

OPENING REMARKS

BY

MAJOR M.S TARA (RTD)

CHIEF DIRECTOR, MINISTRY OF FINANCE

**GHEITI TECHNICAL ROUND TABLE ON IMPLEMENTATION
OF THE GUIDELINES FOR THE UTILISATION OF MINERAL
ROYALTIES**

COCONUT GROVE REGENCY HOTEL, ACCRA

6TH NOVEMBER, 2014

Hon. Minister of Local Government and Rural Development

Hon. Members of Parliament

Colleague Chief Directors

DCEs and Coordinating Directors

Members of the Ghana EITI National Steering Committee

Distinguished Invited Guests

Ladies and Gentlemen

It is a great pleasure for me to make this few opening remarks at this important workshop on the implementation of the **Guidelines for the utilization of the Minerals Royalties** that government sends back to districts and communities impacted by mining.

Let me start by underscoring the fundamental objective of government's fiscal decentralization policy which is being implemented by the Ministry of Finance. The fundamental objective of our fiscal decentralization policy is to guarantee that the transfer of financial resources from central government to Metropolitan, Municipal and District Assemblies and the mobilisation of domestic revenue by local government authorities are accompanied by sufficient autonomy to allocate these resources.

We are however not oblivious to enormous challenges faced by our MMDAs in terms of limited capacity and inadequate skills in financial management, expenditure monitoring and budgeting. This situation is exacerbated by inadequate supervision and weak oversight functions resulting in weak accountability and transparency of the MMDAs. As a result the capacity to translate central government disbursements, including portions of mining royalties into consistent development at the local community level is weak and at best work in progress. It is hoped that the recent general improvements in the central government budget management through the implementation of the Ghana Integrated

Financial Management Information System (GIFMIS) will filter down adequately to the district level to resolve some of these problems. Government is very much committed to the fiscal decentralization process.

Mr. Chairman, whatever the case may be, we expect MMDAs to demonstrate fiscal accountability and transparency in all revenue mobilization and expenditure decisions they make. Citizens at the local level should be able to hold District Assemblies to account for the services they provide. To do this, people need information about what decisions Assemblies are taking and how public money is being spent. It is therefore important that information on Assembly revenues and expenditures are disseminated to all citizens to increase citizens' access to information.

I therefore wish to commend the work of the Ghana EITI for tracking the mineral revenues going to Metropolitan, Municipal and District Assemblies and how they are utilized thereby empowering the citizenry to demand accountability.

Distinguished Ladies and Gentlemen, for more than two decades, mining has remained a very significant sector of Ghana's economy. The sector contributes 6 percent to Gross Domestic Product (GDP), 17.5 percent of total corporate tax earnings and 26.7 percent of total government revenues. The mining sector of the country have therefore generated value by providing revenues to support the national budget, amenities to rural and provided means of employment for both skilled and un-skilled people in the country.

However, there are also questions being raised as far as the revenues from the sector are concerned, notable among them are how much should be saved and how much should be invested, and in what? How do we to achieve fairness in the distribution mineral revenues? How should the revenue be shared? – revenue distribution between mining companies as investors, the government acting for the people of the country who are the owners of the resources through levies and taxes, the mine workers as partners to the investors in production, the communities as the direct beneficiaries of the land which contains the minerals and bear the blunt of the mining activities through royalties ? In

other words how do we ensure that revenue from mining is distributed equitably and in a way that balances and manages conflicts and concerns both at local and national levels? I do not wish to provide answers to these questions at this forum.

At the local or district level, mining remains a significant issue for District Assemblies and communities as mining operations have both a social effect on the surrounding communities as well as a financial effect through the revenues accruing to District Assembly budgets. Generally, mineral revenues benefits at the local level include mineral royalties, ground rent and property rate. Some estimates put the contribution of mineral revenue to District Assemblies budgets at 40%, this is significant considering how most District Assemblies struggle to raise funds for local development projects.

The Ghana GHEITI since 2003 has sought to bring increased transparency to the revenues of this sector in Ghana. The GHEITI reports have provided information on the transfer of royalty payments and their utilization by District Assemblies.

The reports also unearthed several challenges in the mining sector, some of which include low royalty rate, lack of payment of concession ground rent, and the misuse of the royalties sent back to the districts. The reports revealed that the funds were used by the local authorities to finance recurrent expenditures rather than development projects that would benefit the local mining communities, lack of proper accounting for and reporting of the use of mineral royalties, lack of dedicated bank accounts at the district level for mineral royalty receipts, which make tracking and the monitoring of the revenues difficult.

Additionally, the report also revealed that, disbursement of mineral royalty from the Office of the Administrator of Stool Lands to the districts was done in tranches not in full thereby causing significant delays in payment of the funds directly to the districts from the regional offices of the Administrator of Stool Lands. This also makes planning and budgeting difficult for the District Assemblies.

It is to address some these challenges especially that of the misuse of the District Assemblies royalties that is why the guidelines for the utilization of the royalties to the Assemblies have been developed. This is to ensure that the mineral revenues are prudently managed and utilized for the benefit of our people, especially those immediately and negatively impacted by the activities of extractive sector companies. This is also to avert the potential misuse of the districts' share of royalties, and to ensure that projects financed by royalty transfer from central government to mining districts are those that are consistent with the development priorities established by the people in these communities.

But we have been informed that the guidelines have still not been adopted and being used and that is why we are here today to discuss how to adopt and start using the guidelines.

Mr. Chairman, let me say that the Ghana EITI is guided by the recognition that the wider benefit of mining cannot be achieved without good governance of the sector. The guidelines developed are to ensure good governance of the mining revenues coming from the sector. Ensuring transparency in the extractive sector will minimize the diversion of resource rent and ensure that it contributes to sustainable development and that the extractive sector resources should cater for the economic and social needs of communities where mining takes place, as well as the whole populace.

As we are all aware mining creates many challenges for the local communities in which the mines are located: it damages the environment, displaces people from their land and traditional farming activities, it causes increases in population with attendant pressure on housing, water supply and sanitation. It therefore, calls for additional new infrastructure to meet these needs.

Because mines have a finite life span, we must empower local communities to use the current prosperity from mining activities to build the economic capacity that can mitigate

the loss of livelihood and other benefits once the mines close. All these require adequate capacity for analysis and planning in the relevant local authorities. But it also calls for an assured revenue stream to finance the demands placed upon the communities by the presence of mining.

Let me conclude by saying the use of the Guidelines developed are important to ensuring lasting benefit of the royalty to communities. But equally important is the performance of the general system of the public financial management at the metropolitan, municipal and the district level that will have the most significant impact on the contribution of mining revenues on improved living standards of the people both locally and nationally.

Thank you and I wish you fruitful deliberations.