

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

In 2003, Ghana signed onto the Extractive Industries Transparency Initiative (EITI). By this singular action Ghana joined the list of countries implementing EITI globally. As an EITI implementing country, Ghana is required to apply the principles of the initiative to its extractive sector(s).

EITI is a voluntary initiative which seeks to improve transparency in the flows of revenues coming from the country's extractive industries through full publication and verification of company payments and government receipts. It also seeks to improve development outcomes from payments made by Extractive Industries to Governments by promoting transparency in the payment, receipt, disbursement, and utilization of these benefits. Currently, EITI can be applied to mining, oil and Gas, forestry and the fishing sector.

Ghana has since 2003 been applying the principles of EITI to its mining sector. The Ghana version of the initiative is called the Ghana Extractive Industries Transparency Initiative (GHEITI). An eleven (11) member National Steering Committee (NSC) made up of representatives from Government, Mining Companies, and Civil Society has oversight responsibility over the activities of the initiative.

### **JUSTIFICATION FOR GOVERNMENT ACTION**

In 2006, Government through a competitive bidding process contracted the services of a Consultant to reconcile mining sector payments and receipts by conducting a financial and process audit of the mining industry in Ghana. This culminated in the production of EITI Audit Reports. The recommendations from the EITI audit reports have resulted in some institutional

reforms at the national and district levels. Agencies such as Customs Excise and Preventive Service (CEPS), Internal Revenue Service (IRS), Office of the Administrator of Stool Lands (OASL), District Assemblies (DA) in mining communities and Minerals Commission (MC), among others, are currently implementing some of recommendations from the GHEITI process.

In the light of the achievements of GHEITI in the mining sector, there have been calls locally and internationally, on the GHEITI NSC to extend the principles of the initiative to the Oil and Gas sector in a timely manner. This is to ensure transparency in the oil and gas sector and above all to ensure that the challenges, omissions and mistakes identified in the mining sector are not repeated in the evolving oil and gas sector. The ultimate goal is to ensure that the oil and gas resources benefit the Ghanaian people.

## **GHEITI CONSULTATIONS**

Since 2003 when Ghana signed on to the EITI, extensive nation- wide sensitization programmes have been undertaken for Mining Companies, District Chief Executives, Presiding Members of District/Municipal/Metropolitan Assemblies, Chiefs, Media, Civil Society Groups, and Revenue Agencies in major mining communities of Tarkwa (Western Region), Koforidua (Eastern Region), Obuasi (Ashanti Region), Kumasi (Ashanti region), Sunyani (Brong Ahafo) and Accra.

In 2009, the NSC initiated discussions with relevant stakeholders from the Ministry of Energy (MoEn), Ghana National Petroleum Corporation (GNPC), selected oil companies, Think Tanks, Academia, Research Institutions and Civil Society Organizations including some Members of Parliament on modalities to extend the principles of EITI to the oil and gas sector in a timely manner. So far, the discussions have resulted in the development of an EITI Oil and Gas framework. The draft framework was discussed by the EITI stakeholders at a workshop held at Agona Swedru from 26th to 28th August 2009.

## **ECONOMIC IMPACT**

Transparency is necessary for economic management and forward planning. Government needs to be able to both accurately monitor its current financial position and make adequately robust projections of future revenues. Transparency in the management of extractive sector revenues will promote forward planning and better economic management. Ghana EITI will ensure that extractive sector revenues especially oil revenues are accurately monitored and used for the benefit of Ghanaians.

Revenue transparency will also act to increase accountability in all levels of government thereby reducing opportunities for corruption and the potential for waste of public funds.

### **FINANCIAL IMPACT**

Enhancements in transparency are increasingly demanded not only by citizens within the country, but also by international financial institutions, investors and banks, donor organizations and international civil society. Lack of transparency is seen as a major obstacle to the creation of a favourable investment climate, better management of public resources and poverty reduction. Progress on the transparency front can be expected to attract increased finance and investment.

Extending EITI to the Oil sector in a timely manner will no doubt send a strong signal to investors, financial institutions and the international community on Government's commitment to increase transparency and fight corruption. Please click the link below to download the complete document.

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