

**DISSEMINATION WORKSHOP ON 2009**

**AUDIT REPORTS @ ANYINAM LODGE,**

**OBUASI, 30<sup>TH</sup> JANUARY, 2012.**

## **1.0 Introduction**

The Ghana Extractive Industries Transparency Initiative (GHEITI) Secretariat in conjunction with the Ministry of Finance and Economic Planning organized a one day dissemination workshop for key District Assemblies affected by mining in the Ashanti Region. The workshop was attended by the Ashanti Regional Minister, Metropolitan/Municipal and District Chief Executives, Civil Society Organizations and Mining Companies. Others include Traditional Authorities, Opinion Leaders and members of the National Steering Committee. (*Full participation list is attached as appendix VI*).

The workshop was chaired by Nana Baafour Aboagye-Agyemang, Chief of Adansi Traditional Council and moderated by Dr. Gad Akwensivie of the Office of Administrator of Stool Lands.

### **1.1 Welcome address by the GHEITI Coordinator, Mr. Franklin Ashiadey on behalf of Chief Director of Ministry of Finance**

In a welcome address by the GHEITI National Coordinator, Mr. Franklin Ashiadey on behalf of Chief Director of Ministry of Finance and Economic Planning and Chairman of Ghana EITI acknowledged that the choice of Obuasi as a venue for the workshop is due to the historic and a central role it plays in the mining industry. He added that both Ashanti and Western Regions contribute over ninety percent (90%) of all the mining activities in the country therefore it is important to share the findings and recommendations of the 2009 GHEITI report extensively with major contributors.

He mentioned that EITI is a tripartite international initiative made up of governments, companies and civil society groups that seek to promote principles of transparency and accountability in the payment and receipts of financial resources from the extractive sector. He explained that , it is achieved through regular publication and reconciliation of revenue payments and receipts by mining companies and Government respectively. He informed participants that the 2009 GHEITI report marks the 7<sup>th</sup> Audit reports

produced so far since the inception of the initiative and it is expected to empower the general public to hold government and stakeholders accountable for the utilization of natural resource revenues.

He also noted that Ghana EITI reports helped to unearth several challenges in the mining sector, some of which include low royalty rate and the overall fiscal regime of mining sector. Other reforms by EITI include the following;

- ✓ draft guidelines for the utilization of mineral royalties by District Assemblies,
- ✓ introduce IT infrastructure into the EITI reporting to optimise the reporting, data processing and coordination mechanisms, (stakeholders including District finance officers and mining companies' financial managers have been trained)
- ✓ revision of the royalty rates,
- ✓ revision of ground rents,
- ✓ increase in corporate tax from 25% to 35%,
- ✓ capital allowance of 20% annually for 5years
- ✓ windfall profit tax of 10%

He stated that it is therefore the interest of GHEITI NSC/Secretariat to see the implementation of these fiscal regime reforms in the mining sector. He called on the Civil Society to ensure government does not relent in the implementation of the reforms.

He assured members that, Ghana EITI will continue to ensure that natural resources are of benefit to the people in providing both their economic and social needs.

He also mentioned that the observations made during the community fora held from Kenyasi to Tarkwa, showed that mining creates many environmental, economic and social challenges for the local mining communities. Clearly, the costs are more than the benefits for which reason most communities would wish mining is stopped. He, however, called on stakeholders to fast track the pace at which they implement the recommendations from the report.

He stated that, it is important benefits from mining are used to build the economic capacity that can mitigate the loss of livelihood and other benefits for the people. He also mentioned that the capacity to translate central government disbursements, including portions of mineral royalties into concrete development at the local community level is weak and at best work in progress.

In conclusion, he informed participants about the plans that are under way to produce the first EITI Report covering the oil and gas sector, by September, 2012.

## **1.2. Brief Remarks by Obuasi Municipal Chief Executive (MCE) - Hon. Alexander Ackon**

Hon. John Alexander Ackon, MCE of Obuasi Municipal Assembly (OMA), expressed appreciation for selecting Obuasi as a venue for such an important workshop and welcomed participants to the workshop. In his remarks, he drew attention to three major concerns as stated below;

- From the aggregated reports, it was reported that some Assemblies received less than the expected mineral royalties due them; what efforts are being put in place to refund the variance to the affected Assemblies?
- The royalty payment to beneficiaries through the Administrator of Stool Lands is still not transparent enough. He called for a more transparent way of disbursing royalties to beneficiaries.
- The release of mineral royalties should be streamlined to facilitate budgeting processes

He also mentioned that the laws including stability agreements signed with some mining companies accounted for the low rate of mineral royalties and called on EITI to work collectively to remove some of these barriers.

### **1.3 Key note address by Ashanti Regional Minister- Hon. Dr. Kwaku Agyemang-Mensah**

In a key note address delivered by the Hon. Ashanti Regional Minister, Dr. Kwaku Agyemang-Mensah, he noted that the region is endowed with several mineral deposits and other natural resources; therefore issues pertaining to mining and management of returns accruing from the industry are of great interest to the chiefs and the people of the region. He applauded the choice of Obuasi for the workshop stating that it will provide opportunity for the people to participate in the discussion of issues affecting their environment and lives.

He noted that, the conditions in the mining communities do not measure up to the huge resources that have over the years been extracted by the Mining Companies from these areas. The mining communities continue to suffer from the negative effects of mining and most of these communities happen to be among the deprived communities in the country, lacking tangible infrastructural facilities such as potable water, good health and educational facilities and decent housing, in addition to the poor environmental sanitation conditions.

He stated that, as a country, the time has come to take bold and decisive action towards addressing some of these challenges. It is for this reason that Government in the 2012 Budget Statement increased the Corporate Tax Rate for mining companies from 25% to 35%, while a windfall tax of 10% on all mining companies has also been imposed.

Again, all mining companies would also be allowed a uniform capital allowance regime of 20% per annum for five (5) years, all geared towards ensuring that the country derives maximum returns from the mining industry to support Government in meeting the development challenges of the mining communities and the country in general.

He mentioned that the role of the Ghana Extractive Industries Transparency Initiative is critical to Government in ensuring open and transparent management of resources from

the mining sector. Government would complement existing structures on good governance and transparency in the country to ensure that returns from natural resources are utilized to the benefit of the people.

Furthermore, the activities of EITI would engender citizens' participation in the decision making process at the local level and thereby promote local economic development and poverty reduction. He also noted that, it is important for all stakeholders to support the districts to build relevant capacities and a robust public financial management system.

He finally urged all MMDAs in the region to ensure strict compliance of the guidelines on corporate social responsibility and utilization of mineral royalties when it finally becomes operational.

## **2.0 Presentations**

The following five presentations were made. (*Details of the presentations are attached as appendices I-V respectively*)

**Presentation one:** Concepts and Principles of EITI by Mr. Amponsah Tawiah of Minerals Commission

**Presentation two:** The GHEITI process so far by Dr. Steve Manteaw of PWYP-Ghana

**Presentation three:** Highlights of the GHEITI 2009 Audit reports by GHEITI Aggregator- Mr. Kwaku Boa-Amponsem

**Presentation four:** Draft guidelines on the utilization of mineral royalties by Mr. Richard Afenu of Minerals Commission

**Presentation five:** The role of mining companies in ensuring transparency in the mining industry in Ghana by Mr. Sulemanu Koney of Ghana Chamber of Mines

### **3.0 Discussions**

**(i) Question:** Research has proven that mining of minerals is exhaustible. Also, investing in cocoa is more profitable and ecologically friendly than investing in mining. In the case of cocoa, it is being marketed and monitored by the Ghana Cocoa Marketing Board, who monitors the quantum of minerals exported?

**Answer:** Mr. Amponsah Tawiah of the Minerals Commission explained that there are Customs (CEPS) officials who are always at the mining sites; they check, keep records and accompany the bullions to the airport before the minerals are exported.

**(ii) Question:** The Minerals Commission has developed guidelines for the utilization of mineral royalties. Do these guidelines cover the 80% royalty retained by government?

**Answer:** Dr. Steve Manteaw of ISODEC/PWYP remarked that in the Petroleum Revenue Management Agreement, there are six specific revenues from which government selects four; similar criteria could also be used for the utilization of the 80% royalty retention by government in relation to mining.

**(iii) Question:** Is there any state policy on mining?

**Answer:** Mr. Sulemanu Koney of Chamber of Mines explained that there is no policy because the investor is not responsible for policy formulation but rather, the Minerals Commission who is the regulator and promoter of mining sector is responsible for policy issues.

**(iv) Question:** The aggregator commended some District Assemblies for managing their royalties well. Is there any award scheme for well performing MMDAs?

**(v) Question:** Has the aggregator made any follow-ups to find out why the Minerals Development Fund (MDF) is not operated as a fund?

**Answer:** Mr. Franklin Ashiadey, GHEITI Coordinator, explained that during a recent review meeting with major government agencies and stakeholders including the Controller and Accountant Generals Department, MOFEP, and Ghana Revenue Authority

among others, it came out that until the MDF is backed by law or an Act, the problem would still remain. He informed participants that MOFEP has pledged its support and urged the Minerals Commission and the Ministry of lands and Natural Resources to start the process.

**(vi) Question:** Can GHEITI address the problem of delay in the release of mineral royalties?

**Answer:** The Chairman explained that the collection, disbursement and monitoring of the use of royalties was formerly the responsibility of OASL but now GRA has taken over.

Mr. B.C.D. Ocansey of GRA explained that the 1992 Constitution mandates GRA to collect revenue and pay into the Consolidated Fund beyond which they have no hands. GRA does not disburse he added.

### **3.1 Suggestions**

#### **(i) Traditional method of dissemination**

It was suggested that it would be more informative if EITI adopts the traditional means of publication by using local radio discussion and phone in programmes to allow a greater proportion of the local to people contribute and also be educated on the activities of EITI.

MMDAs are also urged to use same media to inform community members on the amount of royalties received and what they are intended to be used for.

The MCE commended the Aggregator for a good work done but suggests if the Aggregator can give detailed information to DCEs and MCEs so they can also help monitor the work of the mining companies will be helpful.

The MCE also suggested if the guidelines for the utilization of mineral royalties by District Assemblies could be summarized and copies made available to the Assemblies

will help the Assemblies great deal. He advised the Minerals Commission to study the District Assemblies' LI to check if some aspects of the guidelines conflict with the LI.

### **(ii) Issue on stability agreement**

Mr. Richard Afenu of the Minerals Commission explained that Stability Agreements are backed by law and not until the duration per each contract agreement signed with the companies expires, nothing can be done about it. This explains why AngloGold and Newmont are still paying 3% royalty. He also informed participants that the Minister of Finance and Economic Planning has formed a Committee to take a second look at the stability agreement and engage the mining companies to renegotiate the stability agreements if possible with the mining companies concerned.

## **4.0 Conclusion**

The Chairman, Nana Baafour Aboagye-Agyemang II thanked the participants and emphasized the need to ensure that natural resources are well managed to benefit other generations. Mr. Franklin Ashiadey, the National Coordinator of Ghana EITI on behalf of NSC members assured members that necessary actions will be taken to address concerns of the public moving forward.

## **APPENDICES**

**APPENDIX I Concepts and Principles of EITI by Mr. Amponsah Tawiah of Minerals Commission**

**APPENDIX II: The GHEITI process so far by Dr. Steve Manteaw of PWYP-Ghana**

**APPENDIX III: Highlights of the GHEITI 2009 Audit reports by GHEITI Aggregator- Mr. Kwaku Boa Amponsem**

**APPENDIX IV: Draft guidelines on the utilization of minerals royalty by Mr. Richard Afenu of Minerals Commission**

**APEENDIX V: The role of mining companies in ensuring transparency in the mining industry in Ghana by Mr. Sulemanu Koney of Ghana Chamber of Mines**

## **APEENDIX VI: PARTICIPANTS' LIST**