

Validation Committee Paper 71-4

Submitted by: EITI International Secretariat on: 30 January 2019

Second Validation of Ghana

For decision

For discussion

For information

Summary

The EITI International Secretariat recommends that the Validation Committee recommends to the EITI Board that Ghana is found to have achieved “meaningful progress” overall in implementing the 2016 EITI Standard, with considerable improvements across several individual requirements. In accordance with Requirement 8.3.c.iv.2, Ghana will be requested to undertake corrective actions before the third Validation on **<date of Board decision + 12 months>**.

Supporting documentation

[Board decision on the 2016 Validation](#)

[Draft assessment by the International Secretariat](#)

[Comments from the Ghana Multi-Stakeholder Group](#)

[Final assessment by the International 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

There are no financial implications arising from the recommendation.

Document history

Validation Committee review of draft assessment	6 February 2019
Validation Committee approval of Board Paper	TBC

SECOND VALIDATION OF GHANA

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1. Recommendation

The International Secretariat recommends that the Validation Committee recommends that the EITI Board agrees the following:

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

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








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

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

2. Assessment card

EITI Requirements		Level of progress					Direction of progress
Ghana second Validation scorecard		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 & expenditures (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1)						=
	SOE quasi-fiscal expenditures (#6.2)						→
	Economic contribution (#6.3)						=
Outcomes and impact	Public debate (#7.1)						=
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)						=
	Outcomes & impact of implementation (#7.4)						=
Overall assessment	Meaningful progress with considerable improvements						→

Legend to the assessment card

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirement.
	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.

3. Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Ghana. Progress in addressing these corrective actions will be assessed in a third Validation commencing on **<date of Board decision + 12 months>**:

1. In accordance with Requirement 4.1.c, Ghana should ensure that all companies making material payments to the government comprehensively disclose these payments in accordance with the agreed scope of EITI reporting. Ghana should clearly demonstrate that the selection of revenue streams for reconciliation ensures that all payments and revenues whose omission or misstatement could significantly affect the comprehensiveness of EITI reporting were included in the scope of reconciliation. Ghana should also ensure that reconciled financial data is consistently disaggregated by revenue stream, in accordance with Requirement 4.7. To strengthen implementation, Ghana is encouraged to consider the extent to which a clear quantitative materiality threshold for the selection of revenue streams for reconciliation would demonstrably ensure the comprehensiveness of reconciliation.
2. In accordance with Requirement 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.

4. Background

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

1. License registers (Requirement 2.3);
2. State participation (Requirement 2.6);

3. Production data (Requirement 3.2);
4. Export data (Requirement 3.3);
5. Comprehensiveness (Requirement 4.1);
6. Sale of the state's share of production or other revenues collected in-kind (Requirement 4.2);
7. Transactions related to State-owned enterprises (SOEs) (Requirement 4.5);
8. Quasi-fiscal expenditures (Requirement 6.2).

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

- At its 20 April 2017 meeting to discuss the findings of Validation, the MSG agreed a plan of action for addressing corrective actions from Ghana's 2016 Validation.
- On 31 July 2017, the MSG wrote to affected institutions to implement the 2016 GHEITI Validation corrective measures.
- On 27-28 June 2018, GHEITI organised a Technical Roundtable Meeting on Commodity Trading Transparency together with NRGi and the International Secretariat.
- On 29-30 September 2017, GHEITI organised a follow-up technical committee with relevant entities on the implementation of past EITI recommendations and Validation corrective actions in Koforidua.
- On 30 January 2018, the MSG agreed the scope of the 2016 EITI Reports with the Independent Administrator, Boas & Associates.
- GNPC submitted a report dated 8 February 2018 on its implementation of their corrective actions to GHEITI and the IA.
- On 27-28 June 2018, GHEITI organised a Technical Roundtable Meeting on Commodity Trading Transparency together with NRGi and the International Secretariat.
- In August 2018, the MSG approved and published the Commodity Trading pilot report covering 2015-17.¹
- On 7 September 2018, Ghana EITI published two 2016 EITI Reports, covering mining² and oil and gas³ respectively.
- On 7 September 2018, the Finance Ministry's Chief Director Patrick Nomo wrote to the Independent Administrator Boas & Associates with an update on progress in the Finance Ministry's repayment of a USD 50m facility to GNPC, due for inclusion in the 2019 national budget.⁴
- On 1 November 2018, the International Secretariat undertook stakeholder consultations with representatives from all three constituencies on the GHEITI MSG at the Africa EITI Conference on Beneficial Ownership Transparency in Dakar.
- On 26 November 2018, the Ministry of Finance's Real Sector Division Director Frimpong Kwateng-Amaning wrote to GNPC Chief Executive Officer Linda Tamakloe requesting evidence of progress in addressing corrective actions related to quasi-fiscal expenditures.⁵

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

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

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

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

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

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

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