



KEYNOTE ADDRESS

BY

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MINISTER FOR FINANCE

AT THE

LAUNCH OF 2012/2013 GHANA EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE (GHEITI) AUDIT REPORT
10TH FEBRUARY 2015
MENSVIC HOTEL
ACCRA

Mr. Chairman,

Hon. Ministers,

Distinguished Ladies and Gentlemen from the Media,

Members of the Ghana EITI National Steering Committee,

Invited Ladies and Gentlemen.

Good morning and welcome to the launch of the 2012/2013 GHEITI reports reconciling payments and receipts from the mining and oil and gas sectors. I am delighted to be a part of this event.

Mr. Chairman, given the strategic importance of natural resources especially minerals and oil and gas to the economy of Ghana, and given the urgent need for a more transparent and prudent management of revenues from these strategic sectors, it is appropriate to make our natural resources revenue data widely available to empower the general public to hold both companies and Government accountable.

It is worthy to note that over the past decades, the contribution of the mining sector to Government revenues and to the economy at large has been increasing steadily. However, the sector's contribution to Ghana's total tax revenues declined from 27% in 2012 to 19% in 2013 and to 11% in 2014, the decline was as result of the fall in the international price of gold. In absolute terms, total mineral royalties receipts from the mining sector in 2014 amounted to GHC470,356,948; and total corporate tax from mining in 2014 was GHC 441,235,058. The total Foreign Direct Investments (FDI) into the minerals and mining sector, from 1983 to 2013 amounted to some US\$13.7 billion with total gold production at all-time high of 4.3 million ozs.

The value of the country's mining sector was anticipated to reach US\$3.8billion in 2014, up from US\$3.3billion recorded in 2013 as bauxite and gold production see modest increases.

Ladies and Gentlemen, like the mining sector, the contribution of the new oil/gas sector to the economy cannot be overemphasized. Total volume of crude oil produced from the Jubilee field in 2014 was 37,201,691 barrels representing an increase of 42.6% over 2011 production levels. The average daily production rate in 2014 was 101,922 barrels per day. To date the field has produced over 124 million barrels of crude oil. In terms of revenue contribution, the total oil/gas receipt at the end of 2014 was approximately US\$978.87 million (equivalent to GH¢ 3.0bn).

As you are all aware, since June 2014, the price of crude oil has been on a downward slide. It has fallen from US\$120 a barrel to about US\$50, more than 50% decline in price. The declining oil prices provide both opportunities and risks to the economy of Ghana. While the country makes savings on the imports of crude oil it would also impact negatively on the government revenues from the export of crude oil. Generally, price volatility would harm both importers and exporters of oil as it lowers, for instance, the predictability of marginal costs of production for companies. The uncertainty regarding their cash flows may induce companies to reduce their investments and limit job creation which can consequently harm economic growth.

Mr. Chairman, anyhow, Government is working assiduously to ensure that the revenues from our extractive resources are prudently managed and utilized for the benefit of our people, especially those immediately and negatively impacted by the activities of extractive sector companies.

Government would not only ensure that the allocation of revenues best promote sustainable development but would also ensure that the extractive and exploitative natural resource-based activities are fully integrated into community

development planning in order to maximize their contribution to sustainable livelihoods in the areas where these resources are extracted.

Mr. Chairman, transparency and clarity in the way that mineral rights are granted and in the management of exploitation of our natural resources – including its effects on labour, the environment and industrial development – are important challenges that must be dealt with as a resource rich country.

As you are all aware, a well -functioning revenue distribution system is of limited value if the contracts we sign do not allow the government to capture sufficient taxes and royalties or if the revenue allocation system is weak. To derive maximum benefit from our natural resources, we must ensure that there is transparency throughout the entire value chain from the negotiation of contracts to the issues of revenue utilization.

Our institutions which collect taxes and regulate the extractive sector are seriously challenged in terms of capacity in tax administration, monitoring of production figures, profits assessment, tax auditing, and transfer pricing.

Transfer pricing in the extractive sector is one major challenge our revenue institutions must overcome because of its negative effect on revenue collections. The issue of transfer pricing is sophisticated and complex in nature and it has the potential of seriously eroding the tax base. Most extractive companies operate internationally and have extended dealings with affiliated companies, which increases opportunities for transfer pricing and potentially lowers the tax liability. This further complicates the task of tax administration and creates a challenge that requires specific skills. Our tax law has legal provisions to address the issue, but these provisions are insufficient. The tax administrators needs better training on how to recognize the transfer pricing opportunities in mining operations and stronger capacity to detect and respond to this problem.

Distinguished Ladies and Gentlemen, the EITI is propelled by the faith that extractive resources can indeed promote growth; enhance poverty reduction

and drive sustainable development. With ten years of EITI implementation in Ghana, early fruits are beginning to manifest; citizens and civil society groups are asking critical questions, becoming more constructively engaged, and in the process, strengthening the levers of democracy and development.

We believe that effective implementation of the initiative will ensure that less money will be lost to corruption, because people can access the information needed to hold their governments and companies to account.

Indeed Ghana has so far produced eleven EITI Reports in order to make revenue information on the extractive sector available to the general public. The findings and recommendations from these reports are significant. Government has taken seriously the recommendations of the earlier EITI reports and has implemented most of them. The recommendations of the EITI reports have informed a wide-range of policy reforms not only in the mining sector but also in the new oil and gas sector.

Ladies and Gentlemen, we are happy therefore, that, the lessons the EITI presents us today have become a useful guide to how best to manage our recently discovered hydrocarbon resources. Transparency will help to demystify the oil industry. Oil and gas companies must be open about their contributions or payments. This is key to managing expectations and building trust with government, civil society and communities.

As a country, we are therefore encouraged when in 2013 some of the leading oil and gas operators in the country in the spirit of the EITI began to disclose payments to government on a project by project basis voluntarily.

Mr. Chairman, the 2012/2013 EITI Reports have made some critical findings and recommendations. The Reports point to various weaknesses within the extractive sector institutions. They therefore provide a solid basis for probing further into existing institutional weaknesses and the urgent need to strengthen them. It is in this regards that I will entreat all MDAs and companies affected by findings/recommendations herein to ensure the necessary corrective measures

are put in place as soon as practicable. We on our part will offer the requisite support and commitment required to make our institutions more efficient.

Government we will continue to support the Ghana EITI process to provide regular information on all material revenues received by governments from the extractive sector (Mining, Oil/Gas). We will also ensure that such information is made available to a wide audience in a publicly accessible, comprehensive and comprehensible manner.

Mr. Chairman, let me conclude by saying that with today's event, the Ghana-EITI Reports have become public documents and I wish to entreat you all to educate yourselves on their content. We as a Government will be proactive in arranging a public discussion around the issues in the reports for the various stakeholders. We strongly believe that for EITI to be effective, key stakeholders, including civil society, Private Sector and selected MDAs should be able to discuss, evaluate and interpret the results. These discussions will signal our willingness to be responsible and accountable for extractive sector revenues. We are convinced that it is only through creating awareness among relevant stakeholders that maximum benefit will be derived from these publications.

At this juncture I wish to declare the 2012 and 2013 Ghana EITI Reports duly launched.

Thank you