



KEYNOTE ADDRESS

BY

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AT THE

**DISSEMINATION OF 2012/2013 GHANA EXTRACTIVE
INDUSTRIES TRANSPARENCY INITIATIVE (GHEITI)
AUDIT REPORT**

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Mr. Chairman,

District Chief Executives and Coordinating Directors

Finance Officers,

Friends from the Media

Distinguished Ladies and Gentlemen

It is indeed a great pleasure for me to deliver the keynote address at today's workshop on the dissemination of the 2012/2013 Ghana EITI reports reconciling payments and receipts from the mining and oil and gas sectors.

Indeed we are here this morning to share with you the findings and recommendations of the 2012/2013 EITI reports. These reports have been produced in order to make revenue information on the extractive sector available to the general public.

Anytime we produce these reports we make it a duty to share these reports with you, especially our stakeholders at the sub-national level. We believe that the responsibility of taking forward the findings and recommendations of the reports must be a shared one. It is only when stakeholders take responsibility for the various aspects of the reports that we can efficiently address and reform our institutions to respond to the needs of our times. Above all, the reports are to empower you to ask the right questions and to demand accountability of our duty bearers.

Ladies and Gentlemen, the EITI having been introduced some ten years ago, with a narrow focus on revenue transparency, has now broadened its scope along the whole value chain requiring accountability and

transparency along the entire extractive sector value chain – the full range of extractives - related activities and processes , from the award of licenses and contracts through regulation and monitoring of operations, collection of taxes and royalties, distribution of revenues, and the use of those revenues to support sustainable development policies and projects.

The 2012/2013 EITI reports are therefore the first reports to be produced under the revised EITI standard adopted in Sydney Australia in May, 2013. So, the current reports are different from the previous years' reports in terms of scope. Apart from the reconciliation of payments and receipts these new reports cover contextual information such as summary description of the legal framework and fiscal regime, the sector's contribution to the economy, production data; state participation in the extractive industries; revenue allocations, license registers and license allocations; Corporate Social Responsibility (CSR) as well as information on beneficial ownership and contracts.

The new reporting requirements of the EITI encourage more relevant, more reliable and more usable information, as well as better linkages to wider country reforms. It also encouraged implementing countries to disclose contracts between companies and governments and transparency of access to oil and mineral concessions as part of the EITI reporting process. The revised EITI standard also includes transparency of government spending and budgets in general.

The new EITI reporting requirements therefore raised the EITI reporting bar significantly. It is expected to improve the quality of transparency by generating a great deal of useful data that make the EITI standard more robust, more relevant and a stronger tool for citizens to demand accountability.

Mr. Chairman, Ghana is among many developing countries that depend heavily on the extractive sector. The discovery of oil and gas adds to this

phenomenon and raises expectations among Ghanaians and the international community at large. I must however say that the expectations are perhaps too high among our citizens. The efforts to lower these expectations can only be credible if we enhance transparency and accountability by disclosing and publishing information not only on what Government receives from the extractive industries but also what the companies are paying to government.

Mr. Chairman, Ladies and Gentlemen, it is for these and other reasons that the Government signed onto the Extractive Industries Transparency Initiative in 2003. The EITI is a governance tool for improving transparency and accountability in respect of payments by companies in the extractive sector to governments. It seeks to improve resource management in natural resource rich countries for current and future generations. In essence, it is also a tool for wealth creation in the search for a development strategy that should improve living standard for all.

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 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?

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 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 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.

While extractive resources such as minerals and oil and gas have provided immense growth for some countries, the reverse has been true for others. The latter is mainly due to the absence of effective governance benchmarks, weak institutional capacity (including management), and the lack of transparency. The outcome including rent seeking and corruption, clearly retards progress and perpetuates poverty.

As a country we are challenged by the demands from our citizens to ensure that the exploitation of our natural resources translates into decent schools, housing, water, electricity and health care amenities, and for me this is a fair request.

Mr. Chairman, Government is therefore working assiduously to ensure that the enhanced revenues from our natural 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. We expect the District Assemblies in the mining areas also to demonstrate fiscal accountability and transparency in all expenditure decisions particularly those relating to the use of mineral royalties.

Communities should be able to hold District Assemblies to account for the services they provide. To achieve this, people need information about what decisions Assemblies are making and how public money is being spent. The EITI reports we are about to discuss provide these information.

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 further 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.

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.

Mr. Chairman, the Reports have made some critical findings and recommendations. They point to various weaknesses within the extractive sector revenue institutions. They therefore provide a solid basis for probing further existing institutional weaknesses and the urgent need to strengthen them. It is in this regards that I will entreat all MDAs, companies and Districts Assemblies 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.

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.

Indeed oil companies have also identified transparency as central to their “license to operate”, or the legitimacy and utility of their engagement in the countries where they do business. Moreover, in an industry such as oil which is replete with uncertainty, transparency could offer reassurances to potential buyers, especially in unstable environments.

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.

I believe that the EITI is serving as the catalyst that will help stakeholders collectively put in place reforms that work not only for Government but also for the private sector. GHEITI through its independent reports has set the pace for government’s decision to carry out massive reforms in the extractive industry, hence ensuring that the tenets of transparency and accountability in the industry are protected and upheld.

Mr. Chairman, let me conclude by saying having implemented this initiative since 2003, Ghana is using the EITI to understand better the problems of the sector and to resolve them. Indeed, this is the tenth EITI report we have produced covering the periods 2004 - 2013 for the mining sector and the third report for the oil/gas sector.

Revenue transparency, the core remit of EITI can only be achieved with the cooperation of companies, governments, and civil society. A vital approach to successful EITI would lie in strengthening the accountability of decision makers – of host governments and companies to citizens; and of

companies to investors. In all these, the role of civil society is critical; it needs to closely monitor the process and participate constructively, with governments and companies in eradicating poverty and accomplishing sustainable development.

Government will continue to support the Ghana EITI process to provide regular information on all material revenues received by governments from the extractives 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.

I wish you fruitful deliberations.

Thank you.