priority area. What activities and projects have been financed with these resources? What is the rationale behind resource allocation? How have these resources helped to strengthen our oil extraction capacities? What is the amount of resources projected for 2015 and what is their purpose and what results are we expecting to obtain?

9. By December 2013, GNPC reported a positive balance of US $141.701 million. These are financial resources that were not spent during the fiscal year. What difficulties has the company encountered during the past years to execute allocated resources? Has there been a problem with the estimated timeframe? What are the realistic timeframes within which the outlined oil projects can be implemented?

10. From 2011 to 2013, GNPC has invested over 25 percent of resources in non-Jubilee projects. How have these resources contributed to develop other oil fields? When are revenues from these fields first expected? What is the long-term cost? What is the relative cost-benefit of these investments? What is the projected timeframe in which Ghana can expect a return on these investments?

11. What is the current state of the GNPC’s outstanding debt? What percentage of revenues from the Petroleum Revenue Management Act (Act 815) has been used to cover the GNPC’s debt? What percentage of resources from 2015 will be used for debt amortization?

12. In the Public Interest and Accountability Committee’s (PIAC) latest report, there are at least 5 clarifications or recommendations that require attention. (See appendix.) How have these been addressed?
Recommendations from the 2013 Annual Report of
The Public Interest and Accountability Committee

1. **FINDING**: Revenues from stock spill-overs arising from production from one year to another have not been incorporate into the structure of accounting for all petroleum receipts in estimating the Benchmark Revenue.

   **RECOMMENDATION**: The Ministry of Finance must take into consideration the movement of stocks at the beginning and end of every production year to enhance the planning process and improve the quarterly projections of petroleum receipts.

2. **FINDING**: The Ministry of Finance does not seem to have implemented the plan of expenditure from petroleum revenue approved by Parliament in the 2012 budget.

   **RECOMMENDATION**: The MOF must take immediate steps to publish a more detailed report on how the ABFA approved by Parliament was disbursed and give more details of expenditure on Loan Repayment and Capacity Building in the Report.

3. **FINDING**: The investment of the GPFs has not as yet yielded high returns, which is of a great concern to the PIAC since a continuation of this trend is likely to slow the growth of the Funds, especially the GHF.

   **RECOMMENDATION**: The Government must release the Policy and Guidelines to assist the Fund Managers to better manage these funds as required by the PRMA, 2011.

4. **FINDING**: After three years of the coming into force of Act 815, the regulations that will help with the implementation of the law are long overdue.

   **RECOMMENDATION**: The PIAC calls for expedited action to be taken to complete the drafting of the regulations for the approval of Parliament.

5. **FINDING**: There is no provision in Act 815 for the funding of the PIAC and the Petroleum Commission.

   **RECOMMENDATION**: A section of the Act must be introduced to cater for the funding of the PIAC and the Petroleum Commission to enable them carry out their respective mandates.

6. **FINDING**: SOPCL has not been reporting transactions in the right format as is being done by the Jubilee partners.

   **RECOMMENDATION**: The quantity of crude oil lifted from the Saltpond fields and their sales price should be provided in the public reports in the right format to facilitate monitoring of petroleum receipts