

## Natural Resource Funds



# Ghana

Holding, Heritage and  
Stabilization Funds



**Market Value**

**Ghana Stabilization Fund**

\$54.9 million

**Ghana Heritage Fund**

\$14.4 million

Santiago  
Compliance  
Index

Not yet rated

Resource  
Governance Index  
Natural Resource  
Fund Score

Not yet rated

Truman Sovereign  
Wealth Fund  
Scoreboard

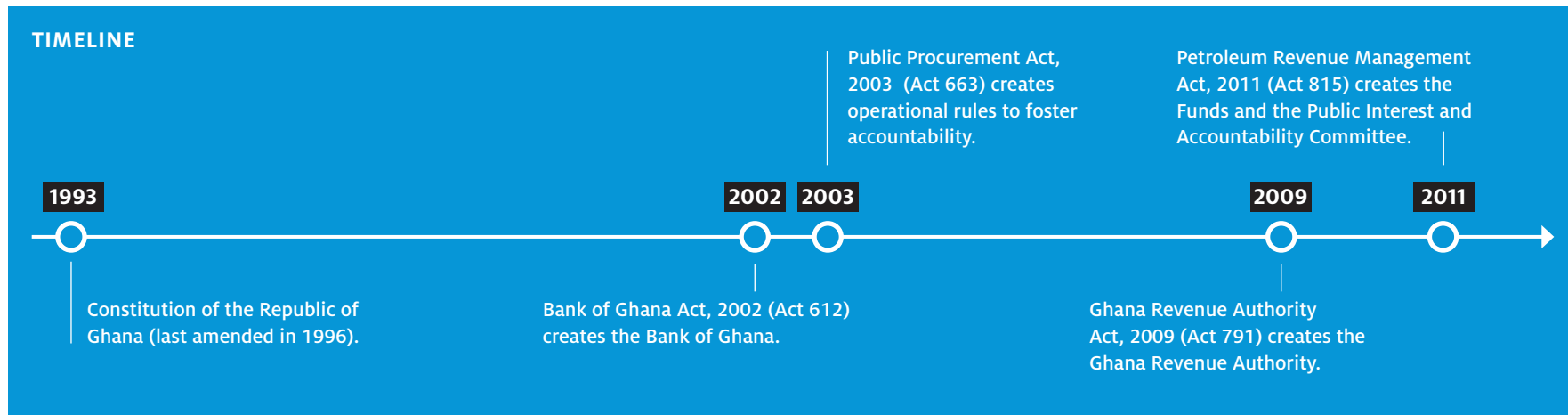
Not yet rated

Good Governance Fundamentals	
Clear Deposit Rules	yes
Clear Withdrawal Rules	yes
Clear Investment Rules	yes
Transparent	yes
Publicly Available Audits	yes
Effective Oversight	yes

**Fund Highlights**

- Ghana’s petroleum revenue is first held in an intermediary Petroleum Holding Fund where it is then allocated to the Ghana National Petroleum Corporation, the Annual Budget Funding Amount and Ghana’s two sovereign wealth funds, collectively known as the Ghana Petroleum Funds:
  - The Ghana Stabilization Fund
  - The Ghana Heritage Fund

- Both of the Ghana Petroleum Funds are held separately from Ghana’s Consolidated Fund, which is funded by the Annual Budget Funding Amount and serves as the source of the national budget.
- The Funds are overseen by a multi-stakeholder Public Interest and Accountability Committee that promotes compliance with Ghana’s oil revenue management laws.



### Fund Inception

- The Petroleum Holding Fund, the Ghana Heritage Fund and the Ghana Stabilization Fund were established under the **Petroleum Revenue Management Act of 2011**.<sup>1</sup>
- The Act anticipates that when Ghana's natural resources are eventually depleted, the two sovereign wealth funds will cease to exist and all remaining assets will transfer to a new fund, the Ghana Petroleum Wealth Fund.<sup>2</sup>

### Fund Objectives

- The Ghana Stabilization Fund's aim is to mitigate the negative effects of oil revenue volatility on the national

budget, and sustain public expenditure capacity in the unanticipated event of a revenue shortfall.<sup>3</sup>

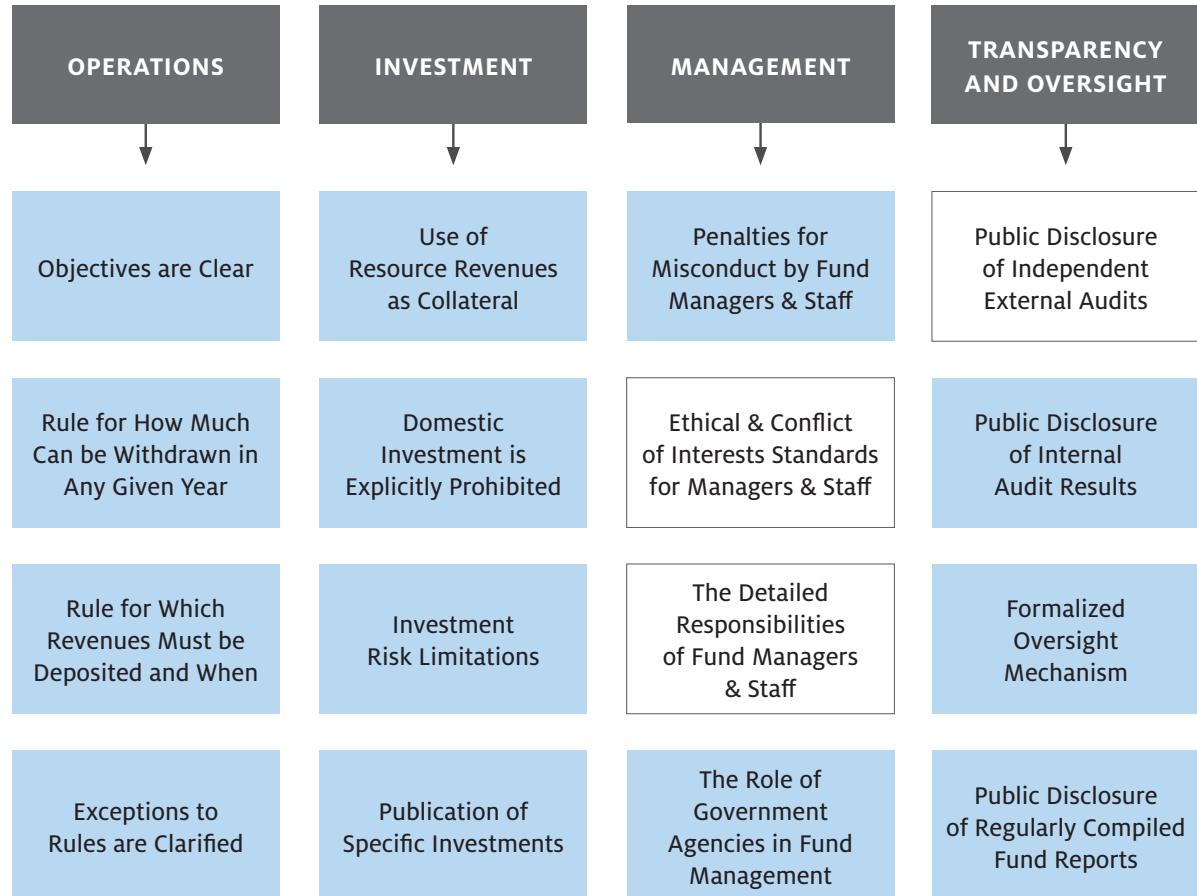
- The Ghana Heritage Fund's aim is to save oil revenues for future generations of Ghanaians.<sup>4</sup>
- The Petroleum Revenue Management Act ensures that together the funds provide, "for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana in accordance with Article 36 of the Constitution."<sup>5</sup>

# Good Governance Standards and Gaps in Regulation

Each box represents a regulatory standard essential for promoting consistent use of and safeguarding resource revenues. White boxes highlight regulatory gaps in fund governance.

13/16

Good Governance Standards Met



Presence of Regulation
  Absence of Regulation

*Ghana has strong deposit and withdrawal rules that help prevent mismanagement of oil revenues.*

### Fund Deposit Rules

All petroleum revenue is initially collected and deposited in an intermediary Petroleum Holding Fund at the Bank of Ghana.<sup>6</sup> This is defined as:<sup>7</sup>

- Royalties
- Profit oil
- Corporate income tax
- Participating interest
- Transfers from the Ghana National Petroleum Corporation to the government
- Investment income
- Surface rentals

### Fund Withdrawal Rules

#### • Petroleum Holding Fund

- The Ghana National Petroleum Company receives a share from the Petroleum Holding Fund that is up to 55% of 'carried interest,' the share of profits that go to the state as part-owner of oil production.
- The Fund allocates an Annual Budget Funding Amount to the government's Consolidated Fund for annual budget spending. The amount cannot exceed 70% of the Benchmark Revenue for the year and must be approved by Parliament. Benchmark Revenue is a seven-year average of petroleum revenue calculated by the Ministry of Finance.<sup>8</sup> The Annual Budget Funding Amount must be used for development-related expenditures.<sup>9</sup>

- Remaining petroleum revenue is then deposited into the Ghana Heritage Fund and the Ghana Stabilization Fund.<sup>10</sup> A minimum of 30% of the amount is deposited in the Heritage Fund and the remainder in the Stabilization Fund.<sup>11</sup>

#### • Ghana Heritage Fund

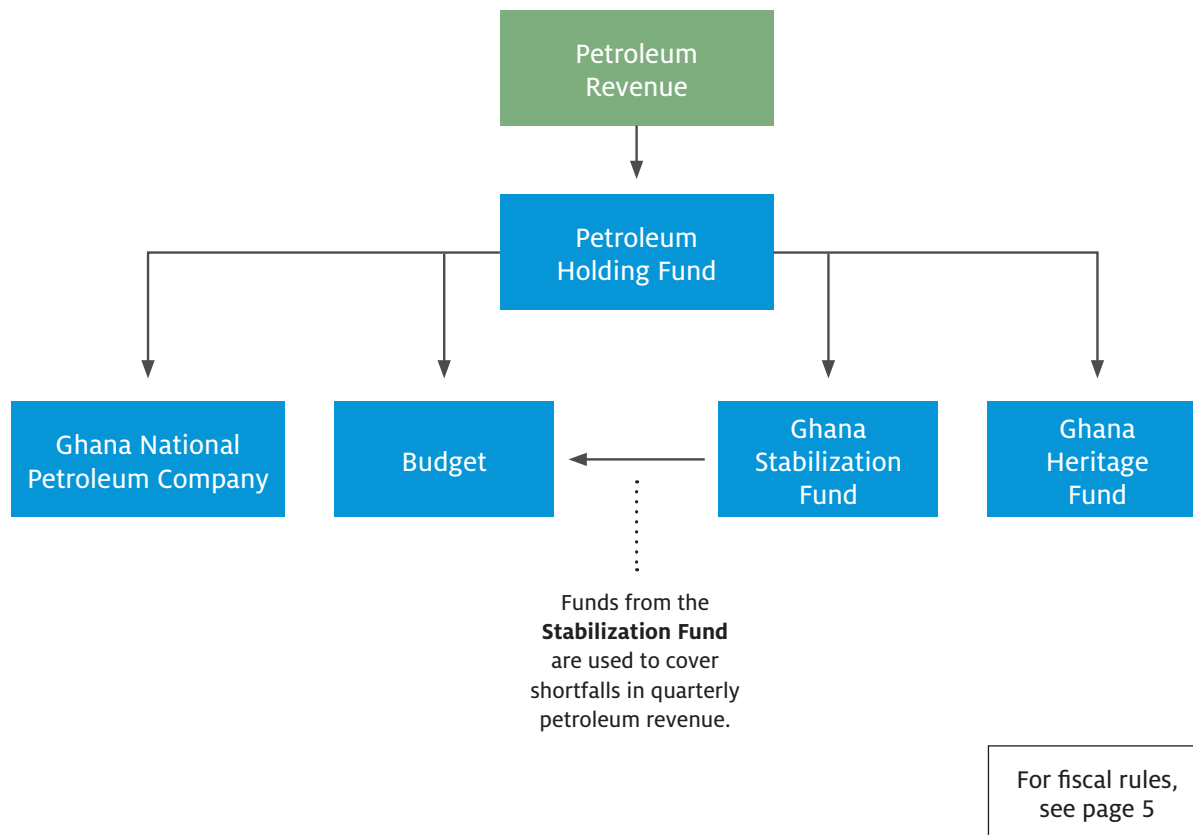
- Withdrawals can only be made once oil reserves are depleted and both Petroleum Funds' assets are merged into the Ghana Petroleum Wealth Fund. From that point forward, the amount allocated to the Annual Budget Funding Amount shall not exceed the interest on the Ghana Petroleum Wealth Fund's investments.<sup>12</sup>
- Through a resolution of Parliament, a portion of the accrued interest may be transferred to a new fund established by or under the Petroleum Revenue Management Act after a period of 15 years from the Ghana Heritage Fund's inception.<sup>13</sup>

#### • Ghana Stabilization Fund

- Withdrawals may support the budget if quarterly oil revenues fail to adequately cover 25% of the Annual Budget Funding Amount.<sup>14</sup>
- While successive quarterly shortfalls are treated differently by the Petroleum Revenue Management Act, one quarter's shortfall is covered by withdrawing from the Ghana Stabilization Fund an amount equal to the lesser of either 75% of the estimated shortfall for the quarter or 25% of the Fund balance.<sup>15</sup>

# Operational Laws, Rules and Policies

## Flow of Funds



## Investment Laws, Rules and Policies

### Investment Allocation

The Funds can be invested in 'qualifying instruments'.<sup>16</sup>

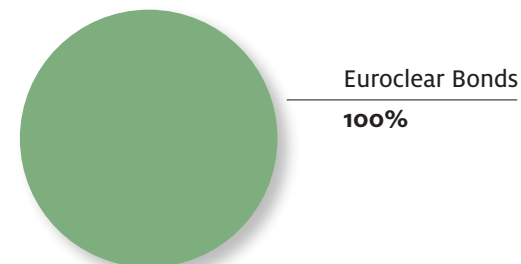
A qualifying instrument is:

- a) debt instrument denominated in internationally convertible currency that bears interest and is issued by an investment grade security or guaranteed by the IMF, World Bank or a sovereign state with investment grade rating.
- b) an internationally convertible currency deposit with the Bank for International Settlements, the European Central Bank; the Central Bank of a sovereign State, other than the Republic of Ghana, with a long-term investment grade rating.
- c) a derivative based on a debt or deposit as described in a) and b) and whose acquisition reduces the financial exposure to risks associated with those instruments.<sup>17</sup>

### Actual Investments

Funds are invested at the Euroclear Bank in AAA-rated, low-risk bonds. Specific investments, the countries where the funds are held and the currency they are held in are, however, unknown.<sup>18</sup>

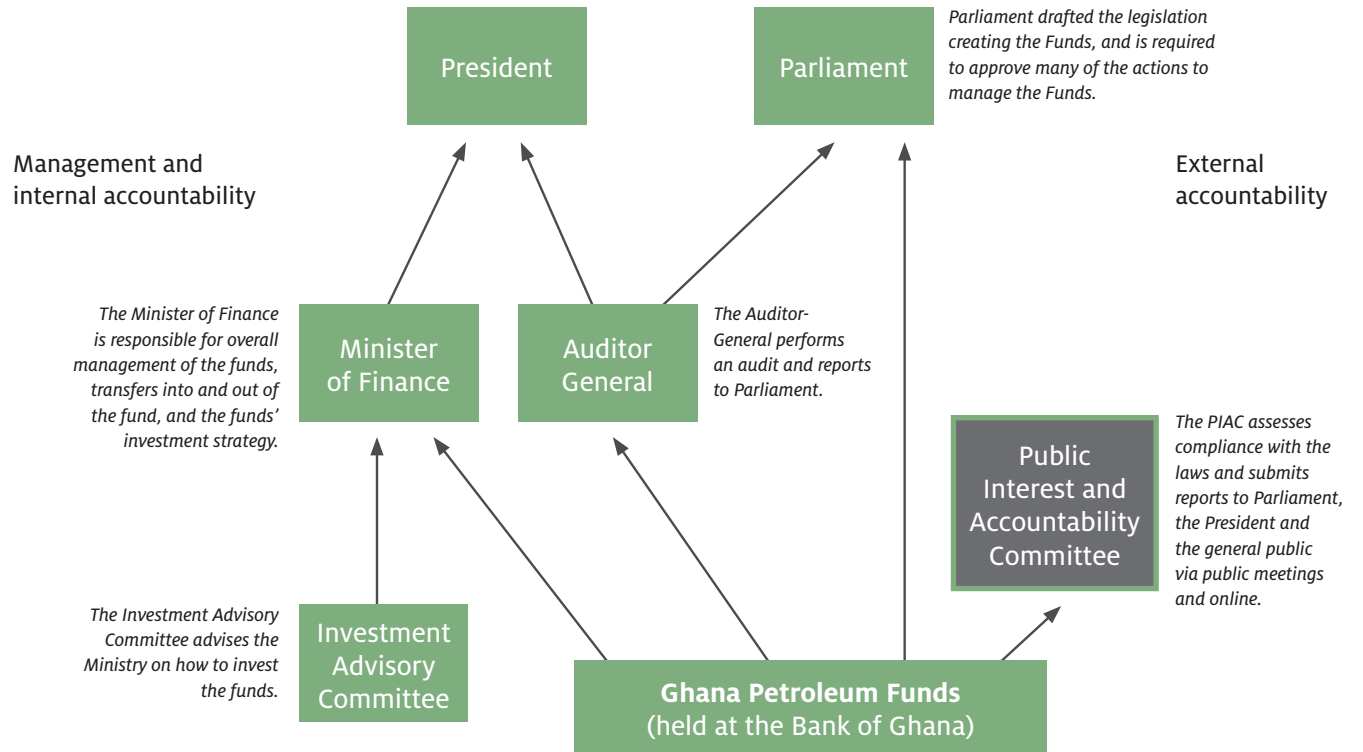
#### Asset Allocation



### Policy on in-country investments:

The Funds may not invest directly in Ghanaian assets.<sup>19</sup>

# Management and Accountability





## Oversight and Safeguards

*The Public Interest and Accountability Committee (PIAC) is an influential group that verifies compliance with the law and suggests ways to improve oil revenue management.*

### Oversight Mechanisms

- An **oversight committee**, the *Public Interest and Accountability Committee*, is empowered by law to monitor and “police” Fund activity, ensuring compliance with the regulations governing the Fund. The committee reports must be published and submitted to parliament and the public.
- A **periodic review process of investment methodology** exists to improve management of investments.
- Finances are subject to **regular and comprehensive internal audits**.
- Arbitrary withdrawals from the Funds are not allowed; all spending from petroleum revenues must be **approved by parliament**.
- Funds are managed **separately from** the country’s **international reserves**.
- Fund finances are subject to a **regular and independent external audit** that meets international standards.

### Common Oversight Mechanisms or Safeguards Not Present in Ghana

- **International oversight institutions**, such as the World Bank or the International Monetary Fund, do not routinely monitor Fund management.
- There are no **publicly available audits or reports** on the flow of funds from the Petroleum Holding Account to the Ghana National Petroleum Company.

## Transparency Laws, Rules and Policies

**There is public disclosure of the following:**

When or how often Fund reports are published and made publicly available	yes	
Which individuals or organizations are responsible for publishing Fund reports	yes	
Size of the Fund(s)	yes	
Deposit and withdrawal amounts	yes	
Returns on investments	yes	
Detailed asset allocation – geographic location		no
Detailed asset allocation – asset class	yes	
Detailed asset allocation – specific assets		no
Natural resource prices and other fiscal assumptions used to calculate deposit and withdrawal amounts allowed under fiscal rules		no

# Implementation of Laws, Rules and Policies

(as of January 2013)

## Ministry of Finance and Economic Planning

- Failed to estimate and certify the Benchmark Revenue using the formula in the schedule.
- Failed to submit an annual report on the Funds to Parliament as part of the yearly presentation of the budget statement and economic policies.
- Failed to publish in at least two state-owned daily newspapers.
- Failed to make regulations for the effective performance of the Petroleum Management Act.
- Failed to develop an investment policy for the investment of the Funds.

## Auditor General

- Failed to submit audited report to Parliament.
- Failed to publish the reports on the Funds within 30 days after submission to Parliament.

## Bank of Ghana

- Failed to submit a report on the Funds to the Minister and the Investment Advisory Committee Quarterly.
- Failed to publish in newspapers.

## Ghana Revenue Authority

- Failed to assess and collect surface revenues.

## Parliament

- Fulfilled all of its obligations under the Petroleum Revenue Management Act.

## Investment Advisory Committee

- Obligations were not fulfilled because the committee was not formed until January 1, 2012.
- Failed to submit reports on the performance of the Funds to the Minister after receiving quarterly reports from the Bank of Ghana.
- Failed to report to the Minister on the performance and activities of the Ghana Petroleum Funds.

## Public Interest and Accountability Committee

- Fulfilled all of its obligations under the Petroleum Revenue Management Act.

Public Interest and Accountability Committee (2012)  
*Report on Petroleum Revenue Management for 2011: Annual Report.* PIAC. Online at: <http://www.piacghana.org/>

## Annex: List of Applicable Laws

### **Constitution of the Republic of Ghana**

<http://www.unhcr.org/refworld/country,,NATLEGBOD,,GHA,,3ae6b5850,0.html>

### **Petroleum Revenue Management Act Act 815**

<http://ghanaoilwatch.org/images/laws/petroluem-revenue-management-act815-2011-.pdf>

### **Bank of Ghana Act Act 612**

<http://www.bog.gov.gh/privatecontent/IDPS/banking%20and%20financial%20laws%20of%20ghana%201998%20-%202006.pdf>

### **Public Procurement Act Act 63**

<http://www.ppbghana.org/documents/Public%20Procurement%20Ac%202003%20Act%20663.pdf>

### **Ghana Revenue Authority Act Act 795**

[http://www.gra.gov.gh/docs/info/gra\\_act.pdf](http://www.gra.gov.gh/docs/info/gra_act.pdf)

1. <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf>
2. PRM Act, 2011, Article 20 (1) and (2) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 11.
3. PRM Act, 2011, Article 9 (2) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 7.
4. PRM Act, 2011, Article 10 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 8.
5. <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf>
6. PRM Act, 2011, Article 2 (1)-(2) and Article 3 (1) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 5.
7. PRM Act, 2011, Article 61 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 31.
8. PRM Act, 2011, Article 17 and 18 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 10-11.
9. PRM Act, 2011, Article 21 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf>; p. 11-12.
10. PRM Act, 2011, Article 17 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 8.
11. PRM Act, 2011, Article 23 (1) (b) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 13.
12. PRM Act, 2011, Articles 13 and 20 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 9, 11.
13. PRM Act, 2011, Article 10 (4) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 8.
14. PRM Act, 2011, Article 12 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 8.
15. PRM Act, 2011, Article 12 (2) <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 8.
16. PRM Act Article 27 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 15.
17. PRM Act Article 61 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 32.
18. [http://www.mofep.gov.gh/sites/default/files/reports/Petroleum\\_Annual\\_Report\\_2012\\_.pdf](http://www.mofep.gov.gh/sites/default/files/reports/Petroleum_Annual_Report_2012_.pdf) p. 25.
19. PRM Act Article 61 <http://ghanaoilwatch.org/images/laws/petroleum-revenue-management-act815-2011-.pdf> p. 32.