

KEYNOTE ADDRESS

BY

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AT THE

**STAKEHOLDERS' ENGAGEMENT ON 2016 GHANA EITI
REPORTS FOR MINING AND OIL AND GAS SECTORS,
GHANA COMMODITY TRADING PILOT REPORT AND
BENEFICIAL OWNERSHIP DISCLOSURE PROCESS IN
GHANA**

GLOBAL DREAMS HOTEL, TAMALE, N/R

4TH - 5TH OCTOBER, 2018

Mr. Chairman

Hon. Northern Regional Minister

Traditional Authorities

Members of the Ghana EITI Multi-Stakeholder Group

Chief Directors and Heads of Institutions

Chief Executives and Coordinating Directors present

Representatives from Civil Society Organizations

Representatives of Development Partners

Friends from the Media

Distinguished Ladies and Gentlemen

1. Good morning. It is a great pleasure for me to deliver the keynote address at today's stakeholders' engagement on the Ghana EITI (GHEITI) 2015/16 Reports for mining and oil and gas sectors, Ghana Commodity Trading Pilot Report and Beneficial Ownership (BO) Disclosure process for the Northern zone. This 2-day session is to afford participants of the opportunity to discuss the findings and recommendations of the above-mentioned reports and Ghana's Beneficial Ownership (BO) development process, build the capacities of critical stakeholders, and bring members up to speed on where we are on BO, and the way forward going into the future.
2. Let me first congratulate and acknowledge the hard work of the Ghana EITI Multi-Stakeholder Group (MSG), all the relevant state and non-state actors, and our development partners for their contribution towards the successes chalked thus far in the work of the Ghana EITI

for the past 15 years. I wish to specially thank the Ghana Oil and Gas for Inclusive Growth (GOGIG) for partnering Government for the preparation of the 2015/2016 GHEITI Reports for the oil/gas and mining sectors respectively, and for supporting today's event.

3. **Mr. Chairman**, the Extractive Industries Transparency Initiative (EITI) having been introduced over a decade ago, with a narrow focus on revenue transparency, has now expanded its scope along the extractive sector value chain, bringing accountability and transparency to bear on extractive sector activities and processes. The EITI reporting requirements as per the 2016 standard has become more demanding and ambitious in terms of the level of details, processes and content than before to respond to some of real complexities and challenges in the extractive sector. For instance, EITI reports now include contextual information such as summary description of the legal framework, fiscal regime, the sector's contribution to the economy, production and export data, state participation, revenue allocation, licence registers and allocations, as well as issues on beneficial ownership, commodity trading transparency and mainstreaming issues among others.
4. For those of you who are hearing about the EITI for the first time, it is an initiative which involves reconciliation of payments by extractive industries and receipts by government with the ultimate aim of promoting transparency and accountability in order to enhance development outcomes in the extractive sector. The initiative began in Ghana in 2003.
5. The Ghana EITI has so far produced thirteen (13) mining sector reports and six (6) reports for the oil and gas sector which contain various findings and recommendations. The latest of these reports are the 2015 and 2016 GHEITI Reports for mining and oil and gas being one of the reasons why we are here today. Over the period, the findings of the reports and the implementation of the recommendations have informed a wide range of policy and legislative reforms as well as changes in the fiscal regime in the mining, oil and gas sectors.

6. **Ladies and Gentlemen**, the Ghana EITI over the years as part of the recommendations of the EITI reports has made some notable contributions towards promoting the country's natural resource governance and management in particular, and the economy in general. Some of these include:

- (i) Development of guidelines for the utilisation of mineral royalties by District Assemblies;
- (ii) Reduction of 80% capital allowance to 20% for over a period of five (5) years in the mining sector;
- (iii) Payment of capital gains tax in the oil and gas sector; and
- (iv) Change of the mineral royalty rate payment from a sliding scale of 3% - 6% to a fixed rate of 5% by mining companies.

Indeed, Ghana's sterling performance was, duly acknowledged by the EITI Board in 2016 at the EITI Global Conference in Lima, Peru, for using the EITI processes to influence policy reforms and make impact.

7. **Mr. Chairman**, Ghana went through a validation process by the International Secretariat in 2016 and was declared to have made "*meaningful progress*" overall in implementing the EITI standard in 2017. Validation is an independent assessment and quality assurance mechanism to measure the level of progress of EITI implementing countries based on a set of criteria and standard. The result of the validation meant that Ghana has made significant progress in meeting the EITI requirements based on the International EITI standard. However, notwithstanding this achievement, there are a few areas which include state participation and SOEs transactions, production and export data, among others, that we need to work on to get to the ultimate "*satisfactory progress*" level we all desire. I am glad to inform you that the necessary steps have been taken to address the issues raised in the validation report in our 2015 and 2016 GHEITI Reports with a view to improving on our performance in the second EITI validation which began in September, 2018.

8. **Ladies and Gentlemen,** in 2016, the International EITI Board agreed that all implementing countries, including Ghana, are required to disclose the sale of state share of oil and gas production and other “in-kind” revenues, as stipulated in the EITI Standard Requirement 4.2. This decision is part of the EITI’s global commodity trading programme. The Ghana Commodity Trading Pilot Report provides information on the “first trades” of Ghana’s Share of crude oil and gas by the Ghana National Petroleum Corporation (GNPC), the National Oil Company, from 1st January, 2015 to 31st December, 2017. We were privileged to have Ghana selected among five countries including Albania, Nigeria, Chad and Indonesia for this important pilot project in 2016. The key variables for disclosure in this Report are the legal and regulatory framework for trading oil and gas, sale prices, buyers, contracts, destination and transfers of revenue receipts, among others. From these, there is no doubt that this report contributes to the transparency and accountability of management of natural resources in Ghana.

9. **Mr. Chairman,** transparency in commodity trading, including information on the parties to the transaction and the factors influencing the sales, is crucial in providing a full picture of governments’ revenues and management of its natural resources. It is worthwhile to note that the Commodity Trading Report found that the governance arrangements for trading oil and gas by the GNPC are *good*, however, some scope for improvement exists in anticipation of future growth in volume of oil sales. The Ghana EITI and Government will take full interest in the findings and recommendations to implement them to consider ways of using lessons learnt from the pilot to strengthen and open up the frontiers of transparency going into the future. This will include bringing on board the International Oil Companies (IOCs) and the mining sector players instead of the limited scope of the pilot which focused on the State.

10. **Mr. Chairman,** Ghana made a number of commitments at the 2016 UK Anti-Corruption Summit which included the implementation of the BO, Contract disclosure, open contracting, transparency in commodity trading etc. The country has made significant progress in our BO disclosure implementation which includes development of a

road map for the BO, amendment of the Companies Act of 1963 to include the BO provisions just to mention a few. As a result of this, Ghana was one of the five (5) countries out of fifty-one (51) countries recognised by the EITI Chair during an international conference on BO held in Jakarta, Indonesia, in October 2017 for its efforts to expanding the frontiers of transparency, including progress made towards lifting the veil off the actual beneficial owners of companies operating in the country. Currently, The Registrar General's Department in collaboration with GHEITI, and support from some development partners has produced a new Companies Bill which has been approved by Cabinet and laid before Parliament for ratification. The key institutions and stakeholders including Ghana EITI will soon meet with Parliament to discuss the Bill as part of the consultation process.

Again, government has established and launched a Petroleum Register on 5th February this year in accordance with provisions of Ghana's Petroleum Exploration and Production Law. The Register is aimed at broadening the boundaries of transparency and information disclosure in upstream petroleum activities, ensure efficient and effective utilisation of Ghana's petroleum resources among others.

11. **Ladies and Gentlemen**, the concept of 'beneficial ownership' is not well known and as a way of education, the term 'beneficial owner' is a person who enjoys the benefits of ownership and control over a business, even though his or her title may be in another name. It is believed that the absence of a beneficial ownership disclosure regime facilitates fronting in public procurements, as well as transfer pricing manipulations, where related entities trade with themselves and in the process fix prices to either evade taxes or increase profits unduly.

Indeed, paragraph 289 of the 2017 Budget Statement and Economic Policy of Government of Ghana cited a research by the Tax Justice Network–Africa which indicated that Ghana loses an estimated amount of GH¢2.00 billion from transfer pricing abuses from the extractive sector.

12. Given the above statistics by the Tax Justice Network and also figures indicated in an Impact Research Study on transfer pricing in Ghana's oil and gas sectors, commodity exports and imports by ISODEC in 2017, I believe there is a compelling reason why we need to have a beneficial ownership register which to some extent will help reduce the abuses and corruption. This will in turn contribute in mobilising the much needed domestic revenue to fund education, health care and other social amenities as well as support government's new policy strategy to building a '*Ghana Beyond Aid*'.
13. I wish to conclude, by wishing you fruitful deliberations for the next two days.
14. Thank you for your utmost attention.