



REPUBLIC OF GHANA

MINISTRY OF FINANCE



Extractive Industries
Transparency Initiative
Ghana

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Ghana Launches 2017/18 EITI Mining & Oil/Gas Reports

Accra, March 11, 2020. The Ministry of Finance and the Multi-Stakeholder Group (MSG) of the Ghana Extractive Industries Transparency Initiative (GHEITI) have produced and will today, formally launch the country's 2017/18 Mining and Oil/Gas EITI reports, published on December 31st, 2019. The MSG is a tripartite body made up of Government, Industry and Civil Society, with the responsibility of steering the affairs of Ghana's EITI. The mining report brings to fourteen (14), the total number published since Ghana acceded to the initiative in 2003. For oil and gas, the 2017/18 report is the seventh (7th) since the initiative was expanded to cover the sector.

The reports which were published in conformity with the 2016 EITI Standard, go beyond the mere reconciliation of payments and receipts, to include contextual information such as summary description of the legal framework and fiscal regime, the sector's contribution to the economy, production and export data, state participation in the extractive industries, revenue allocations, sustainability of revenues, licence registers and licence allocations.

Commenting on the 2017/18 reports ahead of the launch, the Chief Director of the Ministry of Finance, Mr. Patrick Nomo, who also doubles as the Chair of GHEITI said: "The reports this time around provide better context, with up-to-date information on developments within the two sectors, which in my view will help address Ghana's two outstanding validation corrective actions, and lead to a more informed debate on what contributions the extractive sector is making to our nation's development". He added that, "the reports highlight issues regarding what policy reforms are necessary to address challenges faced by both government and industry so that the extractive enterprise becomes a win-win venture for both resource owner and investors".

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On his part, the Co-Chair of Ghana's EITI, Dr Steve Manteaw, stated that, "While disclosures on the management and use of extractive resources are vital in fostering an informed citizens' engagement on natural resource governance, the country's long term objective of enhancing the development outcomes of the extractive sector will not be served, if citizens do not seize upon the reports to demand accountability and the needed policy and practice change from duty bearers". He went on to challenge all Ghanaians to take keen interest the reports and to use its findings and recommendations in their policy engagements.

The Oil and Gas companies that participated in the 2017/18 reconciliation exercise were: Ghana National Petroleum Corporation (GNPC), Tullow Ghana Ltd, Kosmos Energy Ghana, Petro SA Ghana Ltd, Eni Ghana (E&P) Ltd, Hess Ghana Ltd.

Companies such as Anadarko, Eco Atlantic, Vitol Upstream, and AGM though met the materiality threshold for inclusion in the report, failed to submit their templates, and therefore did not participate in the exercise. A few companies were excluded from the reconciliation exercise because they did not meet the materiality threshold of US\$370,000 and US\$350,000 for 2017 and 2018 financial years respectively, during the scoping phase of the exercise.

On the government side, reporting entities whose data were reconciled with those of the companies were: Ghana Revenue Authority (GRA), GNPC, Ministry of Finance / Bank of Ghana, Petroleum Commission and Ministry of Energy.

For the mining reconciliation report, sixteen (16) companies - made up of 14 gold mining, 1 bauxite and 1 manganese were covered by the exercise. The materiality threshold or cut-off point for the mining sector reporting companies for the 2017/18 reports was GHS2 million.

State agencies which provided data and information for the mining audit were: GRA, Office of the Administrator of Stool Land (OASL), Minerals Commission, Municipal and District Assemblies within areas of operation of the mines, Ministry of Lands and Natural Resources, and Ministry of Finance.

Key Findings – Oil and Gas

1. Though the Minister of Finance is required under the Earmarked Funds, Capping and Realignment Act, 2017 (Act 947), to stipulate the weightings used in the event of realignment of a covered entity's funds in the budget statement, no such weightings were provided in the 2018 budget, in respect of the funds of the Ghana Infrastructure Investment Fund (GIIF) even though they were realigned.
2. GNPC's funds are currently capped under the PRMA at 30 percent of net petroleum revenues. To further cap the 30 percent at 25 percent under the Earmarked Funds, Capping, and Realignment Act, has the potential effect of impairing the Corporation's capacity to meet its operational expenditure, and to finance critical exploration activities.
3. There is lack of clarity on the relationship between GNPC and GNGC. Currently, GNPC claims responsibility for GNGC as a subsidiary and indicates this on its website. However, GNGC does not appear to recognise GNPC as a parent company. Further, GNPC's financial statements do not reflect debts owed by GNGC.

4. An amount of US\$50m withheld by the Ministry of Finance in 2015 as a loan from GNPC, has still not been repaid by the Ministry. On 15th December 2018, GNPC received a letter from the Ministry directing that the \$50m loan be expunged from its books, on the grounds that per the Earmarked Funds Capping and Realignment Act, 2017 (Act 947), the Minister for Finance is empowered to cap all earmarked funds at twenty-five percent of tax revenues.

Key Findings – Mining

1. Data from the OASL indicates that the last transfer of mineral royalty receipts to communities impacted by mining was made from payments made by mining companies in the period April to June 2014. Disbursement in 2017 was expected to continue with payments by mining companies in July 2014. However, it was observed that the first payment in 2017 was made from payments made by mining companies between January and April 2017.
2. The non-implementation of section 85(2) of the Income Tax Act which provides for the withholding of three percent tax on ASM production, is costing government some significant amount of revenues as the proportion of gold produced from ASM increases. The law which was instituted to obtain some revenue from the ASM sector has been dormant following protests by ASM sector players against the mode of collection and the quantum of the amount to be paid.
3. According to Requirement 2.3(b) of the EITI Standard, the mining register/cadastre should include licence transfers and terminations. Current register does not feature transfers and terminations.
4. Details of Artisanal and Small Scale Mining (ASM) and ASM production especially of salt and quarry products, are not available on Minerals Commission's online register or MCAS.
5. The Earmarked Capping and Realigning Funds Act which seeks to cap and realign funds in excess of the 25% of tax revenue might render the section 3(a) of MDF Act 912 impractical for implementation and transparency. This is likely to reduce the potential impact of the Fund on mining communities. The Act also stipulates that Budget Statement would assign weightings by the Minister in the event of aligning but these weightings were absent in the 2018 and 2019 budget statements, on occasions when allocations to the MDF were in short fall in 2017.
6. Investment/Stabilization agreements have varying applicable sliding scale of royalty rate for different companies. For example, in the event of gold price reaching \$1,750 Goldfields would pay royalties at 4.0%, AngloGold Ashanti would pay at 4.5% whilst others would pay 5%. The reasons for the variations ought to be established for the purposes of transparency and fairness.

The full reports are available on: www.gheiti.gov.gh

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