

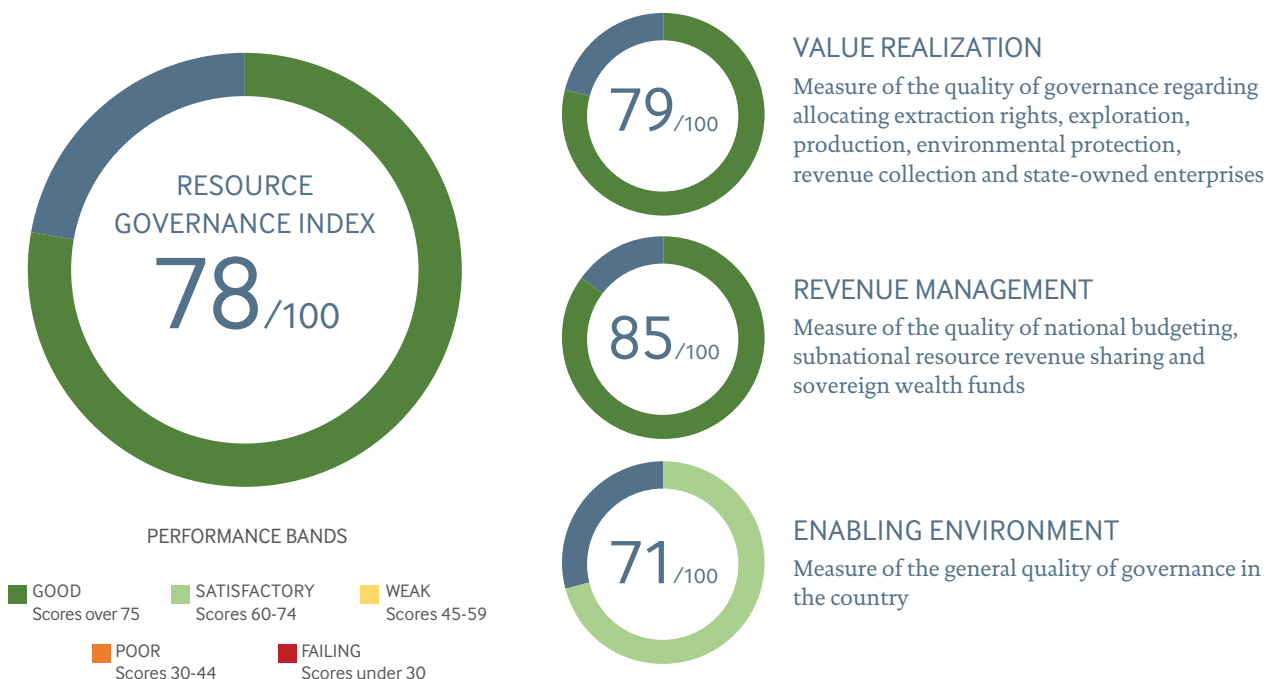
2021 Resource Governance Index Ghana



Ghana’s oil and gas sector scored 78 out of 100 points in the 2021 Resource Governance Index (RGI), improving by 11 points since the 2017 RGI. Strengthened resource governance is underpinned by improvements across both the index’s value realization and revenue management components.

- Ghana’s oil and gas sector’s move into the “good” performance band in the 2021 RGI is driven by improvements in the governance of licensing and national budgeting along with continued improvements of the state-owned Ghana National Petroleum Company (GNPC) and the Ghana Stabilization Fund, the country’s sovereign wealth fund.
- Adoption of new laws regarding licensing and national budgeting strengthened Ghana’s extractives legal framework and helped drive the 2021 RGI score increase.
- Both law and practice scores increased, but the difference between them widens from -7 to -22, signaling a worrying “implementation gap.”
- GNPC improved its performance through commodity sales disclosures, but areas for future improvement include the timeliness of disclosures and aspects of corporate governance.
- The Ghana Stabilization Fund scored a full 100 points on governance, owing to new disclosures of assets and asset classes.
- Ghana’s oil and gas sector outperformed the older gold mining sector owing to enhanced transparency and accountability in the oil and gas sector legislative framework.

Ghana oil and gas: 2021 Resource Governance Index and component scores



2021 Resource Governance Index

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Ghana's oil and gas sector sees improved performance in value realization and revenue management

Ghana's oil and gas sector has grown steadily since production began in the Jubilee oil field in 2010, with hydrocarbon exports increasing from \$127 million in 2010 to over [\\$4.9 billion in 2019, comprising almost 23 percent of Ghana's merchandise exports](#). The governance of the sector has improved since the 2017 RGI, driven by a 14-point increase in value realization and 20-point increase in revenue management. Ghana's enabling environment continues to provide a solid base for good resource governance, although areas for improvement remain.

Ghana's oil and gas sector 2017 and 2021 Resource Governance Index scores

	2017 RGI Score	2021 RGI score	Trend
RGI COMPOSITE SCORE	67	78	11
VALUE REALIZATION	65	79	14
Licensing	49	75	26
Taxation	80	80	0
Local impact	58	78	20
State-owned enterprises	75	84	9
REVENUE MANAGEMENT	65	85	20
National budgeting	36	70	34
Subnational resource revenue sharing	.	.	.
Sovereign wealth funds	93	100	7
ENABLING ENVIRONMENT	70	71	1
Voice and accountability	90	89	-1
Government effectiveness	60	60	0
Regulatory quality	76	74	-2
Rule of law	83	82	-1
Control of corruption	79	79	0
Political stability and absence of violence	78	80	2
Open data	27	31	4
LAW	70	94	24
PRACTICE	63	72	9
GAP (PRACTICE LESS LAW)	-7	-22	-15

VALUE REALIZATION

New laws improved governance around licensing, but financial and beneficial ownership issues remain unresolved

Ghana has registered improvements across areas covered by the index's licensing component, driven by the passage of the 2018 Petroleum Exploration and Production Regulations (L.I. 2359), which established minimum qualification criteria for companies seeking licenses, and which requires the licensing authority to disclose a list of all biddable or negotiable terms. The same law also established rules on the public disclosure of all bids and the identity of the winning bidder.

Nonetheless, neither L.I. 2359 nor the 2016 Petroleum Exploration and Production Act (Act 919) require public disclosures of the lists of areas allocated following the licensing process. Financial asset and beneficial ownership disclosures also remain inadequate despite some progress. While some beneficial ownership disclosures have featured in the 2017/2018 Ghana Extractive Industries Transparency Initiative report, significant gaps remain in terms of the information on beneficial owners of oil and gas companies and projects. However the 2019 Companies Act now requires all firms, including those in the extractive sector, to maintain a register which includes information on beneficial ownership and politically exposed persons. With these laws in place, the Petroleum Commission in collaboration with the Registrar-General's Department should ensure enforcement of the relevant disclosures by all entities under the Commission's regulatory ambit. This will ensure that civil society actors can identify any potential conflicts in the extractive sector.

REVENUE MANAGEMENT

Resource governance has improved with the adoption of new fiscal laws

The most substantial improvement across Ghana's oil and gas assessment stems from a 34-point increase in the index's national budgeting subcomponent. The adoption of the 2018 Fiscal Responsibility Act introduced concrete numerical fiscal rules governing public expenditure, preventing unrestrained spending in times of high resource revenues. Ghana's overall fiscal balance shall not exceed a deficit of 5 percent of GDP, and the Fiscal Responsibility Advisory Council was appointed in 2019 as an external body charged with monitoring compliance of these rules by the government. These steps have pushed the 2021 RGI national budgeting subcomponent score to 70 points, placing this subcomponent in the higher end of the satisfactory performance band.

ENABLING ENVIRONMENT

Poor scores in open data are mirrored in the extractive sector

Ghana's "enabling environment" has been crucial in facilitating strong resource governance, with good or satisfactory scores across all but one subcomponent. Nonetheless, Ghana's adherence to open data standards is poor, with the relevant index subcomponent scoring just 31, signaling a need to improve the coverage, openness, and disclosure of official statistics and information. The government is yet to publish consolidated, centralized information on hydrocarbon reserves, production, and exports, and currently does not operate a centralized online portal relating to these areas.

2021 Resource Governance Index

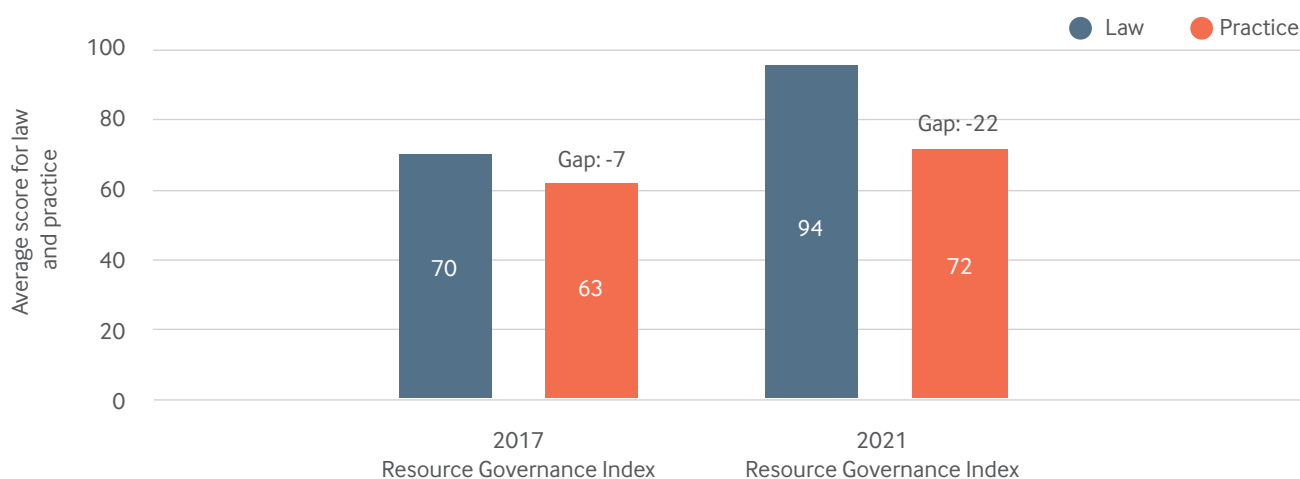
LAW AND PRACTICE SCORES

Both law and practice scores rise, but implementation gap grows wider

The quality of laws related to the oil and gas sector in Ghana and their enforcement have both improved since the 2017 RGI. Law scores increased by 24 points, driven by the passing of the 2018 Fiscal Responsibility Act and appointment of the Fiscal Responsibility Advisory council in 2019. Meanwhile, practice scores improved by 9 points with improvements seen across all subcomponents.

However in the 2021 RGI, the differential between enacted rules and effective compliance grew to 22 points, signaling the emergence of a worrying implementation gap. Monitoring and enforcement of compliance therefore remains key, especially in the areas of environmental and social impact assessment disclosures. Another area for attention is the disclosure of the identities of beneficial owners of oil and gas projects; this would prevent conflicts of interest and loss of tax revenue.

Evolution of the gap between law and practice in Ghana's oil and gas sector



STATE-OWNED ENTERPRISE GOVERNANCE

Ghana National Petroleum Corporation must make timely data disclosure to continue improving resource governance

GNPC improved its governance by 9 points in the 2021 RGI. Nonetheless, key areas of focus remain. GNPC's annual report was last published back in 2015 and consolidated financial statements were last updated for the fiscal year 2018, with no information for 2019 and 2020. Up-to-date information and disclosures are lacking on joint ventures, including levels of ownership, costs and revenues, as well as known subsidiaries. GNPC's score of 50 in the corporate governance indicator remains the same as in the 2017 RGI, owing to an absence of published codes of conduct.

Improved scores since the 2017 RGI were driven by enhanced commodity sales disclosures. The GNPC 2019 Reconciliation Report and GNPC's November 2020 disclosures revealed the value, timing and companies involved in oil sales for the period 2015-2019, with more granular disaggregation contributing to an improved score.

GNPC can demonstrate better governance by publishing up-to-date information regarding its operations and financial accounts, in order to allow citizens and civil society actors to further interrogate the company's management of Ghana's oil and gas assets.

SOVEREIGN WEALTH FUND GOVERNANCE

The Ghana Stabilization Fund improves governance through further disclosures

As in the 2017 RGI, the 2021 RGI assesses the Ghana Stabilization Fund, the larger of the two petroleum funds established following the enactment of the 2011 Petroleum Revenue Management Act. The Ghana Stabilization Fund has scored 100 points in the 2021 RGI, with improved governance shown through disclosures of all assets under management, and through the specification and disclosures of all held asset classes. The rules set in place by Act 815 and Act 893 regarding the management of the fund regulate deposits and withdrawals, investment rules and auditing, which were all followed during 2019 and 2020.

COMPARISON OF THE MINING AND OIL AND GAS SECTORS

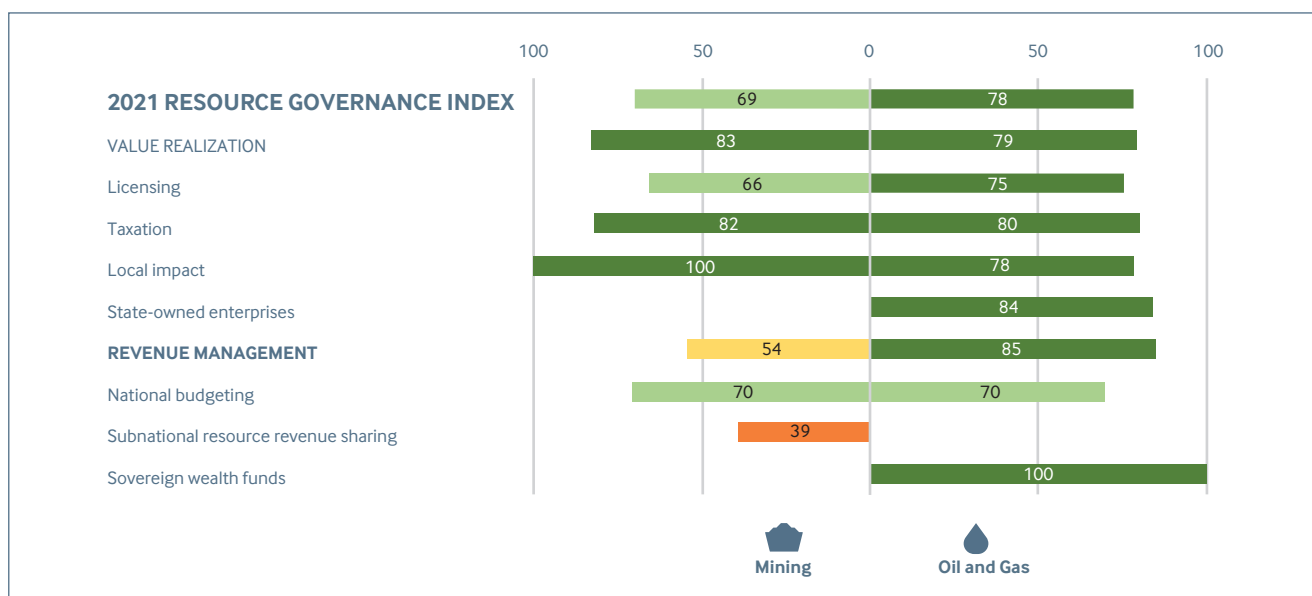
Ghana governs oil and gas sector better than mining

In addition to the oil and gas sector, NRGI has also assessed governance of Ghana’s mining sector (presented in a separate profile). The oil and gas sector has outperformed the gold mining sector in the 2021 RGI, as it did in the 2017 RGI. While the mining sector improved by 13 points to achieve a score of 69 out of 100, a 9-point difference still remains between the two extractive sectors.

Ghana’s oil and gas sector features a more robust legal framework, especially in terms of licensing, where mandatory contract disclosures are required by law, and in taxation, where the Petroleum Revenue Management Act requires the full public disclosure on all payments and receipts from oil and gas producers to the government. Mining sector legislation lacks such good governance stipulations.

Significant differences also exist between the management of state-owned companies across the sectors. While the state mining company Prestea Sankofa Gold Limited was not assessed in the 2021 RGI due to a suspension of operations in 2016, the 2017 RGI highlighted significant shortcomings in governance, with a poor assessment resulting from a lack of rules related to government transfers and commodity sales. The state oil and gas company GNPC has meanwhile bolstered its governance across several law and practice categories. The government is considering restarting Prestea Sankofa’s gold mining operations. If this plan materializes, they can draw some key lessons from GNPC regarding best practices in state-owned enterprise governance.

Comparison between Ghana’s mining and oil and gas sectors in the 2021 Resource Governance Index



RECOMMENDATIONS



Ghanaian stakeholders can continue their promising resource governance trajectory by pursuing the following courses of action:

- 1. The Ministry of Energy and the Petroleum Commission** should push for enhanced disclosures with regard to licensing, beneficial ownership, environmental and social impact assessments as well as asset declaration by public officials. Enhanced monitoring and compliance by these state agencies in collaboration with civil society organizations are needed to ensure adherence to established laws.
- 2. Various Ghanaian governmental agencies and ministries** should adhere to open data principles in line with commitments made through Ghana's Open Government Partnership National Action Plan.
- 3. The Ghana National Petroleum Corporation** should immediately restart the publication and disclosures of its annual reports and consolidated financial statements, to ensure transparency and accountability of its management of Ghana's oil and gas resources.
- 4. The Ministries of Finance and Energy along with other key governmental actors** should collaborate with civil society organizations, and the Ghana EITI to ensure that Ghana meets the standard requirements of the Extractive Industries Transparency Initiative.
- 5. The Ministry of Energy and the Ghana National Petroleum Corporation** must acknowledge that the energy transition will require bold policies and choices to ensure the continued viability of the oil and gas industry. All stakeholders across the Ghanaian oil and gas sector must be cognizant of the role that hydrocarbons play in the climate crisis.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRG, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.



The Natural Resource Governance Institute, an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy.

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Resource Governance Index