

# CONCEPT, PRINCIPLES, AND POLICY IMPACT OF GHEITI

Dr. Steve Manteaw (ISODEC / PWYP-Ghana)

GHEITI Dissemination Workshop

For Jomoro, Ellembelle, and Nzema East

# OUTLINE

- ORIGIN OF GHEITI
- PRINCIPLES
- CRITERIA
- THE EITI STANDARD
- POLICY IMPACT
- OTHER BENEFITS OF GHEITI
- PIPELINE POLICY ACTIONS
- CONCLUSION

# ORIGIN OF GHEITI

- GHEITI has its origins in the 2002 World Summit on Sustainable Development (WSSD).
- The Initiative is grounded in a shared belief that the prudent exploitation of natural resource wealth will provide the basis for sustainable economic growth that contributes to sustainable development.
- It was partly in response to global CS campaign against mining and oil extraction.

# PRINCIPLES

- The principles of EITI affirm the beliefs of stakeholders. They were adopted at the first Global Conference in Lancaster House, London, in 2003;
- There were 12 of them:
  1. Natural resource wealth if managed well can contribute to sustainable economic growth, national development, and poverty reduction;
  2. Sovereign governments have responsibility to manage natural resource wealth for the benefit of their citizens;
  3. The benefits of resource extraction occur as revenue streams over many years and can be highly price dependent;

# PRINCIPLES (Contd.)

4. A public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development;
5. Transparency by governments and E.I. companies is important and should enhance public financial management & accountability;
6. Achievement of greater transparency must be set in the context of respect for contracts and laws;
7. Financial transparency has the potential to enhance the environment for domestic and foreign direct investment;
8. Governments must hold themselves accountable to all citizens for the stewardship of revenue streams and public expenditure;

# PRINCIPLES (Contd.)

9. Stakeholders commit to encouraging high standards of transparency and accountability in public life, government operations and in business;
10. A broadly consistent and workable approach to the disclosure of payments and revenues is required, and this should be simple to undertake and to use;
11. Payments' disclosure in a country should involve all extractive industry companies operating in that country;
12. All stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and NGOs.

# The EITI Criteria /Requirements

1. Effective oversight by the multi-stakeholder group.
2. Timely publication of EITI Reports.
3. EITI Reports that include contextual information about the extractive industries.
4. The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
5. A credible assurance process applying international standards.
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
7. That the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation.

# Implementation

Implementation involves:

- Disclosure
- Dissemination
- Discussing the reported revenues
- Policy reforms
- Repeat process
- Validation



# The EITI Standard

- Initially the EITI criteria or requirements were set at a very minimum without much elaboration;
- It was necessary at the time in order to give it a popular appeal and not to scare countries away;
- Implementing countries were allowed to determine how ambitious they wanted to be with their EITI;
- This discretion is still in force.

# The EITI Standard (Contd.) -1

- While countries like Ghana demonstrated a desire to be more ambitious by disaggregating data, reporting on sub-national disbursements, undertaking a systems or process audit, in addition to revenue and production audits, others like Azerbaijan stuck to the very minimum requirements;
- It became clear that the requirements needed to be tightened to maintain the initiative's credibility;
- Hence the new standard, adopted in Sydney 2013;
- It followed years of agitation by CSOs, and discussions among stakeholders;

# The EITI Standard (Contd.) -2

- The Standard goes beyond the revenue link to cover other links in the EI value chain;
- It requires EITI reports to include contextual information about the extractive industries such as: 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 and the sustainability of revenues, license registers and license allocations; and any applicable provisions related to beneficial ownership and contracts.

# The EITI Standard (Contd.) -3

- Implementing countries are encouraged to publicly disclose all contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals;
- EITI reports must also document the government's policy on disclosure of contracts and licenses. This should include relevant legal provisions, actual disclosure practices and any reforms that are planned or underway;
- EITI Report should again provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location.
- The rationale obviously is to avoid turning the EITI into a meaningless routine.

# Policy Impacts

- Most of the impacts have been in the area of tax policy. These include:
  1. Increase in corporate income tax rate from 25% to 35%;
  2. Variation of the royalty rate from a range of 3-5 percent to a fixed rate of 5 percent;
  3. Staggering of capital allowance recovery over 5 years;
  4. Collection of royalty on monthly basis rather than quarterly;
  5. Development of guidelines for the use of mineral royalties at the district level;
  6. Development of guidelines for CSR;
  7. Renegotiation of stability agreement.

# Other Benefits of GHEITI

- A framework for dialoguing on how Ghana can maximize benefits from its natural resources.
- This has reduced tension and mistrust between EI players, government, and civil society;
- Civil Society views very much respected;
- Decisions taken by consensus.

# Outstanding and Pipeline Policy Actions

- Windfall tax;
- Absence of inter agency collaboration, as in the case of the internal revenue service & the Min. Com;
- Eroded capacity of IRS in appreciating the financial intricacies of mining operations following the abolition of the special mining desk and replacement by the Large Tax Payers Unit;
- Excessively long stay of customs officials at particular mines;
- Delays in transfers of communities share of benefits;
- Transfers from Regional OASL to districts not accompanied by advice;
- Non-payment of ground rent.

# Challenges of EITI Implementation

- Difficulty in accessing data;
- Identifying and preventing the incidence of transfer pricing, and other tax avoidance, as well as tax evasion practices;
- The need to ensure the sustainability of the initiative;
- How to address social and environmental concerns of communities;



# Conclusion

- GHEITI has the potential to help manage the unrealistically high expectations in E.I. host communities;
- A major aspect of communities' expectation is in respect of benefit sharing;
- It will definitely be helpful to establish in law, the rationale for the current arrangement for benefit sharing;
- With the application of the EITI Standard, citizens now have a better context within which to interpret GHEITI data, and it is our hope that the public discourse around GHEITI reports will henceforth be better informed.
- THANK YOU !!!