

# Ghana Validation

For decision

For discussion

For information

The Validation Committee recommends that the EITI Board agrees that Ghana has made meaningful progress in implementing the 2016 EITI Standard. In accordance with requirement 8.3c, Ghana will be considered an EITI candidate and requested to undertake corrective actions until the second Validation on <date of Board decision + 12 months>.

# GHANA VALIDATION

---

## Table of Contents

<b>Recommendation</b> .....	<b>2</b>
<b>Background</b> .....	<b>3</b>
<b>Assessment card</b> .....	<b>4</b>
<b>Corrective Actions</b> .....	<b>5</b>

### Supporting documentation

[Validation Report](#)

[Comments on the Validation Report by the National Secretariat](#)

[Initial assessment by the International Secretariat](#)

[Comments on the Initial Assessment by the National Secretariat](#)

### Has the EITI competence for any proposed actions been considered?

The Articles of Association mandate the Board to classify implementing countries as candidate countries or compliant countries (Article 5(2)(i)(a)). The EITI Standard ([Requirement 8.3](#)) addresses [EITI Validation deadlines and the consequences](#) following Validation.

### Financial implications of any actions

The recommendation implies a second Validation commencing in early 2018. The cost of second Validations varies depending on the size of the country and the extractive industries and the scope of the corrective actions. In this case, a second Validation is expected to cost circa 25 000 USD, including staff time, travel and the cost of engaging the Independent Validator.

### Document history

Comparison table and supporting documentation reviewed by the Validation Committee	15 February 2017
Validation Committee agreement on a Board Paper	21 February 2017
Submitted to the Board	22 February 2017

## Recommendation

The Validation Committee makes the following recommendation to the EITI Board:

*The Board agrees that Ghana has made meaningful progress overall in implementing the 2016 EITI Standard. The Board's determination of Ghana's progress with the EITI's requirements is outlined in the assessment card below.*

*The EITI Board agreed that Ghana has made meaningful progress in meeting requirements 2.3, 2.6, 3.2, 3.3., 4.1, 4.2, 4.5 and 6.2. The major areas of concern relate to license registers (#2.3), state participation (#2.6), production and export data (#3.2 and #3.3), comprehensiveness (#4.1), in-kind revenues (#4.2), State Owned Enterprise (SOE) transactions (#4.5) and SOE quasi-fiscal expenditures (#6.2).*

*Accordingly, the EITI Board agreed that Ghana will need to take corrective actions outlined*

*below. Progress with the corrective actions will be assessed in a second validation commencing on <date of Board decision + 12 months>. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Ghana's EITI National Steering Committee (NSC) may request an extension of this timeframe, or request that Validation commences earlier than scheduled.*

*The Board's decision followed a Validation that commenced on 1 July 2016. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a Validation Report to the EITI Board. The NSC was invited to comment on the findings throughout the process. The NSC's comments on the report were taken into consideration. The final decision was taken by the EITI Board.*

## Background

The Government of Ghana committed to implementing the EITI in June 2003. In 2005, a multi-stakeholder group—the Ghana EITI (GHEITI) National Steering Committee (NSC)—was established, and Ghana was accepted as an EITI Candidate in February 2007. Following Validation in early 2010,<sup>1</sup> the EITI Board designated Ghana Compliant with the EITI Rules in October that year, making Ghana the second country in Africa to achieve this status.

The Validation process commenced on 1 July 2016. In accordance with the Validation procedures, an [initial assessment](#) was prepared by the International Secretariat. The MSG was invited to comment. [Comments](#) were received from the MSG. The assessment was then reviewed by the Independent Validator, who prepared the [Validation Report](#). The MSG was invited to comment on the report. Again, [comments](#) were received from the MSG.

The Validation Committee reviewed the case on 15 February 2017. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below. As per Requirement 8.3.c. this includes a requirement that the MSG agrees and discloses a time-bound action plans for addressing weaknesses in data comprehensiveness within 3 months.

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3 of the EITI Standard states that:

ii.(a) Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iv.(c) **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.

The Validation Committee agreed to recommend a period of 10 months to undertake the corrective actions. This recommendation takes into account that the challenges identified are relatively few and seeks to align the Validation deadline with the deadline for the next (2015) EITI Report.








<sup>1</sup> [https://eiti.org/files/Ghana\\_Validation\\_Reports\\_ENG\\_0.pdf](https://eiti.org/files/Ghana_Validation_Reports_ENG_0.pdf)

## Assessment card

The Validation Committee recommends the following assessment:

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#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)					
Socio-economic contribution	Mandatory social expenditures (#6.1.a)					
	Discretionary social expenditures (#6.1.b)					
	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)					
<b>Overall assessment</b>	<b>Meaningful progress</b>					

*Legend to the assessment card*

	<b>No progress.</b> All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	<b>Inadequate progress.</b> Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	<b>Meaningful progress.</b> Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	<b>Satisfactory progress.</b> All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	<b>Beyond.</b> 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 second Validation commencing on <date of Board decision + 12 months>:

1. In accordance with Requirement 2.3.b, Ghana is required to maintain a publically available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies covered in the EITI Report: (i) license holder(s), (ii) where collated, coordinates of the license area, (iii) date of application, date of award and duration of the license, (iv) in the case of production licenses, the commodity being produced. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained in the EITI Report, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them.
2. In accordance with Requirement 2.6(a), the EITI Report must include an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. In accordance with Requirement 2.6(b), Ghana must provide disclosures from the government and SOE(s) of their level of ownership in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period. This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction, including details regarding valuation and revenues. Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed.

3. In accordance with Requirement 3.2, Ghana must disclose production data for the fiscal year covered by the EITI Report, including total production volumes and the value of production by commodity, and, when relevant, by state/region. Ghana should confirm all existing production for all commodities for the year covered by the report.
4. In accordance with Requirement 3.3, Ghana must disclose export data for the fiscal year covered by the EITI Report, including total export volumes and the value of exports by commodity, and, when relevant, by state/region of origin. Ghana should confirm all existing exports for all commodities for the year covered by the report.
5. In accordance with Requirement 4.1.a, the multi-stakeholder group is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds. The multi-stakeholder group should document the options considered and the rationale for establishing the definitions and thresholds. In accordance with Requirement 4.1.c, Ghana must provide a comprehensive reconciliation of government revenues and company payments, in accordance with the agreed scope. All companies making material payments to the government are required to comprehensively disclose these payments in accordance with the agreed scope.
6. In accordance with Requirement 4.2, the government, including state-owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams (4.7).
7. In accordance with Requirement 4.5, the NSC must ensure that the reporting process comprehensively addresses the role of state-owned enterprises (SOEs), including material payments to SOEs from oil, gas and mining companies, and transfers between SOEs and other government agencies.
8. In accordance with Requirement 6.2, the NSC must include disclosures from SOE(s) on their quasi-fiscal expenditures. The multi-stakeholder group is required to develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.

The NSC is encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report. In particular, the EITI Board requested that the NSC undertake further work to document the coverage of the Master Facility Agreement of 2011 in accordance with Requirement 4.3, and that the next Validation provides an update on Ghana's compliance with this provision.