

GHANA EITI MSG'S COMMENTS ON VALIDATION REPORT BY THE INDEPENDENT VALIDATOR (I.V)

1. General Observations

As a matter of observation, it seems most of the comments and explanations earlier sent to you were not considered by the Independent Validator in his/her review leading to conclusions in some of the scores.

Also, any future engagement with the International Secretariat especially in assignments (validation) of this nature should be seen as more of collaboration rather than an 'examination'.

The engagement of anybody or institution to undertake a validation or independent review by the International Secretariat should ensure that those individuals or institutions understand or should take into consideration the country circumstances and contexts to avoid a lot of misrepresentation of the issues in the analysis.

2. Specific Comments

Page No.	Section Title	Issue	Comment/Correction
1/ Parag.1/Line 3	Background	Magnesium- wrong and should be corrected.	It should read 'Manganese'
Detailed Findings (I. V report)			
5/2.1	Licences and Contracts – Legal Framework and Fiscal Regime	The initial Assessment finds that the 'report makes no reference to fiscal devolution' in the petroleum sector	The MSG disagreed with the score of meaningful progress by the Independent Validator (I.V) and that Ghana deserves a better score (satisfactory progress or better). The reason is that Ghana's petroleum sector is governed by law (Petroleum Revenue Management Act – PRMA) which stipulates how revenues (fiscals) are distributed or should be spent. Therefore, it appears the I.V does not understand the allocative functions in the PRMA which provides that allocation be made to four (4) priority areas under the Annual Budget Funding

			<p>Amount. The areas are normally discussed at a public debate by the citizens through the Public Interest and Accountability Committee platform. In addition, Section 24 of the law offers opportunity for the people to demonstrate for negative impact. Payments of compensation to affected people also exist based on the established law.</p>
5/2.6	State Participation	<p>'The EITI report does not provide enough information regarding the ownership of GNPC's subsidiaries and the financial relationship between GNPC and Government is not explained among other deficiencies'.</p>	<p>-We disagree with score on the basis of this assertion because it was GHEITI which exposed the issue of irregular financial transaction in the EITI reports but going deeper will be tantamount to doing an investigation which is outside the remit of EITI.</p> <p>-The description and narration given in this section are not provided in the right context.</p>
6/3.2 & 3.3	Production and Export data	<p>Production and export data by volumes and values should be completely and accurately provided in the GHEITI reports</p>	<p>We disagreed with this rating. Please see our comments below. Information provided in the 2014 report is similar in format to that in the 2012/2013 report. The 2014 report has production in section 3.6.3 and table 3.4. The pilot validation considered production and export information as having been met in the 2012/2013 report;</p>

			<p>however the Initial data collection indicates that only meaningful progress has been made now. The provision of information on production value is not clear. Production value is based on the cost of production. Cost figures are not provided by the companies. The standard is not clear on that. Production volumes were therefore provided.</p> <p>Export volumes for oil are not provided, but these may be the same as oil liftings (pp. 45-49), while gas export volumes are provided by month in Table 3.4 (p. 17), sourced from GNPC.</p> <p>Export volumes are same as liftings. See Table 5.8 for exports by GNPC on behalf of the state.</p> <p>For mining, price of commodities such as gold and diamond, the production volumes are equivalent to the export values. For bulk minerals such as manganese, export values deviates from production volumes. The Phrase 'a Missing Production and export data are not correct as indicated on Page 3 of the validation report by the I.V. is not true. For the small scale Mining Production is equal to Export and</p>
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			vice versa for the large scale
6/4.2	Revenue collection: In-kind Revenues	The crude oil volume in settlement of royalties and “carried and additional participating interest” is recorded, and valued at a benchmark price, on the day of “lifting” by GNPC on behalf of the State (pp. 47-50). This information is not reconciled against company records.	The I.V affirmed the score of ‘meaningful progress’ made by Ghana as indicated in the initial validation stakeholder consultation report. However, we disagreed because it seems the comments by the MSG were not considered (please see the bolded portion below). GNPC markets the oil thus collected and apportions the proceeds into royalty, carried interest and participating interest. The report indicates that this has not been disclosed. However Table 5.8 indicates date of lifting by GNPC, quantity lifted or exported, price obtained and apportionment into carried interest, participating interest and royalty. Table 5.7 reconciles GNPC’s payments and Government receipts in 2014.
7/6.2	Socio-Economic contribution: SOE Quasi-Fiscal Expenditures	‘The oil/gas report does not give a clear picture of GNPC finances and contains no recognition of the possible incidence of quasi-fiscal expenditures when in reality such expenditures exist’	The MSG disagrees with the score of the level of inadequate progress and deemed the score as unfair. This is because payments of this nature are NOT quasi but Corporate Social Responsibility (CSR). In deed all companies make contributions in

			<p>the development of infrastructure including road construction in their Catchment area(s). It is not true that that we have not covered Prestea Sankofa Gold. Refer to page 139, Appendix 7 of the 2014 mining Report.</p>
7/6.3	Contribution of the extractive sector to the economy	<p>'The initial Assessment did not document an estimate of informal sector activity though ASM activity is discussed in other sections of the EITI report and initial Assessment.</p>	<p>The MSG disagrees with the score of Meaningful Progress for the following reasons.</p> <ul style="list-style-type: none"> - The issue was first highlighted in our EITI reports which estimated 34% of gold production as contribution from ASM sector to the mining sector. -Following from this, a scoping study on ASM sector was conducted and even an engagement with the sector commenced to include the sector as part of the EITI reporting. <p>For us, GHEITI should rather be applauded with a better score for flagging/bringing up the issues and not 'punished' with a low score by the I.V.</p>