

Improving PFM Governance in Ghana: Lessons from the Petroleum Revenue Management Framework

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Abstract: It is expected that an effective PFM system should ensure efficient allocation of scarce resources, ensuring that scarce resources are deployed to their optimal use; leading to effective delivery of public goods and services to the citizenry at optimal prices; and consequently contribute towards the achievement of a sustainable fiscal position. This should bring about economic development and poverty reduction. The evidence suggest that Ghana's PFM system has so far not delivered good economic governance. The reports of the Auditor General of the Republic of Ghana repeatedly highlight: noncompliance with the PFM legal framework, and findings of corrupt practices against a number of public officers and institutions. Lessons can be drawn from the petroleum revenue management framework to improve the PFM governance framework. Such lessons include: having extensive and meaningful consultations with relevant stakeholders in developing the PFM legal framework to ensure that it captures the key features of a functional PFM system, having clear fiscal responsibility rules that guide spending, savings and investment decisions, administering a strong and robust accountability framework that holds spending officers to account in a fair and just manner, and having a mechanism to compel mandatory reporting in accordance with established reporting standards.

Key words: Accountability, Governance, Petroleum Revenue Management, Public Financial Management.

INTRODUCTION

The processes involved in managing public funds has come to be known as Public Financial Management. According to Andrews et al. (2014) Public Financial Management (PFM) refers to the way governments manage public resources (both revenue and expenditure) and the immediate, medium, as well as long term effects of such resources on the economy or society. PFM involves the processes of managing financial resources and the outcome or results achieved from those processes. PFM processes involve: planning, controlling, implementation and monitoring of fiscal policies and activities, including the reporting, audit and the exercise of oversight responsibilities on the management of public funds. The PFM cycle encompasses a number of phases including: budget formulation, budget approval, budget execution, accounting and reporting, monitoring and oversight activities (Kan-Dapaah 2015, Andrews et al. 2014). A good and functional PFM system is expected to ensure that a nation's resources are well managed so that citizens enjoy enhanced conditions of life. Cangiano, Curristine and Lazare (2013) and Allen (2013) suggest that an effective PFM system promotes efficient allocation of scarce resources to activities, projects and programmes in an economy thus ensuring that scarce resources are deployed to their optimal use; leads to effective delivery of public goods and services to the citizenry at optimal prices; and helps to achieve a sustainable fiscal position for the entire economy, thus enabling economic development and poverty reduction.

Effective PFM systems should also deliver good stewardship and accountability over public funds in a

transparent manner, a condition which is a necessary requirement of good governance. According to Cheema and Maguire (2001) good governance involves governance practices infused with the principles of equity, participation, rule of law, transparency and accountability. Cheema and Maguire assert further that there are three dimensions of governance: political governance, economic governance and social governance, and that all three are linked to each other and provide the platform for the effective delivery of public service. An effective PFM system should deliver good economic governance.

Grindle (2004) states that "indeed, it is all too clear that when governments perform poorly, resources are wasted, services go undelivered, and citizens – especially the poor – are denied social, legal, and economic protection. For many in the development community, good governance has become as imperative to poverty reduction as it has become to development more generally" (p. 525). Cheema and Maguire (2001) find that there is a positive correlation between the practice of good governance and human development. Patra (2012) finds that failure of government to exhibit good PFM governance principles leads to massive scams and corruption which deprive societies of much needed resources for development and consequently lead to low levels of human development.

The evidence suggest that Ghana's PFM system has so far not delivered good economic governance. Atuilik (2016) perused the annual reports of the Auditor General of the Republic of Ghana from 2006 to 2012 and found that the reports repeatedly highlight infractions and non-compliance with provisions of the PFM Laws (Auditor General Report

on the Consolidated Fund 2012, Auditor General Report on accounts of MDAs 2011, Auditor General Report on accounts of MMDAs 2011). These reports have repeatedly made findings of corrupt practices against a number of public officers and institutions. For example, the Auditor General report on the Consolidated fund for 2011 revealed that the state lost about two hundred and eighteen million Ghana Cedis (GHS218.00 million) in wrongful payment of judgment debt. The 2012 report of the Auditor General on the Consolidated Fund reveals similarly that the state lost three hundred and forty-seven million Ghana Cedis (GHS347.00 million) as a result of inefficient treasury management. The story is similar with MMDAs.

The Auditor General reports, for example, that in 2012 breaches of the Financial Administration Act and its consequential Regulations by MMDAs led to a loss of about three hundred and sixty-four million Ghana Cedis (GHS364,000,000) in aggregate (Auditor General Report on MDAs 2012). It is therefore imperative for actionable steps to be taken to diagnose the bottlenecks that prevent the PFM system of Ghana from working effectively. In this regard, lessons can be taken from the petroleum revenue management framework which is itself a part of the PFM system. Although the petroleum revenue management framework has its own challenges, it is relatively more efficient compared to the broader PFM system of Ghana. This paper outlines some lessons that can be drawn from the current framework for managing petroleum revenues in

Ghana for the purpose of enhancing the general PFM governance system.

The paper starts by presenting some statistics of petroleum production and revenue in Ghana, followed by a discussion of the petroleum revenue management framework, after which the lessons that can be drawn from this framework will be discussed and conclusions drawn.

PETROLEUM PRODUCTION IN GHANA

The Government of Ghana announced the discovery of oil in commercial quantities in July 2007 and commercial production of petroleum started in April 2011. Expectations of how petroleum revenue will transform Ghana was very high. Ordinary Ghanaians anticipated that petroleum revenue will help increase their standards of living and improve their wellbeing (Gary, 2009). The political leaders were very hopeful about the prospects of using petroleum revenue to finance accelerated national development. The then President J. A. Kufuor stated “with oil as a shot in the arm, we’re going to fly...Oil is money, and we need money to do the schools, the roads, the hospitals’ (cited in Gary, 2009, p.5). The IMF estimated that between 2012 and 2030, Ghana will earn about US\$20 billion from petroleum revenue (World Bank, 2009). The table below presents a summary of the statistics on the contribution of petroleum to government revenue since 2011.

Table 1: Data on petroleum revenue

Year	2011	2012	2013	2014	2015
Petroleum Liftings in barrels	3,930,189	4,931,034	4,977,922	6,690,798	6,689,483
GDP US\$ billion	39.57	41.94	47.8	38.61	34.82
Petroleum receipts in US\$ billion	0.444	0.542	0.707	0.978	0.396
Petroleum Receipts % of GDP	1.12	1.29	1.48	2.53	1.14
Total Domestic Revenue GHc million	11,677	15,508	18,732	23,931	29,359
Petroleum Revenue GHc million	690	979	1,358	2,772	1,450
Petroleum Revenue as % of Domestic Revenue	5.91	6.31	7.25	11.58	4.94

Source: Ministry of Finance

From the table it is clear that the contribution of petroleum to total revenue so far has been rather modest having regard to the expectations of Ghanaians on the announcement of the oil find in 2007. This is partly because only one field: The Jubilee field has since been operational.

Figure 1 below shows the relationship between petroleum receipts and total domestic revenue. The contribution of

petroleum receipts is clearly very small. Petroleum receipts as a percentage of Domestic revenue has generally been below 10% and was at a low of 4.94% in 2015, most likely as a result of the crush in prices of petroleum products. The contribution of petroleum to GDP has generally been below 2%.

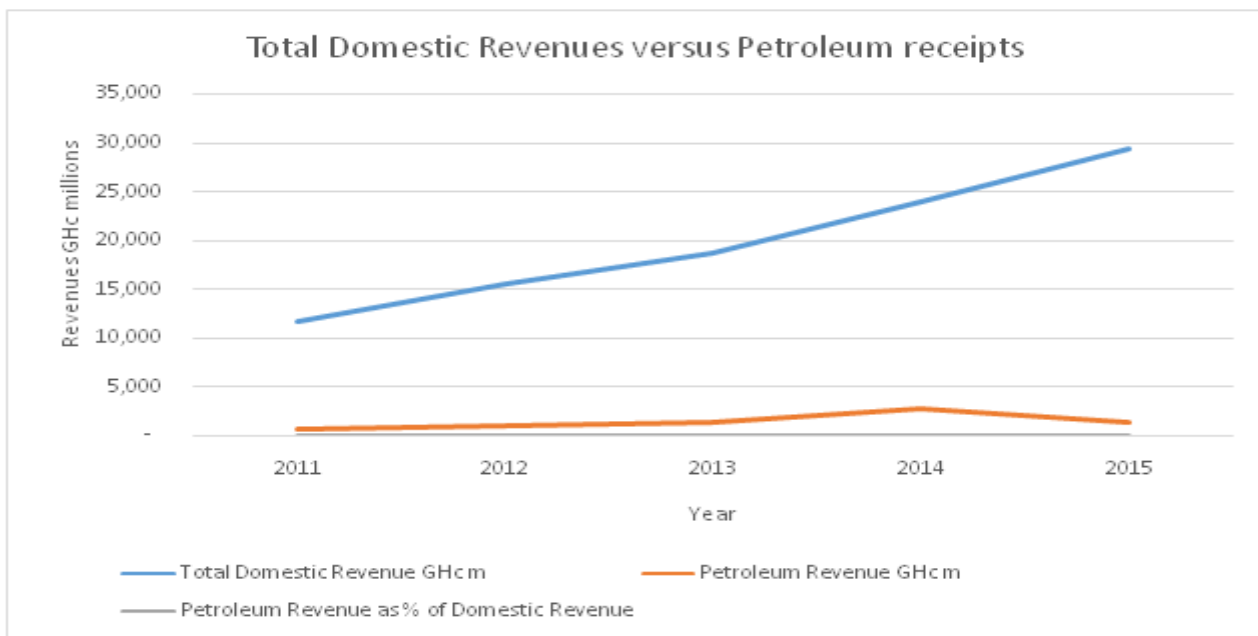


Figure 1: Total domestic Revenue versus Petroleum Receipts

It is expected that the contribution of petroleum to total revenue will increase with the operationalization of the Tweneboa Enyenra Ntomme (TEN) fields and the ENI Offshore Cape Three Points/Sankofa Gye Nyame fields. The contribution of petroleum to revenue will even become much significant when the onshore Voltaian basin becomes operational. The prospects of significant revenue from petroleum is thus still high as was the case at the inception in 2007. It is therefore appropriate that efforts have been made and are still being made to put in place a good framework for managing Ghana's petroleum revenues. What is surprising, however, is that the amount of interests, effort and commitment put into developing and operationalizing the petroleum management framework is far more than that directed to developing and operationalizing the general PFM governance system which manages over 90% of total domestic revenue and over 98% of GDP as against a very modest contribution of petroleum to total domestic revenue and GDP. Whilst it is justifiable to argue that the attention directed at developing the petroleum revenue management framework is deserving, it can equally be argued that it is even more justified to pay greater attention to issues relating to the general PFM system.

The Petroleum Revenue Management Act, 2011, (Act 815) (PRMA) which was passed in April 2011 and subsequently amended by Parliament in July 2015 through the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893) is the principal legislative framework for managing petroleum revenues in Ghana. The petroleum revenue management framework has been hailed by a number of commentators as providing a good framework for the prudent management of petroleum revenues in Ghana, although the commentators are quick to point out some challenges in the implementation of the Act (ACEP, 2014, Ayelazuno, 2013). Armah-Attoh (2015) conducted the Afrobarometer survey in 2015 to ascertain the views of Ghanaians on the Petroleum revenue management framework and found that the broad majority of the respondent surveyed agreed with the positions maintained by the framework on almost all of

the issues. The next section of the paper discusses the petroleum revenue management framework.

PETROLEUM REVENUE MANAGEMENT FRAMEWORK

The PRMA regulates the collection, allocation and management of petroleum revenue received from upstream and midstream petroleum operations in Ghana. Different institutions of state have been assigned various responsibilities for managing petroleum revenue. A clear framework for accountability has been engrained in the PRMA.

Petroleum revenue collection:

The Ghana Revenue Authority (GRA) is charged with the responsibility for the conduct of tax audits on oil & gas operators to confirm whether or not the self-assessments required to be filed by the operators with respect to their tax liabilities from petroleum operations are accurate and in compliance with law. Additional assessments are raised by the GRA where they find from their tax audits that operators have not accurately declared their tax liabilities. The Operators are required to make a direct transfer of all petroleum related revenues into the Ghana Petroleum Holding Funds (PHF) at the Bank of Ghana (BoG). To ensure that oil and gas operators pay the due petroleum related revenues to government, it is important that steps are taken to improve the technical capacity of GRA officers responsible for tax audits and monitoring the fiscal metering of volumes of oil production lifted and storage of crude oil. The areas that the GRA need to build capacity include a deeper understanding of the cost build up for petroleum operations, accounting practices in the petroleum industry, fiscal metering and tank measurement just to mention a few.

Allocation of Petroleum Revenues:

Section 16 of the PRMA as amended provides that disbursements from the Petroleum Holding Funds shall be made in the following order of priority:

- a) Disbursements to a national oil company to cover the equity financing cost, including advances and interest on the carried and participating interest of the Republic, the cash or barrel of oil equivalent of petroleum that shall be ceded to a national oil company. The PRMA provides that for the first fifteen years, the cash or barrel of oil equivalent of petroleum that shall be ceded to a national oil company shall not exceed 55% of the carried and participating interest. After the first fifteen years, Parliament shall have the responsibility to revise the quantum of the cash or barrel of oil equivalent of petroleum that shall be ceded to a national oil company. The payments to the national oil company are required to be paid within three working days after they have been lodged into the GPF. A number of commentators whilst commending the arrangements in the PRMA to have the national oil company receive what it is entitled for its operations on a timely basis, have been quick to point out the need for the Ghana National Petroleum Corporation (GNPC) which is currently the national oil company to become more accountable and transparent in its operations to the people of Ghana through Parliament (ACEP, 2014).
- b) Disbursements into the consolidated fund in support of the national budget known as Annual Budget Funding Amount (ABFA). The PRMA requires that where the actual petroleum revenue less allocations to a national oil company is greater than the Benchmark Revenue (BR), not more than 70% of the BR shall be paid into ABFA, but where actual petroleum revenues less allocations to a national oil company is less than the BR, not more than 70% of that actual revenue shall be paid into ABFA. The BR is expected to be estimated by the MoF and certified by an independent consultant to be used as input to the annual budget process. The model for the estimation of the BR has been prescribed by the PRMA. Commentators have described the model as inefficient as it has so far not guaranteed reliable forecasts of petroleum revenue, leading to regular budget shortfalls (Evans, 2016). The critics have thus been calling for more reliable BR estimating models. Others have countered this argument by suggesting that the BR estimation model in the PRMA only seeks to smoothen forecasts of petroleum revenue over a long term, and that the model should be retained. ABFA allocations are initially premised on the BR. The reliability of the BR is therefore important. This is an area in the PRMA that requires rethinking. The PRMA intends for the ABFA to be a catalyst for development, the objects being:
1. to maximise the rate of economic development of Ghana;
 2. to promote equality of economic opportunity with a view to ensure the well-being of citizens of Ghana; and
 3. to undertake even and balanced development of the regions of Ghana;

To achieve the above stated objects, the ABFA allocations are supposed to be informed by a Medium Term Expenditure

Framework (MTEF), and a long term national development plan. In the absence of a long term national development plan, the Ministry of Finance (MoF) selects a few priority areas where ABFA will be spent on. The selection of the priority areas is a process that has been heavily criticised and can be made more inclusive by encouraging participation from a large section of the Ghanaian society and the areas narrowed to few specific areas to avoid spreading oil revenue thinly over several projects that may never see completion (ACEP, 2014). As far as the ABFA basket of funds are concerned, the PRMA requires that not less than 70% of ABFA allocations should be for public investments expenditure, and not less than 25% of the public investment expenditure allocations should be allocated to the Ghana Infrastructure Investment Fund (GIIF) to be included in the annual budget. This implies that not more than 30% of the ABFA allocations and not more than 75% of the allocations to the GIIF may be committed to the other priority areas. Except that the 75% of the allocations to the GIIF must be used exclusively for public investment expenditure. Although some have argued that it is unclear from the PRMA exactly how the whole amount of allocations to ABFA should be utilised and that it is not clear what constitute public investment expenditure, this could easily be inferred.

- c) To the Ghana Petroleum Funds for purposes of savings and investments. The PRMA requires that where the actual petroleum revenue less allocations to a national oil company is greater than the BR, not less than 30% of the BR shall be paid into the Ghana Petroleum Fund (GPF), and the excess of the actual petroleum revenue over the BR shall be paid into the GPF, but where actual petroleum revenues less allocations to a national oil company is less than the BR, not less than 30% of that actual revenue shall be paid into the GPF. The funds in the GPF are further allocated as follows: not less than 30% of the allocations into the GPF shall be paid into the Ghana Heritage Fund (GHF) and the remainder into the Ghana Stabilisation Fund (GSF). The petroleum revenue management framework intends the GHF to be an endowment for future generations. Withdrawals from this fund is only allowed after all petroleum reserves have been depleted, except that the PRMA in section 10(4) empowers Parliament to authorise transfers of the interest on the GHF to some other Funds established under the PRMA within intervals of 15 years. This permission for Parliament to authorise the transfer the interest on the GHF after every 15 years has, however, has been contested as overly discretionary and unwarranted. The GSF on the other hand is intended to cushion the budget from petroleum price fluctuations. There are divergent views among stakeholders regarding the percentage of petroleum revenue that are expected to be saved. Some have argued that, the spirit of the PRMA intends for not less than 30% of petroleum revenues to be saved (Evans, 2016). Table 2 below shows the percentage of petroleum revenue saved and spent from 2011 to 2015.

Table 2: Savings and expenditure of petroleum revenues

	2011*	2012	2013	2014	2015
Saving as a percentage of petroleum revenues	30%	9%	44%	52%	8%
Spending as a percentage of revenues	70%	91%	56%	48%	92%

*The government decided to set aside the savings rules and make a 70/30 split of actual

Source: Ministry of Finance

It is clear that the savings provisions in the PRMA does not guarantee a savings of not less than 30% of petroleum revenue. In 2012 and 2015 only 9% and 8% respectively were saved. If the spirit and intention of the PRMA was to ensure a minimum savings of 30% of petroleum revenue, then one can say that it has not succeeded in doing that. It safe to conclude that the PRMA does not guarantee a minimum savings of 30% of petroleum revenues. The evidence from 2011 to 2014 confirms this position. Evans (2016) suggests, however, that it appears to be the general thinking among stakeholders that the PRMA ensures that at least 30% of petroleum revenue are saved in to the GPF. If this is the impression, then it is clearly an erroneous impression. This impression is even more erroneous given that withdrawals are allowed to be made from the GSF.

Withdrawals are allowed from the GSF to supplement the ABFA when actual petroleum revenue falls short of the BR. The PRMA provides that where actual petroleum revenue collected in any quarter falls below one quarter of the allocated ABFA for the year, withdrawals may be made from GSF to meet the budget shortfall. Such a withdrawal, however, shall be 75% of the shortfall or 25% of balance standing in the GSF whichever is lesser. In the event of a shortfall in the second and third quarter of the same year, the PRMA allows double the allowable withdrawal for the third quarter to be withdrawn. If there are successive shortfalls in preceding quarters, the PRMA allows the withdrawal in the fourth quarter, a sufficient amount from both the PHF and GPF to cover the ABFA. The caveat in section 12(6) of the PRMA as amended, however, is that withdrawals from the GSF shall not exceed 75% of the balance of the Fund at the beginning of the year. It is also allowed to transfer funds from the GSF into the Contingency Fund for debt repayment. Section 23(4) of the PRMA allows the GSF to be capped. The Minister of Finance shall recommend a certain amount as the maximum amount in the GSF for the approval

of Parliament. Once the cap is approved by Parliament, any amount in the GSF in excess of the cap shall be allocated as transfers into the Contingency Fund for debt repayment. Presently, the amount has been capped at two hundred million United States Dollars (US\$200 million). It has been argued that benchmarking the ceiling of the GSF to an economic indicator such as a percentage of the annual budget or a percentage of GDP is more scientific than the current discretionary ceiling which could be manipulated (ACEP, 2014). The PRMA does not clearly indicate how much of the GSF may be withdrawn to meet contingencies and debt repayment except for the excess of funds above the cap. Funds in the GPF are invested by the Ghana Petroleum Funds Secretariat within the Treasury Department of the BoG using investment rules approved by the MoF under the advice of the Investment Advisory Committee (IAC). Although, there are draft investment rules, it is not clear whether these rules have been approved by the Minister of Finance. The PRMA requires a separation of GPF from the general reserves and funds of the Bank of Ghana.

- d) For exceptional purposes according the provisions of the PRMA. Section 24 of the PRMA provides that transfers for exceptional purposes include: to refund tax overpayments, to pay management fees, to pay royalties to communities, to pay compensation to communities adversely affected by operations of oils gas. Apart from these, the PRMA has not been very specific and exact on what else constitutes exceptional purposes. This gives room for somediscrction. It will however appear that the exceptional purposes may include contingencies and unexpected occurrences such as flood disasters, fire disasters etc. The rules on spending for exceptional purposes are not very clear.

The diagram in figure 2 in the next page summarises the requirements of the PRMA on the allocation of funds.

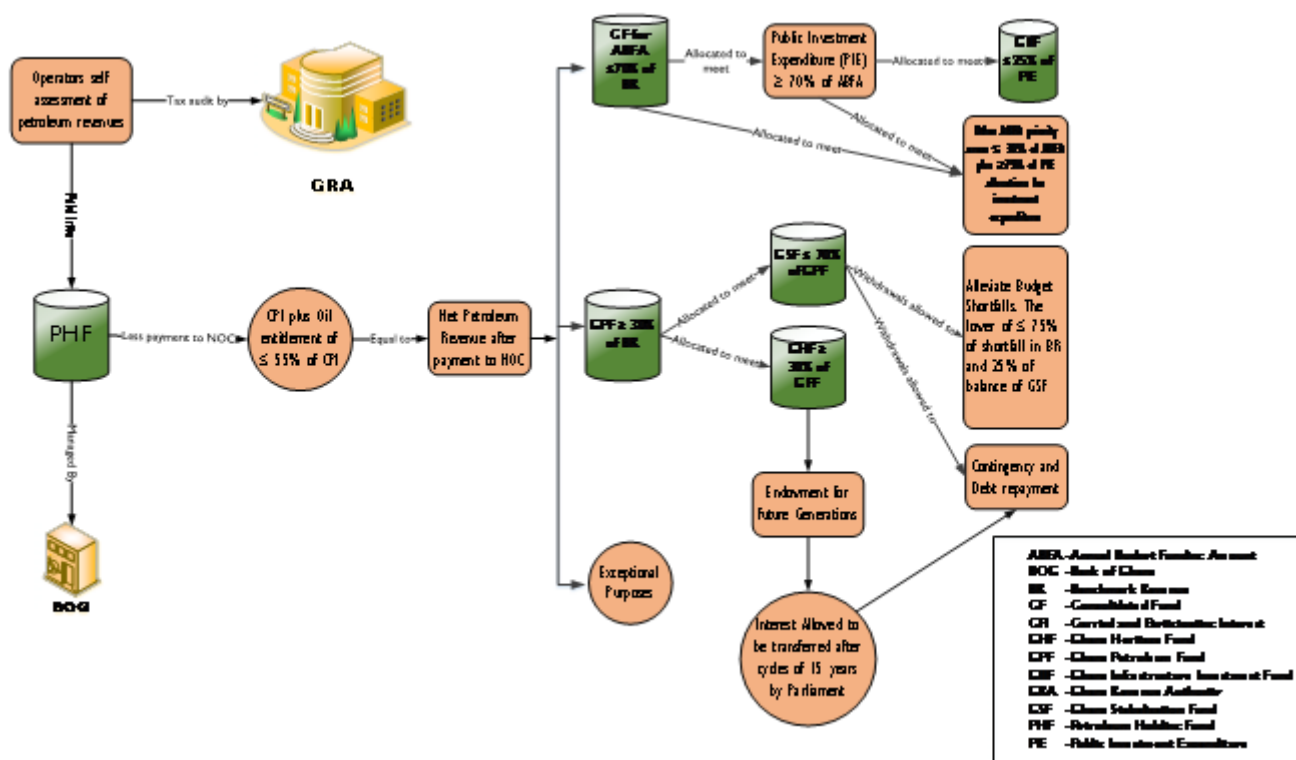


Figure 2: Petroleum Revenue Funds flow chart

Transparency and Accountability Mechanisms in the Revenue Management framework:

The case for a strong accountability framework as sine qua non for prudent petroleum resources management was loudly echoed by a number of researchers (Gary, 2009; Heller & Heuty, 2010; Moss & Young, 2009). The PRMA has a number of provisions which seek to ensure accountability and transparency in the management of petroleum revenue. Among these provisions include the following: prohibition for the use of petroleum revenue as collateral for debt and that there shall not be borrowing against petroleum reserves, the requirement for quarterly publication of petroleum receipts, arrangements for the Public Interest and Accountability Committee to play a watch dog role in monitoring the uses to which petroleum revenue is applied, arrangements for the Auditor General of the Republic to conduct statutory audits on the PHF and on projects on which petroleum revenues are applied, and the requirement that an IAC be set up to advise the Minister of Finance on investments of the Petroleum Funds.

Borrowing against petroleum reserves:

Section 5(1) of the PRMA requires that amounts in the PHF earmarked for transfer into the GPF shall not be used to provide credit to the government, public enterprises, private sector entities or any person or entity. It also provides that those amounts shall not be used as collateral for debts, guarantees, commitments, or any liabilities of any other entity. Section 5(2) of the PRMA as amended provides that in order to preserve revenue streams from petroleum and ensure that the object of the PRMA is achieved, there shall not be any borrowing against the petroleum reserves. The PRMA also nullifies all encumbrances against the PHF and GPF in section 41. These provisions are intended to prevent the collateralisation of petroleum funds and reserves for debt. These provisions are helpful in guaranteeing constant

flow of petroleum revenue streams into the future. The provision in section 5(2) was brought in to counter calls that were being made for government to borrow using future petroleum revenue as collateral. The collateralisation of petroleum revenue could potentially freeze the flow of streams of petroleum revenues in future should a government decide to go on a borrowing spree to unsustainable levels. This provision in the PRMA that seeks to prevent such collateralisation is therefore in the right direction.

Reporting on petroleum revenues:

Section 8 of the PRMA requires the quarterly publication of petroleum receipts, petroleum liftings and the reference price for petroleum liftings in the gazette, two widely circulated newspapers in Ghana, and on the website of the MoF. Section 15 of the PRMA requires the annual reconciliation of the petroleum receipts with the ABFA to be done within the first quarter of the year following. Section 28 of the PRMA also requires the BoG to publish semi-annual reports of the GSF and the GHF. The Public Interest and Accountability Committee (PIAC) is also required to publish semi-annual reports and hold at least two meetings with the general public each year. The requirement for these publications are significant accountability arrangements which have so far been complied with. These published reports have helped to increase transparency in petroleum revenue management. Although there have been some issues bordering on the accuracy of the numbers in the reports, the publications have allowed interested stakeholders to demand answers from the government where they have questions.

The role of the Public Interest and Accountability Committee:

The PRMA creates the Public Interest and Accountability Committee (PIAC) with a broad based membership

representing various stakeholder groups. PIAC is charged with the responsibility for monitoring and evaluating compliance with the PRMA; stimulating public debate about the allocation and utilisation of petroleum revenue; providing an independent assessment of the management and use of petroleum revenue to Parliament for the purpose of supporting Parliament's oversight responsibility. PIAC is tasked to publish semi-annual reports and annual reports in two state owned newspapers and on PIAC's website and to hold public meetings twice a year to explain its mandate to the general public. Within the PFM governance system of Ghana, it is only the petroleum revenue management framework that has an accountability committee of the nature of PIAC. This clearly shows the seriousness that has been attached to ensuring accountability and transparency over the management of petroleum revenue. The evidence has however shown that PIAC has not been as effective in discharging the responsibilities that has been placed on it by the PRMA for a number of reasons including: resource and capacity constraints. For PIAC to be in a position to play its role effectively, there is a clear need to adequately resource PIAC, strengthen the capabilities, and skills of the individual members and staff of PIAC as well as strengthen the institutional capacity of PIAC.

The role of the Auditor General of the Republic:

Just like the Financial Administration Act 2003 (Act 654) does for the general PFM governance system, the PRMA makes provision for internal audit and external audit functions. The internal audit department of the Bank of Ghana is required to audit the books of accounts maintained for the GPF and the Auditor General of the Republic is responsible for auditing the petroleum funds of Ghana including all ABFA disbursements. The internal audit and external audit mechanisms are therefore not only peculiar to the petroleum revenue management framework. This notwithstanding, the role of the Auditor General in conducting regular annual audits and special audits on a need basis to provide assurance on the proper use of petroleum funds for their intended purposes is a significant accountability mechanism. Efforts targeted at improving the capabilities of the internal audit department of the BoG and the Ghana Audit Services are therefore needful.

The role of the Investment Advisory Committee:

Section 29 of the PRMA establishes an Investment Advisory Committee (IAC) which is charged with the following

responsibilities: propose investment policies for the management of the GSF and the GHF; advise on broad investment guidelines and strategies for the management of the petroleum funds; and develop the benchmark portfolio, and the desired returns from the associated risks of the GPF. The deliberate effort in creating the IAC brings to attention the seriousness that has been attached to ensuring that the GPF are optimally invested in an inclusive manner and not being left to the discretion of a few political office holders and technocrats. The challenge has, however, been that the IAC has not been functioning properly. The committee is hardly able to convene meetings regularly to carry out its mandate.

The role of Civil Society Organisations:

According to Gary (2009) many countries dependent on extractive industries suffer from a lack of transparency in the management of financial resources and suggested that one way to remedy this challenge is for CSOs to get actively involved in demanding accountability. Following from such recommendations, although the PRMA has not made explicit provisions for direct participation by Civil Society Organisations (CSOs) in deepening transparency and accountability in the management of petroleum revenues, the evidence is that CSOs took the challenge and have been deeply and enthusiastically interested and involved in demanding accountability and transparency as regarding petroleum revenues. This is probably explained by the heightened expectations at the onset of the oil find. It is fair to argue that, CSOs have played a significant role in making petroleum revenue management visible. A number of progressive reforms in the oil and gas sector were initiated as a result of strong and sustained advocacy by CSOs. CSOs have been more interested in petroleum revenue management issues than they have been on the wider PFM governance system issues. Heller and Heuty (2010) asserted that the early passage of the PRMA is partly attributed to the interest that was generated as a result of CSO participation. The interest by CSOs in petroleum revenue management issues is partly because of the availability of donor funds to sponsor the CSOs do advocacy on these issues. It is surprising that there has been less donor funding to support advocacy around general PFM issues as compared to the amount of funding for advocacy on petroleum revenue management issues. Figure 2 below summarises the accountability framework over petroleum revenues.

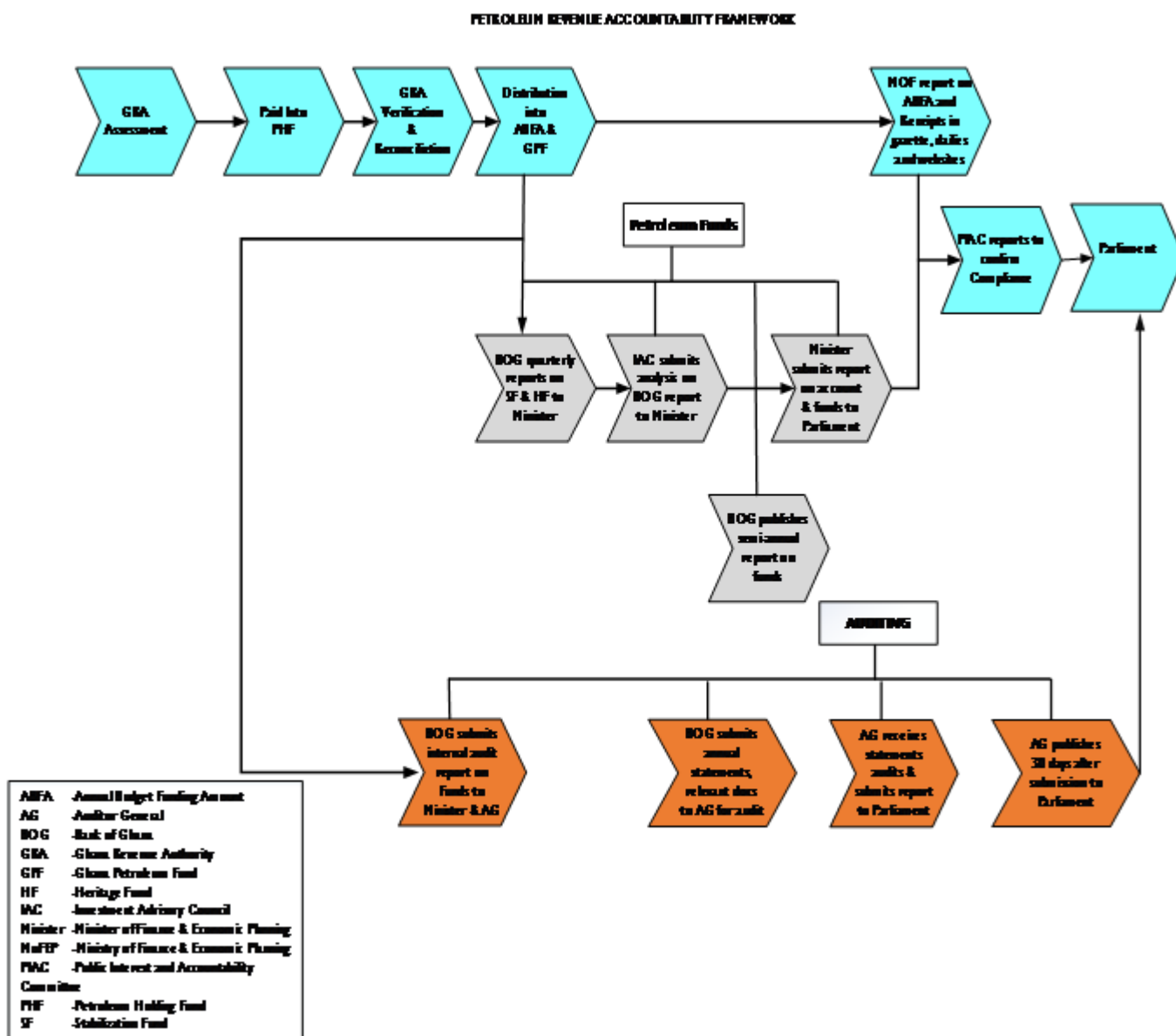


Figure 2: Petroleum revenue accountability framework

Lessons from the Petroleum Revenue Management Framework”

Although there still remain a number of issues that need to be resolved to improve the petroleum revenue management framework, clear lessons can be drawn from this framework for enhancing the general PFM governance system of Ghana. The following lessons can be drawn:

1. The petroleum revenue management framework is considered as containing the key features required for ensuring efficient and effective management of petroleum resources (Amoako-Tuffuor & Ghanney, 2013). This was possible because several calls were made by CSOs for lessons to be learned from other resource rich countries (Gyampo, 2010). It is important for the new PFM bill being processed to be laid in parliament to be thoroughly scrutinised to ensure that all the key and essential features required of a PFM system to be functional are included. This opportunity cannot and should not be missed.
2. The current petroleum revenue management framework is the result of wide consultations and keen

participation by a broad base of stakeholder groups in developing the framework (Amoako-Tuffuor, 2011; Armah-Attoh, 2015). Inputs should be solicited from all stakeholder groups to inform the PFM law. The evidence shows that, stakeholders were invited to make inputs into the new PFM bill at short notice which did not allow for sufficient time to consult broadly and reflect deeply on the issues. The result will be a PFM bill that may not contain all the features required of a functional PFM governance system. Gyampo (2010) argues that unless those in government listen to the citizens and increase the degree to which the citizens are able to participate and exercise control over the government in developing frameworks for managing resources, the state will be heading for disappointment. Evidently, the wider consultations in developing the petroleum revenue management framework generated greater public interest on petroleum revenue management issues. It is expected that wider consultations on the PFM bill should generate greater public interest on the wider

PFM governance issues and lead to increased demand for accountability by CSOs.

3. Another lesson from the petroleum revenue management framework is focused rules to guide allocations and disbursements of petroleum revenues. There have been calls for the development of fiscal rules to guide budget execution. It can be argued that fiscal rules in and of themselves may not resolve the issues. In fact, fiscal rules may end up being breached just the same way existing PFM laws are breached with impunity. It can, however, also be argued that even if the fiscal rules may be breached, having the rules will provide basis to observe breaches of financial discipline and point out the breach for remedy. Whatever the arguments may be, lessons can be drawn from the clear guidance from the petroleum revenue management framework on the allocation and disbursement of petroleum revenues to ensure that there is increased guidance and clarity on the allocation and disbursement of public funds generally.
4. Another area where the PFM governance system can learn from the petroleum revenue management framework is the clear framework for savings and investments of petroleum funds in the PRMA. There are clear and deliberate arrangements for saving part of petroleum revenue through the GHF and the GSF through the GPFS and the IAC. There are currently no arrangements in the general PFM laws to compel savings and investments of a portion of Ghana's tax and non-tax revenue. The importance of savings in promoting investments and economic development cannot be overemphasised.
5. One area where the petroleum revenue management framework is conceptually strong is the accountability framework. There is an elaborate accountability framework in the form of the role placed on the shoulders of PIAC and the roles taken up by CSOs like African Centre for Energy Policy, Natural Resource Governance Institute to mention just a few. If it is considered prudent to create a structure like PIAC to monitor and evaluate compliance with the PRMA, stimulate public debate about the allocation and utilisation of petroleum revenue, and provide an independent assessment of the management and use of petroleum revenue, it can be argued that the need will even be greater and urgent to have a similar structure monitor compliance with general PFM laws considering that petroleum revenue is only about 10% of domestic revenue and less than 2% of GDP. Similar arguments can be made for a strong CSOs presence. Heller and Heuty (2010) purport that having a good accountability mechanism is critical to effective resource management and Ayelazuno (2013) suggested that one important mechanism for securing accountability from governments is active participation by CSOs and therefore called on CSOs in resource rich countries to rise and hold governments accountable for the management of national resources. In this regard, donors should consider resourcing

CSOs to increase advocacy work around good PFM governance.

6. The petroleum revenue management framework has been effective in the enforcement of mandatory reporting. The quarterly publications of petroleum receipts and distribution reports have so far been regular, the annual report on Petroleum Funds have all been published as required, and there have often been rigorous public discussions and debate of these reports. The same cannot be said about the general PFM governance system. The Auditor General reports have repeatedly indicated that a number of Ministries Departments and Agencies (MDAs) and Metropolitan, Municipal, and District Assemblies (MMDAs) fail to present reports required to be presented by law (Atuilik, 2016). It is very important to learn from the petroleum revenue management framework how the reporting requirements of the PFM system can be enforced.

CONCLUSION

Ghana's PFM system has so far not delivered good economic governance as is expected. It is therefore imperative for actionable steps to be taken to diagnose and resolve the bottlenecks that prevent the PFM governance system of Ghana from working effectively. It is in this regard that the lessons from what has worked regarding the petroleum revenue management framework should be taken seriously.

It has to be appreciated that in addition to a sound petroleum revenue management framework, having a functional PFM governance system for the whole government of Ghana is essential for ensuring the judicious and prudent management of public resources, including petroleum funds. This is because, ultimately petroleum revenue will get comingled with the public funds of Ghana into the Consolidated Fund for purposes of disbursements. The ABFA once allocated is comingled with other funding sources placed in the Consolidated Fund. Allocations into the Ghana Infrastructure Investment Fund from ABFA are also comingled with other sources of funding for undertaking infrastructural projects. For example, one of the reasons given for the thin spread of ABFA expenditure is that allocations made to MDAs are not always used for the intended purpose. A strong PFM governance system will therefore contribute to ensuring that ABFA allocations are applied for the intended purposes by MDAs and MMDAs. Overall, a strong PFM governance system will complement the petroleum revenue management framework and enhance efforts at ensuring that benefits from the oil find are maximised for the citizens of Ghana.

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