

Extractive Industries Transparency Initiative (EITI)

Second Validation of Ghana

Final assessment by the EITI International Secretariat

30 January 2019

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1. Summary

Ghana's second Validation commenced on 8 September 2018. The EITI International Secretariat has assessed the progress made in addressing the eight corrective actions established by the EITI Board following Ghana's first Validation in 2016¹. The eight corrective actions relate to:

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 Secretariat's assessment is that Ghana has sufficiently addressed six of the eight corrective actions², having made "satisfactory progress" on the corresponding requirements. The Secretariat's assessment is that Ghana has made "meaningful progress" with considerable improvements in addressing the remaining corrective actions.³ The draft assessment was sent to the multi-stakeholder group (MSG) on 9 January 2019. Following comments from the MSG received on 30 January 2019, the assessment was finalised for consideration by the EITI Board.

¹ <https://eiti.org/BD/2017-8>

² Related to License registers (Requirement 2.3), State participation (Requirement 2.6), Production data (Requirement 3.2), Export data (Requirement 3.3), Comprehensiveness (Requirement 4.1) and Sale of the state's share of production or other revenues collected in-kind (Requirement 4.2).

³ Related to Comprehensiveness (Requirement 4.1), Transactions related to State-owned enterprises (SOEs) (Requirement 4.5) and Quasi-fiscal expenditures (Requirement 6.2).

2. Background

Ghana was accepted as an EITI Candidate in February 2007 and was designated compliant with the EITI Rules in October 2010. The first Validation of Ghana against the EITI Standard 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 identified by the Board, pertaining to the following requirements: license registers (#2.3), state participation (#2.6), production data (#3.2), export data (#3.3), comprehensiveness (#4.1), sale of the state's in-kind revenue (#4.2), transactions related to state-owned enterprises (#4.5) and quasi-fiscal expenditures (#6.2). The Board asked Ghana to address these corrective actions to be assessed in a second Validation commencing on 8 September 2018.

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 2015-17.⁴
- On 7 September 2018, Ghana EITI published two 2016 EITI Reports, covering mining⁵ and oil and gas⁶ 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.⁷
- 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.

⁴ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', accessed [here](#) in October 2018.

⁵ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', accessed [here](#) in September 2018.

⁶ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', accessed [here](#) in September 2018.

⁷ 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.

- On 26 November 2018, the Ministry of Finance’s Real Sector Division Director Frimpong Kwateng-Amaning wrote to GNPC’s Chief Executive Officer (attention of Linda Tamakloe) requesting evidence of progress in addressing corrective actions related to quasi-fiscal expenditures.⁸
- 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.
- On 30 January 2019, the MSG provided comments on the draft assessment prepared by the International Secretariat.

The following section addresses progress on each of the corrective actions. The assessment is limited to the corrective actions established by the Board and the associated requirements in the EITI Standard. The assessment follows the guidance outlined in the Validation Guide⁹. In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the 2016 Validation. While these requirements have not been comprehensively assessed, in the Secretariat’s view there is no evidence to suggest progress has fallen below the required standard and no additional issues that warrant consideration by the EITI Board.

3. Review of corrective actions

As set out in the Board decision on Ghana’s first Validation, the EITI Board agreed eight corrective actions. The Secretariat’s assessment below discusses whether the corrective actions have been sufficiently addressed. The assessments are based on the 2018 work plan, the 2016 EITI Reports, the 2017 annual progress report and minutes of the MSG meetings from March 2017 to September 2018, alongside various documents submitted by the national secretariat to the International Secretariat, e-mail correspondence, and stakeholder consultations (in-person and via skype).

3.1 Corrective action 1 (#2.3)

In accordance with Requirement 2.3.b, Ghana is required to maintain a publicly 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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation highlighted that Ghana’s EITI Reports had for some time recommended to establish an online cadastre system. It noted that a mining cadastre was in its final stages and was likely to address many of the gaps identified. In the absence of the online cadastre however, Validation noted that the EITI Reports

⁸ 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.

⁹ https://eiti.org/sites/default/files/documents/validation-guide_0.pdf

documented active licenses relatively comprehensively, albeit not fully so, with several required data points still missing.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining¹⁰ and oil and gas¹¹ respectively, on 7 September 2018. The Petroleum Commission launched the online petroleum register in February 2018.¹²

Oil and gas

The 2016 Oil and Gas (O&G) EITI Report confirms the public accessibility of the online petroleum register, launched by the Petroleum Commission in 2018, and provides a link (pp.20-21¹³). The report also provides coordinates of three¹⁴ of the 17 oil and gas blocks in Appendix 6 (pp.146-147), without explanation for the selection of these particular blocks. The Ghana Petroleum Register¹⁵ provides data on 17 active oil and gas ‘working areas’ (i.e. blocks), including operator and partner names and participating interests, date of award¹⁶, commodities covered (by production licenses) as well as a map of the blocks enabling an approximation of license coordinates (with a definition of one degree). The register also provides access to the full text of each Petroleum Agreement, from which the date of expiry and precise license coordinates are accessible.¹⁷ This information is available for all active oil and gas licenses, including those held by non-material companies. However, the register does not provide the date of application for oil and gas licenses in line with Requirement 2.3.b.iii.

Mining

The 2016 Mining EITI Report confirms that the online mining cadastre was launched in July 2016 and provides a link¹⁸ to the cadastre (p.29¹⁹). The report confirms that all active mining licenses are covered and that publicly-accessible information includes license name, license-holder name and date of award but confirms the lack of disclosure of license coordinates, dates of application and expiry and the commodity(ies) covered (p.29). However, a review of the cadastre indicated that it does contain information on licenses’ dates of award, expiry and commodities covered, as well as information regarding application date and license/application codes. Although precise coordinates are not included in the cadastre, specific GIS beacons are used including a detailed map showing the full area covered by the various concessions. The report also confirms the accessibility of coordinates from the Minerals Commission, which holds official maps of Ghana at a scale of 1:50,000 (p.28).

The EITI Report provides a list of “major mining license-holders in 2016” (pp.30-31), which provides general details of licenses held by material companies, albeit not disaggregated by individual license. The list includes license-holder names, partner names and shareholdings, tax identification numbers, type of mineral rights, dates of award and expiry and commodity(ies) covered, albeit no license names, dates of application or license coordinates. However, a review of five randomly-selected material companies reveals multiple inconsistencies between the EITI Report and the online mining cadastre, in particular regarding the number of licenses held by material companies, licenses relinquished during the reporting

¹⁰ Ghana EITI (September 2018), ‘GHEITI Report on the mining sector 2016’, op.cit..

¹¹ Ghana EITI (September 2018), ‘GHEITI Report on the oil and gas sector 2016’, op.cit..

¹² Ghana Petroleum Register, accessed [here](#) in October 2018.

¹³ Page references to the 2016 O&G EITI Report refer to printed page numbers, not numbers within the PDF.

¹⁴ West Cape Three Points Block 2, Cape Three Points Block 4, Onshore/Offshore Keta Block.

¹⁵ Ghana Petroleum Register, op.cit..

¹⁶ Labelled “effective date” in the register.

¹⁷ The dates of award (effective date) are provided for all blocks in the 2016 EITI Report (pp.22-23). The duration of contracts are provided in the agreements and license coordinates are in annex 1 of the agreements.

¹⁸ Ghana Online Repository (Mining), accessed [here](#) in September 2018.

¹⁹ Page references to the 2016 M EITI Report refer to printed page numbers, not numbers within the PDF.

period, tax identification numbers and license codes. Appendix 1 of the report provides a list of restricted small-scale mining licenses, including all information per Requirement 2.3.b aside from dates of application and license coordinates (pp.106-109). Appendix 2 provides information on the number of exploration and production licenses held by mining companies, including non-material ones (p.110).

Thus, despite discrepancies between information in the 2016 M EITI Report and the Ghana online repository (mining cadastral portal), all information listed under Requirement 2.3.b is publicly-accessible through the online cadastral portal for all active mining licenses.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on license registers has been addressed and considers that Ghana has made satisfactory progress on corrective actions related to Requirement 2.3. Despite gaps and inconsistencies in the 2016 EITI Reports, Ghana's Petroleum Register and Online (mining) Repository provide all information required by Requirement 2.3.b for all active mining, oil and gas licenses.

To strengthen implementation, Ghana is encouraged to consider ways of using EITI reporting as a diagnostic tool to ensure the comprehensiveness and reliability of license registers in both mining and oil and gas.

3.2 Corrective action 2 (#2.6)

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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that the 2014 Oil and Gas EITI Report contained interesting information about the role of Ghana National Petroleum Corporation (GNPC) and its operations, but was missing information on the SOE's own accounts and its activities as conduit for government revenues. Validation noted that GNPC's financial relations with the government were not clear, and the requisite information could not be found in other publicly-accessible sources.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining²⁰ and oil and gas²¹ respectively, on 7 September 2018.

Oil and gas

Materiality: The 2016 EITI O&G Report confirms that Ghana National Petroleum Corporation (GNPC) is the only state-owned enterprise (SOE) in the upstream oil and gas sector (pp.14,29). The MSG's materiality decisions indicate that GNPC was considered a material company as well as a material government entity (pp.61,62). Reconciliation results indicate that GNPC was marketing the state's in-kind revenues, which contributed 28.14% to total government oil and gas revenues in 2016 (pp.vi,ix,73,139-141), thereby confirming the materiality of GNPC.

Financial relations: The report describes the statutory financial relations between GNPC and the government, including rules for budget transfers to GNPC, distribution of profits (through dividends), retained earnings and reinvestment in its operations (pp.32-33,49,90). It also confirms the requirement for GNPC to seek parliamentary approval for any borrowings in excess of USD 30m for the purposes of exploration and production (p.9), implying that GNPC is statutorily allowed to raise third-party financing. GNPC's responsibility for lifting and marketing the state's in-kind revenues of oil and gas are described (pp.83-85). The pilot commodity trading report covering 2015-17 provides additional information on GNPC's responsibilities for marketing the state's in-kind oil and gas revenues, confirming that all proceeds from the sales are transferred directly to the PHF without transiting through GNPC²² (see *Requirement 4.2*).

The report also describes the financial relations between GNPC and the government in practice in 2016, including budget transfers to GNPC (p.95), the absence of GNPC dividends to government (p.134) and GNPC retained earnings (p.90). It also includes GNPC outstanding payments due to the government and Ministry of Finance respectively at the end of 2016 (p.33) and GNPC transfers to three other government entities²³ (pp.33-34,86). Finally, the report also includes the detail of retained earnings and reinvestments (pp.100-101). Three third-party financing agreements for GNPC are described (pp.34-35), alongside three third-party financing arrangements for GNPC subsidiaries (p.35), although the report does not explicitly confirm that this is a comprehensive list of third-party financing arrangements.

The report confirms that GNPC's 2016 financial statements were audited, providing a link to the statements (p.63), and provides an overview of the SOE's quasi-fiscal expenditures (p.87) (see *Requirement 6.2*).

Government ownership: The report confirms that GNPC is 100% owned by the government (pp.29,39), although it only states that GNPC is overseen by the State Enterprises Commission without providing the entity of the government entity holding the state's equity in GNPC. The terms associated with the state's equity in GNPC are described as part of the description of the statutory financial relations between GNPC and the government (see *above*).

²⁰ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', op.cit..

²¹ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', op.cit..

²² Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., p.25.

²³ Tema Oil Refinery, Ghana National Gas Company and Ghana Broadcasting Corporation.

The report lists three subsidiaries of GNPC²⁴, four joint ventures in which GNPC participates²⁵ and the GNPC Foundation (pp.30-31,39), providing GNPC's (and partners', where applicable) equity participation. However, the terms associated with GNPC's equity interest in each of the seven companies (as well as the GNPC Foundation) are not described in the report. Several government officials consulted considered that the terms associated with GNPC's equity interest in these seven companies was adequately described in GNPC's 2016 audited financial statements.²⁶ In particular, they noted that the financial statements described the financial relations between GNPC and its subsidiaries and joint ventures, both statutorily and in practice, including the terms associated with GNPC's equity in each company. While GNPC's 2016 financial statements describe the terms associated with GNPC's equity in subsidiaries and joint ventures, they do not provide the specific terms associated with GNPC equity in each of the seven companies it holds equity in specifically. Nonetheless, based on the list of three subsidiaries and four joint ventures provided in the EITI Report (pp.30-31,39), it is possible to reconstitute the terms associated with GNPC equity in each of the seven companies.

The report also lists GNPC's participating interests in the Jubilee and TEN fields (pp.27-28). While the report provides GNPC's effective sharing interest in each field (p.28) and describes the third-party financing arrangement for the TEN field (p.34), it does not describe the specific terms associated with GNPC's participating interests in these two fields. Nonetheless, the report describes the general terms associated with both carried interest and additional participating interest (pp.58-59), which can be assumed to be the terms associated with GNPC's participating interests in the two fields.

Ownership changes: The report states that there was no change in the ownership structure of GNPC in 2016 (p.35), although it is unclear whether this statement extends to a lack of changes in GNPC participation in any of its subsidiaries and joint-ventures. While the report notes that production at SOPCL, a joint venture involving GNPC, ended in December 2015 (p.30), it explains that GNPC was directed to decommission the SOPCL project over three years (pp.30,35), implying that there was no change in GNPC's ownership of SOPCL in 2016.

Loans and guarantees: The report describes six types of loans involving GNPC or the state, although it is unclear whether all of these involve loans or loan guarantees from the state or GNPC.

The first type of loans described involves third-party financing of GNPC, for the funding of GNPC's share of development costs in line with its additional participating interests (in addition to the carried interests) (pp.34-35). Three types of loans to GNPC are described, including TEN partner financing for GNPC's additional interest in the TEN fields, OCTP partner financing for GNPC's additional interest in the OCTP block, and unspecified bank loans to GNPC subsidiaries using GNPC assets as collateral (p.34). While the report describes the interest rates applied on the loans, it does not provide the maturity of the loans. However, it does not appear that there is any form of state (or GNPC) guarantee on these loans, implying that they are not relevant under Requirement 2.6.b. Several government officials consulted confirmed that these third-party financing arrangements did not include any sovereign loan guarantees and were thus not relevant under Requirement 2.6.b.

The second type of loans described involves third-party financing for three GNPC subsidiaries and joint-ventures (p.35). While the report provides the value of each of the three third-party loans, it does not provide the terms of the loan (such as interest rate, maturity). However, there is no indication that these third-party loans involve any form of loan or loan guarantee from the state or GNPC, implying that they are not relevant under Requirement 2.6.b. Several government officials consulted confirmed that these

²⁴ Prestea/Sankofa Gold Ltd (PSGL), Ghana National Gas Co. (GNGC) and GNPC Exploration and Production (Explorco).

²⁵ SOPCL, Airtel, GNPC Technip Engineering Services (GTES) and Mole Motel.

²⁶ See GNPC (2017), 'Ghana National Petroleum Corporation: Consolidated financial statements, 31 December 2016', accessed [here](#) in January 2019, pp.7,11,15,17-19,44-50,53,59-60,63.

arrangements did not include any sovereign loan guarantees and were thus not relevant under Requirement 2.6.b.

The third type of financing arrangement described involves GNPC's "strategic petroleum reserve supply and sales" agreement with the state-owned oil storage company BOST, whereby GNPC would finance and provide refined crude oil to the country's Bulk Oil Storage Transport project (pp.35-36). While the report states that these are "crude oil strategic reserves", the MSG noted in its comments that these were petroleum products strategic reserves. However, the description of the project implies investment on the part of GNPC, rather than loans, and there is no indication that a guarantee from either the state or GNPC was involved, implying that this arrangement is not relevant under Requirement 2.6.b. Several government officials consulted confirmed the lack of loans or guarantees provided by GNPC in this arrangement.

The fourth type of loan described involves a USD 3bn loan from China Development Bank (CDB) to the government for the development of the Western Corridor Gas Project (pp.36-37). Repayment of the loan is structured through a long-term crude oil sales agreement between GNPC and China's state-owned China International United Petroleum and Chemicals Co. (UNIPEC Asia). The report provides the interest rate and maturity of the two loan tranches. The report implies that there is a sovereign guarantee on this loan, by stating that the loan agreement guarantees CDB guaranteed sales of petroleum at market prices (p.37), although this does not represent a state guarantee on a loan from the state or SOEs to extractives companies, but rather a guarantee on a third-party loan to the state backed by future oil deliveries. This implies that this loan arrangement is not relevant under Requirement 2.6.b. Several government officials consulted confirmed this interpretation of the loan arrangement.

The fifth type of loan arrangement described involves GNPC's purchase of refined products on behalf of Bulk Oil Storage and Transportation project (BOST) from oil trader Trafigura, for which payment was outstanding (a form of trade debt according to the MSG, as noted in its comments) (p.87). While GNPC's payment of USD 18.75m to Trafigura is described as a quasi-fiscal expenditure (p.87), it appears that GNPC provided this payment as part of its guarantee for past deliveries of petroleum products. It is unclear from the report whether this payment to Trafigura was executed in 2016. However, a review of GNPC's 2016 audited financial statements indicates that this payment was executed in 2015²⁷, implying that GNPC's guarantee to Trafigura expired prior to 2016. This appears to be confirmed in publicly-available news sources, which highlight the lack of BOST's subsequent reimbursement of GNPC's payment to Trafigura.²⁸

Finally, the sixth type of loan guarantee arrangement described involves GNPC's provision of a USD 100m guarantee for the Karpower emergency power ship (p.87). The loan guarantee is described as a GNPC guarantee on behalf of the government, which was "accepted" by the Ministry of Finance as a sovereign government liability (p.87). Although the timing of the loan guarantee is simply described as "at the peak of Ghana's power crisis" (p.87), it can be inferred that this was 2016 given that the power crisis peaked in 2016. The terms of the loan guarantee are not described. However, it can be argued that this arrangement represents a loan guarantee from a SOE to a non-extractives company and is thus not applicable under Requirement 2.6.b.

It is thus unclear from the report whether there were any loans or loan guarantees from government and SOE(s) to mining, oil and gas companies operating within the country, active during the year under review (2016). However, consultations with several government officials confirmed that the loan and guarantee

²⁷ See GNPC (October 2017), GNPC 2016 audited financial statements, *op.cit.*, p.36.

²⁸ Citifmonline.com (June 2016), 'GNPC overspends budgetary allocation by 49% – PIAC', accessed [here](#) in January 2019.

arrangements described in the 2016 O&G EITI Report did not represent loans or guarantees from the state or SOEs to upstream extractives companies.

Mining

The 2016 M EITI Report describes the two SOEs in the mining sector, Precious Mineral Marketing Company (PMMC) and Prestea Sankofa Gold Limited (p.38), as well as the government's free carried 10% equity interests in eight mining companies and its 20% interest (composed of 10% free carried equity and 10% additional participating interest) in one mining company (p.37). However, the report confirms that none of the nine mining companies in which the government held an interest paid any dividends to government in 2016 (p.37). It also clarifies that neither of the two mining SOEs made material payments in 2016, providing the specific value of payments in 2016 as justification²⁹, and confirms that both SOEs were excluded from the scope of reconciliation (p.38). While this implies that Requirement 2.6 was not applicable to Ghana's mining sector in 2016, the report nonetheless provides additional information on government ownership and SOE financial relations with the government (pp.38-40).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on state participation has been addressed and considers that Ghana has made satisfactory progress on the corrective action related to Requirement 2.6. The 2016 Mining EITI Report confirms the lack of material revenues and payments related to SOEs in the mining sector, implying that Requirement 2.6 is not applicable to Ghana's mining sector in 2016. The 2016 Oil and Gas EITI Report confirms that state participation in the oil and gas sector gives rise to material revenues. The report provides a comprehensive list of state participations in the upstream oil and gas sector and describes the terms associated with GNPC's participation in oil and gas projects, but does not provide the terms associated with GNPC's equity in its three subsidiaries and four joint ventures. Nevertheless, a description of these terms is publicly accessible from GNPC's 2016 audited financial statements, available on the Ministry of Finance website. The lack of changes in state participation in oil and gas is confirmed. The report lists six types of loan and guarantee arrangements involving GNPC, although there is insufficient information in the report to ascertain whether these arrangements included any loan or guarantee from the state or SOEs to companies operating in the upstream oil and gas industry. However, consultations with several government officials confirmed that the loans and guarantees were not relevant under the definition of loans and guarantees in Requirement 2.6.b.

To strengthen implementation, Ghana is encouraged to ensure that the terms associated with state, or SOE, equity in extractives projects and companies be clearly described through its EITI reporting, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. Ghana is also urged to ensure that details of all loans or loan guarantees from government and SOE(s) to mining, oil and gas companies operating within the country be publicly disclosed.

3.3 Corrective action 3 (#3.2)

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

²⁹ The report confirms the lack of any payments to government from PMMC in 2016 and provides the value of Prestea Sankofa Gold Ltd payments to government as GHS 560,995 in 2016, i.e. below the materiality threshold of GHS 4m for selecting companies for reporting (p.38).

relevant, by state/region. Ghana should confirm all existing production for all commodities for the year covered by the report.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that production volumes for oil, gas and mining were adequately disclosed in the 2014 EITI Reports, including oil production by major field, although production values had not been disclosed.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining³⁰ and oil and gas³¹ respectively, on 7 September 2018. Ghana's pilot commodity trading report, produced by Ghana EITI, was published in August 2018.³²

Oil and gas

The 2016 O&G EITI Report provides production volumes for both oil (pp.43-44) and natural gas (p.45), disaggregated by field and by month. The values of production are also provided in the same tables, although the report notes that production values were estimated using an annual average 2016 price for oil³³ (p.43) and gas³⁴ (p.45). This data is sourced from GNPC. The pilot commodity trading report provides additional detail by field for oil and gas production over the 2015-17 period. Ghana's pilot commodity trading report, produced by Ghana EITI, was published in August 2018.³⁵

Mining

The 2016 M EITI Report provides 2016 production volumes for gold, including large-scale production and artisanal and small-scale mining (ASM) purchases combined (pp.8,11,12,13,44,45), diamonds³⁶ (pp.10,11,13,44,45,46), manganese (p.9,44,45) and bauxite (p.14,44,45). Production volumes for gold in 2016 are provided disaggregated by mine (p.77,120).

The report provides 2016 production values for gold (p.11,44), diamonds³⁷ (pp.10,11,44,46), bauxite and manganese (p.44), albeit noting that production values were estimated using average unit export sale price of each commodity (p.44). The volumes and value of artisanal-mined gold in 2016 are also provided independently (p.10).

A review of the UN Comtrade's International Trade Statistics Database³⁸ indicates that these four minerals accounted for 99.8% of the value of Ghana's mineral exports.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on production data has been addressed and considers that Ghana has made satisfactory progress on Requirement 3.2. The 2016 EITI Reports for

³⁰ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', op.cit..

³¹ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', op.cit..

³² Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit..

³³ USD 46.99 per barrel.

³⁴ USD 3074 per mmscf.

³⁵ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., pp.11-14.

³⁶ sourced from the Kimberley Process.

³⁷ Ibid.

³⁸ UN Comtrade's International Trade Statistics Database, accessed [here](#) in September 2018.

mining and oil and gas provide official estimates of production volumes and values for all six key extractives commodities produced in 2016. While there is evidence of exports of other mineral commodities in 2016 other than the six reported in Ghana's EITI Reports, these are considered to be of marginal value and are not mineral commodities produced by companies included in the scope of reporting.

To further strengthen implementation, Ghana may wish to work with relevant government agencies to ensure that comprehensive information on production volumes and values for every extractives commodity produced is routinely disclosed through government systems.

3.4 Corrective action 4 (#3.3)

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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that export values were adequately disclosed in the two 2014 EITI Reports, including by export commodity and from the artisanal and small-scale mining sector, but that export volumes had not been reported. For the artisanal and small-scale mining sector, export volumes were deemed to be equal to production volumes.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining³⁹ and oil and gas⁴⁰ respectively, on 7 September 2018.

Oil and gas

The 2016 O&G EITI Report provides the volumes and values of oil exports from each of the two producing fields, Jubilee and TEN, in 2016, disaggregated by field and by each partner's share (pp.46-47). While the report provides the volumes and values of gas categorised as "exported", it clarifies that the term "gas exports" is used by GNPC to refer to deliveries of natural gas to GNGC through its Atuabo Gas Processing Plant (p.47), which is located in Ghana. In its comments on the draft assessment, the MSG clarified that the term "export" was used by GNPC to refer to transfers of natural gas from the oil and gas field to the processing plant. The pilot commodity trading report confirms there are no natural gas exports.⁴¹ As for production values (see Requirement 3.2), the report notes that oil export values were estimated by using an annual average 2016 oil price⁴² (p.46). Export data is marked as sourced from GNPC. In its comments on the draft assessment, the MSG clarified that GNPC provided data on the actual revenue generated from each sale, from which the IA computed estimates of oil export values.

³⁹ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', op.cit..

⁴⁰ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', op.cit..

⁴¹ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., p.27.

⁴² USD 46.99 per barrel.

Mining

The 2016 M EITI Report provides export volumes and value for the four mineral commodities exported in 2016 (gold, diamonds, manganese and bauxite) (p.46). A review of the UN Comtrade's International Trade Statistics Database⁴³ indicates that these four minerals accounted for 99.8% of the value of Ghana's mineral exports in 2016, although the identity of other minerals exported is unclear. The data in the EITI Report is sourced from the Minerals Commission, albeit without explanation for the basis of calculations.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on export data has been addressed and considers that Ghana has made satisfactory progress on Requirement 3.3. The 2016 EITI Reports covering mining and oil and gas provide export volumes and values for each of the five extractives commodities exported in 2016. Although the report provides a confusing categorisation of deliveries of natural gas to the domestic Atuabo Gas Processing Plant as gas exports, the International Secretariat understands there were no natural gas exports from Ghana in 2016.

To further strengthen implementation, Ghana may wish to work with relevant government agencies to ensure that comprehensive information on export volumes and values for every extractives commodity produced is routinely disclosed through government systems.

3.5 Corrective action 5 (#4.1)

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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that, in each sector, all producing companies were deemed material as measured by royalty payments. Validation considered that this approach to defining materiality did not take account of payments from exploration companies that did not pay royalties. Validation highlighted the lack of clear materiality definitions, despite good coverage of payments and revenues. Validation noted that there was good participation of material companies, with only one notable exception in oil and gas that significantly lowered the reconciliation coverage. Ghana was commended for its coverage of the artisanal and small-scale mining (ASM) sector.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining⁴⁴ and oil and gas⁴⁵ respectively, on 7 September 2018.

⁴³ UN Comtrade's International Trade Statistics Database, *op.cit.*

⁴⁴ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', *op.cit.*

⁴⁵ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', *op.cit.*

Oil and gas

The 2016 O&G EITI Report confirms the MSG's approval of materiality definitions and thresholds (p.54).

Material revenue streams: The report confirms that the MSG's decision related to the materiality threshold for selecting revenue streams was based on total government revenues from oil and gas in 2016 (p.54). The report confirms that the materiality threshold for selecting revenue streams was set at USD 2,565,795 (p.57), which can be calculated as 1% of government oil and gas revenues in 2016. In its comments, the MSG confused the materiality threshold for selecting revenue streams and the materiality threshold for selecting companies. It considered that the materiality threshold for selecting revenue streams was set at USD 150,000, when this was in fact the threshold for selecting companies.

In addition, the report explains that the MSG agreed to include environmental permitting and processing fees and surface rentals were included in the scope of reconciliation despite contributing less than 1% of total government revenues, given that they were listed in EITI Requirement 4.1.b (p.57). Table 6.2 sets out the value and relative share of each revenue stream in oil and gas in 2016, highlighting whether a revenue stream has been included or excluded from the scope of reconciliation (p.56).

The report raises concerns over the lack of submission of information on Data License Fee revenues in 2016 by either GNPC or the Petroleum Commission (p.56), but confirms that the value of total Data License Fee revenues in 2016 was the equivalent of 0.25% of total government oil and gas revenues⁴⁶, based on GNPC's 2016 audited financial statements (p.72). The IA's assessment that the omission of Data License Fee from the scope of reconciliation did not have a significant effect on the reconciliation coverage is included (p.72).

The report confirms the lack of revenues reported for two other revenue streams (Capital gains tax and License application fee) and notes that three revenue streams (Withholding taxes, Value-added tax and Pay as you earn) were excluded from reconciliation by the MSG given that they were considered indirect revenues (p.55). While the report explains that the MSG excluded three revenue streams (Excise duty, Import duty and Port/Shorebase costs) from the scope of reconciliation given that they were not extractives-specific, the data in Table 6.1 demonstrates that there were no revenues associated with these revenue streams from extractives companies in 2016 (p.55). Although three revenue streams related to considerations for licenses (Exploration and development fee, Production permit and Extension period) listed under Requirement 4.1.b were excluded from the scope of reconciliation, it can be assumed that their exclusion was based on materiality considerations.

The report lists and describes the nine material revenue streams (pp.57-59).

Material companies: The report describes the MSG's materiality threshold for selecting companies, which was set as total payments to government of USD 150,000, for the nine material revenue streams only (p.60). This can be calculated as the equivalent of 0.4% of total government oil and gas revenues in 2016.⁴⁷ The value of payments to government in 2016 from each of the 25 oil and gas companies operating in Ghana in 2016 is provided in Table 6.5 (pp.59-60). The report lists the nine material companies (p.61).

⁴⁶ USD 639,593.25.

⁴⁷ drawing on the value of total government revenues provided in Table 6.1 (p.55).

Material company reporting: The report confirms that four oil and gas companies⁴⁸ did not submit reporting templates and provides their names (p.66). The value of total payments to government from each of the four non-reporting companies is provided, disaggregated by company (p.59). The combined value of payments from non-reporting companies amounted to 51.86% of total government oil and gas revenues in 2016 (p.59). There is evidence of government follow-up with non-reporting companies, including through a letter from Ghana EITI Champion Mohammed Amin Adam to the managing directors of six non-reporting companies⁴⁹ on 16 July 2018⁵⁰ and through a letter from the Ministry of Finance's Real Sector Division Director Frimpong Kwateng-Amaning to the Finance Directors of five non-reporting companies⁵¹ on 3 July 2018.⁵²

During consultations, several MSG members highlighted repeated efforts both by the MSG and government to follow up with non-reporting companies. In written comments provided to the International Secretariat on 10 December 2018⁵³, the MSG highlighted that Tullow Oil had submitted completed reporting templates for previous EITI Reports but that it had not provided an official reason for declining to report for 2016. The comments highlighted the consistent refusal of Anadarko to participate in Ghana's EITI reporting and challenges in securing contact details for PetroSA and Heritage Oil, albeit noting that a PetroSA representative had met once with the GHEITI Secretariat despite not submitting its reporting template. The MSG strongly expressed its view that the reconciliation of oil and gas revenues was comprehensive in the 2016 O&G EITI Report, citing a reconciliation coverage of 89% of oil and gas revenues. However, this refers to the reconciliation *target*, not the final reconciliation *coverage* given the reporting omissions.

Material government entities: The report lists the four government entities⁵⁴ that were considered material and required to report oil and gas revenues (pp.vi-vii). The report provides a list of revenue streams collected by each material government entity (p.51).

Government reporting: The report appears to confirm that all four material government entities submitted reporting templates. While the report states that five government entities (not including the Environmental Protection Agency - EPA) "contributed to" the reconciliation exercise (p.61), the results of reconciliation in Appendix 2 appear to confirm that all material government entities, including the EPA, duly submitted reporting templates (pp.139-141).

Discrepancies: The report refers to the MSG's materiality threshold of 1% of reconciled revenues for investigating discrepancies (pp.57,65,72). The report describes the adjustment process to resolve discrepancies and the final unreconciled discrepancies, providing a brief explanation of the main reasons for outstanding discrepancies (pp.x,75,122). The main reason for discrepancies consisted of differences in reporting of carried interest and royalty between companies and government. The value of final unreconciled discrepancies was USD 431,631, the equivalent of 0.0019% of total revenues disclosed by government.

⁴⁸ Tullow (Ghana) Ltd, PetroSA Ltd, Anadarko and Heritage.

⁴⁹ Tullow Ghana, Anadarko Ghana, PetroSA, Heritage Exploration Co., Medea Development – Cola Natural Resources and Prestea Sankofa Mines.

⁵⁰ Ministry of Energy (July 2018), 'Letter: RE: Request for information for the production of 2016 GHEITI Reports for the oil and gas sector', unpublished, provided by the GHEITI Secretariat.

⁵¹ West African Quarries Ltd., Asanko Gold Mines Ltd., Heritage Exploration Company, Medea Development – Cola Natural Resources and PetroSA Ghana.

⁵² Ministry of Finance (July 2018), 'Letter: Request for information – reporting templates for the production of 2016 Ghana EITI Reports for the mining and oil/gas sectors', unpublished, provided by the GHEITI Secretariat.

⁵³ Ghana EITI (December 2018), 'Efforts by the MSG and the GHEITI Secretariat to get Tullow, Anadarko, Petro S.A and Heritage to report and/or submit reporting template for the production of 2016 oil/gas sector report', unpublished, provided by the GHEITI Secretariat.

⁵⁴ Ghana Revenue Authority, Ministry of Finance, Ministry of Petroleum, GNPC, and Petroleum Commission.

Full government disclosure: The report presents full unilateral government disclosure of total revenues for each of the material revenue streams, including from companies below the materiality threshold (p.55).

Mining

The 2016 M EITI Report confirms the MSG's approval of materiality definitions and thresholds (pp.ii,6,52,53,56,57).

Material revenue streams: While the report does not clarify whether the MSG set a quantitative materiality threshold, i.e. as a share of total government mining revenues, it provides a detailed assessment of the relative value of each revenue stream in the mining sector in 2016, based on the government's full unilateral disclosure (pp.52-53,54). All revenue streams for which revenues were reported by government in 2016 appear to have been included in the scope of reconciliation, aside from Withholding income tax, Value-added tax (VAT), Pay-as-you-earn (PAYE) and transport revenues collected by Ghana Railways (pp.52-53). However, the report explains that the first three revenue streams were excluded given that they were considered indirect payments made on behalf of companies' service providers and employees (p.53). All revenue streams (for which revenues were reported) listed under Requirement 4.1.b were included in the scope of reconciliation.

However, the report notes that "Other fees and licenses" was included as a material revenue stream (pp.ii,55), listing 13 distinct revenue streams as part of this cover-all categorisation (p.119). Revenues under "Other fees and licenses" accounted for 1.5% of total 2016 government mining revenues (p.53).

Both material and non-material revenue streams are listed and described (pp.49-51). The category of "Other fees and licenses" is described in Appendix 5 (p.119).

Material companies: The report states that 14 companies were selected for reporting, based on a materiality threshold of GHS 4m in total payments to government, excluding the four non-material revenue streams listed above (p.56). The selected companies accounted for 96.43% of total government receipts (excluding the four non-material revenue streams).

The report lists both the 14 material companies (p.56) and the companies excluded from the scope of reconciliation, including each non-material company's aggregate payments to government (pp.112-118).

Material company reporting: The report confirms that all 14 material companies submitted reporting templates (p.62).

Material government entities: The report lists five national government entities⁵⁵ and 11 subnational district assemblies included in the scope of reporting (p.58). It appears based on the overview of revenues collected by the different government entities that only four of the five material government entities received mining revenues from companies in 2016, while the Ministry of Mines and Natural Resources was included in the scope of reporting given its responsibility for managing the Mineral Development Fund, which receives indirectly 10% of mining royalties (p.57).

Government reporting: The report clarifies that all material government entities submitted reporting templates, with the exception of three⁵⁶ of the 11 material district assemblies (p.62). Based on four

⁵⁵ The Ghana Revenue Authority (GRA), Office of Administrator of Stool Lands (OASL), Minerals Commission, Environmental Protection Agency and the Ministry of Mines and Natural Resources.

⁵⁶ Denkyira, Yilo Krobo, and Amansie South.

material companies' reporting⁵⁷ of direct subnational payments to these three non-reporting district assemblies, the report estimates the value of revenues collected by the three district assemblies as 0.08%⁵⁸ of total government mining revenues (p.63).

Discrepancies: The report describes the MSG's agreed materiality threshold for investigating discrepancies, set at 1% of total government revenues (p.60). The report provides the value of net and absolute discrepancies, at 0.39% and 0.42% of total government revenues respectively and 0.25% and 0.27% respectively of total government revenues excluding the four non-material revenue streams (p.66). An overview of the resolution of initial discrepancies is provided (pp.67-68), alongside the detail of and main reasons for final unreconciled discrepancies (pp.68-70)

Full government disclosure: The report provides the government's full unilateral government disclosure of total revenues for each of the material revenue streams (and non-material revenue streams), including from non-material companies (pp.52-53).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on comprehensive disclosure has been partly addressed and considers that Ghana has made meaningful progress on Requirement 4.1, with considerable improvements. The 2016 EITI Reports provide, for both oil and gas and mining, a definition of the materiality thresholds for companies to be included in reconciliations, including a justification for why the thresholds were set at these levels. There is evidence that the MSG set a quantitative materiality threshold for selecting payments for reconciliation in both mining and oil and gas. While the exclusion of three revenue streams from the scope of reconciliation in oil and gas on the basis of their not being extractives-specific is a concern, the lack of payments associated with these three revenue streams from extractives companies in 2016, as demonstrated in the EITI Report, means that their exclusion has not affected the comprehensiveness of the reconciliation. Although the MSG has combined 13 payments in mining as 'other licenses and fees', the low materiality threshold for selecting revenue streams and the low value of the combined payments is not considered sufficient to revisit the assessment of Requirement 4.7 on disaggregation, previously assessed as "satisfactory progress" in Ghana's first Validation. While all main government entities reported comprehensively all material revenues in the 2016 EITI Reports, there was only comprehensive reporting by material companies in mining, not oil and gas. Indeed the lack of reporting by four material oil and gas companies accounting for 51.9% of total government oil and gas revenues in 2016 is a serious concern. Full unilateral government disclosures of material revenues, including from non-material companies, were nonetheless provided for both mining and oil and gas.

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.

⁵⁷ Perseus Mining, West Africa Quarries, and Asanko Gold Mining.

⁵⁸ GHS 1,291,776.

3.6 Corrective action 6 (#4.2)

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).

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that, while there was much information in the 2014 Oil and Gas EITI Report on in-kind revenues collected, there was no clear thread running through the report that would allow the public to understand the management of in-kind revenues collected on the behalf of the government by GNPC, including the process of oil lifting by GNPC, commercialisation of the in-kind revenue collected, and transfer of sales proceeds to the government. Validation noted that there did not appear to be any in-kind revenues in the mining sector.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining⁵⁹ and oil and gas⁶⁰ respectively, on 7 September 2018. Ghana's pilot commodity trading report, produced by Ghana EITI, was published in August 2018.⁶¹

Oil and gas

Materiality: The 2016 O&G EITI Report confirms the existence of in-kind revenues marketed by GNPC on behalf of the state in both crude oil (p.29) and natural gas (p.78). In its comments on the draft assessment, the MSG confirmed that, while GNPC was responsible for marketing the state's in-kind revenues, the proceeds of sales were paid directly to the Petroleum Holding Fund (PHF). The report states that GNPC sells gas from the Jubilee field (p.85), implying that there are no in-kind gas revenues from the TEN field although this is not explicitly stated. In its comments, the MSG confirmed that TEN gas production only began in May 2017. Ghana's pilot commodity trading report confirms that gas production from TEN field only started in May 2017.⁶² There is no evidence that the MSG set a separate materiality threshold for reconciling in-kind revenues of oil or gas.

In crude oil, the report highlights that GNPC markets two types of revenue streams in kind: royalty oil, a fiscal payment collected on behalf of the state, and production entitlements (p.67), which can be assumed to be the equivalent of equity oil given that the production share is in line with GNPC's carried interest and any additional participating interest. The report states that royalty payments associated with the Jubilee field accounted for 86% of total royalty revenues in 2016 (p.122).

In natural gas, the report confirms that GNPC markets two types of revenue streams: royalty gas, a fiscal payment, and CAPI (Carried and Participating Interest) gas (p.78), which can be assumed to be the equivalent of equity oil. However, in its comments, the MSG explained that natural gas from Jubilee was entirely for the government and was not broken down between royalty and GNPC's CAPI. The report notes that total Royalty gas revenues were only USD 379,554 in 2016 (p.79), the equivalent of 0.10% of government oil and gas revenues in 2016.⁶³ However, the results of reconciliation of GNPC's transfer of

⁵⁹ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', op.cit..

⁶⁰ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', op.cit..

⁶¹ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit..

⁶² Ibid.

⁶³ Based on the value of total government oil and gas revenues provided in Table 6.1 (p.55).

Gas revenue proceeds to the PHF between figures from GNPC and GRA indicate total Gas revenue of USD 9.303m (pp.viii,55,74,76,81,134,141). In its comments, the MSG stated categorically that GNPC does not collect revenues from crude or gas sales, with gas revenues from GNGC channelled directly through the PHF. While this is confirmed in external sources, this implies that the reconciliation of gas revenues in the 2016 EITI Report (p.134) is factually incorrect.

The pilot commodity trading report provides additional context and descriptions of the process for GNPC's marketing of the state's in-kind revenues, including clear evidence of the materiality of revenues.⁶⁴

Volumes collected: For crude oil, the report provides a reconciliation of in-kind oil payments of royalty between figures from companies and GNPC for Jubilee, and between figures from companies and GRA for both Jubilee and TEN, disaggregated by company (pp.69-71). However, it is evident that three of the four partners⁶⁵ on the TEN field did not report (p.70).

For natural gas, the report does not seem to provide the volumes of gas collected in-kind as Royalty gas, but only provides the volumes of gas sold from the Jubilee field (p.85), which includes both Royalty gas and production entitlements. The lack of reconciliation of in-kind revenues of natural gas is assessed under Requirement 4.5 below.

Volumes sold: For crude oil, the report provides the volumes of oil GNPC sold in 2016, disaggregated by cargo and by field (p.85). However, it is evident that the volumes of oil GNPC sold⁶⁶ includes both Royalty oil and production entitlements, implying that disclosures of oil collected in-kind as a fiscal payment to the state have been combined with disclosures of GNPC's equity oil.

For natural gas, the report discloses the volumes of gas sold by GNPC in 2016, disaggregated by month, to the sole buyer GNGC (p.85).

Proceeds of sales: The GHEITI pilot commodity trading report clarifies that the proceeds of GNPC's sales of the state's in-kind revenues are transferred directly by companies to the PHF, without transiting through GNPC.⁶⁷ The pilot report includes disclosures of volumes sold and proceeds of sales, disaggregated by cargo, with additional relevant information.⁶⁸

For crude oil, the report provides the values of proceeds of GNPC oil sales in 2016, disaggregated by cargo and by field (p.85). The information is de facto disaggregated by buyer, since UNIPEC bought all GNPC oil from the Jubilee field while Springfield Energy Ltd bought all GNPC oil from the TEN field (p.85). The report provides a description of the long-term sales agreement between GNPC and UNIPEC, as part of the USD 3bn CDB loan to the Government of Ghana (see Requirement 2.6) (pp.36-37). However, it is evident that the values disclosed for GNPC oil sold⁶⁹ includes both Royalty oil and production entitlements, implying that disclosures of oil collected in-kind as a fiscal payment to the state have been combined with disclosures of GNPC's equity oil.

⁶⁴ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., pp.11-16.

⁶⁵ Kosmos reported, while Tullow, Anadarko and Petro SA did not.

⁶⁶ 4,860,462 barrels.

⁶⁷ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., p.25.

⁶⁸ Additional information on oil sales includes bill of lading date, receipt date, quantity, market price average, differential, unit price, cargo value, marketing option fee. See Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., pp.28,36-43,51-52.

⁶⁹ 4,860,462 barrels.

For natural gas, the report discloses the values of gas sold by GNPC in 2016, disaggregated by month (p.85). The information is de facto disaggregated by buyer, since GNGC is the sole buyer for all GNPC gas. This is confirmed in the pilot commodity trading report, which notes that all gas is sold at a set USD 2.9 per mmbtu (million British thermal units).⁷⁰ However, these disclosures include both Royalty gas as well as CAPI gas, implying that reporting of gas collected in-kind as a fiscal payment to the state has been combined with reporting of GNPC's equity gas. There is a significant discrepancy between the value of gas sold by GNPC to GNGC in 2016⁷¹ (p.85) and the value of Gas revenues transferred by GNPC (which the MSG maintains is GNGC in its comments) to the PHF⁷² (pp.viii,55,74,76,81,134,141), which is not explained in the report.

The volumes and proceeds of sales of the government's in-kind revenues are unilaterally disclosed in the 2016 O&G EITI Report, however, the commodity trading reporting reconciled the crude oil and gas data. Number of lifting and dates of lifting reconciled, there was discrepancy of 129 barrels from lifting in March 2017, it is nonetheless immaterial. There was also discrepancy in revenue received which is approximately 1-2% of the total value of lifting.

The pilot commodity trading report describes the buyer selection process in detail, listing buyers' market shares of GNPC crude oil, and details the process for determining pricing.⁷³

Reconciliation: The pilot commodity trading report attempted to reconcile sales of both oil and gas with buyers' reporting. However, the pilot trading report notes that it was not possible to obtain data from GNGC on its gas purchases from GNGC.⁷⁴

Mining

The 2016 M EITI Report confirms the lack of government in-kind revenues in the mining sector, with reference to the findings of the scoping study (p.89). The report clarifies that any gold exports by the SOE PMMC represent exports of purchased gold (p.39), not in-kind revenue collected as a fiscal agent on behalf of the state.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on the sale of the state's in-kind revenue has been addressed and considers that Ghana has made satisfactory progress on Requirement 4.2. The 2016 Mining EITI Report confirms the lack of in-kind revenues in the mining sector. In oil and gas, the 2016 Oil and Gas EITI Report and the pilot commodity trading report disclose the volumes of the state's in-kind revenues of oil and gas collected in 2016 and the proceeds of sales of the state's in-kind revenues, disaggregated by buyer. The pilot trading report reconciles sales of oil, not gas. While neither report distinguishes between the two types of in-kind oil and gas revenues collected – royalty and production share in line with carried/participating interests – in the disclosures of volumes collected, the Board has previously⁷⁵ taken the view that the lack of disaggregation in in-kind revenues collected was not a material omission in the Validation of Requirement 4.2. The significant gaps in company reporting (and thus reconciliation) of in-kind payments for the TEN field are covered under Requirement 4.5.

⁷⁰ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., p.27.

⁷¹ USD 66,336,678.15.

⁷² USD 9,302,806.35.

⁷³ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., p.27.

⁷⁴ Ghana EITI (August 2018), 'Ghana commodity trading pilot report', op.cit., pp.16-23.

⁷⁵ See documentation of Validation of Albania. Board Decision 2018-11/BM-39/BP-39-5-A on the Validation of Albania, accessed [here](#) in October 2018. Specifically, see Report on initial data collection and stakeholder consultation (p.88).

To strengthen implementation, Ghana is encouraged to disclose volumes collected in-kind as the state's share of oil and gas production, disaggregated by type of revenue. Ghana is invited to consider means of integrating its reporting of the sale of the state's in-kind revenues into regular government and company reporting, drawing on lessons from its pilot commodity trading reporting.

3.7 Corrective action 7 (#4.5)

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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that the 2014 Oil and Gas EITI Report contained much information on transactions between GNPC and the government. However, Validation noted contradictory statements on the direction of flows between GNPC and the government, which resulted in confusion despite otherwise significant disclosures. Validation highlighted that the 2014 Oil and Gas EITI Report did not address GNPC transactions on its own account.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining⁷⁶ and oil and gas⁷⁷ respectively, on 7 September 2018.

Oil and gas

In terms of transactions between companies and SOEs, the report confirms that oil and gas companies make three types of payments to GNPC, covering carried interest, additional/participating interest and royalty (p.66). However, it appears that the report discloses payments of carried interest and additional/participating interest combined, not disaggregated between the two streams. In its comments, the MSG stated that it did not consider the lack of disaggregation between carried interest and additional/participating interest problematic because the two revenue streams are collected by GNPC and thus do not need to be disaggregated. The MSG further adds that in-kind liftings of royalty, carried interest and additional/participating interest are established by computations and not through distinct liftings, and thus do not require disaggregation. However, given that it was possible to disaggregate royalty from carried interest and additional/participating interest, despite the three being lifted together, this implies that it would have been possible to also disaggregate carried interest and additional/participating interest.

For crude oil, the report provides unilateral disclosure of aggregate oil volumes collected by GNPC in payment for Royalty and production entitlement, disaggregated between the two revenue flows and by producing field (pp.67-68). The report presents the results of reconciliation of Royalty oil from the Jubilee field between company and GNPC reporting (pp.69-70) and of reconciliation of total oil liftings from Jubilee between GNPC and GRA reporting (p.70), both disaggregated by company. It also presents the results of reconciliation of total oil liftings from the TEN field between company and GRA reporting (p.70),

⁷⁶ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', op.cit..

⁷⁷ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', op.cit..

albeit only disaggregated by company and not between Royalty oil and production entitlements. It is apparent that three of the four companies⁷⁸ involved in the TEN field did not report figures for oil liftings (p.70).

For natural gas, the report does not seem to provide even unilateral disclosure of the volumes of gas collected in-kind as Royalty gas, but only provides the volumes of gas sold from the Jubilee field (p.85), including both Royalty oil and production entitlements.

In terms of transactions between SOEs and government, the report confirms that GNPC is required to make payments related to carried interest, additional participating interest and royalty to the Bank of Ghana / Ministry of Finance (p.66). However, the diagram of revenue flows elsewhere in the report (p.50) indicates that GNPC transfers these revenues to the PHF. In its comments, the MSG clarified that there was no ambiguity between these two statements given that the PHF is an account lodged at the Bank of Ghana. The report also confirms that GNPC is mandated to transfer dividends to the government “when it is declared” (p.33). The results of reconciliation of GNPC’s payments to government are presented in Appendix 2 (p.134), covering payments of carried interest, additional participating interest, royalty, gas revenue and environmental permit fee. The reconciliation results indicate that no dividend was paid by GNPC in 2016 (p.134), which is confirmed in GNPC’s 2016 audited financial statements.⁷⁹

In terms of ad hoc transactions between SOEs and government, the report discloses a USD 50m advance by GNPC to the MoF for the construction of Western Corridor roads, although it categorises this as a quasi-fiscal expenditure despite its being recorded in the national budget (p.87), rather than a form of pre-payment to the MoF. The report states that this advance is subject to refund by the MoF (p.87). This payment is unilaterally disclosed by GNPC, not reconciled with MoF receipt. In its comments, the MSG stated that the USD 50m was not reconciled in the 2016 EITI Report because the transaction predated 2016.

In terms of transfers between government and SOEs, the report confirms that GNPC receives budget transfers of a share of carried interest and participating interest revenues net of equity financing costs (p.32). The unilateral disclosure of government budget transfers to GNPC is presented, disaggregated by type of revenue transferred (p.95), although these transfers are not reconciled between GNPC and MoF figures. However, the report provides links both to GNPC’s 2016 audited financial statements (p.63), the 2016 budget statement (p.106) and 2016 fiscal data from the MoF (p.112), from which the government transfers to GNPC are visible.

Mining

The 2016 M EITI Report confirms the lack of material transactions involving either of the two mining SOEs in 2016 (*see Requirement 2.6*).

Secretariat’s Assessment

The International Secretariat is satisfied that the corrective action on transactions related to state-owned enterprises has been addressed and considers that Ghana has made satisfactory progress on Requirement 4.5. The 2016 Mining EITI Report confirms the lack of material transactions involving the two mining SOEs in 2016. In oil and gas, the 2016 Oil and Gas EITI Report discloses and reconciles companies’ in-kind payments to GNPC, although there are significant gaps in the reconciliation of in-kind gas revenues. Carried interest and additional/participating interest are not presented in a disaggregated form. However,

⁷⁸ Kosmos reported, while Tullow, Anadarko and Petro SA did not.

⁷⁹ GNPC (October 2017), GNPC 2016 audited financial statements, op.cit..

they have been adequately reported. The report confirms the lack of dividend payments from GNPC to the government and provides unilateral disclosure of an ad hoc advance payment from GNPC to the Ministry of Finance in 2014 (prior to the year under review). The report discloses, but does not reconcile, budget transfers to GNPC, although there is evidence of these transfers in GNPC's 2016 audited financial statements and the 2016 national budget statement.

3.8 Corrective action 8 (#6.2)

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.

Findings from the first Validation

The first Validation concluded that Ghana had made meaningful progress in meeting this requirement. Validation found that the 2014 Oil and Gas EITI Report did not give a clear picture of GNPC finances and did not refer to quasi-fiscal expenditures, despite evidence of such expenditures.

Progress since Validation

Ghana EITI published two 2016 EITI Reports, covering mining⁸⁰ and oil and gas⁸¹ respectively, on 7 September 2018.

Oil and gas

The 2016 O&G EITI Report includes reference to the definition of quasi-fiscal expenditures under *Requirement 6.2* (p.87), implying that the MSG adopted the same definition (although this is not stated). The report details four types of GNPC expenditures and transfers, three of which are categorised as quasi-fiscal expenditures (p.87), although the rationale for this classification is not consistently provided.

The first type of quasi-fiscal expenditures described consists of USD 100m guarantee for the Karpower emergency power ship (p.87). While the report only notes that this was "at the peak of Ghana's power crisis" without providing a specific date, press reports indicate that the guarantee was provided in 2015.⁸² The MSG confirmed that the loan guarantee was provided in 2015 in its comments on the draft assessment. It can however be assumed that this guarantee was outstanding in 2016, given the 26 November 2018 letter from the Ministry of Finance's Real Sector Division Director Frimpong Kwateng-Amaning to GNPC's Chief Executive Officer (attention to Linda Tamakloe) requesting updates on addressing the USD 100m guarantee to the Karpower ship.⁸³ While the EITI Report notes that the MoF "has accepted" the guarantee as a government liability, implying that this is not an 'off-budget' activity, it is clearly stated that the MSG considered this a form of quasi-fiscal activity (p.87). Several MSG members consulted explained that the loan guarantee had been transferred to the Ministry of Finance after 2016, which implied that the loan guarantee was a quasi-fiscal expenditure in 2016 that was subsequently transferred to the sovereign balance sheet (as a fiscal expenditure). In its comments, the MSG explained that GNPC had cancelled the USD 100m loan guarantee in August 2018, implying that it was outstanding in 2016. The MSG explained that the loan guarantee was amortized over ten years and that 10% of the

⁸⁰ Ghana EITI (September 2018), 'GHEITI Report on the mining sector 2016', *op.cit.*.

⁸¹ Ghana EITI (September 2018), 'GHEITI Report on the oil and gas sector 2016', *op.cit.*.

⁸² Graphic Online (September 2015), 'GNPC provides guarantee for first power ship', accessed [here](#) in January 2019.

⁸³ Ministry of Finance (November 2018), 'Letter: Request for information to support evidence of progress made on Ghana's Validation corrective measures', *op.cit.*.

loan was thus repaid annually. The MSG explained that USD 80m was refunded to GNPC in August 2018 when its bank guarantee was cancelled (and transferred to the Ministry of Finance).

The second expenditure consists of USD 31.34m spent by GNPC in 2013 to liquidate debt owed to BNP Paribas related to payment for the delivery of ten crude oil cargos to the Tema Oil Refinery (p.87). The report clarifies that the MSG did not consider this a form of quasi-fiscal expenditure. Regardless, the expenditure was not effected in the year under review (2016). In its comments, the MSG explained that GNPC made a loss of USD 58m on the ten crude oil cargos delivered to the Tema Oil Refinery, for which GNPC requested reimbursement from the refinery. The MSG noted that the refinery's settlement of that debt would be used to cover the USD 31.4m GNPC paid to BNP Paribas, in future.

The third type consists of a USD 50m advance from GNPC to the Finance Ministry in 2014 for the construction of the Western Corridor Roads, described as "an interim arrangement subject to refund" (p.87). It should be noted that the advance did not take place in the year under review (2016). Despite its statement that the government reflected this advance from GNPC in the national budget statement, implying that this is not an 'off-budget' activity, the report notes that the MSG considered this a form of quasi-fiscal expenditure (p.87). On 7 September 2018, the Finance Ministry's Chief Director Patrick Nomo wrote to the IA 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.⁸⁴ One MSG member consulted explained that the USD 50m advance represented a form of quasi-fiscal expenditure given that it was an off-budget form of financing for the Ministry of Finance, although it was emphasised that the September 2018 letter and 2019 budget effectively transferred this loan arrangement to the national budget. The representative considered that the loan represented a quasi-fiscal expenditure until the point when provisions were made for reimbursement of the loan from the national budget.

The fourth type of quasi-fiscal expenditures described consists of a USD 18.75m payment by GNPC to oil trader Trafigura, for the replenishment of the national strategic petroleum product reserves (p.87). The report notes that GNPC has provided guarantees on the replenishment of national petroleum crude oil reserves maintained by BOST, highlighting that the government, rather than GNPC, is statutorily responsible for providing the nation's strategic reserves (p.87). While the report states that these are "crude oil strategic reserves", the MSG noted in its comments that these were petroleum products strategic reserves. This would appear to represent a form of quasi-fiscal expenditure, in line with the MSG's view confirmed in the report (p.87), although the timing of GNPC's payment to Trafigura remains unclear from the EITI Report. However, a review of GNPC's 2016 audited financial statements indicates that this payment was executed in 2015⁸⁵, implying that GNPC's guarantee to Trafigura expired prior to 2016. This appears to be confirmed in publicly-available news sources, which highlight the lack of BOST's subsequent reimbursement of GNPC's payment to Trafigura.⁸⁶ In its comments, the MSG explains that GNPC submitted a claim of USD 23.9m to the Ministry of Petroleum to cover its payment to Trafigura, accounting for additional losses due to foreign exchange and price depreciations. They explained that while the GNPC claim to the Ministry had been "vetted" by the National Petroleum Authority (NPA), GNPC was still awaiting reimbursement by the Ministry in 2016.

There is publicly-available evidence of other expenditures that GNPC undertook in 2016 that could be considered quasi-fiscal. For instance, the 2016 report by the Public Interest & Accountability Committee (PIAC) highlighted GNPC expenditures of USD 2.83m in 2016 on contesting the Maritime Boundary

⁸⁴ Ministry of Finance (September 2018), 'Letter: Progress on the repayment of US\$ 50.0 million facility between Ministry of Finance and GNPC', *op.cit.*

⁸⁵ See GNPC (October 2017), GNPC 2016 audited financial statements, *op.cit.*, p.36.

⁸⁶ Citifmonline.com (June 2016), 'GNPC overspends budgetary allocation by 49% – PIAC', accessed [here](#) in January 2019.

Dispute with Côte D'Ivoire at the International Tribunal for the Law of the Sea (ITLOS). The report reiterated PIAC's "view that GNPC should not be bearing the cost of the ITLOS litigation on behalf of the State and that such expenditure should be charged either on the Consolidated Fund or Contingency Fund".⁸⁷

Mining

The 2016 M EITI Report simply states that there were no reported quasi-fiscal expenditures by SOEs in 2016 (p.90), albeit without explaining the basis for this assessment in the absence of the two mining SOEs from the scope of reporting (see Requirement 2.6).

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on quasi-fiscal expenditures has been partly addressed and considers that Ghana has made meaningful progress on Requirement 6.2, with considerable improvements. Despite the lack of supporting justification, the 2016 Mining EITI Report clearly states that there were no quasi-fiscal expenditures in the year under review. In oil and gas, the 2016 Oil and Gas EITI Report provides a partial description of four types of expenditures that it categorises as quasi-fiscal, although these expenditures either did not take in the year under review (2016) or do not appear to fit the categorisation of quasi-fiscal expenditures in Requirement 6.2 or the IMF's Fiscal Transparency Manual. The MSG's comments on the draft assessment provided some pertinent clarifications in relation to quasi-fiscal expenditures described in the 2016 EITI Report, although these were only provided to the International Secretariat and not clarified in the EITI Report or other publicly-accessible sources. There is also publicly-available evidence of other GNPC expenditures in 2016 that could be considered quasi-fiscal, raising significant concerns over the comprehensiveness of quasi-fiscal expenditure disclosures in the 2016 EITI Report.

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.

5. Conclusion

Having reviewed the steps taken by Ghana to address the eight corrective actions requested by the EITI Board as of the commencement of its second Validation (8 September 2018), it can be reasonably concluded that six of the eight corrective actions have been fully addressed and that Ghana has made meaningful progress in implementing the EITI Standard, with *considerable improvements across several individual requirements*. The outstanding gaps relate to comprehensiveness or reporting (Requirement 4.1) and quasi-fiscal expenditures (Requirement 6.2).

⁸⁷ Public Interest & Accountability Committee (2017), 'Report on management of petroleum revenues for year 2016', accessed [here](#) in January 2019, pp.xiv,xvi,7,9,51,65,71