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MANAGING GHANA'S OIL REVENUE: GHANA PETROLEUM FUNDS (Gpfs)

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ABSTRACT

Petroleum receipts, for most oil dependent economies, constitute the major source of revenues for the government. These large revenues stream are effectively managed through the vehicle of Sovereign Wealth Funds (SWFs) as practiced by oil-producing nations such as Saudi Arabia, Qatar, United Arab Emirates (UAE) and then invested in strategic developmental sectors of the economy. The creation and management of SWFs falls within the responsibility of the Government of Ghana as the sole stakeholder entrusted by the Petroleum Revenue Management Act (PRMA), 2010 to ensure transparency and accountability in petroleum revenues. PRMA makes provisions for the creation of two SWFs entitled Ghana Petroleum Funds (GPFs) which are Ghana Stabilization Fund (GSF) and Ghana Heritage Fund (GHF). GSF exist to smooth out budget imbalances due to global oil price volatility while GHF aims to provide income for future generations when oil reserves would be depleted. The paper, therefore, examines and assesses Oil & Gas (O&G) revenues received and managed by the Government of Ghana in accordance with the Petroleum Revenue Management Act, 2010. The paper begins with an exposé on Sovereign Wealth Funds (SWFs) as an instrument for better accountability and transparency in Oil & Gas revenue management. The paper then discusses and analyzes petroleum receipts and allocation by the Government of Ghana and its investments in strategic sectors of the economy through Ghana Stabilization Fund and Ghana Heritage Fund.

Keywords: Sovereign Wealth Funds (SWFs); Oil & Gas (O&G) Revenue; Petroleum Revenue Management Act (PRMA); Ghana Petroleum Funds (GPFs); Ghana Stabilization Fund (GSF); Ghana Heritage Fund (GHF).

1. INTRODUCTION

Oil revenues are huge income that constitutes steady source of revenue for oil producing countries. The government of these countries manages oil revenues for national development through the channel of investment vehicles commonly known as Sovereign Wealth Funds (SWFs). SWFs are government created and owned funds that are set up for macroeconomics reasons. These funds are mostly funded by oil and gas revenues though other SWFs can be funded by non O&G related revenues.

This paper examines and assesses Oil & Gas (O&G) revenues received and managed by the Government of Ghana in accordance with the Petroleum Revenue Management Act, 2010.

In this paper, our discussion is in two folds: First, our readers will be briefed on the history and facts of SWFs. Second, our attention will focus on Ghana's oil revenue and how effectively it has been managed till date through the channels of Ghana Petroleum Funds (GPFs).

2. History and Facts on Sovereign Wealth Funds (SWFs)

This past decade has witnessed the boom of oil producing economies due to the highly valued nature of oil as a commodity. These economies experience high economic growth which is mainly boosted by O&G exports. The revenues generated from O&G exports by these economies are allocated to funds which are in turn invested in strategic sectors of the economy. What has come to be common practices among oil producing countries when it comes to managing O&G revenues is the creation of sovereign wealth funds (SWFs). Based on publication by International Working Group of SWFs (October 2008), *SWFs*[1] *are defined as special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies which include investing in foreign financial assets. The SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports.* The term SWFs was however first employed by Andrew Razanov in an article published in the Central Banking Journal. Andrew (May 2005) defined *SWFs*[2] *as a by-product of national budget surpluses, accumulated over the years due to favourable macroeconomic, trade and fiscal positions, coupled with long-term budget planning and spending restraint*. Usually, these funds are set up with one or more of the following objectives: insulate the budget and economy from excess volatility in revenues, help monetary authorities sterilize unwanted liquidity, build up savings for future generations, or use the money for economic and social development.

From these two definitions, we retain that SWFs are government created and owned for macroeconomic reasons such as to stabilize the national budget and economy, to enable the central bank manage inflation, and to set up funds for development projects among many others. SWFs are different from other types of public created and managed funds-such as public pension funds (PPFs) and foreign reserves assets (FRAs) – with respect to its funding source and objectives. SWFs are mainly funded through budget surpluses, commodity exports, and excess foreign reserves while PPFs are funded through contributors' dues and public taxes and FRAs are entirely made up of foreign assets. SWFs are set up for macroeconomic purposes while PPFs are set up for state management of social risks affecting employees and FRAs are set up for exchange rate control. Whereas PPFs have explicit

[1] Sovereign Wealth Funds : Generally Accepted Principles and Practices (Santiago Principles), International Working Group of Sovereign Wealth Funds, pp 27, October 2008
[2] Who holds the wealth of nations?, Andrew Razanov, Central Banking Journal, May 2005 Edition

liabilities, SWFs tend to lack such characteristics and even when they do such liabilities are very limited. This defines SWFs as a unique type of institutional investor.

SWFs exist among a number of oil producing and non producing countries. Prominent examples of these funds are Abu Dhabi Investment Authority (ADIA), Kuwait Investment Authority (KIA), China Investment Corporation (CIC), and Government of Singapore Investment Corporation (GIC). Table 1 ranks the 10 largest SWFs by Asset under Management.

Table 1: Largest Sovereign Wealth Funds by Assets Under Management[3]

Country	Fund Name	Assets ($ Billions)	Inception	Origin	Linaburg-Maduell Transparency Index
UAE – Abu Dhabi	Abu Dhabi Investment Authority	$627	1976	Oil	4
China	SAFE Investment Company	$567.9**	1997	Non-Commodity	2
Norway	Government Pension Fund – Global	$560	1990	Oil	10
Saudi Arabia	SAMA Foreign Holdings	$472.50	n/a	Oil	4
China	China Investment Corporation	$409.60	2007	Non-Commodity	7
Kuwait	Kuwait Investment Authority	$296	1953	Oil	6
China – Hong Kong	Hong Kong Monetary Authority Investment Portfolio	$293.30	1993	Non-Commodity	8
Singapore	Government of Singapore Investment Corporation	$247.50	1981	Non-Commodity	6
Singapore	Temasek Holdings	$157.20	1974	Non-Commodity	10
China	National Social Security Fund	$134.50	2000	Non-Commodity	5
	Total Oil & Gas Related	**$1,955.50**			
	Total Other	**$1,810.00**			
	TOTAL	**$3,765.50**			

*This includes the oil stabilization fund of Russia.
**This number is a best guess estimation.
***All figures quoted are from official sources, or, where the institutions concerned do not issue statistics of their assets, from other publicly available sources. Some of these figures are best estimates as market values change day to day. Updated December 2011

According to SWF Institute analysis, based on ranking of 58 SWFs, overall SWFs' asset under management totaled $ 4.7 trillion. This amount is broken down into a total amount of $

[3] http://www.swfinstitute.org/fund-rankings/

2.6 trillion (55%) for O&G related SWFs and total amount of $ 2.1 trillion (45%) for non O&G related SWFs. The region that dominates the number of SWFs created is Asia with 40% of SWFs. Other important regions are Middle East with 35%, Europe with 17%, Africa with 3% and others with 2%.

SWFs are usually established as either a separate legal identity with full capacity to act and governed by specific constitutive law (as practiced by Kuwait, Korea, Qatar, and United Arab Emirates), or as a state-owned corporation (as in the case of Singapore's Temasek and Government of Singapore Investment Corporation (GIC), and China's China Investment Corporation (CIC)), or as a pool of assets without a separate legal identity owned by the state or the central bank (as done by Botswana, Canada, Chile, and Norway). All these legal forms of SWFs are enacted under public law. The first case of SWFs legal structure provides much stricter state control over the management of SWFs because the law specifies each aspect of the funds' administration. These guidelines state the funds' objectives, investment policy, eligible assets classes, investment horizon, and risk appetite. The second case establishes SWFs as government-sponsored enterprises (i.e state-owned corporations) with management assigned to a statutory management team governed by public law. The third case, contrary to previous cases, establishes SWFs as non-separate legal entities managed and controlled by a government agency. These SWFs are normally controlled by the Ministry of Finance and managed by the central bank or a statutory management team.

SWFs, by their objectives, contribute to national development agenda. SWFs are known either to focus on stabilization measures to the national budget or economy against price volatility, or to save funds for the future generations, or to provide stability to the national currency, or to promote socioeconomic developments.

SWFs help prevent the Dutch Disease as they focus their investments in a diversified portfolio of assets across different sectors of the economy. SWFs are funded by surpluses revenues so their investment objectives can be tailored to suit the national development agenda. These are the cases of Libya and Kuwait which aim at savings funds for the future generations through transferring non-renewable resources to other sectors such as agriculture and manufacturing.

SWFs hold significant portions of their investments in foreign assets making them an important player in the global financial markets. Major capital flows among nations are accounted for by SWFs. The nature and characteristics of SWFs make them possible stabilizing forces in the global financial market. SWFs have long investment horizon, little concern for liquidity and lack explicit liabilities. SWFs, therefore, have high risk appetite making them appropriate investors for risky assets such as equities, high yield bonds, emerging assets, private equity, hedge funds and real estate. SWFs serves as stable investor base for financial markets and provide liquidity during market stress. SWFs also contribute to the development of the national capital market. For similar reasons given above, SWFs are catalyst for national capital market development. SWFs are unique institutional investors with large capital base and government agenda to promote socioeconomic developments.

3. Ghana's oil reserves and production

The discovery of oil brought a lot of joy to Ghanaians who look up to see their country become an oil producing nation and enjoy the returns of oil boom economy. Ghana began oil production in December 2010 and as at 1st quarter of 2012 ended 31st March 2012 over 30 million[4] barrels of oil have been lifted. This volume represents lifting by both GOG/GNPC and its partners (Tullow Oil Ghana, Kosmos Energy Ghana, Anadarko, Sabre Oil & Gas Holdings, and E.O Ghana). Participating interests[5] of Jubilee Partners are: Tullow Ghana Limited (TGL) with 34.70%; Ghana National Petroleum Corporation (GNPC) with 13.75%; Kosmos Energy Ghana with 23.49%; Anadarko WCTP with 23.49%, Sabre Oil and Gas Holdings Limited with 2.812% and E.O. Group with 1.75%.

Current oil production is only from the Jubilee fields while further explorations have revealed large oil deposits at various fields within the Deepwater Tano block (DWTB) and West Cape Three Points block (WCTPB). Deepwater Tano block covers an area of 190 000[6] acres at water depth of 655-6 760 feet. Oil fields at DWTB are Jubilee oil field which intersects with the border of DWTB and WCTPB both being adjacent to each other, Tweneboa oil field discovered in 2009, Enyenra oil field discovered in 2010, Tweneboa Deep oil field discovered in 2011, and Ntomme oil field discovered in 2011. With the exception of Jubilee oil field which produce oil, other oil fields are still in their development phase.

West Cape three points block covers an area of 171 000[7] acres at water depth of 65-5 900 feet. Oil fields at WCTPB are Jubilee oil field discovered in 2007, Mahogany oil field discovered in 2008, Teak oil field discovered in 2011, Akasa oil field discovered in 2011, and Banda oil field discovered in 2011. Currently, only Jubilee oil field is producing oil while the others are in their development phase.

Jubilee oil field

The Jubilee field was discovered in June 2007. It is located 60km offshore between the Deepwater Tano and West Cape Three Points blocks in Ghana[8].

The field's recoverable reserves are estimated to be more than 370 million barrels, with an upside potential of 1.8 billion barrels. It is located at a water depth of 1,100m[9].

Equity partners of the Deepwater Tano block are Tullow with 49.95%, Kosmos with 18%, Anadarko with 18%, Sabre Oil & Gas with 4.05%, and Ghana National Petroleum Corporation (GNPC) with 10%[10].

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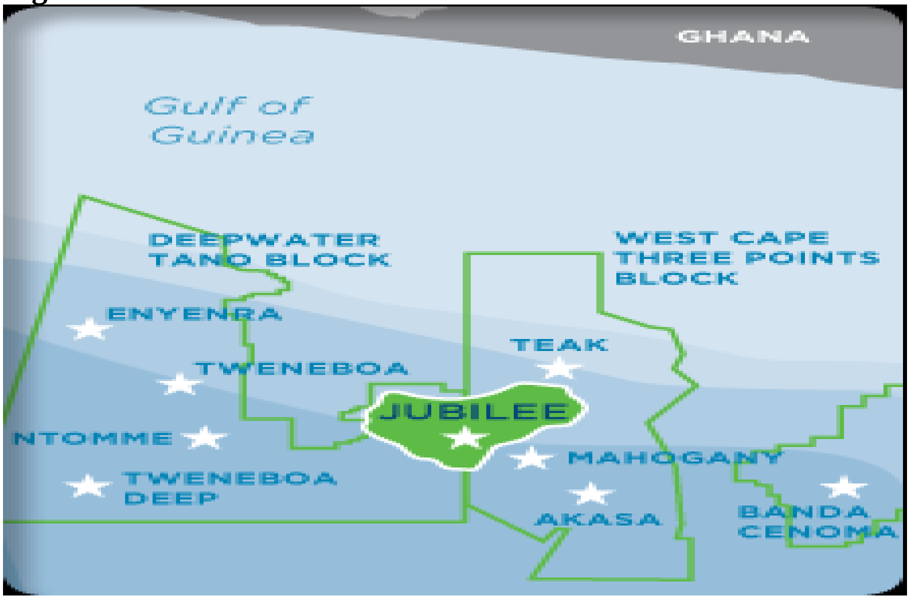
[4] Petroleum Receipts, Ministry of Finance & Economic Planning
[5] http://www.gnpcghana.com/aboutus/newsdetails.asp?arcnwsiD=39
[6] http://www.kosmosenergy.com/operations-ghana-deepwater-tano.php
[7] http://www.kosmosenergy.com/operations-ghana-wctp.php
[8] http://www.offshore-technology.com/projects/jubilee-field
[9] http://www.offshore-technology.com/projects/jubilee-field
[10] http://www.offshore-technology.com/projects/jubilee-field

West Cape Three Points is held by Tullow with 22.9%, Kosmos with 30.88%, Anadarko with 30.88%, Sabre Oil & Gas with 1.85%, Ghana National Petroleum (GNPC) with 10%, and E.O Group with 3.5%[11].

The Jubilee appraisal and development programme began at the end of 2008 and the Odum, Mahogany-2, Heydua-2 and Mahogany-3 wells were drilled[12].

Figure 1: Jubilee Oil Field



Ghana's Jubilee oil field production averaged between 82 000 to 84 000[13] barrels per day in the year 2011. A total of 23.5 million[14] barrels of oil have been exported so far, a year into the commencement of oil production from the country's developed oilfields. Daily production is expected to reach 120 000 barrels when other fields start production.

The government yielded around $ 440 million from petroleum revenues in the year 2011. This figure is expected to rise to $1 billion dollars per year once drilling is at full capacity. Ghana's oil reserves ranges from 800 million to 1.8 billion[15] barrels and natural gas reserves of 22.65 billion[16] cubic feet.

4. Ghana's economic boost from oil exports

The Ghanaian economy performed remarkably well in the year 2011, growing at a spectacular 23% and 34 % respectively during the first and second quarter of 2011. The economy is expected to grow at 13.669% by year end 2011 and 7.314% in 2012. The current economic

[11] http://www.offshore-technology.com/projects/jubilee-field
[12] http://www.offshore-technology.com/projects/jubilee-field
[13] Daily Graphic, Edition No 18718, December 16, 2011, page 1-3
[14] Daily Graphic, Edition No 18718, December 16, 2011, page 1-3
[15] http://www.revenuewatch.org/countries/africa/ghana/overview
[16] http://www.revenuewatch.org/countries/africa/ghana/overview

growth is boosted mainly by oil exports. Ghana is now an emerging economy attracting high foreign investments and has attained a middle-income status.

The Ghanaian economy is set to receive more foreign investments as the O&G industry continues to grow. Being currently the world fastest growing economy, Ghana is the pride of Africa with her recent democratic achievement, peaceful environment, hospitable citizens, and dynamic economic environment.

5. Ghana's oil revenue

Publications by the Ministry of Finance and Economic Planning on petroleum receipts and distribution highlight proceeds from oil & gas exports.

Table 2: Petroleum Receipts and Distributions from the Jubilee Oil Field[17]

		2011				2012		
	Unit	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	TOTAL TILL 1Q2012	TOTAL 2011
Total Volume Lifted	**Bbls**	**4,627,701.00**	**5,970,237.00**	**6,966,962.00**	**6,886,552.00**	**5,871,464.00**	**30,322,916.00**	**24,451,452.00**
o/w GOG/GNPC	Bbls	995,259.00	944,691.00	990,770.00	949,469.00	996,484.00	**4,876,673.00**	**3,880,189.00**
o/w Partners	Bbls	3,632,442.00	4,975,546.00	5,976,192.00	5,937,083.00	4,874,980.00	**25,396,243.00**	**20,521,263.00**
Date of GOG/GNPC Lift		**09/03/2011**	**25/062011**	**03/08/2011**	**15/10/2011**	**04/01/2012**		
Reference Price per barrel	USD	112.60	115.48	110.37	111.15	110.58	-	-
Market Price per Barrel	USD	112.80	116.28	110.67	112.55	111.63	-	-
Marketing Cost per Barrel	USD	0.08	0.08	0.08	0.08	0.08	-	-
Marketing Cost	USD	79,620.72	75,575.28	79,261.60	75,957.52	79,718.72	**390,133.84**	**310,415.12**
Gross Receipt from GOG/GNPC Lifting*	USD	**112,189,575.52**	**115,579,115.44**	**109,569,254.30**	**106,787,778.43**	**111,157,790.20**	**555,283,513.89**	**444,125,723.69**
o/w Royalties	USD	31,055,938.00	31,994,219.00	30,330,589.00	29,560,397.90	30,948,012.11	**153,889,156.01**	**122,941,143.90**
o/w Carried & Participating Interest	USD	81,133,637.52	83,584,896.00	79,238,665.30	77,226,380.53	80,209,778.09	**401,393,357.44**	**321,183,579.35**
Transfer to GNPC	USD	**51,925,528.20**	**53,494,333.20**	**50,712,716.62**	**51,831,724.37**	**51,334,257.84**	**259,298,560.23**	**207,964,302.39**
o/w Equity Financing Cost	USD	32,453,455.00	33,433,958.00	31,695,447.89	34,901,953.60	32,083,911.00	**164,568,725.49**	**132,484,814.49**
o/w Net Carried & Participating Interest	USD	19,472,073.20	20,060,375.20	19,017,268.73	16,929,770.77	19,250,346.84	**94,729,834.74**	**75,479,487.90**
GOG Net Receipt from Lifting	USD	**60,264,047.80**	**62,084,781.80**	**58,856,537.68**	**54,955,054.06**	**59,823,532.36**	**295,983,953.70**	**236,160,421.34**
o/w Royalties	USD	31,055,938.00	31,994,219.00	30,330,589.00	29,560,397.90	30,948,012.11	**153,889,156.01**	**122,941,143.90**
o/w Net Carried & Participating Interest	USD	29,208,109.80	30,090,562.80	28,525,948.68	25,394,656.16	28,875,520.00	142,094,797.44	**113,219,277.44**
Other Petroleum Receipts	USD	-	-	-	-	-	-	-
o/w Corporate Income Taxes	USD	-	-	-	-	-	-	-
o/w others	USD	-	-	-	-	-	-	-

[17]http://mofep.gov.gh/?q=reports/290612

Total GOG Receipts	USD	**60,264,047.80**	**62,084,781.80**	**58,856,537.68**	**54,955,054.06**	**59,823,532.36**	**295,983,953.70**	**236,160,421.34**

Notes:
o/w means of which
Gross Receipts from GOG/GNPC Lifting is net of marketing cost
Bbls means Barrels
USD means US Dollars
GOG means Government of Ghana
GNPC means Ghana National Petroleum Corporation

Since Ghana started oil production in December 2010, oil revenues have been recorded by the Ministry of Finance and Economic Planning. Table 1 highlights oil revenues on quarterly basis for the period 2011 and first quarter of 2012. The year 2011 recorded a total of 24.4 million barrels of oil exported of which GOG/GNPC controls 16% share while other stakeholders control 84% share. Over the reporting period, Figure 2 depicts an increasing trend in oil lifting from 1st to 3rd quarter of 2011, then a slight stabilization for the 4th quarter before falling for 1st quarter of 2012. Figure 3 depicts the trend in oil lifting by GOG/GNPC. GOG/GNPC lifting falls and rises from quarter to quarter.

Figure 2: Total Volume Lifted

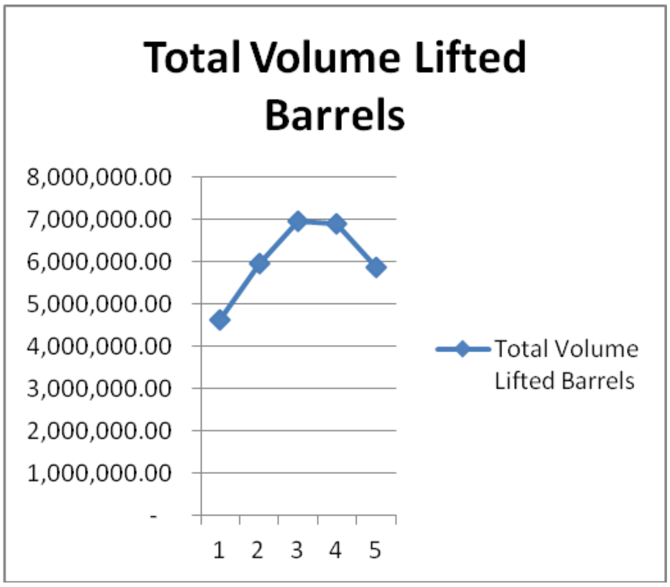
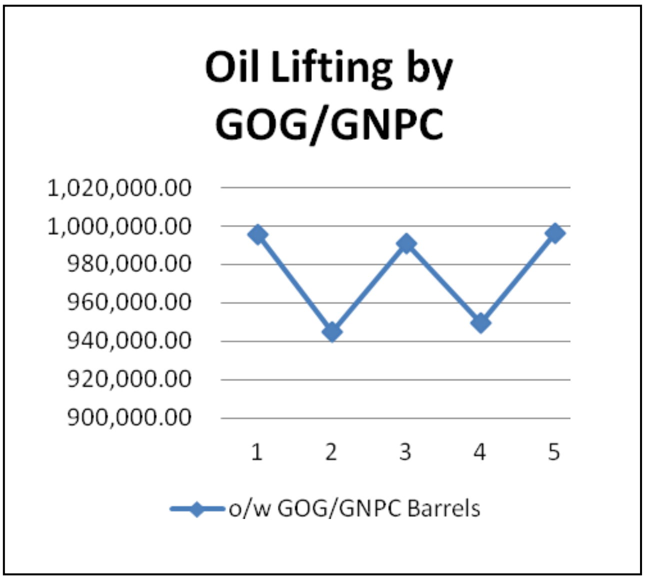
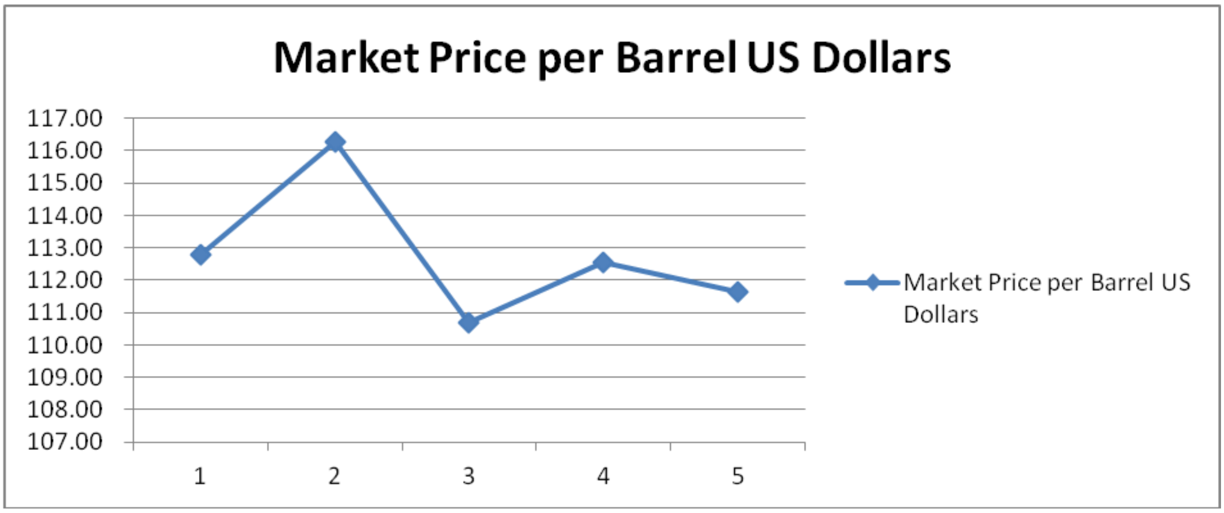


Figure 3: GOG/GNPC Share



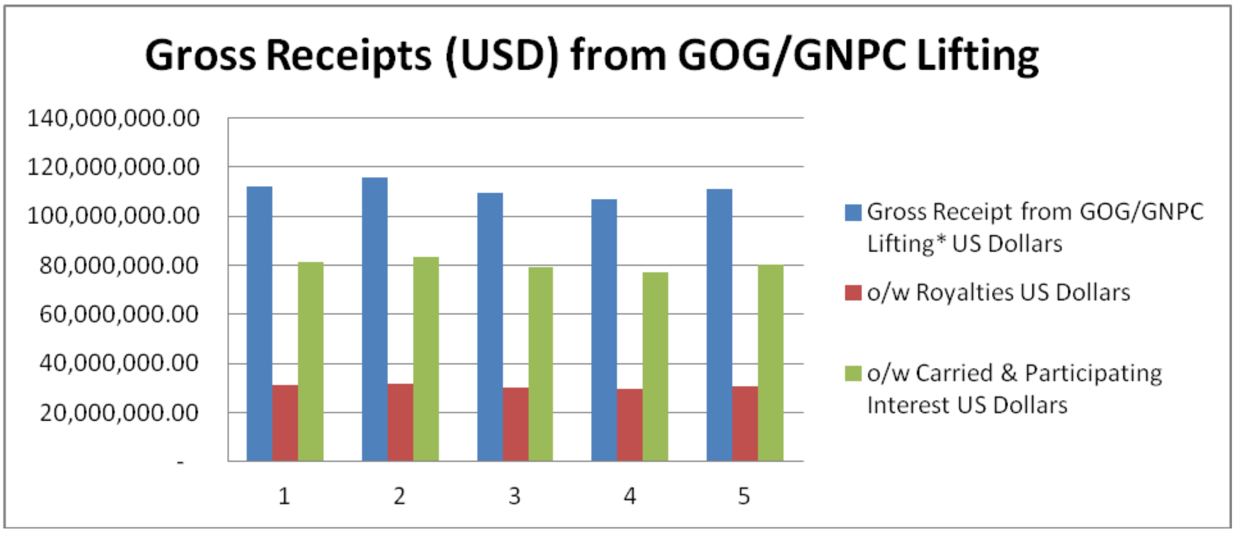
Market price per barrel of oil has been unstable over the reporting period. Figure 4 depicts the volatile nature of oil price on the world market. Oil price rose in the 2nd quarter, fell in the 3rd quarter, then rose again in the 4th quarter and finally fell in the 5th quarter (i.e 1st quarter of 2012).

Figure 4: Market Price per barrel (US Dollars)



Marketing cost for oil sales is a fixed cost per barrel so total marketing cost varies with respect to total volume produced and sold. Oil proceeds recorded by GOG/GNPC are entirely composed of royalties and participating interest. Gross oil receipts of 444.1 million USD were recorded from GOG/GNPC lifting for the year 2011. Of this amount, royalties constitute 28% share while participating interest constitutes 72% share. Figure 5 depicts oil revenues generated by both GOG and GNPC. Oil revenues have been slightly within range from quarter to quarter. Carried & participating interests contribute the most to oil revenues.

Figure 5: Oil revenues from GOG/GNPC Lifting



Further, breaking down oil revenues from GOG/GNPC Lifting into oil revenues earned by the Government of Ghana (GOG) and oil revenues earned by Ghana National Petroleum Corporation (GNPC), Figure 6 & 7 respectively depicts petroleum receipts by GOG and by GNPC over the 5 quarters reported. Petroleum receipts are made up of oil royalties, participating interest, and corporate taxes on oil companies. Currently no corporate taxes are been received from oil companies so current petroleum receipts are entirely from oil royalties and participating interest. Oil revenue earned by GOG averaged 59 million US Dollars per quarter in 2011 while transfer to GNPC averaged 52 million US Dollars per quarter in the same period. Out of these amounts, royalties paid on oil resources are received by GOG while participating interests are share between GOG and GNPC accordingly.

Figure 6: Oil revenues due to the Government of Ghana (GOG)

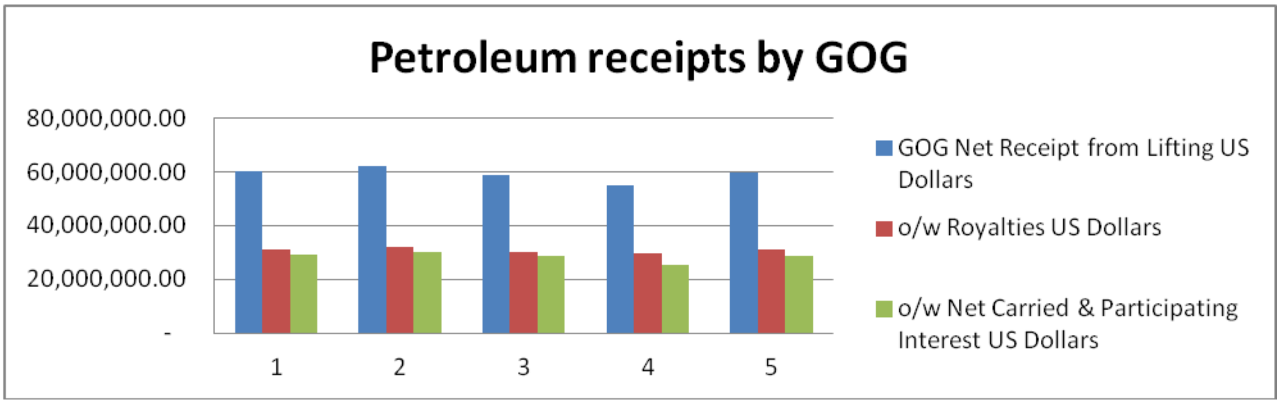
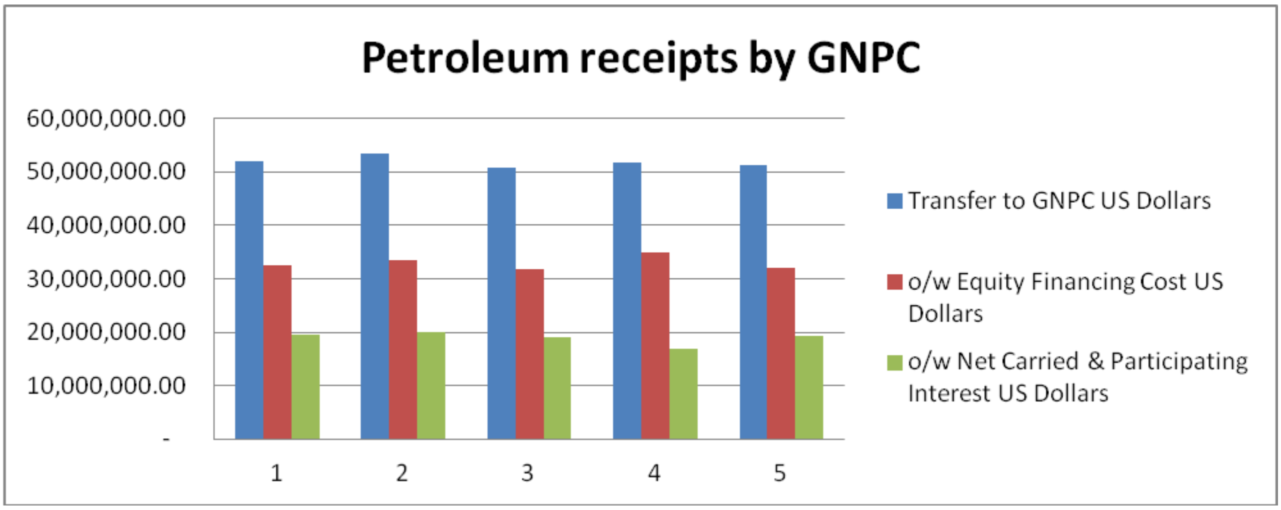


Figure 7: Oil revenues due to Ghana National Petroleum Corporation (GNPC)



6. Policy framework for oil revenue management

Since oil discovery in Ghana in 2007, different policy frameworks have been drafted to guide O&G industry. Currently Ghana's O&G industry is governed by the following laws and regulations: Petroleum Revenue Management Act (PRMA) 2010, Petroleum Exploration and Production Bill 2010, Petroleum Income Tax PNDC Law 188, Environmental Assessment Regulation 1999, Ghana Model Petroleum Agreement. The PRMA 2010 makes provision for the creation of a petroleum account from which should be established Ghana Stabilization Fund (GSF) and Ghana Heritage Fund (GHF). These SWFs are created with the objectives of stabilizing the economy and also securing the future of generations to come when oil resources would be depleted. The GSF seek to provide a cushion to budget imbalances due to unanticipated revenue shortfalls caused by a fall in the petroleum price or through adverse production changes. The GHF seek to provide an endowment to support the welfare of future generations after the underground petroleum has been depleted. The same act assigns day-to-day operational management of these SWFs to the Bank of Ghana.

Oil proceeds from lifting are distributed to Jubilee partners according to an entitlement scheme. GOG's oil proceeds come from oil royalties (rental right to exploit oil resources which is set between 5% to 12.5% of gross production); additional oil entitlements (scheme that ensures that as field production becomes more and more profitable the State's share of that production increases.); participating interest (return on investment for undertaking oil exploration and development venture), carried interest (participating interest in an oil exploration and production venture without any financial contribution towards such venture); petroleum income tax (which is tax on corporate profit paid by oil producing companies to the state). In addition, the GOG receives dividend payment and any surpluses from GNPC.

Table 3 highlights oil proceeds received and its allocations to the Ghana Petroleum Funds. These oil proceeds are revenues generated by the GOG from oil lifting. Oil revenues due to GOG are managed in accordance with the provisions of the Petroleum Revenue Management Act (PRMA) 2010. This Act provides the framework for effective collection, allocation, and management of petroleum revenue in responsible, transparent and accountable manner for the benefit of all Ghanaian. The Act calls for the establishment of petroleum account at Bank of Ghana for the reception and disbursement of petroleum revenue due to the state. Cash inflow to petroleum account comes from royalties on O&G, participating interest, carried interest, additional oil entitlement, surface rentals, corporate income taxes, and dividends and corporate tax from GNPC. From this petroleum accounts shall be disbursed to the Ghana Stabilization Funds (GSF) and Ghana Heritage Funds (GHF) collectively referred to as Ghana Petroleum Funds (GPFs) excess petroleum revenues for the purpose of savings and investments.

Withdrawals from GSF are to be made only for the purpose of filling up a shortfall in annual budget due to insufficient petroleum revenue. The PRMA states that withdrawals from GSF are made where petroleum revenues collected in each quarter fall below 1/4 of the Annual Budget Funding Amount for that financial year. The same withdrawal principle applies to GHF.

Management of GPFs is a joint responsibility of both the Ministry of Finance & Economic Planning and Bank of Ghana. The Minister develops the investment policy for GPFs; is responsible for the overall management of these funds; consults regularly with the Invstment Advisory Committee and Governor before any decisions in relation to investment strategy or management of GPFs are made; and lastly establishes an operation management agreement with the Bank of Ghana for operational management of GPFs. The Bank of Ghana is responsible for the day-to-day operational management of the Petroleum Reserve Accounts (PRAs) under the terms of Operation Management Agreement; and manage the PRAs prudently within the framework of the operational and management strategy provided by the Minister.

Investment rules regarding GPFs require that resources of GPFs be invested in qualifying instruments prescribed in the PRMA. The Act defines a Qualifying instrument as (1) a debt instrument denominated in internationally convertible currency that bears interest or a fixed amount equivalent to interest that is of an investment grade security and that is issued by or guaranteed by the International Monetary Fund (IMF), the World Bank or by sovereign State other than the Republic of Ghana if the issuer or guarantor has investment grade rating; (2) an internationally convertible currency deposit with, or a debt instrument denominated in any internationally convertible currency that bears interest or a fixed amount equivalent to interest issued by the Bank for International Settlements, the European Central Bank; or the central bank of a sovereign State other than the Republic of Ghana with a long-term investment grade rating; (3) a derivative instrument that is solely based on an instrument that satisfies the requirements of this subsection, and where its acquisition reduces the financial exposure to the risks associated with the underlying instrument or instruments.

Table 3: Oil proceeds and Allocations to Ghana Petroleum Funds[18]

Schedule 1: Oil lifted 2011				
			US Dollars	
Lifting	**Lifting Date**	**Cargo Value Date**	**Proceeds Received**	
First	9th March 2011	21st April 2011	112 189 575.00	
Second	25th May 2011	24th June 2011	115 579 115.44	
Third	3rd August 2011	2nd September 2011	109 569 254.34	
Fourth	15th October 2011	14th November 2011	106 786 778.43	
Total			**444 124 723.21**	
Schedule 2: Allocation to Ghana Petroleum Funds				
Lifting	**Allocation Date**	**Ghana Heritage Fund (GHF)**	**Ghana Stabilization Fund (GSF)**	**Total**
	US Dollars	**US Dollars**	**US Dollars**	**US Dollars**
First	25th August 2011	4 808 131.16	18 059 340.50	22 867 471.66
Second	25th August 2011	4 805 488.97	19 903 267.60	24 708 756.57
Third	16th September 2011	4 786 381.49	16 842 744.63	21 629 126.12
Fourth		-	-	-
Total		**14 400 001.62**	**54 805 352.73**	**69 205 354.35**
Schedule 3: Ghana Petroleum Funds Investments				
Account	**Maturity**	**Face Value**	**Coupon**	
	Months	**US Dollars**	**US Dollars**	
GSF	3	54 800 000.00	32 471.18	
GHF	6	14 400 000.00	39 206.59	
Total		**69 200 000.00**	**71 677.77**	

Table 3 highlights allocations to the petroleum funds and investments in various qualifying instruments. In the course of 2011 three allocations were simultaneously made to GSF and GHF. A total sum of 69.2 million US Dollars have been allocated to both funds with GSF receiving 54.8 million US Dollars representing 79.2% of total allocation and GHF receiving

[18] http://www.bog.gov.gh/privatecontent/Public_Affairs/semi-annual%20report%20on%20the%20ghana%20petroleum%20funds.pdf

14.4 million US Dollars representing 20.8% of total allocation. These two funds have invested their respective allocations in debt facilities denominated in US Dollars. These debt facilities are of short-term maturity. GSF invests in 3 months maturity debt with a face value of 54 800 000 US Dollars generating coupons of 32 471.18 US Dollars while GHF invests in 6 months maturity debt generating coupons of 39 206.59 US Dollars.

7. Conclusion

Over a year of oil production, Ghana has already started reaping returns from her oil discovery. Oil exports have boosted the country economic growth now rated the fastest growing economy in the World. Oil revenue has become a new source of revenue for the Government. The newly created oil and gas industry has benefited from several government regulations aimed at safeguarding the nation's interest. Such regulations concern oil operations, environmental safety, local employment, revenue accountability, and many more. Our discussion has mainly being about SWFs and how best they help manage O&G revenues. We saw that SWFs may be funded by other revenue streams aside O&G revenues. SWFs are mechanisms through which resource-rich countries in general and oil producing nations in particular manage their excess revenues from commodity exports, budget surpluses, foreign reserves, and the rest. Ghana as an oil producing nation has followed such practices in managing its O&G revenues. Two SWFs, Ghana Stabilization Fund and Ghana Heritage Fund, have been established for the purposes of budget stabilization and savings for future generations. These funds have already received allocations which have in turn been invested in debt facilities to help economic development.

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