

KEYNOTE ADDRESS

BY

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DEPUTY MINISTER FOR FINANCE**

AT

**THE LAUNCH OF 2014 GHANA EXTRACTIVE
INDUSTRIES TRANSPARENCY INITIATIVE (GHEITI)
REPORTS**

MENSVIC HOTEL, ACCRA

30TH MARCH, 2016

Mr. Chairman,

Hon. Ministers,

Hon. Members of Parliament,

Chief Directors and CEOs,

Members of the Ghana EITI Multi-Stakeholder Group (MSG),

Development Partners,

Friends from the Media,

Ladies and Gentlemen.

Good morning to you all. I deem it a great pleasure to be here this morning to launch the 2014 Ghana EITI Reports for the mining and oil/gas sectors and their accompanying Open Data Dash Board.

The Open Data Dashboard which is available on the GHEITI website is a support provided by the Natural Resources Governance Institute (NRGI) to GHEITI to make the data in the Ghana EITI reports publicly accessible. The Ghana extractives Dash Board visualises for CSOs, journalists and policy makers the impact of extractives on the economy, by providing visualizations and macro-level overview.

Mr. Chairman, given the strategic importance of natural resources, especially, minerals and oil and gas to the economy of Ghana, there is the need for a more transparent and prudent management of revenues from these strategic sectors, and to equally ensure that our natural resource revenue data are widely available to empower the general public to hold both Companies and Government accountable.

The mining and oil and gas sectors make significant contributions to the economy of the country. However, the mining sector's contribution to Ghana's total tax revenues has been declining from 27% in 2012 to 19% in 2013 and to 16% in 2014, which was as a result of the fall in the international prices of gold. In absolute terms, total revenue that accrued to Government from the mining sector in 2012 was GH¢1,461,202,977. In 2013, it amounted to GH¢1,104,047,314 and in 2014 it was GH¢1,192,692,542. The total Foreign

Direct Investments (FDI) into the minerals and mining sector, from 1983 to 2014 amounted to about US\$14.65billion.

Ladies and Gentlemen, like the mining sector, the contribution of the oil/gas sector to the economy cannot be overemphasized. Total volume of crude oil produced from the Jubilee field in 2015 was 37,411,661 barrels representing a marginal increase of about 0.56% over 2014 production levels. The average daily production rate in 2015 was 102,498 barrels per day. To date, the field has produced over One hundred and sixty million, Seven hundred and forty-eight thousand and Eighty-three (160,748,083) barrels of crude oil.

Since June 2014, the price of crude oil has been on a downward slide. It has fallen from more than US\$110 per barrel in June 2014 to about US\$40, more than 60% 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, in the face of declining international commodity prices, 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 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, as part of the new EITI standard, Ghana will be required to agree on a Road map for establishing a beneficial ownership register in the country by 1st January, 2017 and by 1st January, 2020, publish a Beneficial

Ownership Register of companies. The beneficial ownership disclosures are not only for the extractive sector but also for the other sectors such as the financial sector among others. The implications of lack of Beneficial Ownership disclosures in the country can lead to information gaps that allow financial corruption, transnational crime, and tax evasion to flourish.

Also, countries the world over, including Ghana, do recognise that corporate vehicles such as companies, trusts, foundations, partnerships, and other types of legal persons and arrangements conduct a wide variety of commercial and entrepreneurial activities. However, despite the essential and legitimate role that corporate vehicles play in the global economy, under certain conditions, they have been misused for illicit purposes, including money laundering (ML), insider dealings, tax fraud, transfer pricing, trade mispricing and other illegal activities. This is because, for criminals trying to circumvent anti-money laundering (AML) and counter-terrorist financing (CFT) measures, corporate vehicles are an attractive way to disguise and convert the proceeds of crime before introducing them into the financial system. The establishment of Beneficial Ownership register in the country will, therefore, reveal the 'flesh-and-blood' owner of corporate entities and may reduce the potential for companies to engage in any illegal activities.

Ghana has so far produced twelve EITI Reports in the mining sector and four reports for the oil and gas sector 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 oil and gas sector, some of which are in line with the transparency issues raised at the 2015 G8 Summit held in Germany. These include the review of the fiscal regime under which the mining industry operates and the development of guidelines for the utilization of mineral royalties at the Sub-national level.

Mr. Chairman, in recognition of Ghana's achievement in implementing the recommendations, the country was recently honoured for its strict implementation of the recommendations of the Ghana EITI (GHEITI) leading to far-reaching policy, regulatory, and institutional reforms in its mining, oil and

gas sectors. The country was among four countries selected from among 49 EITI implementing countries for the prestigious EITI Chair's award, at the 7th Global EITI Conference held in Lima, Peru. The others were: the Democratic Republic of Congo, Mongolia, and the Philippines.

The awards, instituted about a decade ago, are given to countries that have shown leadership, determination and resourcefulness in ensuring that the EITI implementation improves extractive sector governance.

I wish to use this opportunity, Mr. Chairman, to commend all the stakeholders especially the Ghana EITI Multi-Stakeholder Group who have worked diligently over the years to ensure this achievement. I equally wish to applaud the various Government agencies, our civil society organizations, Industry players such as the Chamber of Mines and the Exploration and Production (E&P) forum of the oil/gas sectors and finally our development partners⁵ for supporting us thus far.

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.

Ladies and Gentlemen, we are happy, therefore, that, the lessons the EITI presents us today have become a useful guide on how best to manage our 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.

So far the EITI engagement with the oil and gas companies has been encouraging despite the initial challenges. Apart from oil and gas companies voluntarily publishing and disclosing payments to Government, new companies are beginning to come forward to join the Ghana EITI on their own volition and, I wish to commend all companies who have joined.

Government will continue to support the Ghana EITI process to provide regular information on all material revenues received by government from the extractive sector (Mining and Oil/Gas). We will also ensure that such

information is made available to all the stakeholders 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 public discussions 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 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 2014 Ghana EITI Reports and the Open Data Dashboard duly launched.

Thank you for your kind attention.