



FORDFOUNDATION

TECHNICAL BRIEF

Roundtable Meeting with the Ghana Extractive Industry Transparency Initiative Accra, June 2021

1.0 Introduction

On June 29, 2021, Friends of the Nation in collaboration with Oxfam convened a roundtable meeting with the Multi-stakeholder Group (MSG) of the Ghana Extractive Industry Transparency Initiative (GHEITI)¹ in Accra. The meeting forms part of the Extractive Governance work in West Africa and Core support for Institutional Strengthening project supported by Ford Foundation. The meeting was participated by 17 people (10 males and 7 females) including civil society organisations and the media. The meeting discussed the following issues:

- the extent of implementation of the recommendations of GHEITI's reports,
- outstanding recommendations that are yet to be implemented from GHEITI's reports,
- areas of collaboration to push for the implementation of the outstanding recommendations,
- ways GHEITI reports could be more inclusive targeting the vulnerable in society including persons with disability.

2.0 Summary of discussion and conclusion

- Some of the recommendations from GHEITI's reports have been implemented contributing to enhancing revenue performance in the mining sector. These include enhanced tax compliance, mineral purity, pricing and revenue assurance. Details are documented in table 1 on the next page.
- Despite gains in the implementation of some recommendations, there still many outstanding ones. These include the need to clarify on the relationship between Ghana National Petroleum Corporation and Ghana National Gas Company; the need to have consistencies in applicable rates for mining companies with Stability Agreements in order to ensure equity and a level playing field and the need to establish dedicated bank accounts for mineral royalties by local government authorities. Details are documented in table 2 on the next page.
- GHEITI is prepared to collaborate with various players through partnerships and other means to deliver results. It needs more collaboration with civil society to increase the reach of its reports and advocacy for improved governance of the extractive sector.
- In collaboration with its civil society partners including Oxfam and Africa Centre for Energy Policy, a braille version of the 2015 GHEITI was produced in 2018. GHEITI is seeking for more of such collaborations to simply its reports to be inclusive and have higher reach.

¹ GHEITI provides insight on revenues from Ghana's mineral and petroleum resources to the Ghanaian public by creating a platform for public debate about the spending of extractive sector revenues. Every year, they produce reports that are published on their website. These reports detail how much each reporting entity paid to the state in the area of taxes, royalties, ground rents among others.

Table 1: GHEITI recommendations that have seen policy changes

ISSUE IDENTIFIED	RECOMMENDATION	STATUS OF RECOMMENDATION
Corporate Tax Rate at 25 percent too low	Increase Corporate Tax Rate from 25% to 35%	GHEITI proposal to MOF which included in budget speech to Parliament 16 Nov 2011 and passed by Parliament 1 February 2012
Capital Allowances reduced from first-year 80% and subsequent 50% on a reduced balance method,	Reduce capital allowance to a five-year flat 20% allowance rate	GHEITI proposal to MOF which included in budget speech to Parliament 16 Nov 2011 and passed by Parliament 1 February 2012
No loan limits lent by the headquarters of international oil companies	Limit the amount of loan the headquarters of an international oil company can lent to its operations in Ghana	New Income Tax Bill, replacing Internal Revenue Act, has provision for a debt: equity ratio of 3:1 that will address this
Oil and gas operations not ring-fenced as in the mining sector [2011]	Ring-fence oil and gas operations as done in the mining sector	GRA foresees production-area ring-fencing in new Income Tax Bill
Royalty rates variable which general ended up at 3% too low.	Proposal for flat 5% rate	Mineral and Mining Act 2006 amended by Parliament on 17 th March 2010 put royalty at a 5% flat rate
Concession Ground Rent of GHS0.50/km² too low	The rental rates at GHS 0.50/km ² were much too low and should be adjusted up	Rate increased by OASL to GHS 3.788/km ² in August 2012 with effect from Jan 2013.
Royalty payments to local authorities when received from Ho not distributed by OASL	OASL regional offices should distribute payments to local authorities when received from Ho	Issues being addressed, although unevenly across districts.
Computations of shares are not made public when royalties cover several districts/ stools. There isn't transparency in such situations.	When royalties cover several districts/ stools, computation of shares should be public.	Issues being addressed, although unevenly across districts.
District Assemblies do not prepare budgets on the use of the royalty funds, and do not have a dedicated bank accounts for receiving royalty funds.	District Assemblies should prepare budgets and establish bank accounts for receiving royalty funds (2005, 2006)	Issues being addressed, although unevenly across districts. The need for the Guidelines regarding how to spend royalty funds is clearly great.

IRS/GRA, Minerals Commission do not have a benchmark for companies' operating costs for key inputs (2008)	IRS/GRA, Minerals Commission should assess companies' operating costs, establish benchmark costs for key inputs (2008)	There is currently an on-going study by the Minerals Commission on the development benchmark operational cost for mining operations in Ghana
Large interest costs on investment funds lent by oil and gas companies headquarters	There should be loan limits in this sector (2011)	New Income Tax Bill, replacing Internal Revenue Act, has provision for a debt: equity ratio of 3:1 that will address this
Oil companies carry over costs from one project to another, so revenue streams are reduced, delayed.	Ring-fence each operation as in the mining sector (2011) to ensure level playing and fairness	GRA foresees production-area ring-fencing in new Income Tax Bill

Table 2: GHEITI Recommendations yet to be implemented

ISSUE IDENTIFIED	RECOMMENDATIONS	STATUS OF RECOMMENDATION
Using mineral revenues paid in 2017 as royalties from mining companies to settle Mineral royalties due communities affected by mining in 2017, instead of the minerals revenues paid by mining companies in June 2014.	OASL and Mining communities investigate the situation and ensure that any lost revenue is recovered	Outstanding
None application of Section 85(2) of the Income Tax Act, 2015 (Act 896) by licensed gold buyers and small scale gold miners.	Apply Section 85(2) of the Income Tax Act, 2015 (Act 896) on licensed gold buyers and small-scale gold miners.	Outstanding
Current mining register/cadaster does not feature transfers and terminations.	MCAS or the online register should be upgraded to include license transfers, terminations as well as gold buying permits and licenses	Outstanding
Minerals Commission does not have details of ASM on the online register.	Royalty payments to GRA shows that ASM production data are available and	Outstanding

Absence of details of ASM production especially salt and quarry products.	should routinely furnish MSG for EITI Reporting.	
a. Earmarked Funds Capping and Realignment Act, 2017 (Act 947) might render section 3(a) of MDF Act 912 impractical for implementation and transparency. b. 2018 and 2019 budget statements had no weightings on aligning from the Finance Minister contrary to what is stipulated in Act 947	Weightings should be stated in order to ensure that one can independently compute amounts due Recipients of Mineral Development Fund.	Outstanding
Investment/Stabilization agreements have varying applicable sliding scale of royalty rate for different companies.	There should be consistencies in applicable rates for companies with Stability Agreements in order to ensure equity and a level playing field.	Outstanding
Capping GNPC at 25 percent of total tax revenues has the potential to deny the National Oil Company of the available resources to finance critical exploration activities. It will undermine the ability of the corporation to wean itself from allocation of petroleum revenue by 2026.	This issue should be critically looked into.	Outstanding
Lack of clarity on the relationship between GNPC and GNGC	The Minister for Energy is entreated to address this issue for the benefit of transparency and corporate governance.	Outstanding
The directive from the Ministry of Energy to GNPC on 15th December 2018 directing that the \$50m loan to Ministry of Finance be expunged from its books, on the grounds of the Earmarked Funds	GNPC and MOF resolve this issue amicably for purposes of transparency.	Outstanding

Capping and Realignment Act, 2017 (Act 947) is not the best on the part of the Finance Ministry.		
Custom Officers stays long at the mines	GRA should change or rotate custom officers stationed at the mines	Outstanding
There are no dedicated bank accounts for minerals royalties by the MMDAs	The need to establish dedicated bank accounts for mineral royalties by MMDAs	Outstanding
Minerals Commission does an open door policy.	The need for the Minerals Commission to use competitive or open tendering processes in the award of mineral licenses.	Outstanding
Discrepancies in amounts stated for royalties and the Carried and Participating Interest.	GRA should reconcile payments with companies	Outstanding
There is lack of clarity on what “Project” means in the oil and gas sector	Ghana MSG should provide definition for what is meant by “Project” in the oil and gas sector	Outstanding