



# **Revenue Mobilization and Development**

## **Taxing Natural Resources: Some Recent Ghanaian Experiences**

# Natural Resource Endowment

- Ghana is endowed with natural resources
  - Gold, bauxite, manganese, cocoa, timber etc
  - Fair returns on investments versus fair benefits
  - “Root of underperformance” [IMF]:
    - Relatively weak national administration
    - Defective laws and regulations
    - Inadequate policies
  - Also little [cocoa/bauxite] or no value added from export of raw materials

# Recent remedial measures

- Recent oil and gas find:
  - Intense debate and search for remedies
    - Petroleum Revenue Management Act, 2011 (Act 815)
    - Petroleum Commission Bill
    - Petroleum Exploration and Production Bill
    - Some “talks” and “renegotiations”
  - Strong desire to break with past
    - Avoid an “oil curse” that could simply worsen existing “resource curse”

# PRMA 2011 [Act 815]

- Sources of petroleum revenues
  - Royalties [oil/gas]; additional oil entitlements: surface rentals; other receipts from petroleum operations, sales and exports
  - Receipts from direct/indirect government participation in petroleum operations
  - Corporate income tax [upstream/mid-stream]
  - National oil company receipts, including income tax, royalties, dividends etc
  - Any amount not covered above

# PRMA 2011 [Act 815]

- ALL revenues payable initially into the Petroleum Holding Account [PHA]
- Distribution into specified BOG a/c:
  - Heritage Fund [9%];
  - Stabilization Fund [21%]; and
  - Annual Budget Funding Account {ABFA} [70%]
- Collateral: None against Reserves & Petroleum Funds [Stabilization & Heritage Funds]
- No “earmarking” of petroleum revenues
- 70% of ABFA expenditures for development
- Revenue estimation part of Appropriation
  - Incl. Financing needs of National Oil Company
- PRMA overrides any conflicting laws

# PRMA governance issues

- Parliament & Executive
  - Receive & deliberate on quarterly/annual reports
- Min. of Finance & BOG Investment Advisory C'ttee
  - Fiscal, revenues and investment policies
  - Monetary, custody & management of funds
- Ghana Revenue Authority [GRA]
  - Secure all petroleum revenues [compliance challenges]
- Public Interest Accountability Committee [PIAC]
  - Influential Advisory Body to protect public interest
- Others [examples]:
  - [Ghana] Extractive Industries Transparency Initiative
  - Domestic and foreign institutions

# PRMA/Ghana Rev. Auth. (GRA)

- Charged with collecting all Petroleum Revenues
  - Separate budget [retention does not apply]
- No PRMA extraordinary powers to GRA
  - Must operate under existing tax, customs and revenue laws [some amendments proposed]
  - Yet conventional tax measures may not be enough
  - Capacity & coordination [part of ongoing reforms]
- Reporting responsibilities
  - Conventional: a quasi-corporate obligation
    - Annual report, including financial statements
  - Additional: report/assist various governance institutions
    - Complementary and competing under PRMA

# Rethink deemed necessary

- 1990s: failed effort to unify preferential regimes
  - Tax provisions; Stability Agreements; Institutional powers (e.g., GIPC, Trade Zones)
- Middle-income debate
  - GDP rebasing, oil/gas, value added
  - Change old and archaic tax laws and provisions
  - Likely significant change in investment climate
  - Avoiding oil and natural resource curse
- Conclusion
  - GRA needs to develop capacity to help meet high expectations of Ghanaians