The P-TRAC Index is a project initiated by the Institute of Economic Affairs (IEA) to promote transparency and accountability in the management of Ghana's oil and gas resources, and to enhance the level of responsibility on the part of policy makers. The primary objective of the project is to develop quantitative and qualitative indicators that could be used to monitor aspects of the oil and gas value chain, namely, revenue transparency, expenditure transparency, contract transparency, and the management of the Ghana Petroleum Funds. This is the third report in the series and covers the period 2013 to 2014. This is an abridged version of the report. The full version of the report is available from the IEA.
Executive Summary

The IEA initiated the P-TRAC Index project in 2011 to monitor transparency and accountability in the management of Ghana's oil and gas resources. This is the IEA's on-going contribution to the policy debate in Ghana. The Index focuses on four key aspects of the management of oil and gas revenues – Revenue Transparency, Expenditure Transparency, Contract Transparency, and the Ghana Petroleum Funds (GPFs). Transparency in each of these areas is assessed on the basis of a series of questions. The P-TRAC Index is constructed as a simple average of the questions for each of these four components. Benchmarked against the previous two P-TRAC reports, this year's report allows us to assess how much progress has been made in enhancing transparency and accountability in Ghana's oil and gas industry. The findings from this year's assessment are summarised below.

Revenue Transparency

We have observed steady progress in efforts to improve revenue transparency over the previous two reports. The main improvements have come from the frequency and availability of reports. However, we did not find any improvement in the quality of the reports. One component of revenue transparency where there is much room for improvement is the institutional environment. Progress in this area hinges on Parliament passing two important pieces of legislation that are currently before it. These are the Right to Information Bill and the Petroleum Exploration and Production Bill, both of which have gone past the first reading stage. Speedy passage of these bills will significantly help to improve transparency and accountability in the industry. Other bills that are currently in draft form include the Ghana Extractive Industries Transparency Initiative (GHEITI) Bill, the Local Content and Local Participation Bill, and the Marine Pollution Bill. We strongly advocate the passage of these bills.

Expenditure Transparency

In the area of Expenditure Transparency, we observed an improvement in the frequency of the reports. However, again, we found no change in the quality of the reports. We also observed improvement in our Projects sub-index, which tracks progress in the allocation of funds and distributions of projects under the Annual Budget Funding Amount (ABFA). In the absence of a long-term development plan for Ghana, decisions on expenditures in the priority areas are at the discretion of the Minister for Finance. Neither Parliament nor the Civil Society Organisations play any major role in decisions on the allocation of funds or projects to be funded. The IEA advocates the formation of a committee with representation from all major stakeholders to advise the Minister on the expenditure program.

Contract Transparency

Of the four components of the P-TRAC Index, Contract Transparency showed the least improvement over the reporting period. The only improvement comes from the establishment of the Petroleum Commission to regulate the sector and to advise the government on the award of contracts and licenses. However, full public disclosure of contracts and the processes involved are lacking. We advocate a more open and transparent process of awarding contracts and licenses. We note that the research capacity of Parliament remains weak. We urge the government to adequately resource Parliament and the other oversight agencies to enable them more effectively to discharge their duties under the Petroleum Revenue Management Act.

The Ghana Petroleum Funds

Transparency in the management of the GPFs showed the highest improvement out of the four components of the Index over the reporting period. The maximum score was attained in four out of five questions. The key area requiring improvement here is the publication of information on the performance of the GPFs.
Policy Recommendations

The study makes the following recommendations:

1. We advocate the speedy passage of the Right to Information Bill and the Petroleum Exploration and Production Bill, which have both gone past the first reading stage. Parliament should give serious consideration to the following draft bills: the Ghana Extractive Industries Transparency Initiative Bill, the Local Content and Local Participation Bill, and the Marine Pollution Bill. Passage of these bills will greatly enhance the level of transparency and accountability, not only in the oil and gas sector but also in the other resource industries.

2. We also advocate speedy passage of the Budget Act to enhance Parliament's ability to conduct comprehensive analysis of the Budget.

3. In the absence of a long-term development plan to guide the expenditures from the ABFA, we recommend the formation of a committee with representation from all major stakeholders. This committee will work with the Minister of Finance in selecting projects for funding under the ABFA.

4. In the meantime, we advocate that urgent efforts be made to prepare Ghana's long-term development plan with input from all stakeholders.

5. To enhance transparency in the award of contracts and licenses, we recommend a more open and transparent process of awarding contracts and licenses, with more public disclosure of information about the process. In particular, we advocate a points-based system for assessing licenses and the award of contracts.

6. Oversight bodies such as Parliamentary Committees (e.g., the Public Accounts Committee and the Select Committee on Minerals and Energy) and the PIAC must be adequately resourced to enable them function more effectively in their respective roles.

7. With particular reference to PIAC, we recommend that the upcoming review of the PRMA consider directly funding this body from the Consolidated Fund, rather than from the Ministry of Finance.

1. Introduction

Ghana began exporting oil in December 2010. Oil had an immediate macroeconomic impact with Gross Domestic Product (GDP) growth in 2011 shooting up to a world-leading 15% after a full year of oil production (Figure 1). The period 2010 to 2012 was also a period of relative macroeconomic stability during which inflation, which had been high in previous years, was kept to a single digit. Unfortunately, this impressive growth performance could not be sustained. Inflation rose to 17% in 2014 and is projected to fall to 11.5% in 2015 (Figure 2). The period from 2012 to 2014 was one in which the Ghana cedi continued to lose value over the major currencies, forcing the Bank of Ghana to introduce a raft of drastic measures in an attempt to arrest the free fall of the cedi. The rise of inflation in the last few years can be attributed to a number of factors including the removal of subsidies on fuel and utilities, the cedi depreciation and intermittent high food prices. Another major factor which has affected
Despite the continuing fall in world crude oil prices, the oil and gas industry will continue to play an important role in Ghana’s economic growth and development. Total government receipts from petroleum for the period January to September 2014 amounted to over US$780 million (Ministry of Finance, 2014). Out of this amount, US$136.9 million was transferred to the Ghana National Petroleum Corporation (GNPC), US$306.8 million was transferred to the Ghana Petroleum Funds (GPFs). The price of crude oil has followed a downward trend, from US$82 per barrel in September 2014, and is currently trading below US$55 per barrel. It is therefore to be expected that the Government’s receipts from petroleum will see a decline in the coming years until the new projects come on stream.

The Tweneboa, Enyira, Ntomme oil field, popularly known as the TEN Project, is expected to come on stream by 2016. Recently, Eni S.P.A of Italy, and Hess Corporation of the USA have found oil in test drilling in the Cape Three Points area.

Notwithstanding the fall in the price of oil (or perhaps because of it), there is still the need to enhance transparency and accountability in the management of the oil revenues. The Petroleum Transparency and Accountability (P-TRAC) Index project, which began in 2011, assists this process by providing quantitative indicators to track progress in the governance of the oil and gas sector. The goals of the project are to promote transparency and accountability in the management of Ghana’s oil and gas resources and to enhance the level of responsibility on the part of the policy makers. The first P-TRAC report for 2011 was launched in 2012 (IEA, 2011), followed by the second in 2013. Nearly two years have elapsed since the last report. The aim of the 2014 P-TRAC report is therefore to analyse the progress made in efforts to improve transparency and accountability in the oil and gas sector since the last report. The analysis in this report covers the period from 2013 to 2014.
2. Overview of the P-TRAC Index Methodology

The methodology used to construct the P-TRAC Index closely follows conventions proposed by the Extractive Industries Transparency Initiative (EITI), the IMF's Guide on Resource Revenue Transparency and the Publish What You Pay Campaign. The Index is based on four aspects of the oil and gas value chain, namely, Revenue Transparency, Expenditure Transparency, Contract Transparency and management of the Ghana Petroleum Funds. 'Transparency' is defined specifically as the provision of information to the public and the extent to which international best practice is used in the management of the oil and gas resources. Our definition of 'publicly available' information is similar to the norms used by Revenue Watch Institute (Revenue Watch Index) and the International Budget Partnership (Open Budget Survey). In this context, we define publicly available information on the oil and gas sector to be information that can be freely obtained from the relevant government agency's website, or which can be obtained in hard copy form by request, or information that is published on a regular basis in national newspapers. The four components of the P-TRAC Index are briefly discussed below.

2.1 Revenue Transparency

Revenue Transparency assesses the frequency and quality of reports on oil revenues, as well as the quality of the institutional environment governing the operations of the industry. A series of questions are used to measure how often reports are provided to the public on petroleum receipts, expenditures, oil reserves, production volumes, prices, exports, royalties, taxes and costs. The questions are based on a 4-point scale, with 0 representing no reports and 3 representing quarterly or monthly reports.

We include quality of the reporting as one of the variables because we believe that it is not only desirable for the Government to provide information to the public, but it is also important that such reports contain information that can be understood by the average citizen. As such, the quality of the reports is assessed by questions relating to how understandable and comprehensive they are. Each of these is assessed on a 6-point scale with 0 denoting not understandable or comprehensive and 5 denoting highly understandable or comprehensive. Revenue Transparency also assesses how freely available these reports are to the public. A 6-point scale is used here with 0 denoting no availability of reports and 5 denoting availability in newspapers, gazettes and on the Internet.

The questions on the Institutional Environment attempt to assess how adequate the institutional environment is for effective management of the oil and gas resources. This component begins with an assessment of whether the policy, regulatory and commercial roles in the industry are divided across separate institutions. Next, there is an assessment of the legislation covering the sector and whether such legislation is published. The next series of questions enquire about the government agency in charge of receiving GoG's share of the oil revenues, in this case the Bank of Ghana. The questions enquire whether there are internal and external audits of these funds, including the role of Parliament in scrutinising the audit reports. The final question assesses the role of CSOs in the oversight of the revenues generated by the industry.

Each question is rated on a 6-point scale and all of them are averaged to provide an overall score for Revenue Transparency.

2.2 Expenditure Transparency

A similar approach to Revenue Transparency is used to assess Expenditure Transparency. There are questions on the frequency and quality of
reports on expenditures out of the oil revenues. These are followed by questions on how the funds are spent, including the number and distribution of the projects, the extent to which they contribute to poverty reduction, the role of Parliament in ratifying these expenditures and the role of CSOs and industry groups in the oversight of the expenditure programme. Again a 6-point scale is used and the individual scores are average to obtain an overall average for Expenditure Transparency.

2.3 Contract Transparency

Contract Transparency assesses the extent of transparency in the award of contracts and licenses in the oil and gas sector. It begins by enquiring whether legislation or rules exist for disclosure of contract or licensing information and whether such information is publicly available. There is also a question on whether the environmental and social impacts assessment reports of oil and gas projects are published. The next set of questions deal with the contract award and licensing processes, in particular on the independence of the awarding authority. There are questions about whether the process is open and competitive, whether there are limits to the discretionary powers of the awarding authority, the role of Parliament in ratification of contracts and finally, whether there is an appeal process on licensing decisions. As is the case with most of the questions, a 6-point scale is used and an overall average is obtained for Contract Transparency.

2.4 The Ghana Petroleum Funds

The final component of the Index is assessment of the management of the GPFs. The first question enquires whether the rules governing the GPFs are publicly available. This is followed by an assessment of whether the information on the activities and performance of the funds are published. The final two questions enquire whether the financial reports on the GPFs are audited and whether the audited reports are published. As usual a 6-point scale is used to score each question and an overall average for the GPFs is obtained.

The P-TRAC index is constructed as a simple average of the questions for each of the four components. For reporting purposes, the average scores are converted into percentage scores and an overall average is then taken to obtain a measure of performance in transparency and accountability in a given year.

3. Results

3.1 Revenue Transparency

3.1.1 Frequency of Reports

One of the hallmarks of transparency and accountability is the availability of information. In this regard, the extent of transparency can be judged in terms of the frequency and amount of information provided to the public. Thus, the first sub-index considered in the Index is the frequency of reporting on the oil revenues. In this section, we consider the frequency of reporting by the following government agencies: the Ministry of Finance and Economic Planning (MoFEP), the Ministry of Energy and Petroleum (MoEP), the Bank of Ghana (BoG), the Ghana Revenue Authority (GRA) and the GNPC.

In this reporting period, MoFEP complied with all its legal requirements with respect to reporting of information on the oil and gas revenues. It published the petroleum receipts in the Daily Graphic, The Ghanaian Times, and on its website within the stipulated period as required under Section 8 of the PRMA. There was also information on oil production on the websites of BoG, Ministry of Energy and Petroleum and the GNPC. We therefore maintained the maximum score of 100%. In addition to the oil revenues, we were also able to find information on a number of aspects of the oil production including the production volumes,
prices, exports, royalties, taxes and dividends on the various websites. However, no information whatsoever was found on oil and gas reserves and production costs.

Overall, we observed a marked improvement in the frequency of the provision of information. Therefore, the score for Frequency of Reports increases from 53.3 in 2012 to 80% in 2014 (Figure 1).

3.1.2 Quality of Reports

In the past reports, we have stressed the importance of not only the quantity of information provided but also its quality. 'Quality' tends to be a subjective concept and is bound to vary from person to person. In compiling the Index, we infer quality from information that is adequate and comprehensible to the average citizen without a technical background. The main avenue for reporting expenditures out of the oil revenues is the annual Budget Statement, in which details on petroleum receipts, the Annual Budget Funding Amount (ABFA) and the Ghana Petroleum Funds are reported. We note that the style of presentation of the information in the Budget has not changed over the years. We acknowledge that there is limited scope in the budget document to present the type of information we consider to be adequate. That is why we recommend an additional publication outside that of the budget cycle to keep the citizens informed. The score for quality of reports thus remains unchanged at 70% (Figure 1).

3.1.3 Public Availability of Reports

We found that marginal progress has been made on the availability of reports by the various agencies associated with the oil and gas sector. However, the amount of information provided is variable. MoFEP, BoG and MoEP have extensive information on their websites on the Ghana Petroleum Funds. Some information not on the websites can be obtained in hard copy. On the other hand, information on the GRA’s website was very scanty and outdated. The score for public availability of data therefor increases from 78.6% in 2012 to 80% in this report.
3.1.4 Institutional Environment

To what extent has the institutional environment improved since the last report? The first question in this part of the Index assesses whether the policy, regulatory and commercial roles in the oil and gas sector are divided across separate institutions. The Petroleum Commission (PC) is now fully functional and performing its regulatory function under Act 821. We therefore assign the maximum score of 100%.

Since the last report, we have observed some movement concerning key bills that we had strongly recommended should be passed. The Right to Information (RTI) Bill went through its first reading in December 2014, while the Petroleum Exploration and Production Bill went through its first reading in November 2014. However, to date, other bills such as the Local Content and Local Participation Bill and the Marine Pollution Bill are not found in the records of bills before Parliament. Therefore, the score for this indicator remains unchanged at 80%.

With regard to detailed publication of oil and gas legislation, we find the majority of the relevant legislation is not freely available. As such, the situation remains unchanged since the last report, which means the score for this indicator is 60%.

We next consider questions that assess the extent to which internal and external measures have been put in place to prevent fraud. Oversight agencies such as the BoG have internal audit controls in place. However, in the case of independent external audits, we do not find any provisions outside the functions of the parliamentary committees and the Auditor General. When it comes to private or quasi-private agencies such as GNPC and other companies, there is no provision for external verification of receipts and payments. That is why we strongly advocate the speedy passage of the Ghana Extractive Industries Transparency Initiative (GHEITI) Bill. Among other things, this legislation would compel the extractive companies to disclose relevant information (e.g., payments to government and revenues) to the public. Unfortunately, the current situation remains unchanged as The GHEITI Bill is not in the records of bills. The scores for these indicators therefore remained unchanged from last year's score of 80%.

The final aspect of the institutional environment concerns the roles of parliamentary committees and CSOs in scrutinising audit reports on oil and gas-related revenues and expenditures. The lead agency in the scrutiny of such reports is the Public Accounts Committee (PAC) of Parliament. Under Article 103(6), the PAC has the investigative powers of a High Court, but it does not have the prosecution powers of a High Court. The best the PAC can do therefore is to refer culprits to the Attorney General. We strongly believe that to get a strong grip on corruption, the authority of the PAC needs to be strengthened. Furthermore, tough new laws need to be introduced to fight corruption. We again re-echo our recommendation from the last report to adequately resource not only the PAC, but also the other oversight agencies. With regard to parliamentary scrutiny of revenues and expenditures, we strongly believe that this function would be greatly enhanced with the passage of the Budget Act.

The last question on revenue transparency addresses the role of CSOs in the oversight of revenue management. The CSOs have an important role through their representation on the Public Interest Accountability Committee (PIAC) as specified in Section 51 of the PRMA, and also on the Ghana EITI Committee. For some time now, PIAC has had to deal with the issue of inadequate funding. Specifically, the problem has to do with both the timeliness of the payments and the amounts involved. In spite of these challenges, PIAC has been able to deliver its reports in a timely fashion. The Ghana EITI report was also presented for the first time in
December 2014, covering the period 2012 and 2013 (MoFEP, 2014a). We strongly recommend that in the upcoming review of the PRMA, funding for PIAC should come from the Consolidated Fund and not from MoFEP.

In light of the foregoing, the overall score for the Institutional Environment is 80%, which is a marginal improvement over the score of 78% recorded in the previous report (Figure 3).

The overall score for Revenue Transparency in 2014 is 77.5%, which indicates a small improvement over the score of 70% recorded in 2012. The positive outcomes include the timely provision of reports. However, progress on improving the institutional environment has been stalled by the lack of adequate resources for the oversight agencies and slow movement in the passage of key laws.

### 3.2 Expenditure Transparency

The first two indicators for Expenditure Transparency are similar to that of Revenue Transparency. In addition, we consider a third indicator, Projects, which evaluates how the funds from the ABFA were spent.

**Figure 4: P-TRAC Index Score for Expenditure Transparency**

#### 3.2.1 Frequency of Reports

We have observed an improvement in the reporting of petroleum expenditures. This is because in addition to the Budget Statement, which is usually presented in November, some information on oil and gas is also provided in the Budget update, usually presented in March of the following year. The score for the frequency of reporting therefore increases from 33% to 60% in this reporting period (Figure 4).

#### 3.2.2 Quality of Reports

As was the case with reporting on the oil and gas revenues, we find that the style and quality of reporting on expenditures has remained unchanged. We believe that a separate publication on both revenues and expenditures would be very useful in efforts to enhance transparency and accountability. The average score for the Quality of Reports therefore remains unchanged at 70% (Figure 4).
3.2.3 Projects

As indicated earlier, the aim of this component of Expenditure Transparency is to assess the developmental impacts of the petroleum revenues expenditures by examining the types, number and distribution of the projects funded under the ABFA.

The PRMA envisaged the expenditures to be based on a long-term national development plan. But in the absence of such a plan, the Minister of Finance has been given the discretion to allocate the funds on the basis of the four priority areas identified in the Act. These areas are Expenditure and Amortisation of Loans for Oil and Gas Infrastructure, Road and Other Infrastructure, Agriculture Modernisation Capacity Building (Including Oil and Gas).

The total value of the ABFA in 2013 was GHc299.4 million, down from GHc516.8 million in 2012. The allocation of this amount across the four areas was as follows: Expenditure and amortisation of loans for oil and gas infrastructure (GHc119.9 million); Roads and other infrastructure (GHc142.3 million); Agricultural modernisation (GHc4.6 million) and Capacity building, including oil and gas (GHc32.6 million). In 2014, the amount of the ABFA was much higher at GHc721.8 million (MoFEP, 2014b). This was allocated as follows: Expenditure and amortisation of loans for oil and gas infrastructure (GHc47 million); Roads and other infrastructure (GHc555 million); Agricultural modernisation (GHc89.9 million) and Capacity Building (GHc29.4 million).

As can be expected in Ghana's current circumstances, infrastructure projects received the lion's share of the ABFA, followed by agriculture. The expenditure on agriculture has seen a marked increase from 2013’s allocation. All in all, the expenditures have been allocated as required by the Act. However, what is lacking is a more detailed description of the distribution of the projects, as well as information on the stages of completion of previously funded projects. Going forward, the IEA would like to see long-term planning of project expenditures. Ideally, this should be done in the context of a long-term national development plan.

The assessment of Projects under Expenditure Transparency also enquires about the role of Parliament and CSOs in terms of oversight and participation in decisions about the expenditures out of the ABFA. Currently, Parliament's main role is the ratification of the expenditures as part of the Budget scrutiny. Neither Parliament nor the CSOs have any major role in decisions on the allocation of funds or projects to be funded. These are all at the discretion of the Minister of Finance. The IEA would like to see the formation of a committee with representation from all the stakeholders to advice the Minister on the expenditure programme. We are of the view that there has been an improvement on the Projects Index and as such allocate a score of 95%, an improvement of 4% from 2012 (see Figure 4).

Summing up the scores for the three major components in this section of the Index results in a total score of 75% for Expenditure Transparency, which is about a 10 percentage point increase over the score in 2012 (Figure 4).

3.3 Contract Transparency

The core of the assessment of Contract Transparency deals with the extent of transparency in the award of contracts in the oil and gas sector (including public disclosure of contracts); legislation or rules for disclosure of information in the oil, gas and mineral sectors; disclosure of contracts to the public; disclosure of environmental impact assessments and processes involved in the awarding of licenses and contracts.

The leading question in this component is about whether Ghana has implemented any legislation requiring the disclosure of information in the oil, gas and mineral sectors. The RTI Bill would
fulfill this requirement. However, as indicated earlier, this Bill is still before Parliament. We have nevertheless observed some progress in Parliament which improves the prospects of the Bill being passed into law. Consequently, the score here improves to 65%, from 60% in our last report (Figure 5).

Public disclosure of contracts and agreements for oil and gas production and exploration is the next question in this section of the Index. Public disclosure of such information is currently at the discretion of the Government since there is currently no legislation requiring it do so. There is some information on the websites of MoEP and GNPC on Petroleum Agreements (PAs). However, the information that is given is incomplete. Only the passage of the RTI and GHEITI will bring about the desired improvement we are looking for. The score for public disclosure of contracts therefore remains unchanged at 60% (Figure 5).

The third question on Contract Transparency relates to publication of information during the licensing process. The situation here also remains unchanged as the Government does not publish and is not mandated to publish such information. The score therefore remains at zero as was the case in the previous reports. The next question is on whether the reports of environmental and social impacts assessment are published by the oil and gas companies. This is the only area of public disclosure of information where the maximum score of 100% has been maintained from 2012. In this case, both the Environmental Protection Agency and the Jubilee Partners have published the results of the Environmental Impact Assessments on their respective websites.

Question Five on Contract Transparency deals with whether the authority in charge of awarding licenses or contracts for oil and gas production is independent of the National Oil Company, in this case the GNPC. The PC is now fully functional and executing its mandate. As such we have given the maximum score or 100% to this question (Figure 5).

The final series of four questions on Contract Transparency deals with the licensing process.
Specifically, whether the licensing process is open and competitive; whether the licensing process or legislation imposes limits on the authority in charge of awarding licenses and contracts; and whether Parliament has the authority to ratify oil and gas contracts. Finally, there is question on whether there is a process to appeal licensing decisions. Under the current system, the Minister of Energy and Petroleum awards oil blocks/licenses using the open door negotiated process. The Government does not disclose the process and is not required to by law. The government currently negotiates in private with interested parties and does not disclose information about the process. There is no law that imposes limits on the discretionary powers of the PC and MoEP in the award of contracts and licenses. Companies or individuals who are aggrieved by their decisions can seek recourse in the courts because there is no laid down appeals process when it comes to the award of contracts and licenses. Our score on this question therefore remains unchanged at 80%, which reflects our view that there is room for improvement in increasing transparency about the licensing process.

By law, Parliament is expected to ratify all exploration and production contracts in Ghana. However, as we have already indicated, Parliament does not have the adequate financial and human resource capacity to effectively execute these functions. For the situation to improve, the research capacity of Parliament needs to be substantially increased. In particular, funds need to be allocated for members of the select committee to hire or sub-contract experienced professionals to assist it in scrutinising some of these contracts. Therefore, we again leave our score unchanged from the 2012 score of 80%.

Taken together, the scores for Contract Transparency in 2014 come to an average of 69.4% (Figure 5). It can be seen that there has been a small improvement in contract transparency. However, there is clearly a lot of room for further improvement.

3.4 The Ghana Petroleum Funds (GPFs)

The final component of the P-TRAC Index assesses transparency and accountability in the management of the GPFs, namely the Ghana Heritage Fund and the Ghana Stabilisation Fund. There are five questions dealing with the rules governing the funds, public availability of information about the activities and performance of the GPFs, how the funds are utilised, whether the funds are audited and whether the audit reports are publicly available.

The PRMA sets out broad rules on the management and reporting of the GPFs. In the interest of promoting transparency and accountability, there is a need for BoG to provide as much information as possible on the performance of the funds. Some information is available, but we find it to be scanty. Our score on this question therefore remains unchanged at 80%. The BoG is required under Sub-Section 28(2) of the PRMA to publish semi-annual reports of the funds in two state-owned national dailies and on the bank's website. In the period under review the BoG has duly published the reports in the Daily Graphic and The Ghanaian Times. We have therefore assigned the maximum score of 100%. The third question enquires whether the funds are used for the intended purposes as proposed by the Investment Advisory Committee (IAC). To a large extent, the funds have been properly managed and as we have assigned the maximum score of 100% (Figure 6).

Question four enquires whether the financial reports are audited, while the fifth and final question asks whether these reports are published. The financial reports of the GPFs were audited and, for the first time, they were published. Thus, scores of 100% are given to both Question 4 and Question 5.

Adding up the individual scores for the GPFs gives an average of 92%, which is a significant improvement over the previous score of 72% (Figure 6).
3.5 Combined Results

To provide an overall view of progress in the level of governance in the oil and gas sector, the average scores for the four components are again averaged to produce a grand average. The overall score for 2014 comes to 78.5%, which is almost a 10% increase over the score of 68.9% recorded for 2012 (Figure 7). Overall, we conclude that there have been improvements in all the four components of the P-TRAC Index.

Figure 7: Overall P-TRAC Score for 2012
4. Summary and Policy Recommendations

The IEA initiated the P-TRAC Index project in 2011 to monitor transparency and accountability in the management of Ghana's oil and gas resources. This is the IEA's on-going contribution to the policy debate in Ghana. The Index focuses on four key aspects of the management of oil and gas revenues − Revenue Transparency, Expenditure Transparency, Contract Transparency and the Ghana Petroleum Funds (GPFs). Transparency in each of these areas is assessed on the basis of a series of questions. The P-TRAC Index is constructed as a simple average of the questions for each of these four components. Benchmarked against the previous two P-TRAC reports, this year's report allows us to assess how much progress has been made in enhancing transparency and accountability in Ghana's oil and gas industry. The findings from this year's assessment are summarised below.

4.1 Revenue Transparency

We have observed steady progress in efforts to improve revenue transparency over the previous two reports. The main improvements have come from the frequency and availability of reports. However, we did not find any improvement in the quality of the reports. One component of revenue transparency where there is much room for improvement is the institutional environment. Progress in this area hinges on Parliament passing two important pieces of legislation that are currently before it. These are the Right to Information Bill and the Petroleum Exploration and Production Bill, both of which have gone past the first reading stage. Speedy passage of these bills will significantly help to improve transparency and accountability in the industry. Other bills that are currently in draft form include the Ghana Extractive Industries Transparency Initiative Bill, the Local Content and Local Participation Bill, and the Marine Pollution Bill. We strongly advocate the passage of these bills.

4.2 Expenditure Transparency

In the area of Expenditure Transparency, we observed an improvement in the frequency of the reports. However, again, we found no change in the quality of the reports. We also observed improvement in our Projects sub-index, which tracks progress in the allocation of funds and distributions of projects under the Annual Budget Funding Amount (ABFA). In the absence of a long-term development plan for Ghana, decisions on expenditures in the priority areas are at the discretion of the Minister for Finance. Neither Parliament nor the Civil Society Organizations play any major role in decisions on the allocation of the funds or projects to be funded. The IEA advocates the formation of a committee with representation from all major stakeholders to advise the Minister on the expenditure programme. However, we believe it will be in the nation's interest for the expenditures to be tied to a long-term development plan. However, to date, such a plan has not materialised.

4.3 Contract Transparency

Of the four components of the P-TRAC Index, Contract Transparency showed the least improvement over the reporting period. The only improvement comes from the establishment of the Petroleum Commission to regulate the sector and to advise the government on the award of contracts and licenses. However, full public disclosure of contracts and the processes involved are lacking. As such, we advocate a more open and transparent process of awarding contracts and licenses. We note that the research capacity of Parliament remains weak. We urge the government to adequately resource Parliament and the other oversight agencies to enable them more effectively discharge their duties under the Petroleum Revenue Management Act.
4.4 The Ghana Petroleum Funds

Transparency in the management of the GPFs showed the highest improvement out of the four components of the Index over the reporting period. The maximum score was attained in four out of five questions. The key area requiring improvement in this component is the publication of information on the performance of the GPFs.

Policy Recommendations

The study makes the following recommendations:

1. We advocate the speedy passage of the Right to Information Bill and the Petroleum Exploration and Production Bill, which have both gone past the first reading stage. Parliament should give serious consideration to the following draft bills: the Ghana Extractive Industries Transparency Initiative Bill, the Local Content and Local Participation Bill, and the Marine Pollution Bill. Passage of these bills will greatly enhance the level of transparency and accountability, not only in the oil and gas sector but also in the other resource industries.

2. We also advocate speedy passage of the Budget Act to enhance Parliament's ability to conduct comprehensive analysis of the Budget.

3. In the absence of a long-term development plan to guide the expenditures from the ABFA, we recommend the formation of a committee with representation from all major stakeholders. This committee will work with the Minister of Finance in selecting projects for funding under the ABFA.

4. In the meantime, we advocate that urgent efforts be made to prepare Ghana's long-term development plan with input from all stakeholders.

5. To enhance transparency in the award of contracts and licenses, we recommend a more open and transparent process of awarding contracts and licenses, with more public disclosure of information about the process. In particular, we advocate a points-based system for assessing licenses and the award of contracts.

6. Oversight bodies such as parliamentary committees (e.g., the Public Accounts Committee and the Select Committee on Minerals and Energy) and the PIAC must be adequately resourced to enable them function more effectively in their respective roles. With particular reference to PIAC, we recommend that the upcoming review of the PRMA consider directly funding this body from the Consolidated Fund, rather from the Ministry of Finance.
References


