

2010 ANNUAL REPORT

**GHANA EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE (GHEITI)**

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January, 2011

Introduction

The Extractive Industries Transparency Initiative (EITI) is aimed at reducing poverty by improving transparency in the receipts and payments of mineral revenues from the country's extractive industries. The initiative supports countries rich in natural resources to strengthen the governance of the sector. It achieves this through the full publication and verification of company payments and government revenues from oil, gas and mining.

In 2003 Ghana signed onto this initiative and has since been implementing activities to enhance transparency in the mining sector. As a result of successes chalked by the EITI in the mining sector, there were several calls by various stakeholders to extend the initiative to the oil and gas sector. To this effect, the implementation of the EITI was successfully extended to include oil and gas sector in 2010 and membership of the Steering Committee expanded to cover the oil and gas sector players.

The Ghana version has been named the Ghana Extractive Industries Transparency Initiative (GHEITI). A Multi-stakeholder National Steering Committee drawn from Government, Civil Society and mining/oil and gas companies has the oversight responsibility for the implementation of the initiative's work plan.

In 2010, the GHEITI undertook the following activities:

1. Validation of Ghana EITI

The Ghana EITI underwent validation process in March 2010 which was conducted by International Validators known as the IDL Group Ltd. Validation represents the EITI's quality assurance mechanism and the main objective is to provide an independent assessment, including verification, of the progress a country has made in implementing the EITI, and to make recommendations that may help improve or sustain the EITI in the future.

The Validators had interactions with the National Steering Committee (NSC) members and some key stakeholders from Government institutions, GHEITI Secretariat, Civil Society Groups, Mining Companies and Development Partners.

This was to ascertain the level of awareness and involvement of these stakeholders in the EITI process since its sign up in 2003. The Validators first made a presentation to the NSC on 15th January 2010 on their findings and a detailed final draft report was presented to the NSC for comments which was then submitted to International EITI Secretariat.

2. Stakeholder Round Table Consultative Workshop on the Legislation of GHEITI

Stakeholders at a round table consultative workshop on 19th January 2010 met to deliberate on whether or not to legislate the Ghana EITI. It was agreed that legislation of the initiative was critical to guarantee its sustainability. The legislation of the GHEITI according to the participants will not only boost investor confidence but will also give true expression of Government's commitment to transparency and accountability concerns in natural resource governance.

The discussions focussed on two separate reports of study into the legal framework for the extractive sector revenue transparency and accountability in Ghana done by Mr. Fui Tsikata and legal experts commissioned by CSOs respectively.

The report by Mr. Fui Tsikata clearly identified gaps in the legal framework for transparency and accountability in the generation and use of extractive sector revenue in Ghana. These include the fact that, even though "the receipt and handling of payments due to Government are regulated by provisions of the Constitution, the Financial Administration Act, 2003 (Act 654) and the Financial Administration Regulations, 2004 (LI 1802) there are no legal provisions which require any Government institution to publish information specifically about the revenues generated or collected from mineral operations". Others are: the absence of obligation to publish annual accounts in the Gazette; difficulty in accessing information on annual returns filed with the Registry; the fact that payment to local government institutions is not required by law and therefore, weakens their capacity to assert and enforce a right to receive them etc.

The report tabled two options in terms of the available legislative interventions to deal with the inadequacies in the existing framework. These are: gap-filling (amendments to the relevant laws and regulations) and the enactment of a stand-alone law on the EITI. However, a consensus was arrived at by stakeholders that the GHEITI required a stand-alone law and CSOs which was tasked to prepare a draft framework has submitted a draft ToR for discussions by NSC members.

3. Attainment of Compliant Status of the Transparency Standard EITI by Ghana EITI

Ghana has achieved Compliance with the Extractive Industries Transparency Initiative (EITI), the global standard for improved transparency in the oil, gas and mining sectors. The EITI Board designated Ghana as 'EITI Compliant' at a meeting in Dar-es-Salaam, Tanzania on 19th October, 2010.

EITI Chair, Peter Eigen congratulated the Government, Companies and Civil Society Organizations that have supported the process in Ghana.

“The achievement of EITI Compliance status is well deserved and I hope it will spur you on to manage the new oil sector transparently. Ghana was the first country to publish an EITI Report for the mining sector. It was also the first country to provide data on the payments made to regional levels of government. These reports have come to provide a reliable and comprehensive account of mining companies’ payments to government and of government’s receipt of those funds”.

In order to achieve compliant status, countries must complete a rigorous, independent assessment of their disclosure and reporting practices. Mongolia and Ghana became the fourth and fifth countries to achieve EITI Compliance, joining Azerbaijan, Liberia and Timor-Leste.

4. Cabinet’s Approval for the Roll-Out of GHEITI to the Oil and Gas Sector

The Ministry of Finance and Economic Planning in collaboration with other key stakeholders including the Ministry of Energy and the Ghana National Petroleum Corporation jointly developed a framework for extending Ghana EITI to oil and gas sector. After extensive consultation, the document was agreed upon by the EITI stakeholders.

The GHEITI Secretariat subsequently submitted a Memorandum to Cabinet on the Revised Institutional Framework and a detailed work plan for Cabinet’s approval of the extension of GHEITI to the oil and gas sector which was granted on

5. Inauguration of the Expanded National Steering Committee of the Ghana EITI

The Hon. Minister of Finance and Economic Planning, Honourable Kwabena Duffour, inaugurated the expanded National Steering Committee (NSC) of the Ghana Extractive Industries Transparency Initiative (GHEITI) on 8th September, 2010. The expanded Committee has on board key players in the oil and gas sector such as the Ministry of Energy, Ghana National Petroleum Corporation, Civil Society Platform on oil and gas and Tullow Oil Ghana Ltd.

The inauguration ceremony was attended by the Hon. Minister of Lands and Natural Resources, the Hon. Minister of Environment, Science and Technology, the Hon. Deputy Minister of Energy as well as members of the new GHEITI Steering Committee.

In a statement by the Hon. Minister of Finance and Economic Planning, he expressed confidence that the EITI implementation in the oil and gas will draw some lessons from the EITI implementation in the mining sector. He noted that as a government, the principles of EITI support our efforts to promote good and accountable governance in the public sector.

Through the EITI reporting process, the revenue accruing to government from the extractive sector would be well documented and publicly disclosed. He urged the Committee members to take note of their mandate as documented in the approved framework for the extension of GHEITI to the oil and gas sector.

He thanked the National Steering Committee of the Mining EITI for their dedication and contributions to the EITI process so far and also congratulated the nominees for accepting to take up this challenge.

6. GHEITI Sensitization Workshop in Takoradi

The GHEITI Secretariat of the Ministry of Finance and Economic Planning and the GHEITI National Steering Committee undertook a series of sensitization programmes aimed at deepening the understanding and involvement of stakeholders in the EITI process.

To this effect, a sensitization workshop on the extension of the EITI to oil and gas sector was held on 18th – 19th June, 2010 at Akroma Plaza Hotel in Takoradi. The workshop was in line with the GHEITI work plan approved by Cabinet to sensitize stakeholders on the activities of EITI in Ghana.

The objective of the workshop was to inform stakeholders of plans by the Ghana EITI to extend its principles to the oil and gas sector. It was well attended by the District/Municipal Chief Executives, Presiding members, Finance officers and Traditional rulers in Takoradi and its environs. Members of the Ghanaian media were also present.

The welcome address was delivered by the representative of the Western Regional Minister and key note addresses were presented by representatives of the Deputy Minister of Finance and Economic Planning and Minister of Energy.

Presentations on various topics were made by key resource persons from stakeholder institutions.

7. Introduction of Information Technology (IT) Solution for EITI Reporting in Ghana

The Ghana EITI with the support of German Technical Cooperation (GTZ) began the introduction of an IT solution to its reporting mechanism.

A German Software Company SAP-AG developed and implemented customized IT software that the GHEITI Stakeholders can employ to improve revenue data transmission and reporting under the initiative.

It is intended to support the GHEITI stakeholders to enable them verify and publish company payments and government receipts from oil, gas and mining uniformly and transparently to ensure improved governance in natural resource revenues.

As part of the preparatory activities towards the start-up of the project, a stakeholder workshop was organized in April 2010 at which stakeholder groups discussed the relevance of the project, shared perspectives on stakeholder roles, and determined data needs and requirements. The stakeholders at the workshop approved for the project to commence.

Subsequently, a two-day stakeholder workshop was organized from 19th-20th May, 2010 at the La Palm Royal Beach Hotel, Accra. The workshop was aimed at providing a forum for all relevant stakeholders to discuss, amend and revise the project proposal prepared by SAP and to share perspectives on ways to facilitate the Extractive Industries Transparency Initiative (EITI) implementation in Ghana.

The workshop also sought to secure agreement on the project objectives, its design, and implementation approach as well as roles, responsibilities and mechanisms to resolve pertinent issues during implementation.

As part of the agreed outcomes of the workshop, a Local Counterpart team was constituted to work with the SAP team to ensure a smooth knowledge transfer of the IT Solution project.

8. Round Table Learning and Sharing Workshop on EITI and NREG

The Ghana EITI Secretariat and the Natural Resources and Environmental Governance (NREG) Programme in collaboration with the Publish What You Pay (PWYP)-Ghana organized a one day learning and sharing workshop for stakeholders of both programmes (NREG and EITI) on 7th July, 2010.

The NREG is a sector budget Support (SBS) programme aimed at improving the governance of our natural resource sectors by addressing the challenges they face.

The EITI is also a governance initiative which aims at promoting transparency and accountability in the management of revenues from the country's extractive resources.

It was designed to encourage governments, extractive companies, international agencies, civil society organizations, among others with interest in the extractive

sector to work together to develop a framework that promotes transparency of payments and revenues.

The workshop was meant to:

- i) create a deeper understanding amongst stakeholders of both programmes,
- ii) ensure a better inter sectoral collaboration and effective implementation of targets that are cross-cutting,
- iii) ensure effective complementarities of both programmes and develop synergies where relevant.

The workshop was attended by the Ghana EITI National Steering Committee, the NREG Technical Coordination Committee and CSOs represented by Publish What You pay-Ghana.

9. Technical Round Table Workshop to Discuss Findings of the 2006-2008 Reports

The GHEITI Secretariat and the National Steering Committee organized a technical round table workshop to discuss the findings and recommendations of the EITI audit reports for 2006-2008.

The meeting which was held at the Greenland Hotel, Agona Swedru was attended by members of the National Steering Committee and all stakeholders affected by the reports.

The welcome address by the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper was read on his behalf by the GHEITI Coordinator. He informed participants of Ghana's achievement of Compliance status as declared by the EITI Board. He added that the achievement of the EITI compliance status is significant because it was in recognition of GHEITI's hard work.

More importantly, as the nation begins crude oil production a strong EITI implementation in Ghana will complement other good governance measures to ensure that there is transparency in the management and use of the oil revenues.

Ghana's new EITI Compliance status according to the Deputy Minister will send a strong signal to the international and investor communities that Ghana is serious with transparency in the extractive sector and therefore, all investors must comply with the country's transparency laws and disclose all material payments made to government.

He urged representatives of the various institutions present to follow up on actions that relate to their sectors and report to the GHEITI Secretariat at the Ministry of Finance and Economic Planning.

The GHEITI Aggregator also took participants through the key issues and recommendations contained in the reports and the various stakeholders took their turns to respond and contribute to the issues.

Participants who attended the workshop were from the Ghana Revenue Authority, District Assemblies, Mining companies, Office of the Administrator of Stool Lands. Others included the Non-Tax Revenue Unit of MoFEP, Minerals Commission and Civil Society Organizations.

10. Launch of Ghana EITI 2006-2008 Reports on Mining Sector Benefits

The GHEITI National Steering Committee in collaboration with the Ministry of Finance and Economic Planning launched the 2006, 2007 and 2008 EITI audit reports on 15th November 2010 at the Novotel in Accra. The launch was attended by the various stakeholders including the press.

Present at the launch were the Deputy Minister of Lands and Natural Resources, Hon. Ford Kamel and the Ag. Chief Director of the Ministry of Finance and Economic Planning, Mrs. Effie Simpson Ekuban who is also the Chairperson of the Ghana EITI.

The Ag. Chief Director of MoFEP delivered a speech on behalf of the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper.

In his speech he congratulated members of the NSC for working hard to achieve the compliance status. He noted that the EITI reports pointed to various weaknesses within the extractive sector revenue institutions. He entreated all MDAs affected by the findings and recommendations in the reports to ensure that the necessary corrective measures are put in place as soon as practicable. He urged all to educate themselves on the contents of the reports. "We as a Government will also be proactive in arranging a public discussion around the issues in the reports for the various stakeholders, he noted".

In his remarks, the Hon. Deputy Minister of Lands and Natural Resources noted that effective stakeholder cooperation is critical in the management of the country's natural resources. He also expressed the hope that the EITI will in the near future extend its scope to the forestry sector.

Remarks were also made by the Executive Director of the National Catholic Secretariat on behalf of Civil Society Organizations.

11. GHEITI Dissemination Workshop in Tarkwa

Having successfully launched the 2006, 2007 and 2008 Ghana EITI Audit Reports on 15th November, 2010, the GHEITI Secretariat together with the National Steering Committee embarked on a series of dissemination workshops. The first in the series was held in Tarkwa, Western Region 13th December, 2010 for the mining companies and District Assemblies within the mining enclaves.

The purpose of the workshop was to share with the stakeholders the findings and recommendations of the 2006-2008 EITI reports. The workshop also attracted some Civil Society representatives and the media.

Key presentations were made by some members of the NSC, notably among the presentations were the; "Principles and Criteria of EITI" by Mr. Amponsah Tawiah; "The GHEITI process so far" by Dr. Steve Manteaw; and "The Role of Mining Companies in ensuring transparency in the Mining Sector" by Mr. Sulemanu Koney.

The Aggregator also took participants through the highlights of the 2006-2008 EITI audit reports. This was followed by questions, comments and contributions by the participants.

12. Tarkwa Community Forum on EITI

On the 14th December 2010, the GHEITI Secretariat and the National Steering Committee in collaboration with the Ministry of Finance and Economic Planning organized a durbar/forum at the Tarkwa Community Centre to sensitize the people on the principles of the Extractive Industry Transparency Initiative.

Although there have been several instances of sensitization activities for the Media, Civil Society, Companies and other target stakeholders, the Tarkwa Forum was the first of its kind to interact with people at the grass root and in an informal way.

Participants at the Forum included persons from all walks of life, the aged, youth, farmers, artisans and the general public. At the forum, members of the National Steering Committee took turns to explain the issues to the participants. There was question and answer session where doubts were cleared and misconceptions removed.

On the whole, participants were pleased to learn about the initiative and were particularly delighted to know that mineral revenue payments to the District Assembly were being made public. Participants were also pleased to know of plans to establish an information centre in Tarkwa where they could access information on mining and mineral revenue payment to the local authority.

13. Stakeholders Workshop on the Extension of the EITI to the Forestry Sector

The GHEITI Secretariat in collaboration with Publish What You Pay Coalition (PYWP) organized a knowledge sharing and information gathering workshop for stakeholders involved in the Ghana Extractive Industries Transparency Initiative and forestry sector on 30th November 2010. The workshop was to provide an opportunity for stakeholders to better understand the dynamics of fiscal transparency issues in the forestry sector, particularly with respect to its revenue streams.

In September 2009, Ghana signed onto the Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade (VPA-FLEG). By this singular action the country committed to combat illegal logging and contribute to sustainable forestry management. Ghana is also expected as from the end of 2010 to introduce a Timber Licensing Scheme (TLS) that will ensure that all timber consignments leaving the country specifically to the European Union are issued with licenses attesting to their compliance with all laid down regulations.

Among others, the topics discussed at the workshop included the Impact of Illegal logging on Governance, Economy and the Environment; Forest Law Enforcement Governance and Trade (FLEG) Process and Ghana Voluntary Partnership Agreement (VPA) Process; and overview of Forestry Sector Fiscal Regime: Ensuring Transparency in Forestry Sector.

It was agreed at that a scoping report would be produced as an output of the workshop to provide the relevant information on best approach to extend the EITI to the forestry sector. The extension will mark the final phase of the Ghana EITI three-tier strategy to extend the initiative to the extractive sectors (mining, oil and gas and forestry).

14. Stakeholders Trained in the Use of Information Technology (IT) Solution for EITI Reporting

Following the successful completion of the Software development component of the IT Solution project in November, 2010 by the SAP-AG of Germany, a series of training on the newly developed software. The first training session for Government agencies, Companies and District/Municipal Assemblies was held from the 7th to the 9th of December 2010 at the IT Laboratory of the Ministry of Finance and Economic Planning. Selected officers responsible for capturing mineral revenue receipts were taught how to apply the facility.

Participants at the training session were from the Ghana Revenue Authority, the Office of Administrative Stool Lands, the Energy Commission, the Ghana National

Petroleum Company, Mining companies and District/Municipal Assemblies in the mining communities of the country.

When fully operational the IT Solution will support relevant GHEITI stakeholders in their reporting and will also enable the aggregator to efficiently verify and publish company payments and government revenues from oil, gas and mining uniformly to ensure improved governance in the country's extractive resources.

15. Participation in Capacity Building Programmes

As part of measures to build capacities of members of the GHEITI Secretariat, two members of the National Steering Committee, Mr. Sulemanu Koney of Chamber of mines and Dr. Gad Akwensivie of the Office of the Administrator of Stool Lands were selected to participate in oil and gas training at Oak Plaza in Accra.

16. Finalisation Workshop on the Draft National Mining Policy

On the 30th December 2010, the Ministry of Lands and Natural Resources and the Minerals Commission organised a Stakeholder workshop at the Coconut Groove Regency Hotel in Accra to discuss and review the final draft of the National Mining Policy. The workshop was well attended by Nananom, Members of the Chamber of Mines, Directors of MDAs and Civil Society representatives. Mr. Franklin Ashiadey, Coordinator of GHEITI chaired the workshop.

In his address, the Minister of Lands and Natural Resources noted before the onset of the Economic Recovery Program (ERP) the mining sector was its lowest ebb and so also was the economy of Ghana.

In order to reverse the trend, Government had to implement a number of policy initiatives which included the divesting of the failing erstwhile state gold mining Company, rehabilitating and retooling of the existing mines, liberating the exchange rate regime and very importantly instituting a comprehensive and attractive legal, fiscal and institutional framework for the minerals and mining sector. These initiatives were to help attract investments into the mining industry, especially the gold sub sector.

He highlighted gold production over the years. While in 1984 the country produced just about 240,000 fine ounces, by 2009, Ghana had hit an all time record production of 3.12 million fine ounces and that the sector currently contributes 7% of Ghana 's total corporate tax earnings, 46% of total exports, 12% of government revenues and about 5.5% of GDP. The sector also employs 24,000 people in the large scale mining industry and about 500,000 people are engaged in small scale mining of gold and other minerals.

He mentioned that there was the need to continue to initiate pragmatic policies to govern the exploitation of the nations' mineral resources. In particular, the minimisation of the costs associated with the endeavour and need to address challenges facing the industry through various policy interventions were some of the reasons for the organisation of the workshop. He implored participants to present their concerns for deliberation.

17. Participation in key International EITI Conferences and Seminars

18. EITI International Board Meetings

19. National Steering Committee Meetings

The governing body of Ghana EITI is led by the NSC which is a Tripartite Committee drawn from Government, Civil Society and Companies. The Committee works through the GHEITI Secretariat and its mandate is to see to the overall implementation of GHEITI work programme.

Throughout the year, members of the NSC met on several times to discuss issues concerning the implementation of EITI in Ghana.

These meetings were well represented by members of the Committee at all times even at short notices.

20. End of Year (2010) Retreat for Members of Ghana EITI National Steering Committee

As part of the efforts to consolidate the gains made so far in EITI implementation, and to plan for activities in 2011, the National Steering Committee of GHEITI organised an end-of-year Retreat in Sogakope from 7th to 9th January, 2011.

The specific objectives of the retreat were to discuss among other issues:

1. The Ghana Oil and Gas Fiscal Regime and how the NSC could contribute to the bill from an EITI perspective.
2. The Draft Oil and Gas Reporting format for EITI Aggregation, and
3. General performance of the Ghana EITI process and implication of Ghana's' new EITI Compliant Status

Other issues Discussed were as follows:

- Stock-taking of the implementation of 2010 GHEITI Work plan
- The Draft 2011 GHEITI Work plan
- Ghana's participation in the Paris EITI Global Conference in March,2011
- The planning and strategies on the hosting of Ghana African Regional EITI Conference in 2011 and
- Summary of 2011 GHEITI work plan

21. Conclusion

The GHEITI Secretariat and the NSC worked hard to achieve a high level of success in the EITI implementation in Ghana. However, there is the need to do more and there are challenges ahead particularly in the wake of successfully extending the initiative to oil and gas sector, planned extension of EITI to the forestry sector, legislation of Ghana EITI, hosting of Ghana EITI African Conference in 2011 among others.

The major highlights of the 2011 GHEITI Work plan activities which the GHEITI Secretariat and the NSC will undertake in 2011 include:

- Carry out an independent audit of the extractive sector payments and benefits for 2009.
- Extension of Ghana EITI to the forestry sector.
- Publication and dissemination of EITI audit reports.
- Communicating Ghana EITI by embarking on series of sensitisation programmes.
- Legislation of Ghana EITI to give legal backing to the process.
- Capacity building and institutional strengthening.