EITI Board 27 February 2019

Board decision on the second Validation of Ghana

Decision reference: 2019-16/BM-42

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The Board's decision

The Board came to the following decision regarding Ghana's status:

The EITI Board agreed that Ghana has partly addressed the corrective actions from the country's first Validation. Consequently**, Ghana has made meaningful progress overall with implementing the EITI Standard, with considerable improvements across several individual requirements.**

The Board recognised Ghana's efforts to use the EITI to improve transparency in the management of its oil and gas state-owned enterprises, including their trading of the state's in-kind revenues. Ghana's EITI implementation was also recognised as having increased collaboration among government agencies and improved the government's public financial management systems. The second Validation confirmed Ghana's efforts to use EITI reporting as a diagnostic instrument to support reforms in the management of extractives licenses, accounting of off-budget revenues and subnational revenue management.

The Board welcomed ongoing efforts to consider further the opportunities to improve government and company disclosures through systematic disclosures. Ghana was encouraged to continue to ensure adherence to the EITI Principles and Requirements while strengthening transparency in the operations of its state-owned enterprises.

The Board determined that Ghana will have 12 months, i.e. until **27 February 2020** before a third Validation to carry out corrective actions regarding comprehensiveness of disclosures (4.1), transactions related to state-owned enterprises (4.5) and quasi-fiscal expenditures (6.2). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Ghana's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

Background

Ghana was admitted as an EITI Candidate in February 2007. The first Validation of Ghana commenced on 1 July 2016. On 8 March 2017, the EITI Board found that Ghana had made meaningful progress in implementing the 2016 EITI Standard. Eight corrective actions were established by the EITI Board, pertaining to the following requirements:

1. License registers (Requirement 2.3);
2. State participation (Requirement 2.6);
3. Production data (Requirement 3.2);
4. Export data (Requirement 3.3);

5. Comprehensiveness (Requirement 4.1);
6. Sale of the state's share of production or other revenues collected in-kind (Requirement 4.2);
7. Transactions related to State-owned enterprises (SOEs) (Requirement 4.5);
8. Quasi-fiscal expenditures (Requirement 6.2).

The Board asked Ghana to address these corrective actions to be assessed in the second Validation. Ghana has undertaken a number of activities to address the corrective actions:

- At its 20 April 2017 meeting to discuss the findings of Validation, the MSG agreed a plan of action for addressing corrective actions from Ghana's 2016 Validation.
- On 31 July 2017, the MSG wrote to affected institutions to implement the 2016 GHEITI Validation corrective measures.
- On 27-28 June 2018, GHEITI organised a Technical Roundtable Meeting on Commodity Trading Transparency together with NRGI and the International Secretariat.
- On 29-30 September 2017, GHEITI organised a follow-up technical committee with relevant entities on the implementation of past EITI recommendations and Validation corrective actions in Koforidua.
- On 30 January 2018, the MSG agreed the scope of the 2016 EITI Reports with the Independent Administrator, Boas & Associates.
- GNPC submitted a report dated 8 February 2018 on its implementation of their corrective actions to GHEITI and the IA.
- On 27-28 June 2018, GHEITI organised a Technical Roundtable Meeting on Commodity Trading Transparency together with NRGI and the International Secretariat.
- In August 2018, the MSG approved and published the Commodity Trading pilot report covering 2015-17.[1]
- On 7 September 2018, Ghana EITI published two 2016 EITI Reports, covering mining[2] and oil and gas[3] respectively.

- On 7 September 2018, the Finance Ministry's Chief Director Patrick Nomo wrote to the Independent Administrator Boas & Associates with an update on progress in the Finance Ministry's repayment of a USD 50m facility to GNPC, due for inclusion in the 2019 national budget.[4]

- On 1 November 2018, the International Secretariat undertook stakeholder consultations with representatives from all three constituencies on the GHEITI MSG at the Africa EITI Conference on Beneficial Ownership Transparency in Dakar.

- On 26 November 2018, the Ministry of Finance's Real Sector Division Director Frimpong Kwateng-Amaning wrote to GNPC Chief Executive Officer Linda Tamakloe requesting evidence of progress in addressing corrective actions related to quasi-fiscal expenditures.[5]

- On 10 December 2018, the MSG submitted GNPC's 2016 audited financial statement to the EITI International Secretariat and highlighted portions in the statements covering the terms associated with GNPC's equity in its seven subsidiaries.

Ghana's second Validation commenced on 8 September 2018. The Secretariat assessed the progress made in addressing the eight corrective actions established by the EITI Board. **The EITI International Secretariat's assessment is that Ghana has fully addressed five of the eight corrective actions, with significant improvements on the three outstanding requirements.** The draft assessment was sent to the Multi-Stakeholder Group (MSG) on 9 January 2018. Following MSG comments received on 30 January 2019, the assessment was finalised for consideration by the EITI Board.

[1] Ghana EITI (August 2018), 'Ghana commodity trading pilot report', accessed here in October2018.

[2] Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', accessed here in September 2018.

[3] Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', accessed here in September 2018.

[4] Ministry of Finance (September 2018), 'Letter: Progress on the repayment of US$ 50.0 million facility between Ministry of Finance and GNPC', unpublished, provided by the GHEITI Secretariat.

[5] Ministry of Finance (November 2018), 'Letter: Request for information to support evidence of progress made on Ghana's Validation corrective measures', unpublished, provided by the GHEITI Secretariat.

Scorecard

EITI Requirements		Level of Progress				
Categories	**Requirements**	**No Progress**	**Inadequate**	**Meaningful**	**Satisfactory**	**Beyond**
MSG oversight	Government engagement (#1.1)				■	
	Industry engagement (#1.2)				■	
	Civil society engagement (#1.3)				■	
	MSG governance (#1.4)				■	
	Workplan (#1.5)				■	
Licenses and contracts	Legal framework (#2.1)				■	
	License allocations (#2.2)				■	
	License register (#2.3)				■	
	Policy on contract disclosure (#2.4)				■	
	Beneficial ownership (#2.5)					
	State participation (#2.6)				■	
Monitoring production	Exploration data (#3.1)				■	
	Production data (#3.2)				■	
	Export data (#3.3)				■	
Revenue collection	Comprehensiveness (#4.1)			■		
	In-kind revenues (#4.2)				■	
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)				■	
	Direct subnational payments (#4.6)				■	
	Disaggregation (#4.7)				■	
	Data timeliness (#4.8)				■	
	Data quality (#4.9)				■	
Revenue allocation	Distribution of revenues (#5.1)				■	
	Subnational transfers (#5.2)				■	
	Revenue management and expenditures (#5.3)					

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EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					
Overall Progress						

No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.

Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.

Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.

Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.

Beyond. The country has gone beyond the requirements.

This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.

The MSG has demonstrated that this requirement is not applicable in the country.

Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Ghana. Progress in addressing these corrective actions will be assessed in a third Validation commencing on **27 February 2020**:

1. In accordance with Requirement 4.1.c, Ghana should ensure that all companies making material payments to the government comprehensively disclose these payments in accordance with the agreed scope of EITI reporting. Ghana should clearly demonstrate that the selection of revenue streams for reconciliation ensures that all payments and revenues whose omission

or misstatement could significantly affect the comprehensiveness of EITI reporting were included in the scope of reconciliation. Ghana should also ensure that reconciled financial data is consistently disaggregated by revenue stream, in accordance with Requirement 4.7. To strengthen implementation, Ghana is encouraged to consider the extent to which a clear quantitative materiality threshold for the selection of revenue streams for reconciliation would demonstrably ensure the comprehensiveness of reconciliation.

2. In accordance with Requirement 4.5, Ghana should undertake a comprehensive assessment of transactions between extractives SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including reconciling material company payments to SOEs and material transfers between SOEs and other government agencies.

3. In accordance with Requirement 6.2, Ghana should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. Ghana should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.

News

EITI countries progress on path to transparent and accountable extractive sectors

EITI Board assesses implementation in eight countries

The EITI Board assessed the status of eight implementing countries, including Ethiopia, Ghana, Guinea, Malawi, Mauritania, Nigeria, Norway and Trinidad and Tobago at its meeting in Kyiv on 27-28 February. The Board agreed that Nigeria and Norway had achieved satisfactory progress overall in implementing the EITI Standard. In the other cases, the Board noted progress and outlined the corrective actions needed to meet this Standard.

Why the EITI Validates countries

The status of an EITI implementing country is determined through Validation, the EITI's quality assurance mechanism. The process assesses the country's performance against the requirements of the EITI Standard by reviewing documentation and consulting with government, company and civil society stakeholders. A Validation outlines and identifies a country's weaknesses and strengths and prescribes a set of corrective actions that must be addressed within a 12 to 18 month period, after which a country will undergo a second Validation to assess progress. The Validation scorecard provides an overview of a country's results. The EITI Board makes the final decision on a country's EITI status.

"Over half of all EITI countries have now undergone Validation against the EITI Standard," said EITI chair Fredrik Reinfeldt. *"The overall travel of direction is positive and governments, companies and civil society across regions are demonstrating strong commitment to bringing transparency and*

accountability to the management of their natural resources and using EITI data to instigate reforms. Validation has shown that many EITI countries are going beyond the EITI Standard, with innovative disclosures related to extractives contracts, licensing and sales of the state's share of oil, gas and minerals."

Validations: Mapping the sector, assessing strengths, recognising impact and diagnosing weaknesses

Ethiopia, Guinea, Malawi and Trinidad and Tobago have recently undergone their first Validations and have all achieved meaningful progress against the EITI Standard.

The Board welcomed Ethiopia's effort to report on issues of national importance such as artisanal and small-scale mining and socio-environmental issues. The Board commended ongoing reforms to shift the mandate of government agencies from control and monitoring, to supporting and enabling civil society to contribute to public debate. Going forward, the EITI can play a key role in improving the relationship between companies and affected local communities. Validation has also shown that work remains to ensure comprehensive disclosures on state participation in the sector and reporting at the subnational levels of government. This will be important as the country embarks on the development phase of oil and gas projects in the Ogaden basin and pursues efforts to formalise the mining sector. In taking this decision, the Board took note of the government's efforts to repeal or amend laws that restrict civil society's freedom of expression, operation and association, which have had an impact on their ability to engage in the EITI process. Nonetheless, the Board commended the efforts to include civil society groups in ongoing reforms.

Guinea, which has a rapidly developing bauxite sector and is rich in iron ore reserves, made improvements in the comprehensiveness and quality of its EITI reporting. The Board outlined eight corrective actions, including disclosing more information on infrastructure agreements, direct subnational payments and quasi-fiscal expenditures. The Board noted that the EITI should play a role in overseeing the new Local Economic Development Fund (FODEL).

Malawi has established its multi-stakeholder group as a platform for fact-based debate and allowed its production and export data to be scrutinised through the publication of its second EITI Report. While the country has significant deposits of bauxite, coal, limestone, phosphate and uranium, the extractive sector is still in development, with few large-scale mining operations in place and a petroleum sector in exploration phase. To ensure terms of operations are accessible to the public, Malawi has published all contracts in line with the encouragements in the EITI Standard. These contracts have been used by civil society to create financial models and clarify the precise terms associated with the agreements. More work remains to be done to ensure clarity surrounding Malawi's off-budget petroleum funds, a gap in an otherwise transparent environment. There are also concerns regarding data quality and who receives social contributions.

Trinidad and Tobago was acknowledged for having built a dynamic platform to collect, publish, and debate information about how the country's natural resources are managed. EITI Reports have identified gaps in revenue collection, production and cost monitoring and cadastre information. Moving forward, there are opportunities to strengthen oversight of mining licence management to ensure that information on beneficial owners are made publicly accessible, and to enhance public trust in official production and export data. Victor Hart, chair of the TTEITI steering committee, said the country will "continue innovating through the EITI by promoting contract transparency, environmental reporting and reaching out to midstream and downstream companies to participate in

EITI implementation."

Second Validations: deepening transparency and strengthening government systems

"Several EITI countries are now going through their second Validations and have made significant progress in bringing transparency to their oil, gas and mining sectors," said Mark Robinson, executive director of the EITI International Secretariat. *"These second Validations have shown that countries are successfully reforming their sectors and making noteworthy advancements in systematically disclosing EITI data, strengthening government systems."*

Ghana, Mauritania, Nigeria and Norway have undergone their second Validations and were evaluated based on the prescribed corrective actions.

Ghana was found to have made meaningful progress and fully addressed six out of the eight corrective actions. Ghana's implementation of EITI recommendations contributed to reforms that have increased the government's revenues from the sector, a priority for the government that wants to decrease its reliance on foreign aid. The country was lauded for publishing all its mining, oil and gas contracts and making these accessible through online portals. Yet work remains to ensure comprehensive disclosure by the country's largest oil and gas companies.

Several large oil and gas projects are being developed in Mauritania, a leading producer of iron ore. The country has achieved meaningful progress against the EITI Standard, having made improvements in the oversight of EITI implementation by the government, industry and civil society. The Board recognised Mauritania's efforts in using EITI reporting as a diagnostic tool to drive reforms in the management of extractives licences and state participation in the mining sector. A set of corrective actions were assigned to enhance disclosures of licence allocations and the licence register, improve disclosures on state participation in the mining sector, and strengthen the evaluation of the EITI's impact. The Board welcomed ongoing efforts to ensure systematic disclosure of EITI data, which will strengthen government systems and make EITI implementation more meaningful moving forward.

Norway, which has supported the EITI since its inception, has achieved satisfactory progress. Widely lauded as a success story in the management of oil wealth, it was the first OECD country to implement the EITI, publishing eight EITI Reports from 2008 to 2015. In 2017, Norway was the first country to make an application to the EITI Board to mainstream EITI implementation. Timely, comprehensive and reliable information is published through the government's Norwegian Petroleum website and in companies' country-by-country reports. Accordingly, the EITI Board agreed that standalone EITI Reports were no longer necessary and Norway applied to disband its EITI multi-stakeholder group. Transparency and inclusive governance are safeguarded through a range of forums that industry and civil society are using to promote good governance, including annual stakeholder meetings that address progress with EITI implementation.

Learn more:

- Overview of Validation decisions and documentation pages
- Validation scorecards:
  - Ethiopia
  - Ghana
  - Guinea

  - Malawi
  - Mauritania
  - Norway
  - Trinidad and Tobago

- EITI's Validation process