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GHANA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

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INTERNATIONAL EITI BOARD LAUDS IMPLEMENTATION OF EITI IN GHANA

(L-R) Minister for Lands and Natural Resources, Hon. Inusah Fuseini, and Deputy Minister of Finance, Mr. Kweku Ricketts Hagan at the Implementation meeting

A delegation from the International Board of the Extractive Industries Transparency Initiative (EITI) led by a Board Member, Mr. Olivier Bouvet was in Accra from the 13th to 15th of October 2013 to acquaint itself with Ghana's implementation of the EITI. The delegation met with Ghanaian EITI stakeholders to discuss challenges and opportunities of managing Ghana's extractive sector and the country's preparedness to meet the new EITI standard adopted in May 2013 at the EITI Global Conference in Sydney. Other critical issues discussed during the meeting centered on the opportunities and challenges to the roles of stakeholders, particularly companies and civil society, in the EITI process.

The EITI International Board is a multi-stakeholder group which provides strategic direction and oversight to EITI implementation worldwide. The Board members are elected from EITI implementing countries, governments, supporting countries, companies, and civil society organizations.

At the Sydney Conference in May, 2013 a new twenty 20-member Board was elected. Ghana's Finance Minister, Hon. Seth Terkper was elected as an alternate to Liberia's Senator, M. Findley to represent the ***"African Region, Block One (1)"*** on the Board. The Africa Region, Block One (1) countries include Ghana, Liberia, Nigeria,

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Sierra Leone, Mozambique, Sao Tome, Zambia and Tanzania.

Welcoming the delegation to Ghana, the Chief Director of the Ministry of Finance and Chair of the Ghana EITI noted that the visit offered the country the opportunity to reflect on its efforts at promoting good governance in the natural resource sector. He observed that government has worked hard to implement reforms that seek to promote the continuous improvement of accountability and transparency in Government institutions and to ensure that resources emanating from the extractive sector are used and managed judiciously.

He informed the delegation that Ghana takes pride not only in the country-level innovations to the EITI, such as extending reporting to the Sub-National level but also in the healthy dialogue that have been established and maintained among the Multi-Stakeholder Group. "We are proud that today Civil Society Organisations (CSOs) and Extractive Companies resolve their grievances with Government and amongst themselves through dialogue rather than taking to the streets" he said.

He observed that for a country endowed with vast amounts of natural resources, as Ghana is revenues from the resource become crucial in its quest to bridging its infrastructural gap in the areas of education, health, energy, transport, water and sanitation, among others.

He concluded that though Ghana may still have challenges in achieving the kind of transparency and accountability that prevail in

(R-L) Major (Rtd.) M. S. Tara, addressing the delegation with Mr. Franklin Ashiadey, GHEITI National Co-ordinator

some advanced economies the country has come a long way, through initiatives like GHEITI and the enactment of various pieces of legislation to protect taxes and other revenues from its natural resource exploitation. "We still have a lot to do and I wish to assure all our stakeholders that we will not relent in our efforts at achieving greater levels of accountability and transparency in the management of our extractives than we have today," he stressed.

In his keynote address the Hon. Deputy Minister of Finance, Mr. Kweku Ricketts Hagan, informed the delegation that for Ghana, EITI is not just a fanciful exercise designed to please development partners and to enhance its international public image. "It is for us, a deeply thought through exercise meant to enhance the development outcomes of natural resource exploitation in this country. To this end, we have, and continue to explore ways of making the exercise respond to the development aspirations of our people. Indeed Government will not relent in deepening these efforts further", he assured them.

"We are not only implementing the EITI, Government has also joined the Open Governance Partnership Initiative and has pledged to open up the mining and oil and gas sectors for greater transparency" he added. He noted that while these international initiatives demonstrate the desire of the international community to hold their own companies accountable, they also provide an important room for citizens of the host countries to also hold their governments accountable in respect of their relationships with the extractive companies.

He said, having found value in the implementation of the EITI, Ghana has embarked on a mission to ensure its sustainability by backing it with legislation. He assured the visiting Board members that the country is committed to go the full distance in the pursuit of good democratic governance, explaining that this was

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(R-L) Head of the Delegation, Mr. Olivier Bouvet and Mr. Eddie Rich, Deputy Head of EITI Internal Secretariat

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important because good governance is about ensuring the most prudent use of resources that commonly belong to the people.

He commended Ghanaian Civil Society Organizations, mining firms, and international oil and gas companies for their commitment to constructive engagement. "While our civil society groups have shown goodwill even in the pursuit of their legitimate demand for accountability from both government and companies, industry through their own volition have supported the quest for transparency and accountability in the mineral, and now oil and gas sectors. They have by their support to the GHEITI processes shown that they are exemplary corporate citizens committed to help this country overcome its development challenges," he emphasized.

He urged stakeholders to maintain the momentum of the dialogue on accountability, transparency and good governance to ensure prudent and sustainable management of the country's natural resources. The leader of the delegation, Mr. Olivier Bouvet lauded the implementation of EITI in Ghana, noting that the process has over the past 10 years progressed well and that the initiative is firmly established in the country. "Ghana has set an example for EITI implementation by being the first country to report on mining revenues, report sub-nationally, include production cost, and to integrate oil and gas in the EITI process" he said. He observed that at the time Ghana became EITI compliant in 2010 only five countries were compliant. Ghana, he said, was the second country to have achieved that milestone on the African continent. He was happy that the country has accepted the New EITI standard adopted at the Sydney Conference in May, 2013 and was already working to ensure that the next EITI reports meet the new requirements. He was very confident that Ghana will not have any problem with the implementation of the new standard as the country was already implementing some of the new requirements in the new standard. long before it was adopted. He reminded the Ghana EITI Multi-stakeholder Group that in developing the country's 2014 work plan it sets implementation objectives that are related to domestic reforms and priorities for the extractive sector. This, he said will ensure that the EITI is well grounded in the national policy dialogue.

The leader of the delegation Mr. Olivier Bouvet lauded the implementation of EITI in Ghana, noting that the process has over the past 10 years progressed well...

The Deputy Head of the International EITI Secretariat and a member of the delegation Mr. Eddie Rich expressed optimism about the success of EITI in Ghana and added that a lot more countries were buying into the idea of the EITI. He disclosed that, about 39 countries have signed-onto the initiative so far.

The Minister for Lands and Natural Resources, Hon. Inusah Fuseni recounted the role of his Ministry in Ghana's EITI implementation. He observed that while the initiative has led to wide-ranging reforms in the mining sector, particularly in respect of tax policy, there was the need for the country to build the requisite capacity so as to be able to better negotiate with investors in the award of contracts, especially in the country's nascent oil and gas industry. "Our ability to negotiate well determines the extent to which we can maximize the benefits from the increasing competition for our natural resources, which often tends to undermine salient issues of transparency and accountability in contract negotiations and the granting

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Deputy Minister of Finance, Hon. Kweku Ricketts Hagan in warm handshake with Dr. Tony Aubynn, C.E.O of Chamber of Mines

Participants at Board delegation meeting

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of concessions." He noted that these have a bearing on how the benefits from the contracts are allocated and how they impact on the quality of life of the people. He assured the visiting delegation that the Ministry of Lands and Natural Resources will play its part by being open and accountable to the citizenry, and urge extractive companies to be also open, fair and to uphold best practices in their operations in Ghana, just as they do in other places.

Addressing the delegation, the Chief Executive of the Ghana Chamber of Mines, Dr.Toni Aubynn, submitted that the EITI was about communicating the issues that arise out of the reconciliation reports and how they have been addressed. In his view, when EITI reports are set within their proper contexts citizens are able to better understand developments within the industry. He recalled that in the early years of Ghana's EITI implementation, discussions on report findings centered on the inadequacy of government's receipts from the mining industry. This he said was because many of the companies at the time had not exhausted their capital allowances. However, when the mining companies got into full production, covered their capital allowances, paid corporate taxes in addition to mineral royalties, the tone of deliberations, he noted, has changed in the light of the significant contribution of the mining industry to the economy.

He advised EITI stakeholders to stay focused on the initiative's main objectives i.e. ensuring transparency in receipts and payments, and to resist the "temptation" of venturing into other aspects of mining. "We would like to caution the EITI against going down the slippery slope of the temptation to venture into anything and everything on mining since EITI is about transparency in payments and receipts," he emphasized.

He expressed concern over the manner in which fiscal receipts from the mining industry are channeled through the annual budgets largely for consumption. "It is our humble view that given that these revenues flow from a finite source, it is prudent that the state sets aside a portion for a rainy day" he said. He argued for a Minerals Revenue Management Framework that ensures that mineral revenues are managed along the lines

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of the provisions in the Petroleum Revenue Management Act (Act 815). 'It is our considered opinion that such legislation will enhance transparency in the management of mineral revenues for the benefit of the people of Ghana and generations yet unborn, "he concluded.

On his part, the Chairman of the Civil Society Platform on Oil and Gas, Dr Steve Manteaw, stated that through the advocacy of Civil Society Organizations (CSOs), the extractive sector has witnessed enormous change in policy. He listed the numerous tax policy reforms being undertaken in the mining sector, such as the upward adjustment of the corporate income tax rate for mining firms from 25% to 35%; the variation of the royalty rate from a range of 3 percent – 6 percent to a fixed rate of 5 percent; and the intended introduction of a windfall tax, as manifestation of how EITI was addressing the concerns of the state and its citizens through the multi-stakeholder framework.

Chairman of the Civil Society Platform on Oil and Gas, Dr Steve Manteaw, addressing participants

He acknowledged the divergent interests of stakeholders in the extractive sector, noting that while the companies were concerned with maximizing shareholder value, government has often been concerned with using revenues from the mining sector to address short term fiscal challenges. He observed that the only group that has had the long term national interest in focus is civil society. According to him, the major benefit of EITI has been that, it has afforded the space and the opportunity to negotiate these diverse interests and to ensure that the dividends from mining are equitably shared between the host country and the companies.

Members of the delegation

The EITI Board mission subsequently, held separate meetings with the Ghana EITI Secretariat, the National Steering Committee, Government institutions, extractive sector companies, Civil Society Organizations, and Development Partners.

Other EITI implementing countries being visited by delegations from the EITI International Board were Nigeria, Guinea and Democratic Republic of Congo.

The EITI is an international initiative which aims at promoting transparency in the flow of revenues from extractive companies to host country governments based on a set of criteria for transparent reporting on the revenue streams and other benefits. The purpose of the initiative is to encourage greater transparency in the extractive sector.

23 DISCOVERIES AFTER JUBILEE AND STILL COUNTING

In 2007 Ghana made a discovery of oil and gas in commercial quantities in the West Cape Three Points block which is now known as the Jubilee Field, located about 60 km off Ghana's west coast.

In December 2010, production at the Jubilee Field commenced. Currently, the daily pr**oduction stands at 110,000 barrels a day, with the expectation that this wil**l rise to 120,000 barrels a day by the close of 2013.

Indeed Ghana has some mileage to go compared to its West African neighbour, Nigeria, which features on the list of top oil producing countries in the world and which, in 2012, had an average crude oil production of 2.2 million barrels per day. Nigeria is said to have an industry well grounded in successful exploration. Today, Nigeria is Africa's largest producer of oil and the sixth largest in the world. In fact, the daily oil pilferage in Nigeria, estimated at over 150,000 barrels, is higher than Ghana's daily production.

However, Ghana's oil and gas industry is very promising. The country has over 36,000 km2 and 103,600 km² of offshore and onshore open acreages respectively. Consistent exploration efforts and the recent successes by GNPC and its partners have attracted more global players into Ghana's offshore basins. Consequently, a number of Petroleum Agreements (PAs) have been negotiated pending Ministerial approval and Parliamentary ratification, whilst others are subject to on-going negotiations.

Since the Jubilee discovery, 23 more discoveries have been made by GNPC and its partners containing various amounts of oil, gas and condensates. The Tweneboa-Enyera-Ntomme (TEN) Plan of Development (PoD) was approved in early 2013, thus, paving the way for the development of a second production field.

Most importantly, two (2) new discoveries (Cob and PN-1) were made by GNPC and its partners. The details of the 23 discoveries made so far are provided in the table below.

TWENTY THREE ADDITIONAL DISCOVERIES MADE SINCE JUBILEE

BLOCK/OPERATOR	DISCOVERIES	DISCOVERY PERIOD	HYDROCARBON TYPE	STATUS
GNPC	EBONY	November, 2008	Condensate/Gas	Marginal
DWT/TULLOW OIL	Tweneboa-1	March, 2009	Gas Condensate	PoD
	Tweneboa-2	February, 2010	Oil	PoD
	Owo/Enyenra-1	July, 2010	Oil	PoD
	Ntomme	January, 2011	Oil & Gas	PoD
	Wawa	July, 2012	Oil & Gas	Exploration
WCTP/KOSMOS ENERGY	Odum-1	March, 2008	Heavy Oil	Marginal
	Mahogany-Deep	January, 2009	Light Oil	Appraisal
	Teak-1	February, 2011	Oil & Gas	Appraisal
	Teak-2	March, 2011	Gas	Appraisal
	Banda-1	July, 2011	Oil	Marginal
	Akasa-1	August, 2011	Light Oil & Gas	Appraisal
OCTP/ENI	Sankofa-1	July, 2009	Gas	Appraisal Completed
	Gye Nyame-1	July, 2011	Gas	Appraisal Completed
	Sankofa East	September, 2012	Oil & Gas	Exploration
DWCTP/HESS	Paradise-1	May, 2011	Oil & Condensate	Exploration
	Hickory North	June, 2012	Oil & Condensate	Exploration
	Beech	September, 2012	Oil	Exploration
	Almond	October, 2012	Oil	Exploration
	Pecan	December, 2012	Oil	Exploration
	Cob	January, 2013	Oil	Exploration
	PN-1	February, 2013	Oil	Exploration
DWCTP/LUKOIL	Dzata-1	February, 2009	Oil & Gas	Appraisal

Source: GNPC Geology Department

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The three main projects expected to generate cash inflows between 2013 and 2017 are Jubilee, Tweneboa, Enyenra and Ntomme (TEN), and Sankofa-Gye Nyame.

JUBILEE

The Jubilee field production reached an average of 71,997.03 barrels per day in 2012, up from 67,398.04 barrels in 2011. Total oil production in 2012 from the field was 26,351,278 barrels, compared to 24,195,895 barrels in 2011, representing an increase of 8.9%. Total production from inception on November 28, 2010 to June 30, 2013 was 70.7 mmbls. Details are shown in the graph below.

The Jubilee field held recoverable reserves of 633 mmbls of oil and 750 bcf of gas as at the end 2012. It is currently in its second phase of development - the Phase 1A. Work done so far in this phase has helped increase production to the current level of around 107,000 barrels per day. A plan for full field development has been submitted by GNPC and its partners for approval.

Tweneboa, Enyenra and Ntomme (TEN)

The TEN project is Ghana's next upcoming producing field. The field has estimated recoverable reserves of 245 mmbls of oil and 365 bcf of gas. The Plan of Development was approved on May 30, 2013 and first oil from the field is expected in 2016.

Production levels are expected to peak at 80,000 barrels in 2018 and 2019.

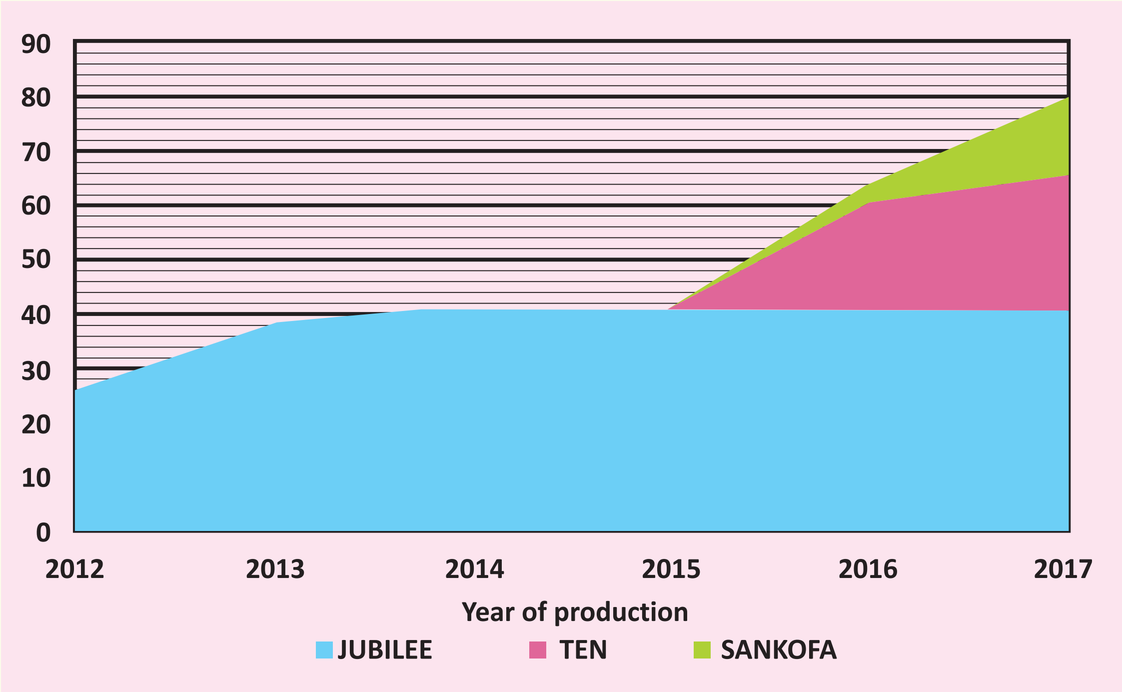
Sankofa-Gye Nyame

The third major upstream asset in Ghana is the upcoming Sankofa-Gye Nyame complex. This is made up of a number of discoveries estimated to hold 116 mmbls of oil and 1,300 bcf of gas. With appraisal work completed, the development plan concept is being discussed. First oil is expected in the latter part of 2016 or early 2017.

Oil production profile 2013-2017

Significant increase in output expected in the medium term.

Producing Field (mmbl)	2013	2014	2015	2016	2017
JUBILEE	38.69	41.61	41.61	41.72	40.88
TEN	-	-	-	19.11	24.99
SANKOFA	-	-	-	3.60	14.68
TOTAL	**38.69**	**41.61**	**41.61**	**64.43**	**80.55**



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REVENUE FROM GHANA'S CRUDE OIL SO FAR

NO. OF LIFTING	DATE OF LIFTING	CRUDE QTY (BBLS)	PRICE/BBL (US$)	ROYALTY (US$)	PARTICIPATING INTEREST (US$)	RECEIVED (US $)
1st	09/03/2011	999,259	112.804	31,055,937.86	81,133,637.66	112,189,575.52
2nd	24/05/2011	994,691	116.276	31,994,218.81	83,584,896.63	115,579,115.44
3rd	04/08/2011	990,770	110.670	30,330,589.43	79,238,664.87	109,569,255.30
4th	15/10/2011	949,469	112.550	29,560,397.90	77,226,380.53	106,786,778.43
5th	04/01/2012	996,484	111.630	30,948,012.00	80,209,778.20	111,157,790.20
6th	03/04/2012	997,636	125.816	34,968,492.00	90,629,889.86	125,598,381.86
7th	27/06/2012	995,247	90.213	24,932,115.57	64,931,721.80	89,863,837.37
8th	12/09/2012	947,021	112.56	29,677,076.00	76,915,819.00	106,592,895.68
9th	12/11/2012	994,646	108.44	30,029,417.00	77,829,001.00	107,858,417.59
10th	04/01/2013	995,550	113.09	31,368,307.29	81,299,081.76	112,667,389.05
11th	01/03/2013	996,201	108.54	30,126,565.61	78,080,787.01	108,207,352.62
12th	21/04/2013	995.520	98.958	27,450,148.90	71,144,160.86	98,594,309.76
13th	23/06/2013	995.685	103.664	28,759,266.62	74,537,078.02	103,296,344.64
14th	11/08/2013	994,966	111.579	30,930,230.71	80,163,693.00	111,093,923.70
15th	01/11/2013	898,338	105.425	26,371,693.63	68,349,065.09	94,720,758.72
Total		**14,737,483**		**453,011,484.20**	**1,160,764,640.67**	**1,613,776,124.86**

Source: GNPC ***Note:*** *The percentage of the participating interest is 13.75 for the 1st, 2nd, 3rd and 4th liftings and 13.64 for the 5th - 15th liftings.*

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Since inception of oil production to November 2013 the Ghana Group (GNPC/GOG) has made fifteen (15) liftings totalling 14,737,483 barrels of crude oil translating into gross revenues of USD 1,613,776,124.86 million.

For the period January to November 2013, GNPC lifted crude oil six (6) times on behalf of the State. This involved 5,876,260 barrels of oil which yielded US$628,580,078.49 of net petroleum revenue to the State.

ALLOCATION OF JANUARY- SEPTEMBER 2013 PETROLUEM RECEIPTS

The main sources of petroleum receipts for 2013 were Royalties, Carried and Participating Interest, and Surface Rentals. In line with the Petroleum Revenue Management Act (PRMA), petroleum receipts were distributed to the National Oil Company (NOC), the Annual Budget Funding Amount (ABFA), and the GPFs using approved proportions.

The allocation of petroleum receipts for 2013 was therefore guided by the PRMA. Parliament, acting within the confines of the law, approved a 40 percent share of the Carried and Participating Interest, net of Equity Financing Costs for the National Oil Company (NOC) in 2011, with the rest going to Central Government. Out of Government's net petroleum receipts, 70 percent was designated as the Annual Budget Funding Amount (ABFA) while 30 percent was transferred into the GPFs. By the same arrangement, the GHF and the GSF attracted 30 percent and 70 percent, respectively, of the total receipts into the GPFs. The transferred amounts to the various destinations are shown in the table below.

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DISTRIBUTION OF JANUARY - SEPTEMBER 2013 PETROLEUM RECEIPTS (US$)

Item	1st Qtr		2nd Qtr		3rd Qtr	Total
	10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	
Transfer to GNPC	42,342,760	38,487,485	37,432,100	32,687,149	35,141,266	186,090,761
o/w Equity Financing Cost	16,371,879	12,258,684	14,957,392	4,787,197	5,126,315	53,501,467
o/w Net Carried and Participating Interest	25,970,881	26,328,841	22,474,708	27,899,952	30,014,951	132,689,333
o/w Contribution to Min. Bal on PHF	-	(100,000)	-	-	-	(100,000)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(40)	-	-	-	(40)
GOG Net Receipts for Distribution to ABFA and GPFs	110,888,878	69,617,577	140,527,482	123,889,854	76,063,211	520,987,003
o/w ABFA	68,299,392	-	68,299,392	-	68,299,392	204,898,175
o/w GPFs	42,589,487	69,617,577	72,228,090	123,889,854	7,763,820	316,088,828
o/w Ghana Stabilization Fund	29,812,641	48,732,304	50,559,663	86,722,898	5,434,674	221,262,180
o/w Ghana Heritage Fund	12,776,846	20,885,273	21,668,427	37,166,956	2,329,146	94,826,648
o/w Contribution to Min. Bal on PHF	-	(100,000)	-	-	-	(100,000)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(56)	-	-	-	(56)
Total Payments	153,231,638	108,305,158	177,959,582	156,577,003	111,204,478	707,277,859

Source: MOF

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The 2013 petroleum receipts were also allocated based on the provisions of the PRMA. According the Ministry of Finance 2013 Annual Report on the Petroleum Funds, out of a total revenue of US$707.28 million, US$186.09 million was allocated to GNPC (the NOC) as its share of the Equity Financing Cost (US$53.50 million) and Net Carried and Participating Interest (US$132.69 million). According to the MoF 2013 Report, the Bank of Ghana (BOG) transferred an amount of US$100,000 to the Reserve Bank of New York on GNPC's behalf for the payment of its share of the minimum balance on the Petroleum Holding Fund Account. GOG also paid US$100,000 for the same purpose.

The ABFA totalled US$204.90 million from January to September 2013. The quarterly ABFA target was achieved for all the three quarters. The first lifting for each quarter was enough to meet the applicable quarter's ABFA, so the proceeds from GOG's share in the quarter's second lifting was transferred into the GPFs, except in the third quarter where only one lifting was made.

In all, a total of US$316.09 million was transferred into the GPFs in respect of the first nine months of 2013. Out of this amount, the GHF received US$94.83 million while the GSF received US$221.26 million.

The time weighted return on the Ghana Petroleum Funds from January to September 2013 was 0.491 percent, compared with 0.28 percent, net of bank charges for 2012. The time weighted return was 0.370 percent for GSF and 0.805 percent for GHF over the period.

By the end of the third quarter of 2013, GSF had returned investment income of US$783,869.51, compared with an income of US$205,008.40 in 2012. GHF, on the other hand, earned an investment income of US$658,314.26 (an increment of US$601,115.54 or 1,050.92 percent over the 2012 position). The return on both the GSF and GHF amounted to US$1.442 million, compared with US$ 0.286 million in 2012.

23 DISCOVERIES AFTER JUBILEE

ALLOCATION TO THE GHANA PETROLEUM FUNDS (JANUARY 2011 - SEPTEMBER 2013)

Liftings	2011			2012			Jan-Sep 2013		
	GSF	GHF	Total	GSF	GHF	Total	GSF	GHF	Total
1st Lifting	18,059,340.64	4,808,131.20	22,867,471.84	-	-	-	-	-	-
2nd Lifting	19,903,267.56	4,805,488.96	24,708,756.52	-	-	-	-	-	-
3rd Lifting	16,845,744.63	4,786,381.49	21,629,126.12	-	-	-	-	-	-
4th Lifting	-	-	-	-	-	-	-	-	-
5th Lifting	-	-	-	-	-	-	-	-	-
6th Lifting	-	-	-	-	-	-	-	-	-
7th Lifting	-	-	-	16,883,547.53	7,235,806.08	24,119,353.61	-	-	-
8th Lifting	-	-	-	-	-	-	-	-	-
9th Lifting	-	-	-	-	-	-	-	-	-
10th Lifting	-	-	-	-	-	-	29,812,640.61	12,776,845.98	42,589,486.59
11th Lifting	-	-	-	-	-	-	48,732,304.09	20,885,273.18	69,617,577.27
12th Lifting	-	-	-	-	-	-	50,559,663.32	21,668,427.14	72,228,090.46
13th Lifting	-	-	-	-	-	-	86,722,897.67	37,166,966.14	123,889,853.81
14th Lifting	-	-	-	-	-	-	5,434,673.82	2,329,145.92	7,763,819.74
Total	54,805,352.83	14,400,001.65	69,205,354.48	16,883,547.53	7,235,806.08	24,119,353.61	221,262,179.51	94,826,648.36	316,088,827.87

Source: Bank of Ghana

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After implementation of the PRMA for about two-and-a-half years, the Ministry of Finance and other stakeholders have identified a few challenges in the law which need to be addressed. Consequently, the Ministry has placed advertisements in the print and electronic media to solicit for the views of Ghanaians and experts on how to improve upon the Law. This would eventually be laid before Parliament for consideration and passage. Due to the proposed amendments to the PRMA, the developments bordering on the PRMA Regulations have been put on hold until after the Law has been revised.

THE NEW EITI STANDARD

Mr. Olivier Bouvet

The EITI, for all its strengths, does not cover all the aspects of the extractive industries value chain where transparency is needed, stakeholders therefore, pushed for a revised standard. As a result, based on the experiences from EITI implementing countries, the international EITI Board and the EITI partners spent two years consulting and working together to improve the EITI Standard. The New EITI Standard was agreed upon by governments, companies and non-governmental groups that constitute the global governing board of the initiative. The improved standard was endorsed by delegates at the 6th EITI Global Conference in Sydney, Australia in May, 2013. It requires implementing

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THE NEW EITI STANDARD

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countries, including Ghana to go beyond just disclosing revenue data to disclose information about production volumes, beneficiary ownership of licenses, license allocations, state-owned companies, corporate social responsibility payments and transfers from central to local governments. The revised EITI standard also requires transparency of government spending and budgets in general.

The Standard raises the EITI reporting bar significantly. On the issue of licenses EITI implementing countries will now have to provide detailed information about each oil, gas and mining license. First, they will need to maintain a public register that lists the company's name, location and duration of each license. From 2014 and beyond all EITI reports will contain explanation of how licenses were awarded or transferred during the year covered and details on applicants and criteria used in any license auctions.

Furthermore, the new rules require reporting of revenue data on project-by-project basis. This is to enable mining, oil and gas host communities to appreciate how much revenue is being generated from the projects they play host to and to make informed demands in respect of their share of the benefits.

Under the new rules, state owned companies will have to disclose proceeds from the sale of state's share of production. They are also required to report on all quasi-fiscal expenditures, the sale of state -owned assets and financial transfers to the state.

Hon. Kweku Ricketts Hagan, Deputy Minister of Finance

With regards to the production data, EITI reports will now have to disclose total production volumes and the value of production by commodity, including by state and by region when relevant, as well as total export volumes and the value of exports by commodity.

The new Standard therefore encourages more relevant, more reliable and more usable information, as well as encourages better linkages to wider country reforms. It also encourages implementing countries to disclose information on beneficial ownership of licenses and contracts between companies and governments and transparency of access to oil and mineral concessions as part of the EITI reporting process.

It is expected to improve the quality of reporting by generating a great deal of useful data that make the EITI standard more robust, more relevant and a stronger tool for people to demand accountability.

Mr. Allan Lassey (middle) of GIZ interacting with Mr. Olivier Bouvet (left) of EITI and a member of the delegation representing GIZ

GHANA'S SOLID MINERALS

Gold

Manganese

Bauxite

Limestone

Silver

Diamond

HIGHLIGHTS OF THE 6TH EITI GLOBAL CONFERENCE

Ghana participated in the sixth Extractive Industries Transparency Initiative (EITI) Global Conference held in Sydney, Australia from 23rd – 25th May, 2013. Ghana's delegation to the conference was drawn from Government, private sector and civil society. Altogether, there were seven (7) delegates from Ghana including the Hon Deputy Minister of Finance, Hon. Cassiel Ato Forson (MP) who led of the delegation.

Ghana delegation to the EITI Global Conference, led by Hon. Cassiel Ato Forson, Deputy Minister of Finance (extreme right)

The theme of the conference was **"BEYOND TRANSPARENCY"**. The Conference focused on how the EITI is making a difference in the lives of nearly half a billion people in the thirty – nine countries who now have access to reliable data on revenues from their country's natural resources through the publication of EITI reports. In most cases, the data published in the EITI reports had never been available before. In many cases, opacity around the revenue had been the source of bitter conflicts, and the source of mismanagement and plunder.

The conference marked the transformation of EITI from a start-up initiative to a global transparency standard. By adopting the improved EITI standard the Conference brought the EITI many steps further towards realizing the aspirations that wereÊfirst laid down in the EITI Principles. It provided the opportunity to discuss the impact of the EITI, share lessons learnt from implementation and address existing challenges.

The conference was attended by heads of states, Government leaders, companies and civil society organizations. About 1,300 delegates from more than 96 countries participated in the conference that shaped the future of the EITI. Amongst the International Organisations in attendance were the World Bank, African Development Bank, International Monetary Fund (IMF) and some United Nations agencies.

Opening the Conference, the EITI Chair, Ms Clare Short, set the tone for deliberations by highlighting the growing attention being focused on transparency, accountability and good governance issues in the extractives sector. The opening session of the conference was also addressed by Hon. Gary Gray, Minister for Resources and Energy, Australia, H.E Joseph N. Boakai, Vice President of Liberia, H.E Gordon Darcy Lilo, Prime Minister of Solomon Islands, Musa Sada, Minister of Mines and Steel Development, Nigeria and Erik Solheim, Development Assistance Committee Chair, OECD.

The speakers reflected on the importance of revenue transparency and accountability in improving the governance of the extractive sector.

The Hon. Deputy Minister of Finance and the leader of the Ghana delegation made a statement on behalf of the Government of Ghana emphasizing Government's commitment to the EITI principles of transparency and accountability. The statement outlined Ghana's achievements to date in EITI implementation, mentioning in particular, the country's successful extension of the initiative to the emerging oil and gas sector.

He informed the conference delegates that to date Ghana has

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EITI GLOBAL CONFERENCE

produced nine EITI reports covering 2004-2011 in order to make revenue information on the extractive sector available to the general public. The latest in the series is the 2010/2011 reports which cover both the mining and the new oil and gas sector. He noted that the findings and recommendations from these reports are significant and informing major institutional and policy reforms in the country's extractive sector. The policy reforms, he noted, 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.

Cross section of participants at the Global Conference

He expressed delight that Ghana had gone beyond the minimum standard set by the EITI International Board, a fact he noted, gives assurance that the new standard adopted at the Conference will not pose any significant challenge to EITI implementation in Ghana. "We report on sub-national disbursement and utilization of mining sector revenues. We also report on extractive sector production data and company disaggregated data. As we seek to back the EITI by law, disclosure of all extractive sector contracts will become mandatory," he told the delegates. He assured the Conference of Ghana Government's intension to be transparent not only with extractive sector revenue management but throughout the entire value chain of the extractive industry from the negotiation of contracts to issues of revenue utilization and sustainable development.

Government, he said, is also committed to ensuring that the extractive sector revenues are utilized in the most efficient and effective manner with accountability being the guiding principle. "In the spirit of the principles and criteria of EITI, we have provided for public disclosures of petroleum production figures and revenues in the Petroleum Revenue Management Act of 2010, Act 815" he said. The law establishes the Public Interest and Accountability Committee (PIAC), an additional public oversight body whose membership is drawn from the civil society fraternity in Ghana and whose mandate is to ensure strict compliance with the provisions of the Petroleum Revenue Management Act. By this singular act, Ghana has demonstrated to the whole world her determination to escape the resource curse syndrome that bedevils many an oil producing country. "Our extension of the EITI to the oil and gas sector is indeed an icing on the cake for Ghanaians and a further demonstration of our resolve to succeed where others have failed" he stated.

(L-R) Mr. Sulemanu Koney of the Chamber of Mines interacting with Mr. Eddie Rich, Deputy Head of EITI Internal Secretariat and Mr. Olivier Bouvet, Board member of EITI

He however, conceded that there are definitive challenges which EITI must face up to, if implementing countries were to realise the full potential of the initiative. "While the

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EITI GLOBAL CONFERENCE

Ghanaian delegates at the conference

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focus of the EITI on transparency in the reporting of resource revenues was the right place to start, there are so many things that it does not cover along the extractive sector value chain; including savings and investment decisions of natural resources management. By the same token, EITI cannot be the stand-alone item on the agenda for development. There is therefore the critical need to strengthen the link between transparency, accountability and overall development of our countries," he said; adding that, "Addressing these challenges will require innovative strategies that speak to our peculiar situations".

He assured delegates that Ghana is poised to take its EITI implementation to the next level. "We are progressing steadily to extend the EITI to the forestry sector and eventually to fisheries. We have a clear road map for this extension. We are looking at a future where the principles of EITI are effectively mainstreamed into our ways of doing things." he said.

He concluded that EITI in Ghana has brought stakeholders together to debate and discuss critical extractive sector revenue issues and policies. In Ghana civil society and the extractive company stakeholders continue to contribute significantly to the building of EITI. They have provided technical support and have also collaborated with the Ghana EITI in organizing several EITI events. He was optimistic that the collaborative spirit established among EITI stakeholders in Ghana will spur the country on to greater achievements in its implementation of the initiative.

Ghana also participated in the EITI National Exhibition, one of the major attractions of the Conference, to showcase EITI implementation in the country.

Other EITI implementing countries also presented their processes at country stands. Each country displayed reports, videos, brochures, posters, T-shirts, badges, flags and other materials to tell the stories from their EITI implementation and to give a strong flavour of the diversity of country processes and experiences. This enabled EITI stakeholders from across the world to deepen their understanding of EITI country processes and the flexibility of the EITI methodology in terms of adaptation to local contexts and circumstances. Members of each country's national secretariat were available to answer questions on items put up for the exhibition.

The exhibition demonstrated that, even though the framework and standard of EITI is established internationally, the processes and experiences are diverse in implementing countries, and that ownership and responsibility of national stakeholders are crucial for a successful and meaningful implementation.

Ghanaian delegates at the Ghana Stand at the conference

UNITED KINGDOM AND FRANCE TO IMPLEMENT EITI

In a video message to the 6th EITI Global Conference, the UK Prime Minister, David Cameron, and President of France, Francois Hollande announced their countries' decision to sign-on to the EITI and to implement the initiative in their respective countries. In 2011 the United States Government also committed itself to implement the initiative.

President of France, Francois Hollande

Commenting on the admission of the U.K and France to the league of EITI implementing countries, the Chair of the EITI International Board, Ms Clair Short, expressed her delight at the development. "Through transparency in the management of oil, gas and mining across the world we can limit corruption, make sure that the sector is well governed, and ensure that the income from it leads to development. In the UK and France, the EITI will hopefully provide a focus for informed debates about the sector. Globally, it will signal that transparent management of the extractive industries is a standard that both the North and the South should commit to."

So far the EITI has been seen as an attempt by rich countries to preach standards of governance which they do not apply themselves, to countries in the developing world. While they claim credit for supporting the EITI in various ways, they refuse to implement it themselves. EITI supporting countries especially, those from the North, were therefore challenged to explain publicly how their accountability and transparency arrangements substantially achieve the EITI's objectives, short of implementing EITI. In response to this challenge Norway became the first OECD country to sign-on to and implement the EITI.

Countries like the United States, Britain, Canada, Australia and other EITI Supporting countries with significant oil, gas or mining industries are now following Norway's example to implement the EITI.

It has been said that in today's globalized world, no international initiative can succeed without the active participation of the large emerging market economies. There is therefore, the need to convince emerging market economies like China, India, Brasil etc. that joining the EITI is in their interest. Some of the emerging market economies are themselves large producers of oil, gas and minerals, and as such stand to benefit from the accountability framework offered by the EITI. Others are home to the extractive companies operating abroad, and they therefore, have the responsibility to make sure their companies behave in the best interest of the countries in which they operate.

The EITI admits that one of the critical challenges that it faces is its inability to convince many of the emerging economies especially China of the benefits of EITI.

U. K. Prime Minister, David Cameron

SECOND GHEITI KENYASI COMMUNITY FORUM

Hon. Eric Addai, DCE of Kenyasi DistrictAssembly

The National Steering Committee (NSC) of the Ghana EITI in collaboration with Newmont Ghana Gold Ltd. and the Ghana Chamber of Mines organised the second GHEITI community forum on August 8, 2013 in Kenyasi in the Asutifi North District of the Brong Ahafo Region. The forum was moderated by the District Finance Officer, Mr. Bassua and chaired by the District Chief Executive, Hon. Eric Addae.

It was attended by a cross section of the public from Kenyasi community and its environs. In all, over one hundred and fifty (150) participants including the NSC, Chiefs, Opinion Leaders, Assembly Members, Civil Society Organisations(CSOs) and students among others. Also in attendance was the Community Relation Manager of Newmont Ghana Gold Ltd.

The main objective of the forum was to interact with members of the Kenyasi community and its adjoining areas within the catchment of Newmont's operations to explain to them in the local language, the findings, recommendations and other critical issues contained in the 2010/2011 GHEITI mining reports.

It was also intended to deepen the understanding of the Kenyasi community members on the implementation of the EITI in Ghana, get their perspectives and concerns on the extractive sector, so as to empower them to ask the right questions and to be able to demand more accountability from the managers of their natural resources.

In his opening remarks, the D.C.E, Hon. Eric Addae commended the NSC and the GHEITI Secretariat for organising the function in the Asutifi North District for the second time. He explained that organising such educative and informative programmes to discuss critical issues relating to the extractive sector, has always been useful, as they are helping to erase the mistrust and suspicions among various extractive industry stakeholders in the district. He suggested that, lack of information flow normally leads to tensions which if not managed properly could degenerate into conflicts. He therefore welcome the initiative of the NSC and pledged the support and readiness of the District Assembly to facilitate the organisation of such events. On his part, Dr. Steve Manteaw of ISODEC, and Convener of Publish What You Pay Ghana, who also co-chairs the Ghana EITI explained the objectives of the forum and also took participants through the historical evolution of the EITI in Ghana, highlighting it successes and challenges.

The EITI, he said, is an international initiative, launched in Johannesburg, South Africa by the then Prime Minister of the UK, Mr. Tony Blair in 2002. Ghana signed-on to the EITI in 2003 and has since been implementing it in the mining sector. With the discovery of crude oil in commercial quantities in Ghana, the Government in September, 2010 extended the initiative to the oil and gas sector. He disclosed that the country's maiden EITI audit report on the oil and gas sector was produced in 2013 and covered 2010/2011.

He informed the forum that the Ghana EITI is governed by a multi-stakeholder committee drawn from Government, Civil Society and Companies (mining & oil/gas companies), and that the production and dissemination of the EITI reports is one of the critical outputs of the EITI implementation. He pointed out that, the Global EITI Standard requires that the reports are presented in a comprehensive and comprehensible manner and that citizens are afforded opportunities to discuss their findings and recommendations. It is for this reason, he explained, that the GHEITI Secretariat in collaboration

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KENYASI COMMUNITY FORUM

Participant from WACAM asking a question

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with stakeholders held a dissemination workshop in Sunyani on August 22, 2013 and which was being followed with the Kenyasi community forum.

The Community forum, he observed, is also in line with the Ghana EITI communication strategy to ensure that information on extractive sector revenues is made more accessible and comprehensible to the general public.

He said, Ghana has produced eight EITI reports covering 2004 to 2011; adding that, these reports are feeding into national policy and legislative reforms to optimise Ghana's benefits from the extraction of its natural resources.

Presenting the highlights of the 2010/2011 mining reports, the GHEITI Aggregator, Mr. Kweku Boa-Amponsem indicated that the report is essentially a collation and reconciliation of revenues reportedly paid by companies to government and revenues that government is reported to have received from companies.

He disclosed that revenue streams from the mining sector to government captured in the 2010/2011 EITI report include: licence fees , property rate, ground rent, mineral royalties, corporate tax and dividends. However, for the purpose of the Kenyasi forum the focus of the presentation was on the mineral royalties since that is what is normally disbursed to the District Assemblies, Stools, and Traditional Councils and in which the communities have immediate interest.

The current disbursement formula of mineral royalties is as follows:

❖ Government/Consolidated Fund	=	80%
❖ Minerals Development Fund	=	10%
❖ Office of the Administrator of Stool Lands	=	1%
❖ District Assemblies	=	4.95%
❖ Stools	=	2.25%
❖ Traditional Councils	=	1.80%
Total	**=**	**100%**

For year 2010, the amount of royalties due to Asutifi District Assembly from the Brong Ahafo Regional Office of the Administrator of Stool Lands (OASL) was GHc 1,127,093.59 and an amount of GHc 1,125,212.76 was paid by the OASL. In 2011, whereas the OASL paid an amount of GHc 877,669.30 to the Assembly, the Reconciler's computations indicate that an amount of GHc 997,698.00 should have been paid to the Assembly by the OASL.

On the role of the community leaders in monitoring the royalty payments, he stated that the leaders or even the Assemblies could find out from the mining companies how much they have paid to government as royalty. Using the disbursement formulae,, he said, the communities can forecast what they are to receive, and this can form the basis for their planning and monitoring of whether or not the monies received are accurate and properly accounted for or utilised by the District.

The Aggregator mentioned delays by OASL in respect of disbursements of royalties to District Assemblies and

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KENYASI COMMUNITY FORUM

Participant from WACAM asking a question

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significant utilisation of royalties on waste management and other recurrent expenditures by Assemblies instead of development projects as some of the findings established during the 2010/2011 collation and reconciliation period. To address these challenges, draft guidelines have been developed by government to guide District Assemblies on the use of their share of mineral royalties.

He admonished the Assembly not to use the royalties disbursed to them for garbage collection but rather for development projects like clinics and schools.

The following interventions and comments were made by the participants:

- The need to consider looking critically at how Government and Traditional Councils also utilise their share of the royalties instead focusing the draft guidelines on only District Assemblies;
- What role can EITI play in dealing with the numerous environmental issues associated with mining activities in the mining areas, such as cyanide spillages and the prevalence of diseases? In other words, is there any room to expand the scope of EITI to deal with environmental challenges such as diseases, pollution of water bodies, etc. caused by mining?
- Participants were of the view that there is the need for proper clarification as to whether the royalties paid to the chiefs are for development of the communities or are for the chiefs and their families;
- A participant argued that the benefits from cocoa farms which were cleared to make way for mining were far in excess of the reported benefits of mining. Cocoa he said provided them with secured livelihood which transcended generations, scholarships were provided by COCOBOD to children of Cocoa farmers enabled the farmers to see their children through school. He therefore called for a proper cost-benefit analysis before allocating such farmlands for mining;
- The District Assembly complained that it is difficult to identify the right CSOs to engage with during consultations on the issues of mining because of lack of database on them. It was recommended that all CSOs should register with the District Assembly indicating their contact addresses for future engagements with the Assembly or any other institution.
- The Ghana EITI, going forward, should capture issues of compensation and resettlements of local communities in the GHEITI reports.

Responding to the comments, members of the NSC and the Aggregator explained that for now, the EITI's focus is on the District Assemblies and not the Traditional Councils or Government in terms of utilisation of royalties. However, as per the new EITI Standard the focus is being expanded and made more ambitious to include issues which were earlier not captured in the terms of reference for the EITI report. Future EITI reports are therefore likely to contain information on central government's spending of mineral royalties and other receipts.

On how the District's share of royalties was spent, the Aggregator noted that because the District did not operate a dedicated account for mineral royalties but co-mingled royalties with other revenues for the year under review, it was difficult to track and report on the utilisation of royalties and other mineral revenues. The participants were however unenthused about the financial disclosures, arguing that in their estimation, the negative fallouts from Newmont's operations in the district outweigh the financial benefits being reported.

The DCE responded by outlining a number of projects financed by the District's share of the royalties and

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KENYASI COMMUNITY FORUM

Participant from WACAM asking a question

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was very happy to point to the just completed Assembly Hall as one of the projects financed from the royalties. He agreed with the forum that the communities need to know the development projects for which royalties have been used.

Responding to the concerns about the negative environmental impacts of mining and diseases, Dr. Steve Manteaw, the Civil Society Co-chair of the Ghana EITI said he was not surprised that the communities' concerns weigh more on the side of the social and environmental aspects of mining. He intimated that the EITI in its current form is an incomplete balance sheet, pointing out that while citizens get to know about all the revenues accruing from the mining and oil extraction they are kept in the dark about the cost incurred in generating such revenues. He suggested that even though the social and environmental cost of mining remain outside the remit of the EITI other extractive industry governance initiatives such as the Natural Resources and Environmental Governance Programme (NREG) and EPA's environmental assessment tool, the AKOBEN, could provide opportunities to address these concerns.

The Aggregator added that, there are clear processes, guidelines, and monitoring arrangements which are followed before mining permits are issued to ensure that mining companies comply with relevant mining laws enshrined in the environmental regulations and the Minerals and Mining Act, (Act 703).

The National Coordinator of the Ghana EITI informed the forum that the Minerals Commission will soon undertake a cost/benefit analysis of the mining sector in Ghana under the Ghana Natural Resources and the Environmental Governance Programme (NREG) supported by the World Bank. The study will also develop the appropriate tools to ensure proper social and environmental accounting and compliance by companies. He advised mining companies wherever they operate to devise mechanisms for responding to the social and the environmental concerns of communities.

Newmont Ghana Gold's representative at the forum explained the position of the company on the environmental and social issues. He argued that, the Company has proactively engaged the communities on a number of issues including environmental and social issues. He regretted that most of the environmental issues that keep coming up are old issues which have longed been dealt with by the Company. He said the Company will however deepen consultations with the communities on issues raised at the forum.

Touching on whether royalties paid to the chiefs are to be used to develop the communities or are meant for the exclusive use of the chiefs, the forum was reminded that it is a Constitutional provision that "royalties paid to the chiefs are to be used in maintaining the stools in keeping with their status". The forum however, agreed that perhaps, there is the need to seek a Constitutional interpretation of that clause as it lacks clarity in meaning.

In his closing remarks, the Chairman thanked the GHEITI Secretariat once again for organising the forum in the district and pledged the Assembly's support any time the Ghana EITI calls on them to facilitate similar or related events. He also thanked all the participants for making time to attend.

The National Coordinator of GHEITI, Mr. Franklin Ashiadey also expressed his gratitude to the Ghana Chamber of Mines, and Newmont Ghana Gold Ltd. for their support in putting together the event. He further thanked the Asutifi North District Assembly for the abled manner they facilitated the interactions. Finally, he applauded his colleague NSC members, the Aggregator and all the participants and chiefs for making time to attend the programme. He pledged on behalf of the NSC that all the issues raised were noted, and would be discussed and addressed accordingly.

SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE 2012 ANNUAL REPORT OF THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE(PIAC)

Major Daniel Ablorh Quarcoo, Chairman of PIAC launching the 2012 Report

The Public Interest and Accountability Committee is a statutory committee established under Section 56 of the Petroleum Revenue Management Act 2011 (Act 815) with the following objectives:

a. Monitoring and evaluating compliance with the Act by the Government and other relevant institutions in the management and use of petroleum revenues.
b. Providing a platform for public debate on spending prospects of petroleum revenues in line with development priorities.
c. Providing an independent assessment on the management and use of revenues.

The Committee is mandated by the Petroleum Revenue Management Act 2011 (Act 815) to issue semi-annual and annual reports on the management of Ghana's petroleum revenues.

On November 28, 2013 the Committee launched its 2012 Annual Report. It is the second Annual Report to be launched by the PIAC and the third report since its inauguration in September 2011. The 2012 Report contains findings and recommendations based on the Committee's assessment of the management of petroleum revenues during the year 2012. Below are some of the key findings and recommendations of the Committee:

Key Findings

Revenue from stock spill-over: The Committee noted that, no action has yet been taken to incorporate revenues from stock spillovers arising from production of crude oil from one year to another, into the structure of accounting for all petroleum receipts in estimating the Benchmark Revenue nor any special report presented to explain volume differences between production and lifting as indicated in the Committee's two previous reports.

Accounting for Surface Rentals: The committee is happy to report that payments of Surface Rentals are now being properly accounted for as part of petroleum receipts and are incorporated into the Benchmark Revenue in accordance with the law.

Redetermination and Ghana's share of oil: During the period, the Committee noted that there was a redetermination of the Original Hydrocarbon-in-Place (OHIP) in the Jubilee field in accordance with the Partners' Unitisation and Unit Operating Agreement (UUOA) leading to some slight changes in the participation ratios and consequently the oil entitlement of the Jubilee Partners. Ghana's share after redetermination is now 17.9588% (inclusive of Royalties) compared to18.0625% in 2011.

Petroleum Cost: It was observed that there was an increase in the average production costs of the Jubilee partners from US$13.99 per barrel to US$16.11 per barrel as a result of having to correct some technical problems encountered in 2011 and the early part of 2012. These corrections included acid stimulations conducted on the fields of the Jubilee Phase 1.

Crude Oil Lifting: Total crude oil lifted from the Jubilee oilfields was 26,430,934 barrels in 2012 exceeding the total production volume of 26,351,278 barrels by 79,656 barrels indicating a spillover from 2011. The Ghana Group lifted 4,931,034 barrels of crude oil inclusive of the 5% royalty reflecting a total share of 18.66% in the new sharing ratio after redetermination, which is slightly more than 17.9588% which is Ghana's entitlement in year 2012.

Petroleum Income Tax 2012: The Committee also noted that for the second consecutive year, no corporate taxes were received because the companies were not in a tax paying position as cautioned by the Committee in the 2011 Annual Report. The inclusion of

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SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE 2012 ANNUAL REPORT OF PIAC

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corporate taxes in expected petroleum receipts in 2012(just as in 2011) has had the effect of distorting the Benchmark Revenue determination and subsequently the distribution of actual revenues during the period.

Crude Oil Pricing: Though the Ghana Group gained about US$20.18 per barrel on its projected crude oil price of US$90 per barrel, the 22.42% deviation from average price realized is too wide and calls to question the plausibility of the assumptions behind the price projections used in the budget for the year 2012. However, Ghana's actual sale price was comparable to that realized by the other Jubilee partners.

Total Revenue: Total actual petroleum revenue received in 2012 was GHS979,324 compared to the projected revenue of GHS1,239,820 representing a 21% shortfall in revenue.

Petroleum Revenue Distribution: The actual Benchmark Revenue in the year under review was 36% less than projected. The Benchmark Revenue has been overestimated since 2011 and this has affected both the Annual Budget Funding Amount (ABFA) and the Ghana Petroleum Funds negatively, since they derive their allocations from the Benchmark Revenue. GNPC received GHS54.99 million more than was approved by Parliament and even though the excess money has been accounted for, the occurrence has had the effect of drastically reducing the amount of money that should have been lodged in the GPFs as required by Law.

Utilizations of ABFA: The Committee noted that the Minister of Finance did not implement the expenditure plan for petroleum revenues presented to and approved by Parliament but rather allocated funds to various Ministries and Departments not mentioned in the 2012 budget in contravention of Section 21 (5) of 2011 (Act 815). Furthermore, the report presented to Parliament by the Ministry of Finance on the management of petroleum revenues appears to differ in content from what the Committee found as provided in Table 13 of this report. This is yet to be explained by the Ministry.

Chairman of PIAC in discussion with Nananom

Lastly, the requirement for 70% of the ABFA to be spent on public investment under Section 21 (4) was also not adhered to.

Transfers into Ghana Petroleum Funds: It was observed that in 2012, actual transfers to the Ghana Petroleum Funds fell short of target by 82%. This is due to the interpretation of Section 23b of Act 815 which requires only excess revenue collection over quarterly ABFA to be transferred to the Ghana Petroleum Funds. This interpretation of the law was however different from what was applied in the 2011 allocations. In the view of the Committee the different interpretation of the law creates room for abuse which must not be encouraged.

Investment of the Ghana Petroleum Funds: The Committee is concerned that the investment of the Ghana Petroleum Funds has not as yet yielded high returns and a continuation of this trend is likely to slow the growth of the Funds, especially the GHF.

Projected Petroleum Revenue 2013: If peak production is achieved in 2013 as planned and expected corporate taxes are collected, petroleum receipts are likely to be higher than projected for the first time as end of year crude oil prices are not expected to fall below US$95 per barrel.

Main Recommendations

Revenue from Stock Spillover: The Committee reiterates its recommendation (ii) in the 2011 Annual Report requesting the Ministry of Finance to report on the revenue overspill from 2011 which could probably be the outcome of petroleum produced at the onset of operations in 2010.The Ministry of Finance is advised to take into consideration the movement of stocks at the beginning and end of every production year to enhance the planning process and improve the quarterly projections of petroleum receipts rather than the current method by which the whole year's revenue is simply divided into four equal parts for the purpose of allocation of petroleum revenue.

Surface Rental Payments: It is recommended that the Ministry of Energy and Petroleum and/or the Petroleum Commission must ensure that invoices on surface rentals are raised

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SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE 2012 ANNUAL REPORT OF PIAC

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and paid by all IOCs operating in Ghana in a timely manner as stipulated by law. Petroleum Income Tax: The Committee noted that the inaccurate estimation of petroleum income taxes and for that matter any other constituents of petroleum revenue could give rise to distortions in the determination of the Benchmark Revenue and thereby affect its distribution. The MOF must therefore endeavour to improve the accuracy and reliability of its forecasting.

Crude Oil Pricing: Sections 9, 10 and 11 of Schedule 1 of Act 815 stipulate that assumptions upon which calculations are made in the estimation of Benchmark Revenue are to be clearly stated and any later changes pointed out. These assumptions are also required to be prudent, reflect international best practice and be based on internationally recognised standards. The Ministry of Finance must therefore ensure compliance with these requirements and disclose its assumptions in their report.

Petroleum Revenue Distribution: The Committee recommends that in the distribution of petroleum revenues, the Ministry of Finance must be guided by the policy objectives underlying the PRMA of setting aside part of annual petroleum revenues into a fund for future use. The current distribution mechanism, based on Section 7 of the Act, appears to leave too much funds at the disposal of the National Oil Company at the expense of the ABFA and GPFs. This is a lingering problem as it appeared as 'finding v' of the report of the PIAC for year 2011. If necessary, judicial interpretation of the relevant provisions of the Act should be sought to provide the basis for firm actions in future or outright replacement of those sections of the Act may be needed to remedy the situation.

Utilisation of ABFA: The Committee reiterates its recommendation in the 2012 Semi Annual Report that the "Ministry of Finance and Economic Planning must consider utilising a dedicated account to receive the Annual Budget Funding Amount from the Petroleum Holding Fund at the Bank of Ghana. This will ensure that allocations from this account can be tracked to give meaning to transparency and accountability."

Participants at the launch

Furthermore, we recommend that the Ministry of Finance must comply with the provisions of Section 21 (4) and (5) in the spending of petroleum revenues designated as the ABFA. The Ministry of Finance must also give more details of expenditure on Loan Repayment and Capacity Building in the report.

Ghana Petroleum Funds: The Committee is concerned about the impact of the interpretation of Section 23b of the Act on the GPFs and has therefore offered in Annex 1 of this report a legal opinion on the relevant sections of Act 815 that deal with how funds are to be transferred into the Ghana Petroleum Funds. The Committee recommends that Parliament should take a critical look at this exposition and take steps to amend this section of the Act for better clarity that will enhance implementation to ensure that the GPFs are funded regularly.

Investment of the Ghana Petroleum Funds: It is recommended that Government releases the Policy and Guidelines to assist the Fund Managers to better manage these funds as required by the PRMA 2011, (Act 815).

Other Recommendations

Enactment of Regulations: After three years of the coming into force of Act 815, the regulations that will help with the implementation of the law are still not in place. We therefore call for expedited action to be taken to complete the drafting of the regulations for the approval of Parliament.

Review of PRMA 2011: Some aspects of the Act, that have proved challenging in implementation should be reviewed and corrective measures taken to get those sections duly amended by the Parliament of Ghana.

Legislation on Funding for the PIAC: The Committee recommends that a section of the Act must be introduced to cater for the funding of the PIAC and the Petroleum Commission to enable them carry out their respective mandate as was done for the GNPC and the IAC.

BURKINA FASO

EITI STUDY TOUR TO GHANA

A fifteen member delegation from EITI Burkina Faso was in Ghana from August 26 to 31, 2013 to learn from the vast experience and global recognition Ghana has achieved from implementing EITI in the Mining and Oil/Gas Sectors. The study tour was also aimed at acquiring a deeper understanding of the EITI process in Ghana and to draw lessons for Bukina Faso's implementation of the initiative.

In his opening remarks to welcome the delegation the Director for External Resource Mobilization (ERM-M), Mr. Akilakpa Sawyer, was delighted that the meeting was taking place between the two countries who are neighbours from the sub-region and in the spirit of South/South cooperation. He urged Burkina Faso and Ghana to develop a framework on EITI for sub-regional cooperation. He stated that the study tour should not only be seen as an opportunity for further exchanges of experiences and lessons learnt, but also a step towards the harmonization of sub- regional approaches to extractive industries management at the sub-national level.

In his view the transformation of extractive industries into a source of development for the two the countries will require broader sub-regional alignment of a number of related economic governance issues. These include the convergence of policy, fiscal and regulatory frameworks; the facilitation of trade and commerce, and the optimization of positive externalities and synergies. Ghana, he said, is ready to provide the leadership and will also be a benefactor of a regional convergence of policies and practices.

Members of Burkina Faso EITI delegation in group photograph with GHEITI NSC

Noting that about half of the 39 EITI implementing countries are in Africa, he suggested that it will be in the overall interest of the Africa region to take the advantage offered by the EITI platform "to ensure that we get what is due us, in a clear, honest and transparent manner," he stated.

He concluded by recalling the commitment of the Economic Community of West African States (ECOWAS) since 2008 to harmonise their mining legislation, which is seen as important to ensure that ECOWAS countries have a stable fiscal regime to attract investment while avoiding the "race to the bottom" phenomenon that had been associated member countries' investment drive. He urged the two EITI implementing countries to exchange lessons with the ECOWAS mining principles in mind.

The delegation held meetings with the Ghana EITI stakeholders, including the Ghana EITI Secretariat, the Steering Committee, the Chamber of Mines, Ministry of Lands and Natural Resources (MLNR), Minerals Commission, Publish What You Pay-Ghana and the Oil and Gas Exploration and Production Forum (E&P Forum) to exchange EITI implementation experience with the Ghana EITI.

Compared to Ghana, Burkina Faso is a marginal gold producer in Africa. The country also has reserves of zinc and manganese. Since the 1990s, the country has seen significant development of mining exploration activities in its territory. Burkina Faso has accompanied the development of the mining industry with a strong effort to adhere to the EITI principles. Unlike Ghana, Burkina Faso is one of the new entrants into the league of EITI implementing countries. It became a Candidate country in 2008 and adjudged EITI compliant in 2013.

Discussions with the Ghana EITI

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BURKINA FASO
EITI STUDY TOUR TO GHANA

Study tour delegation in a meeting with GHEITI NSC

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centered on EITI implementation and its challenges in the two countries. The National Coordinator of the Ghana EITI, Mr. Franklin Ashiadey, briefed the delegation on the EITI Governance arrangements in Ghana and outlined some of the challenges facing EITI implementation in the country. He mentioned problems of data collection to produce EITI reports on time, financial constraints, varied expectations of different stakeholders i.e. civil society, Government and companies, as some of the challenges Ghana EITI is facing. The Coordinator told the visiting delegation that though Ghana EITI is successful in its sub-national engagement and reporting, a lot more work remains to be done. One area the delegation was very keen to learn from Ghana was the sub-national distribution of royalties and the sub-national data collection, reconciliation and reporting. One unique feature of the Burkina Faso EITI governance structure that Ghana can learn from is the decentralised nature of the MSG from the National to the sub-national level.

The leader of the delegation and the National Coordinator of the Burkina Faso EITI found it reassuring to discover that the implementation process and structure in Ghana was similar in many respects to that in Burkina Faso and also that, the challenges faced by the two countries are similar.

On the issues of fiscal challenges facing the extractive sector the head of the delegation informed the Ghana EITI that in Burkina Faso revenues from the mining sector covers mainly royalties and corporate income taxes. He informed the meeting that revenues from the mining sector accounts for about 7% of total Government revenues and since 2010 the royalty rate in Burkina has moved from 3% to a sliding scale of 3-5% depending on global prices. USD 1,500/ounce is the trigger level for the higher rate, and US$1,300/ounce is the floor price for the lower rates. Corporate tax rate for mining companies is 17%. Like Ghana the state holds 10% stake in mining in Burkina Faso.

The delegation left Ghana resolved to deepen EITI implementation and strengthen the bond between the two countries in promoting extractive sector transparency.

Study tour delegation meeting with the Oil and Gas Exploration Forum

NORTHERN GHANA SENSITISED ON THE EITI

The Ghana EITI (GHEITI) Secretariat in collaboration with the National Steering Committee (NSC) and the German International Development Cooperation (GIZ) organised the first stakeholder sensitisation and dissemination workshop for the Northern, Upper East and Upper West regions to discuss the 2010/2011 EITI reports for the mining and oil/gas sectors in the first week of October 2013.

Deputy Northern Regional Minister, Hon. Alhaji A. B. A. Fuseini addressing the Wprkshop

The workshop was chaired by the Deputy Northern Regional Minister, Alhaji A.B.A. Fuseini, and moderated by Dr. Gad Akwensivie of the OASL. The sensitisation programme was attended by the members of the NSC, Chief Executives of Metropolitan, Municipal and District Assemblies (MMDAs) and their finance officers. Other participants included Civil Society representatives, traditional authorities and the media.

Delivering a welcome address on behalf of the Northern Regional Minister, Hon. Bede Zidene the Deputy Regional Minister, Alhaji A.B.A. Fuseini lauded the Ghana EITI and the NSC for organising the sensitisation workshop for the first time in the northern part of the country. He noted that this would give residents of the region the opportunity to understand the EITI and also contribute to the discussions around extractive sector revenue management and utilisation. He added that Northern Ghana has deposits of mineral resources such as gold, iron ore etc and that, currently there are small-scale and artisanal mining activities taking place which make the organisation of the workshop timely, as it would build their capacities to be able to comprehend and deal with the extractive sector matters much more effectively than other mining regions have done.

He expressed the hope that the sensitisation programme would delve deeper into the critical issues of exploitation of mineral resources, while he urged the appropriate authorities to scrutinise all agreements entered into between Ghana and extractive sector companies to ensure that the country maximises government's take for the benefit of the people.

He also called on Ghana EITI and other relevant institutions to consider taking inventory to establish, if possible, the amount and the quality of natural resources (mining, oil and gas) that we have as a people to be able to place the right values on them during negotiations.

Addressing the workshop, Mr. Allan Lassey, the GIZ Extractive Industries Advisor, commended the NSC of GHEITI for extending its sensitisation activities to Northern Ghana ten (10) years after the inception of EITI in Ghana.

He mentioned the revision of the various aspects of the mining sector fiscal regime, enhancement of institutional collaboration among key stakeholders, and other reforms currently being implemented in the mining sector as some of the achievements of the Ghana EITI. He advised the Ghana EITI Steering Committee to include the Northern Region in the EITI report dissemination programmes anytime the EITI reports are produced, to give the people in the North the opportunity to follow and to contribute to the policy discourses around the extractive sector. He also used the platform to appeal to the Office of the President and Parliament to ensure that the Ghana EITI Bill is passed without any further delay since the Bill when passed will greatly enhance the implementation of the EITI in Ghana.

The representative of Gulkpe Naa in a brief statement expressed gratitude to the GHEITI Secretariat and the NSC for organizing such an educative

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NORTHERN GHANA SENSITISED ON THE EITI

Cross section of participants

Cont'd from previous page

programme in the region. He however, suggested that the GHEITI Secretariat should seriously consider the extension of the EITI to cover the activities of the traditional authorities in the country since the latter also benefit from the royalties paid by the extractive sector companies to government.

Taking his turn to deliver the keynote address on behalf of the Deputy Finance Minister, Hon. George Ricketts-Hagan, the Ghana EITI Coordinator, Mr. Franklin Ashiadey expressed delight to be part of the maiden EITI sensitisation event to take place in the Northern Region. According to him, the objective of the workshop was to inform participants from the Northern, Upper East and Upper West regions about the Ghana EITI process so far, and to share with them the findings and recommendations of the GHEITI Audit reports spanning the period 2004 – 2011.

He indicated that, the workshop was important because the new 'mining frontiers' in Ghana are located in the northern part of the country and exploration works show that these areas are rich in deep veins of gold ore suitable for large scale mining, as well as near-surface and alluvial gold deposits suitable for small scale extraction.

He noted that given the strategic importance of natural resources, especially minerals and oil and gas to the economy of Ghana, there is the urgent need for more transparent and prudent management of revenues from these sectors. This, he said, can be achieved by making resource-revenue data widely available, to empower the general public to hold both companies and government accountable.

He mentioned in particular the significant contribution of the mining sector to government revenue, employment, foreign direct investment, and to the economy as a whole. He observed, for instance, that in 2012, the sector contributed 27% of Ghana's total tax revenue (Corporate tax earnings, royalties, PAYEE, etc) as collected by the Ghana Revenue Authority and 6% of GDP. Again, in 2011 for the first time in many decades, corporate tax receipts exceeded royalty payments and this is very significant as it may mark the end of the initial investment recovery periods for major mining companies. The large scale mining and the mine support services sub-sector employs about 27,000 people. An estimated 500,000 people are also engaged in the small-scale gold, diamond, sand winning, quarry and salt industries country-wide.

Like the mining sector, the contribution of the new oil/gas sector to the economy can also not be overstated he noted. Total volume of crude oil produced from the Jubilee field as at August, 2013 was over 74.0 million barrels. Currently, the Jubilee Oil Field is producing in excess of 110,000 barrels per day. The oil/gas sector's contribution to revenue represents 6.6% of domestic revenue and 1.4% of Gross Domestic Product.

The EITI reports produced so far from 2004 – 2011 as noted by the EITI Coordinator have made critical findings and recommendations some of which 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.

He concluded his statement by outlining two notable innovations in the 2006 Minerals and Mining Act, the first was the commitment to further decentralise the administration of the Minerals Commission. The objective is to improve the outreach, support and monitoring function of the Minerals Commission in districts where small scale mining is widely practised.

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NORTHERN GHANA SENSITISED ON THE EITI

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The second and perhaps more significant innovation was the introduction of the concept of designating reserved areas for small scale mining. This has been seen by stakeholders as a potential policy break-through to support a well regulated, legal and sustainable small scale mining sector.

The following presentations were made at the workshop :

- ❖ Concepts and principles of EITI and GHEITI process so far;
- ❖ New EITI Standards;
- ❖ Social and Environmental impact mining;
- ❖ Highlights of the 2010/2011 GHEITI reconciliation reports for the mining sector and highlights of the 2010/2011 GHEITI reconciliation reports for the oil/gas sector.

Participants after the presentations had the opportunity to discuss extensively the issues raised by the resource persons.

Participants, for instance, wanted to know what measures government was taking to address concerns over mining in forest reserves? To this, the assurance was given that the issue of protecting the forest, water bodies, and for that matter the environment in general is of primary concern to government. Government through the relevant agencies (Ministry of Lands and Natural Resources, Minerals Commission and the Forestry Commission) have developed guidelines on how to ensure that environmental and all other concerns are not overlooked.

On the issue of illegal mining and the destruction of the environment and water bodies, participants wanted to know what was being done to stop or minimise it. Participants were informed that the issue of illegal mining or 'galamsey' is a serious challenge that threatens national security because large numbers of foreigners are also involved. In the light of this, various strategies have been adopted by the relevant agencies to deal with the menace. Some of these measures include: the establishment of a Ministerial Task Force to deal with the issue, the creation of awareness of its dangers by engaging the host communities and those involved in it, initiation of alternative livelihood programmes, and the use of security forces to discourage people from undertaking 'galamsey' operations etc.

Participants were also concerned that the EITI reports seemed to dwell more on revenues by reducing benefits to only cash. They argued that, there are other serious environmental and social concerns which should be addressed in the reports. In view of this, it was suggested by a section of the participants to consider the need to do a complete balance sheet of mining in Ghana by undertaking cost – benefit analysis of mining activities in the country.

Contributing to the discussion, a member of the NSC informed members that some of these gaps, in terms of the scope of the EITI, are being addressed under the New EITI standard. On the issue of the cost – benefit analysis of mining, it was proposed to WACAM and/or other CSOs or independent institutions to put up a team to undertake the assignment. The Minerals Commission pledged to support such initiative.

A participant wanted to know why there was no traditional authority represented on the Ghana EITI National Steering Committee (NSC)? He argued that the chieftaincy institution is a key stakeholder when it comes to extractive sector revenue issues and called for the need to ensure that traditional rulers are represented on the NSC.

> *"The Ghana EITI Coordinator, Mr. Franklin Ashiadey expressed delight to be part of the maiden EITI sensitisation event to take place in the Northern Region. According to him, the objective of the workshop was to inform participants from the Northern, Upper East and Upper West regions about the Ghana EITI process so far..."*

The D.C.E for Sagnarigu District Assembly who chaired the last session of the workshop on behalf of the Deputy Nothern Regional Minister, Hon. Alhaji A.B.A. Fuseini, thanked all the participants for attending the workshop and for making very useful comments during the deliberations.

On his part, the Ghana EITI Coordinator, Mr. Franklin Ashiadey also expressed his gratitude to all the participants for the massive turn-out and for their cooperation to make the workshop a success. He commended the NSC members for their contribution and the GIZ for their continuous support and collaboration which has brought the Ghana EITI so far.

OIL&GAS EXPLORATION AND PRODUCTION (E&P) FORUM ENGAGES WITH THE GHANA EITI

GHEITI National Steering Committee (NSC) in a group photograph with the E & P Members at the E & P Forum

The newly established Oil and Gas Exploration and Production (E&P) Forum met with the Ghana EITI National Steering Committee and the Secretariat on July 19, 2013 to interact and exchange ideas on the role of the oil and gas companies in the implementation of the EITI. The objective of the meeting was also to agree on the Terms of Reference for the 2012 EITI reporting and beyond. The meeting was attended by representatives of Tullow Oil plc, Kosmos Energy, Hess and Vitol in addition to other GHEITI Stakeholders.

The meeting was chaired by Mr. George Sarpong, Corporate Affairs Manager of Kosmos Energy. Introducing the E&P forum to participants he disclosed that the Forum is a not-for-profit association of private sector upstream oil & gas companies operating in Ghana. Its aim, he said, is to promote the long term sustainability of the oil & gas industry in Ghana. He noted that the Forum represents the interest of members, by advocating through formal and informal dialogue with government and civil society organizations particularly in areas relating to regulations affecting the industry.

Presentations were made by the National Coordinator of the Ghana EITI, Mr. Franklin Ashiadey on the implementation of EITI in Ghana. He also gave an overview of the draft Ghana EITI Bill. Of major concern to the E&P Forum were the draft GHEITI Bill and the extensive requirements propose for the 2012 EITI reporting.

The Forum members argued that globally EITI is a voluntary process, and that, legislating it will be incongruent with the international practice. They also pointed out that the creation of offences and subsequent imposition of criminal penalties by the draft GHEITI Bill goes beyond the EITI principles and process of implementation.

Additionally, the E&P Forum members were of the view that the reporting provisions in the draft GHEITI Bill duplicate the functions of the supreme audit institutions of the country. They among other things argued forcefully, that oil and gas companies are already required to submit similar data/reports to the GRA, PIAC etc. They therefore suggested that the GHEITI Secretariat engages the other government agencies with the view to adopt a common template with the highest standards such that Oil and Gas companies can submit one report that meets the requirement of all the government agencies, as well as GHEITI.

The GHEITI Steering Committee responded by informing the Fourm that EITI is voluntary to a minimum standard and it is required that every implementing country maintains that standard. Once a sovereign nation voluntarily subscribes to the EITI, the extractive companies in that country are then required to be part of the EITI process. In other words, the EITI is only voluntary for sovereign states not

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E&P FORUM ENGAGES WITH GHEITI

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individual companies. Furthermore the EITI does not rely on secondary data for reporting especially for transparency and confidentiality purposes, thus the data must be sourced directly from the companies themselves.

The GHEITI Steering Committee however acknowledged that there is the need to take a relook at some of the provisions in the draft GHEITI Bill especially those that tend to impose penalties and criminalise the extractive companies, as well as those that relate to the powers of the Aggregator. The Forum also agreed to provide elaborate comments on the draft Bill and to also be part of the development of the Terms of Reference for the 2012 EITI reports. In a related development, the Vice-President and Country Manager of Kosmos Energy Ghana, Mr Ken Keag, said the company was also committed to ethical business practices to ensure transparency and accountability, for which reason the company has been committed to the full implementation of local content, which will ensure that many Ghanaians benefitted from the country's nascent oil and gas industry through best business practices.

Speaking at the launch of the company's business principles in Takoradi, on Monday September 9, 2013 he said the occasion was a demonstration that Kosmos Energy has sought to do the right things across all spectrums of the company's business activities.

"The business principle was to strengthen the commitment to due diligence in assessing risks, especially human rights, and to avoiding, mitigating or managing any such risks and to providing access to remedies; and put greater emphasis on monitoring and review and lessons learned from the application of the Principles."

Giving the background, Mr Keag said in November, 2012, Kosmos Energy Ghana held a special workshop and engaged multiple stakeholders on the principles, policies and corporate social responsibility programme of the company.

Mr. Ken Keag - Vice President and Country Manager of Kosmos Energy Ghana

He said during the company's 2012 external consultation process to solicit inputs from all stakeholders, it came up with six core business principles which spelt out Kosmos Energy's responsibility to its stakeholders: Ethical conduct, work environment, commitment to environment, society and commercial relationship with its stakeholders to ensure more transparency and accountability to the people, have been adopted through extensive consultation processes.

The workshops outlined the profile of Kosmos Energy and challenges experienced by it in its operations in Africa and Latin America. Stakeholders were subsequently invited to openly discuss the tenets of Kosmos Energy's policies and corporate social responsibility strategy which resulted in the final document.

He said the six principles were drawn from leading international benchmarks such as the UN Guiding Principles on Security and Human Rights, the Extractive Industries Transparency Initiative and the Voluntary Principles on Security and Human Rights. "I can assure you that these principles will serve as the guiding framework for how we run our business and how we interact with our host governments, suppliers and business partners, and you have to hold us to it," he said.

The new principles, Mr. Keag observed, were also to incorporate references to 'human dignity' in both the principles and the company's new human rights policy, along with stronger language around cultural sensitivity of the environment within which they operated. It also incorporates a stronger focus for Kosmos' social investment and broader socio-economic strategy on building human capacity and creating economic opportunities.

"The business principles articulate our view of how a responsible oil and gas operator should seek to interact with the environment and host societies and build on strong existing systems in areas such as health and safety and anti-corruption," he stated.He added that it was important to note that the principles build on its strong existing policies in relation to health, safety, environmental and security issues as well as anti-corruption controls.

Kosmos Energy was founded in 2003 with the goal of creating value for all stakeholders, including investors, employees and the governments and citizens of host countries.

Mr. Ben Dagadu, Deputy Minister of Energy and Petroleum, said the Kosmos Business Principles represented a bold step and commitment to meeting organizational goals and enhancing transparency.

GHANA EITI STAKEHOLDERS SUPPORT THE PASSAGE OF THE OIL & GAS LOCAL CONTENT LEGISLATION

Hon. Emmanuel Armah Kofi Buah, MP
The Energy and Petroleum Minister

On November 19, 2013, a new petroleum Local Content and Local participation Regulation, 2013 (LI2204) was passed by the Parliament of Ghana amidst opposition from the oil and gas companies and some of the country's Development Partners.

Opponents to the Legislative Instrument argued that it will hurt investment into the sector. Oil and gas companies operating in the country said implementation of the Local Content Law might be faced with some challenges due to outstanding agreements they have with government. They argued that current agreements, covering their operations bars government from introducing laws that are inimical to their operations. Furthermore, they argued that looking at the current provisions in the law, it would be difficult to ensure full compliance when the regulation becomes operational in February 2014. The oil and gas operators say looking at the current structure of their businesses it might be difficult to also cede 10 percent to Ghanaians for explorations.

Some of Ghana's Development Partners questioned whether at this teething stage of the country's oil production, and for an industry where the best of world class expertise partnerships are sought, the Local Content and Local Participation Regulations 2013 as they are now constituted and passed, will encourage the much needed Foreign Direct Investment (FDI) while building the local industry for the benefit of Ghanaians?

The Energy and Petroleum Minister, Hon. Emmanuel Armah Kofi Buah, MP, rejected the suggestions that Ghana might lose out to its peers in the region because the Local Content law would not be favourable to investors. "When other countries are putting for example goods and services requirement at 60% and 40%, we say 10%. When others are saying that in the licensing regime it has to be 50:50, we say no 5%. We are being very reasonable," he stated.

He however, cautioned that those who will break the law would be dealt with, adding "if you do not intend to break the law, you have nothing to worry about."

Local content regulations are not new to the oil and gas industry the world over. They are put in place to ensure the active participation of the local people and businesses in the industry. The Ghana EITI welcomes the passage of the LI as well as commends Parliament for the giant step it had taken in passing it for the oil and gas sector. The passage of the Legislative Instrument (LI) represents the country's best chance of not only ensuring increased Ghanaian participation in the oil and gas sector, but more importantly, Ghana's best hope of effectively integrating the sector into the rest of the national economy.

The Ghana EITI stakeholders are therefore hopeful that the coming into force of the Local Content law will enable Ghanaians to maximise benefits from the exploitation of the country's oil and gas resources as all over the world, countries that have been able to maximise benefits from their natural resources, are those that are themselves active participants in the exploitation of the resources, and have created the opportunities for the sector to be integrated into the rest of the national economy.

The regulation has among its objectives, a commitment to give first consideration to Ghanaian independent operators in the award of oil blocks, oil field licenses and all other projects for which contract is to be awarded in the oil and gas industry. Thus, while bids are being evaluated and where bids are otherwise

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GHANA EITI STAKEHOLDERS SUPPORT THE PASSAGE OF THE OIL & GAS LOCAL CONTENT LEGISLATION

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equal, the bid containing the highest level of Ghanaian content shall be selected.

It also seeks to promote the maximisation of benefit through value addition and job creation as well as through the use of local expertise, goods and services, business and finance.

It is expected to increase the capability and international competitiveness of domestic businesses as well as achieve and maintain a degree of control for Ghanaians.

The regulations broad objective is to achieve 90 percent participation by locals in all aspects of the industry's value chain within one decade. Specific targets for direct employment and the roadmaps to achieving that include 30 percent of Ghanaians to be employed in management staff positions which will gradually increase to 50-60 percent within five years.Ê It also seeks 20 percent of the technical core staff to be Ghanaians and within five years increase to 50-60 percent while all other staff remains one hundred percent Ghanaian within 10 years.

Views on local content and local participation vary. There is however, a general consensus between both Industry and Government on the need to get locals fully involved in the oil industry and also ensure that the discovery remains a blessing and never a curse. Government recognizes the efforts of the industry in the area of local content, but would like to see an acceleration of the pace at which it is being implemented. It believes that the introduction of the local content LI will help in this regard.

The American Chamber of Commerce in Ghana with some of its members in the oil business believes that the objectives of the local content regulations are very clear and focused on one key area - the development of Ghanaians to quickly fill highly skilled jobs and to provide services in the energy sector.

There are however doubts over the country's ability to achieve some of the Local Content targets because they are over-stretched and are likely to be constrained by unnecessary bureaucracies.

On unnecessary bureaucracies, Sub-regulations 13 (1b) and 14 (1b) say that the Commission must be informed of all potential contracts and purchase orders greater than US$100,000. Industry watchers say, we are dealing with an industry whose contracts and purchases are exceptionally high and where the value of most items exceeds the US$100,000 threshold. It is believed therefore that, such a limit will lead to overburdened administrative costs, inefficiencies and unnecessary delays.

One area of concern to most Ghanaians surveyed by the Africa Centre for Energy Policy is the discretion given solely to the Minister of Energy and Petroleum to determine which Ghanaian companies qualify as partners to foreign companies under Sub-regulations 4(2) and 4(4) of the Local Content Regulations which talk about a minimum five percent equity participation by an indigenous Ghanaian company in any petroleum agreement or license. It stipulates that the Minister of Energy and Petroleum shall determine the local companies who are so qualified to be given the opportunity to acquire the equity

Touching on the issue of the Minister's discretionary authority as spelt out in the LI, which the oil companies were also not comfortable with, Hon. Kofi Buah, Minister for Energy and Petroluem, made reference to PNDC Law 84 and the 1992 Constitution of Ghana (Article 296) and stated: "I want to emphasize that the Ministry's discretionary authority has always been there".

Nevertheless, he assured the oil companies he was not going to exercise those powers without consultation with the Petroleum Commission and the partners in the industry. He promised to employ a lot of flexibility, especially, during the transitional period.

GHANA'S PARLIAMENT LENDS SUPPORT TO EITI IMPLEMENTATION

...wants reports brought before the house.

Members of Ghana's Parliamentary Select Committees on Mines and Energy, Finance, and Public Accounts were unanimous in their support of EITI implementation in Ghana when they met at the Elimina Beach Resort to deliberate on the findings and recommendations of the 2010 and 2011 GHEITI reports for mining, oil and gas.

The event was organised by the GHEITI Secretariat with support from GIZ. It was intended to sensitise members of the Ghanaian Parliament on the Extractive Industries Transparency Initiative, its objects, achievements and challenges since its inception in the country. It was also to provide opportunity for discussing what role Parliament could play in achieving the objective of transparent and accountable management of Ghana's natural resources.

Hon. Kwaku Agyeman Manu, MP (Middle) in a tete-a-tete with Hon. Dr. Kwabena Donkor, MP

The meeting was jointly chaired by the Chair of the Mines and Energy Committee, Hon. Dr Kwabena Donkor, and the Public Accounts Committee chair, Hon. Kwaku Agyemang-Manu.

The two MPs in their opening statements, recounted their various roles in the evolution of EITI in Ghana. Hon. Kwaku Agyemang-Manu was a Deputy Minister of Finance in charge of revenue mobilisation at the inception of the GHEITI and therefore played a crucial role together with his colleague Deputy Minister, Hon. Akoto Osei in establishing the structures for its implementation; while Hon. Dr Kwabena Donkor took pride in superintending the extension of the initiative to the oil and gas sector, in his capacity as Deputy Minister for Energy, in charge of Petroleum. He disclosed further that he was instrumental in writing the commitment to extend the initiative to the oil and gas sector into his party's manifesto.

The two were therefore not new to the initiative and so the workshop was only useful in updating them on later developments. For many other MPs too, EITI was a familiar concept having served on their respective committees under previous governments and having had the opportunity to engage with the Secretariat and the National Steering Committee. There were however those MPs who are either new in Parliament or new on the participating committees and therefore have not had the opportunity of engaging closely with the EITI.

The first presentation therefore took members of the Ghanaian Parliament through the concept,

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principles and criteria of EITI. Speaking on the subject, Mr Amponsah Tawiah of the Minerals Commission traced the inception of initiative to the World Summit for Sustainable Development held in Johannesburg, South Africa in 2002. The summit, according to Mr Amponsah Tawiah sought to unravel strategies for unleashing the full potential of natural resources for economic development and poverty reduction. Delegates, he said, concluded that for natural resource-dependent countries to realise the development potential of resource extraction, governments and companies will have to be open about the receipts and payments respectively. The expectation is that, armed with this information, citizens will be able to establish how fair the contract signed in their name are to their countries and hold government to account for how monies received by the state have been used to improve the lot of the citizens.

Cross section of MPs attending the Workshop

He explained that the implementation of the initiative at the country level is supervised by a multi-stakeholder steering committee drawn from government, industry, and civil society, and that implementation involves disclosures of company payments, government receipts, reconciliation and reporting on findings and recommendations. Ghana, he said, has produced eight EITI reports, recommendations of which have fed into recent fiscal policy and regulatory reforms in the mining sector.

Cross section of MPs attending the Workshop

Mr Amponsah Tawiah's presentation was followed by another on the New EITI Standard and its reporting requirements. This was done by Dr. Steve Manteaw, one of the three Civil Society Representatives on the National Steering Committee and its Co-Chair.

Dr. Manteaw explained how as a result of the low standard set for the initiative the first few years following its launch saw a mad rush of countries acceding to it. In his view, it was necessary to keep the standard low in order to give it a popular

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appeal and not to scare countries away. He was quick to point out however, that the BSoard at the time left it to implementing countries to determine how ambitious they wanted to be with their EITI. This discretion, he said is still in force.

The presenter noted that the outcome of the decision to maintain a low minimum standard were mixed, and that 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, reporting just national level payments and receipts on aggregated basis.

In his opinion, the old requirements made it possible for some countries tainted with massive corruption and human rights abuses, such as Yemen, to become compliant. "It became clear that the requirements needed to be tightened to maintain the initiative's credibility," he posited.

He informed the participants that after elaborate consultations with stakeholders the old standard was revised and a new one adopted at the Global EITI Conference in Sydney in May 2013.

The new standard, he said, aims at helping implementing countries to find a link between EITI and sustainable economic and social development, such as requiring the disclosure production data, disaggregation of production and revenue data, sub-national reporting, disclosure of expenditure

Hon. Kweku Kwarteng, MP

information, documentation of reforms being undertaken as a result of EITI, contract information, including beneficial ownership, license register, and location. He made it known that Ghana on its own initiative has already met most of the new requirements, such as disaggregation of data, sub-national reporting, production audit, expenditure information to some extent, and that Ghana was poised to meet the requirements of the new standard.

The GHEITI Aggregator then took his turn to present the findings and recommendations of the 2010 and 2011 mining, oil and gas reports. Some of the findings were significant and requires urgent executive action to ensure that Ghana makes the best out of its natural resources. For instance the 2010 mining report makes a finding that Newmont Ghana Gold Limited and Chirano Gold Mines, both of which commenced operations in 2006 when the Minerals and Mining Act, Act 703 came into force, failed to state the amounts capitalised as pre-production costs as required by the law. This, the report says is important to ensure that only qualifying costs are allowed to be capitalised for capital allowance deductions. The non-compliance provides opportunities for the companies to smuggle in non-qualifying costs to reduce or defer their tax payments. The Aggregator cited Section 28 of the Mining and Minerals Act of 2006, Act 703 which requires that the capitalisation of pre-production costs should be approved by the Minister of Lands and Natural Resources on the advice of the Minerals Commission and urges the enforcement of compliance.

The Aggregator also reported that concession ground rent was not paid by most companies. He also observed

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PARLIAMENT SUPPORTS EITI

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that the rate was low – GH¢0.50 per square kilometre.

The Aggregator further observed that some of the mining districts did not have dedicated accounts and budgets for receiving and spending their share of mineral royalty. The exceptions were Wassa West District Assembly and Obuasi Municipal Assembly.

Payments into the Minerals Development Fund, according to the Aggregator, were not always commensurate with the required 10 percent of total royalty receipts. Disbursements from the Fund were also found to have been sometimes tailored to lodgements, making the Fund appear like a transit account. These findings run through the 2011 report on mining too.

For the oil and gas sector, findings included the silence of the Petroleum Income Tax Law on capital gains tax which made it possible for the EO Group to sell their stake in Kosmos Energy without paying this tax; the mis-direction of royalty payments by Lushann Eternit into the Ministry of Finance non-tax revenue account instead of the Petroleum Holding Fund; and the fact that tax losses can be carried forward indefinitely under the Petroleum Income Tax Law. Participants after the presentations plunged into a highly animated discussions agreeing almost unanimously that the EITI was such an important governance instrument that its reports ought to be brought to Parlaiment for debate and the necessary follow-up.

There was also the suggestion that the initiative appears to duplicate the work of PIAC when it comes to reporting on the oil and gas sector but this was discounted on the grounds that the EITI Terms of Reference was not the same as that of PIAC, and that the initiative was globally affiliated and required to be subjected to validation on the basis of a set standard. Participants were therefore encouraged to see the work of PIAC as complementary to the EITI as EITI has a far more reaching mandate that covers all of the country's natural resources and not just oil and gas.

Hon. Kwaku Agyeman Manu, MP, making an intervention

The MPs bemoaned the situation where agreements brought before the house are poorly scrutinised and therefore makes it possible for the country to be deprived of commensurate benefits for the social and environmental risks associated with resource extraction. They called for a much closer collaboration between GHEITI, PIAC and the three Parliamentary Select Committees as this in their view is important to enhancing the exercise of the oversight mandate of Parliament.

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