MAKING GHANA’S OIL MONEY COUNT: LESSONS FROM GOLD MINING

Ransford Edward Van Gyampo

Department Of Political Science, University Of Ghana
P.O. Box Lg 64, Legon-Accra, Ghana-West Africa
TELEPHONE: +233-244-277-275

ABSTRACT: Even though Ghana is endowed with many natural resources, particularly gold, the nation continues to experience the “paradox of plenty”. Ghana’s gold money has not counted much towards national development. The nation wallows in poverty and under-development partly as a result of several challenges that continue to plague the mining sector and makes its benefits that are expected to be used to transform the Ghanaian economy, negligible. This study analyzes the implications of the challenges of gold mining for the nations’ burgeoning oil sector and argue that: “if the saying, ‘coming events casts their shadows’ is true, then what is happening in the gold mining sector may mean that Ghana’s oil money may also not count towards the development of the nation.” To ensure that Ghana’s oil money counts, the study argues that even though what pertains in the gold mining sector is painful and disappointing, it offers an insightful and useful guide to managing Ghana’s oil money to ensure that it counts in a manner that gives true meaning and effect to the nation’s lower middle income status in the lives and pockets of the ordinary citizenry.

KEYWORDS: Oil Money, Gold Mining; Transparency, Accountability, and Natural Resources.

INTRODUCTION

Ghana is endowed with great natural resources, particularly gold. Mining of gold, whether legal or illegal is seen as one lucrative venture in the country as a result of the nation’s vast expanse of untapped gold resources. Indeed, Anglo-Gold Ashanti, Newmont and Gold Fields, the three of the world’s largest gold mining companies are operating in Ghana and there are over 150 other mining and quarry companies. Given the expected higher returns from gold mining, the country has relied heavily on mining in its effort to fight poverty and under-development over the last three decades (Ministry of Finance and Economic Planning, 2008). This explains why between 1990 and the year 2000, almost all state mines were sold out to private business entities in order to ensure more profits from the sector (ibid). Unfortunately, in spite efforts to shore up revenue from the gold mining sector, it has been argued that returns accruing from the sector to the state have been very meager and marginal (Akabzaa, 2005). Indeed, the country has not witnessed any marked change in its gold revenues since 2004 and in fact, there have been decline in some instances. For example, the gold mining sector’s contribution to total revenue in the form of corporate income taxes, royalties’ payroll taxes and National Reconstruction Levy in 2004 was 13.7%, while in 2006, it reduced to 9.6%1. Again, the gold mining sector’s share of corporate taxes has also been on the decline accounting for less than 2% of total corporate taxes, compared

1 See a study commissioned by the Integrated Social Development Centre (ISODEC) in 2009.
to 29% for the financial sector, 10% for commerce and 16% for the manufacturing sector. It has therefore been generally argued that gold mining money “does not really count in Ghana” and indeed, Ghana has not achieved much in terms of income and profit from the gold mining sector because governments have over-pampered operators of that sector through magnanimous tax incentives, including capital allowances, low royalty payments, and weak or sometimes absolutely non-enforcement of capital gains taxes. There is also no transparency and accountability regarding the usage of the little returns that accrues the nation (Heller and Heuty, 2010).

There is therefore the paranoia or actual fear that the challenges of the gold mining sector could have severe implications that can actually spell doom for the nation’s nascent oil sector in perpetuate “the paradox of plenty”. Given the very high expectations of Ghanaians about the positive contributions of oil money towards the upliftment of their poor standard of living and their resolve to ensure that the nation’s oil does not result in a curse, they are likely to welcome any initiative and undertaking that would ensure that Ghana’s oil money actually counts (Gyampo, 2011; Gyimah-Boadi and Prempeh, 2012). In this regard, it is important for the nation as a whole to ensure that the monumental setbacks of its gold mining sector do not recur in the oil sector. Generally studies conducted about Ghana’s oil have not focused on how to ensure that the challenges of the gold mining sector are not replicated in the oil sector. Amoako-Tuffuor and Owusu-Ayim (2010) discussed Ghana’s petroleum fiscal regime and assessed the strength of the regime on the basis of progressivity, stability, neutrality and its risk-sharing. Asafu-Adjaye (2010) on the other hand stressed the need for government to provide incentives for the development of new sectors with linkages to the oil sector with the view to boosting local content, participation and employment. Other scholars like Moss (2010), Akabzaa (2005) Banful (2010), Gocking, (2005), Gyimah-Boadi and Prempeh (2012) and Panford (2010) have discussed the need for policies to mitigate the adverse impact of oil on the environment, and in the agricultural and manufacturing sectors. They have also discussed the accountability mechanism and the legal regimes for oil production in Ghana.

Even though these scholars tacitly agreed that Ghana may not be getting a fair share of the revenues from oil exploitation, a study of what pertains to the gold mining sector can better illuminate the problem that is likely to plague the oil sector in terms of weak revenue returns and how it could be tackled. This paper therefore focuses on the gold mining sector and grounds its discussion in a solid conceptual base that facilitates an understanding of the work and role of Transparency and Accountability Initiatives (TAIs) such as the EITI in ensuring that proceeds of natural resources such as oil do not go waste. The study supports its findings with the views of members of the Steering Committee of the EITI in Ghana. In fine, it illuminates the problems of the gold mining sector as exposed by the implementation of the EITI and notes the implications of such challenges for Ghana’s burgeoning oil sector.

It is fairly accurate to include Ghana among the host of developing countries that have difficulties managing their natural resources in terms of maximizing their share of returns and ensuring an optimum use of revenues from the sector. Indeed, the nation’s Public Interest and
Accountability Committee (PIAC)\(^3\) on January 21, 2014 chided the Finance Ministry for failing to provide details on how over GH¢ 111 million allocated for Capacity Building in the 2012 budget was utilized. In its report on how oil money was used in 2012, PIAC express grave concern about the disparities in the Finance Ministry’s report to Parliament and a subsequent full report on how oil revenues were utilized. The PIAC expressed worry about the fact that the requirement of the Annual Budget Funding Accounts to be spent on the public investment under section 21 (4) of the Petroleum Revenue Management Act has not been not adhered to and that actual transfers to the Ghana Petroleum Funds fell short by a whopping 82% in 2012. The PIAC therefore charged the Ministry to “take immediate steps to publish a more detailed report” on expenditure from oil revenues in the interest of transparency.\(^4\)

The PIAC reportage raises serious issues regarding the transparent and appropriate use of oil money in Ghana to ensure that it counts towards national development. In the gold mining sector, the EITI represents a major initiative being implemented to deal with the challenges of opacity, inadequate returns, and improper use of gold money in a manner that promote corruption, and undermines national development. How has the EITI been implemented in this sector? What are the lessons and implications of this for the nation’s emerging oil sector to ensure that Ghana’s oil money really counts? These thorny issues are also to be addressed by the paper using a purely qualitative methodological approach. In this regard, library research on previous studies in the area would first be conducted for an insight, conceptual and historical grounding of the study. Secondly, EITI Policy Documents and Reports so far published by Ghana’s Ministry of Finance and Economic Planning between 2004 to 2012 would be reviewed. Again, face to face oral interviews with seven representatives of Ghana’s EITI Steering Committee, representing almost a third of the 22 member-Committee would be conducted to appreciate how Ghana has fared in implementing the EITI in its gold mining sector so that lessons learnt could be used to draw implications for the nation’s oil sector. Since the EITI deals with transparency and accountability issues, the origin and relevance of TAIs in the extractive sector is discussed briefly. This is followed by a review of Ghana’s experience with the EITI so far; and the implication of the EITI in gold mining for the oil sector in Ghana.

**TRANSPARENCY AND ACCOUNTABILITY INITIATIVES IN THE EXTRACTIVE SECTOR**

The proliferation of global initiatives to oversee the transparent management of natural resources in a manner that ensures that their proceeds are used judiciously to translate tangibly into developmental outcomes have evolved as part of donor efforts to tackle developmental challenges associated with “resource curse” that manifests in governmental corruption, institutional erosion, conflicts and economic crowding-out effects (Acosta, 2013; Collier and Hoeffler, 2004; Karl, 1997; Ross, 1999). The scholarly literature identified the paradox of resource-rich countries growing at lower rates than non-resource-rich countries (Sachs and Warner, 1995; Karl 1997), and the fact that oil-rich countries had declining per capita income

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\(^3\) The Public Interest and Accountability Committee is established under Ghana’s Petroleum Revenue Management Act to, among other things, provide an independent assessment of the management and use of oil money.

and displayed lower development outcomes (Ross, 1999). Economic explanations focused on the “Dutch Disease” effect, produced by a sharp rise in export rents, which causes an appreciation of the domestic currency that makes the non-resource sectors less competitive, undermines growth, and puts inflationary pressures on the economy (Auty, 2001; Drysdale, 2004). Other explanations focused on the negative impact of resource rents on the operations of political institutions as they created incentives for the use of discretion and opaque management of public expenditure to support corrupt and rent-seeking governmental practices (Mehlum et al., 2006; Moore, 2004). The challenge at hand was to fashion out institutional mechanisms that would make governments transparent and accountable for the extraction, allocation and use of revenues that did not come from taxation, yet were abundant enough to contribute to the fight against poverty and alleviation of socio-economic inequalities of citizens if the monies were well invested (Acosta, 2013). Some of the literature focused on the political institutional factors that may contribute to the alleviation of the resource curse syndrome (Humphrey et al., 2007; Mehlum et al., 2006; Robinson et al.; 2006).

The significant increase in commodity prices since the mid-2000s produced a corresponding increase of government revenues for traditional and emerging resource-rich countries and the unexpected wealth created a dramatic gap between citizens’ expectations of improved living conditions and greater economic opportunities, and the actual governance, technical and bureaucratic capacity of sovereign states to meet challenges and get the most out of natural resource wealth (Acosta, 2013). Many of these states were found unable or unwilling to monitor and regulate the activities of extractive companies and safeguard the well-being of their citizens (Darby, 2010). Although existing international institutions such as the United Nations and the Breton Wood institutions recognized the need to regulate the exploitation of non-renewable natural resources, the commodities boom highlighted a plethora of economic, environmental, security and human rights problems that lacked appropriate national or international regulatory frameworks (Acosta, 2013). The need to improve transparency and accountability in the management of natural resources became an important part of the global governance agenda. Although some initiatives had been created much earlier, the commodities’ boom enhanced the relevance of these transparency and accountability efforts (Darby, 2010). These initiatives sought to improve the management of proceeds of natural resources through empowering civil society actions, promoting greater transparency and timely disclosure of government information, and creating multi-stakeholder monitoring bodies (Acosta, 2013).

One of these initiatives is the Kimberley Process Certification Scheme (KPCS), a joint government, industry and civil society initiative to stem the flow of “conflict diamonds” – a rough diamonds used by rebels and non-state movements to finance the wars they wage against the state. The KPCS seeks to establish minimum requirements so that member countries can certify the trade of diamonds as “conflict free” and as of December 2009, the KPCS had 49 members representing 75 countries (Acosta, 2013). The Publish What You Pay (PWYP) coalition and the EITI have also been formed to promote improved transparency and accountability systems for the management of natural resources. The EITI was launched in 2002 as a coalition of governments, companies, civil society groups, investors and international organizations. It is conceived as a standard for monitoring compliance with contract disclosure and revenue transparency criteria to ensure that companies publish what they pay and
governments disclose what they receive from the extraction and export of natural resources (ibid). Member countries voluntarily adopt the standard and seek “validation” status through compliance. As of May 2011, eleven countries had achieved validation status and 29 countries with candidate status had requested extension to complete the process (ibid).

Emerging in 2001, as private sector initiative, the International Council on Mining and Metals (ICMM) is another Transparency and Accountability Initiative (TAI) that was established to act as a catalyst for performance improvement in the mining and metal industry. The organization convenes 20 mining and metal companies as well as 30 national and regional mining associations and global commodity associations (Acosta, 2013). The ICMM members work with a broad range of international and domestic stakeholders to address developmental challenges through the maintenance of their social and environmental responsibilities and upholding transparency and accountability commitments (ibid). Private companies acquire ICMM membership status through a rigorous review process which takes into account business information and compliance with established ICMM standards (ibid). Since 2003, the ICMM has supported the EITI principles and has adopted its own Resource Endowment Initiative to promote greater transparency of mineral revenue that extends beyond the scope of the EITI (ibid).

These initiatives have certain basic similarities but also highlight important differences in their approach to promoting improved natural resource governance. They all promote the voice and participation of multiple stakeholder groups. However these stakeholders have different capacities to effectively influence and implement the accountability and transparency agenda (Mainhardt-Gibbs, 2010). A second feature is that these initiatives are organized around some form of voluntary membership, but they have different criteria for admission and sanctions for failing to comply with agreed standards that are not always explicit (Acosta, 2013). Although non-compliant members could in principle be expelled, the credibility of the scheme to effectively promote cooperation and in-country monitoring is compromised by the fact that no country has yet been sanctioned, despite significant lapses in implementation (ibid).

TAIs have a number of benefits. For example, Islam (2003) found a significant statistical correlation between transparency, defined as the existence of Freedom of Information laws and publication of government economic data, and the quality of governance. He further noted that improved TAI increases a country’s credit ratings, enhances fiscal discipline and reduces corruption. A study by Bellver and Kaufmann (2005) also found that increased transparency and accountability are associated with lower corruption levels and improved levels of socio-economic and human development indicators. Glennerster and Shin (2008), Hameed (2003, Kurtzman and Yago (2007) have also found an association between greater fiscal transparency and accountability and improved perceptions of a country’s economic conditions as well as economic growth.

One known challenge that governments of Ghana face with the discovery of oil, is how to manage the sudden increase in the hopes and aspirations of the citizens (Gyampo, 2011; Gyimah-Boadi and Prempeh, 2012). One of the ways to manage these expectations appropriately is to improve governance and promote the use of TAI in the management of the resource. Unfortunately, there is no major national TAI in the management of Ghana’s oil apart from the
Petroleum Transparency and Accountability (P-TRAC) Index which is only a private initiative developed by a policy think tank, the Institute of Economic Affairs. Ownership and acceptance of this initiative is limited given the fact that it lacks a national appeal. The existing GHEITI largely manages other natural resources like gold and even though there are efforts to extend the GHEITI to the oil sector, these are yet to fully crystallize. The urgent need for a TAI of national appeal to guide the management of Ghana’s oil is critical given the fact that much of the civil strife associated with oil that has been witnessed in Africa is due to mistrust of government stewardship and the uneven distribution of the revenues (ibid). TAI$s that takes the forms of the provision of adequate information to people enables them to scrutinize the government’s management of the resource and hold it accountable for any lapse. The government also benefits from being transparent because trust is built with the people, while the people, on the other hand, can form realistic expectations based on the provision of reliable and timely information.

THE EITI AND GHANA’S EXPERIENCE WITH IT

In Ghana, the EITI remains the main TAI that governs the extraction of natural resources and in particular, gold mining. Serious lessons from Ghana’s gold mining sector could be drawn for the nation’s emerging oil sector by analyzing how the EITI has been implemented in the gold mining sector. As indicated earlier, the EITI is one of the major TAI$s to ensure that natural resource exploitation and the revenues accruing from them translate into lasting benefits for the government and people of developing countries, who though rich in natural resources, continue to wallow in poverty and under-development. It is a tripartite initiative comprising governments, companies and civil society (Acosta, 2013; Darby, 2010). Countries join the EITI first as candidates. They later progress to become implementing countries and finally ends up as compliant countries after successfully undergoing validation (Acosta, 2013). The EITI validation process is a quality assurance mechanism meant to ensure that the initiative is implemented in accordance with its guiding principles and criteria. This requires regular publication of all payments received from natural resources by companies to governments to a wide audience in a comprehensible and publicly accessible manner. The rationale is that the availability of such information will bolster the bottom-up demand for accountability and therefore ensure effective and efficient use of such revenues (ibid). It is required that these payments and receipts, which are to be reconciled by an independent administrator or auditor should have been compiled in line with international accounting and auditing standards. Civil society is to be engaged in the design, implementation, monitoring and evaluation of this scheme.5

Ghana signed on to the EITI in 2003 and has since taken steps to implement it in its mineral and in particular, the gold sector. Indeed, the country has several EITI audit reports, undergone international validation and has since October 29, 2010, been adjudged EITI-compliant, making Ghana one of five countries along with Azerbaijan, Liberia, Mongolia, and Timor-Leste and second in Africa to have attained EITI-compliant status.6 Generally, factors, including systemic weaknesses, absence of clearly articulated national policy, unfavorable fiscal regime, poor planning, misuse of revenues from the sector, particularly at the district level, perceived

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5 See EITI Core Policy Document
6 See the 2005 Report of the International EITI Secretariat in UK.
corruption and lack of transparency in Ghana’s gold mining sector account for the nation’s inability to maximize its benefits from the sector.\(^7\)

Again, wrong decisions, and the manner in which they are made, in terms of investment, employment, community relations, environmental concerns and resettlement obligations, on the part of government and corporate bodies, have pushed many gold mining businesses into conflict with the communities in which they operate.\(^8\) These conflicts have often been aggravated by massive corruption and the lack of transparency associated with the distribution of the wealth generated from the mining sector.\(^9\) Indeed, a major challenge confronting many natural resource dependent countries, especially in Africa, Asia and some other parts of the world is how to use their natural resource wealth to fundamentally transform their national economies, generate growth and help to reduce extreme poverty among their citizens (Manteaw, 2010; Gyampo, 2011). Impliedly, to the citizenry of many resource-rich countries, proceeds from the exploitation of these natural resources do not count. Such citizens in the view of Karl (1997) continue to suffer under the yoke of “the paradox of plenty”. According to Humphrey et al. (2007), indiscriminate and reckless governmental spending which results in the consumption of capital rather than income and therefore leaves the ordinary people poorer over time; abuse out of opacity in decisions around spending; and lack of accountability are part of the problems that confronts natural resource-rich countries.

Ghana’s EITI (GHEITI) therefore sets itself on a mission to enhancing the development outcomes of the gold mining sector and to ensure that the sector contributes positively to the poverty reduction efforts of the state (Manteaw, 2010; Akabzaa, 2005). Indeed, the GHEITI aims at preventing what has been described as “the resource curse or “the paradox of plenty” (Auty, 1998).\(^10\) The GHEITI has so far focused on mining revenues and benefit streams captured have been royalties, corporate taxes, capital gains, ground rent, and corporate social responsibility payments (Manteaw, 2010:100). However in implementing this TAI in the gold mining sector, some specific problems have been identified. First of all, gold mining companies have generally not complied with statutory requirements to pay what is due the state and institutions responsible for ensuring that monies expected to be paid by the mining companies have been paid have not been proactive (Ministry of Finance and Economic Planning, 2007). In an interview with Ms Sheila Naah, a member of the GHEITI Steering Committee on 20\(^{th}\) January 2014, she indicated that, some gold mining companies have cleverly evaded the payment of capital gains tax on their earnings when concessions are lucratively traded to third parties and the Ghana Revenue Authority (GRA) has not acted to deal with this lapse on the excuse of lack of information on such transactions. A proper collaboration between the Minerals Commission and the GRA could save the nation huge sums of money by way of returns from capital gains tax on earnings following the selling of concessions to third parties (ibid). Additionally, there have also been discrepancies between payments by gold mining companies and receipts by government. Indeed,

\(^7\) Former UN Secretary General, Kofi Annan, in a foreword to a manual on Conflict-sensitive Business Practice, compiled by International Alert in 2005; made these observations.

\(^8\) Ibid

\(^9\) Ibid

\(^10\) Gold mining companies that have on their own volition opted to be part of Ghana’s EITI are Gold Fields Ghana – Takwa, Gold Fields – Daman, Anglo Gold Ashanti –Obuasi, Anglo Gold Ashanti – Bibiani, Anglo Gold Ashanti – Iduapriem, Newmont – Ahafo and Bogoso Gold Limited
several audited reports of GHEITI published by the Ministry of Finance and Economic Planning between 2004 and 2012 shows a glaring plunder of Ghana’s mining revenues, particularly in the area of gold mining. Details of an aggregated report meant to collect, analyze and reconcile payments made by gold mining companies to the government and to reconcile mining companies’ submissions of benefits to those received by the government was made known in Ghana at an EITI-Dissemination Workshop held in Kumasi, the regional capital of the Ashanti Region of Ghana between on January 31, 2011. Analysis of the aggregated report shows for instance that there was a discrepancy between the audit report’s reconciled payments and receipts from 2006-2008. Indeed, in 2006 and 2007, there was a discrepancy of GH¢511,660 and GH¢2,753,111, respectively between gold mining company payments and government receipts. In 2008, the discrepancy was GH¢370,697. Again, in March 2006 according to the aggregated report, a dividend payment of GH¢830,928.06 by Anglo Gold Ashanti was not captured as part of government receipts and nobody could tell exactly where the money went. The reasons behind these distortions in gold mining revenue were because the mining companies paid their royalties without providing adequate documentation of production and prices, a dubious phenomenon that could have been averted by the GRA and Minerals Commission if they had been proactive (Ministry of Finance and Economic Planning, 2011 and 2012).

Secondly, and related to the first problem unearthed through the implementation of the GHEITI is the non-collection of ground rents expected to be collected by the Office of the Administrator of Stool Lands (OASL). The GH¢50p ground rents payable for one acre of land is woefully inadequate and too small. The OASL considers this amount negligible and does not see the sense in spending huge sums of resources in terms of human efforts and funds to collect just a small fee (Ministry of Finance and Economic Planning, 2008 and 2009). The cost of collecting this meager amount would far outweigh the amount itself by over a hundred times in a manner that undermine the taxation principle that frowns on spending huge costs to collect small fees in terms of taxes.

Thirdly, it has been observed that districts that have benefitted from their share of royalties transferred to them from the central government have used such monies not on capital expenditures. Such districts have utilized their resources on mainly re-current expenditures instead of investing the funds into other more profitable ventures and infrastructural development (Ministry of Finance and Economic Planning, 2004; 2005; and 2006). There are also undue delays in the transfer of community share of benefits in a manner that inhibit district development planning. This is because the funds get to the districts when the planning season is over and hence monies received becomes susceptible to misappropriation, and all manner of corrupt practices (Gyampo, 2012). Sometimes too, it becomes difficult to establish the basis of computations for community benefits. This is largely as a result of the practice where funds are

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12 ibid

13 Mr. Ellis Atiglah, a member of the GHEITI Steering Committee representing the Ministry of Lands and Natural Resources made this point in an interview on 29th January 2014 in Accra.
transferred to the communities where mining takes place without any accompanying documentary advice. This makes it challenging for the communities and civil society to probe and ascertain exactly how much each community is entitled to receive (Ministry of Finance and Economic Planning, 2006). This undermines transparency and accountability, the two core principles of the EITI (Manteaw, 2010). According to Mrs. Hannah Koranteng, these challenges explain why gold mining communities are always poor in spite of several years of mining. In her view, whiles the mining companies are partly culpable, funds and benefits transferred to the district and communities must not be used for mere recurrent expenses else “such communities will have nothing to show after gold mining.” Indeed, the use of such funds in the communities must follow some guidelines that give primacy to health, education, water, sanitation, agriculture and other income generating ventures.

Fourthly, concerns of ordinary people in communities where gold mining takes place such as compensation for the destruction of crops, environmental costs, and human rights abuses perpetrated by mining companies with the connivance of state security are serious issues that are not dealt with by the GHEITI in its present form and outlook (Ministry of Finance and Economic Planning, 2008; 2010; 2011). For example, the extraction of gold releases arsenic trioxide, sulphur dioxide, and cyanide into the environment. Mercury, a heavy metal, is also introduced by small scale illegal miners for gold extraction. The use and management of cyanide and mercury in the process of gold mining is a practice about which many environmental scientists and economists continue to raise concerns, especially given that, whatever is used in the extraction of gold either stays as revenue, real gold, or returns to the environment as harmful waste substance (Ministry of Finance and Economic Planning, 2008). Illegal gold mining, popularly referred to as “galamsey” is also an important economic activity which has the potential of contributing to the development of areas endowed with the resources. However, communities with “galamsey” operations also suffer high rates of environmental pollution (ibid). To this effect, fingers are quickly pointed at “galamsey” for their dangerous ecological footprints that causes the environmental problems in their operational areas. On human rights issues too, several violations takes place in the gold mining areas. For example, international humanitarian organization, Oxfam America on August 10, 2011 called on the government of Ghana to address the ongoing human rights violations in the nation's gold mining industry. The call to action came after 23-year old Kwame Eric was shot to death by an employee of Ghanatta Security Services, a private security firm hired by gold mining company, Anglo Gold Ashanti. Unfortunately, the GHEITI’s remit does not cover these challenges.

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14 I interviewed her on 28th November 2013 in Accra as a member of the GHEITI Steering Committee representing the Communities Affected by Mining.


16 Views expressed Mr. Amponsah Tawiah, member of the GHEITI Steering Committee in an interview on 20th December 2013 in Accra.

Implementing the GHEITI in the Gold Mining Industry: Implications for the Oil Sector

There was no explicit attempt to implement the GHEITI in the oil sector right from the discovery and production of oil. As of the time of conducting this research, the government had only indicated its intention of extending the GHEITI to the oil sector (Manteaw, 2010). Any attempt at implementing the GHEITI for the nations’ emerging oil sector must first contend with the fact that the initiative is not mandatory and efforts must be put in place to ensure that it is actually turned into a piece of legislation. The voluntary nature of the GHEITI initiative threatens its future and indeed, countries like Liberia and Nigeria recognizing this, have made laws that make it mandatory for governments and the extractive companies to disclose receipts and payments respectively. Ghana may take a cue from this and also strive to bring the GHEITI and all its stakeholders to review the entire value chain of the extractive sector from exploration decisions, through licensing, environmental impact assessment, production, sale and revenue collection. This challenge ought to be tackled to ensure that proceeds from oil do not only hover around payment and receipt of royalties. Again, it is important to stress that issues relating to transparency in the management of resources from gold mining are still nagging and efforts must be made to tighten the initiative so it can serve its intended purpose of curing opacity when the nation decides to fully implement the GHEITI in the oil sector.

The several challenges encountered in implementing the GHEITI in the gold mining sector as discussed, have serious implications for the Ghanaian emerging oil sector. Ghana is a land of gold, yet gold money seems not to count as far as development and the elimination or reduction of poverty is concerned. Must this trajectory continue in the oil sector? Many scholars and well meaning Ghanaians have argued for the need for the nation to depart from the practices and challenges that have undermined the prospects of the gold mining sector in delivering tangible developmental outcomes that reflects in the lives of the ordinary people. To achieve this, measures must be put in place to ensure that the challenge of uncollected taxes and very ridiculously low revenue returns that plagued the gold mining sectors is not replicated in the oil sector. The fiscal regime for the oil sector must certainly bring fair returns to the country else, the “paradox of the plenty” would still remain with Ghana and expectations that Ghana’s oil would help fight the quagmire of poverty and under-development may be a chimera. If the institutional weaknesses that characterize the implementation of the EITI in Ghana’s gold mining sector are not dealt with, the same challenges may afflict the oil sector. In this regard, it should be impossible for oil companies to evade taxations be it capital gains taxes or any form under the watch of the tax authorities. Anything short of this would undermine efforts aimed at ensuring that Ghana’s oil money counts.

Again, the opacity that shrouds the transfer of community benefits; the undue delays in the transfer of such benefits and the lack of known and agreed formula in sharing community

18 I am grateful to Mr. Sulemanu Koney, a member of the GHEITI Steering Committee representing the Ghana Chamber of Mines for this view

19 I am grateful to Mr Chris Afedo, member of the Steering Committee of the GHEITI, representing the Ghana Revenue Authority for this view.
benefits must not be extended to the oil sector if Ghana chooses a revenue sharing option in that sector. If coming events indeed cast their shadows, then what plagues the gold mining sector in respect of the above challenges may have grave implications for the oil sector. If the GHEITI would be applied to monitor the nation’s oil sector, then it ought to be strengthened to deal with the opacity that shrouds the transfer of community benefits, the less timeous transfer of such funds as well as ensure that there is a definite formula for the computation and sharing of district or community benefits. Again whiles the nation decides to fully implement the GHEITI in the oil sector after streamlining it, the Institute of Economic Affairs (IEA)-sponsored Petroleum Transparency and Accountability (P-TRAC) Index may for a starting point be implemented to serve as a useful TAI that ensures transparency and accountability in the nation’s oil sector (IEA-Ghana 2011).

Moreover, many rural communities blessed with natural resources are poor in terms infrastructure and capital developmental in a manner that infuriates the citizenry and makes those communities prone to strife on the slightest provocation. In the gold mining sector, this study show that community benefits were used on mere recurrent expenditure to the neglect of other capital intensive constructions and infrastructural developments. The roads in these communities are very bad and many of them lack basic social amenities. If this tendency is not altered, the implication could be that catchment areas around Ghana’s Cape Three Point in the Western Region where oil exploration takes place including Dixcove, Essiama, and Axim that already wallow in poverty and rural under-development could have their plights worsened. Already, the chiefs and people of the Western Region have expressed grave concern about the level of poverty and under-development in the area even though oil exploration is taking place in the region and have threatened to stage a demonstration against this plight (Gyampo, 2011). To prevent this “time-bomb” from exploding and degenerating into chaos as has happened in other countries, there is the need for guidelines on the use of community transfer of oil benefits in a manner that ensures that these benefits are not used only on recurrent expenditure but also on infrastructural development and poverty alleviation. Further to the above and finally, the spending of community benefits must be done in a way that eliminates wastage of resources and

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20 Launched in 2011, the IEA P-TRAC Index is a project undertaken by the Institute of Economic Affairs, Ghana’s first public policy think tank to promote transparency and accountability in the management of Ghana’s oil resources, and to enhance the level of responsibility on the part of policy makers. The primary objective of the project is to develop qualitative and quantitative indicators that can be used to monitor aspects of Ghana’s oil value chain, namely, Revenue Transparency, Expenditure Transparency and Contract Transparency in the management of the Heritage and Stabilization Funds as established by the Petroleum Revenue Management Act, 2011. Revenue Transparency is the aspect of the index that addresses issues relating to the frequency, quality and public availability of published reports and also assesses the institutional environment. In terms of reports, questions are asked about oil reserve; inflow of oil revenues to government; effectiveness of rules, regulations and laws governing the oil sector; and the operations and governance of the Ghana National Petroleum Corporation. With the exception of frequency of reports, which is assessed on a 3-point scale, all other questions are assessed on a 6-point scale. A score of “0” denotes lack of desired characteristics and “5” denotes the presence of most desired characteristic. Expenditure Transparency employs a similar approach used for Revenue Transparency because it also seeks information regarding frequency and quality of the reports on the expenditures and assesses how the oil revenues are spent. All the questions under this are assessed on a 6-point scale. Contract Transparency ascertains the extent of transparency in the award of contracts in the oil sector based on a series of nine questions. The questions are scored on a 6-point scale with “0” representing No and “5” representing complete agreement with the statement. The final set of questions is concerned with the management of Heritage and Stabilization Funds. The questions enquire about various aspects of the Funds, including whether the rules governing the funds are publicly available; whether the authority in charge of the funds publishes information on the activities and performance of the Funds; whether the financial reports of the Funds are audited; and whether the audited reports are published. The questions under this are also scored on a 6-point scale with “0” representing No ad “5” representing Excellent.
must ensure that resources are spent only on the pressing needs of the people. In this regard, there should be broadly stipulated and comprehensible guidelines regarding the use of oil money for district development. Again, district development planning process must actually involve the ordinary people as stated by the National Development Planning Commission’s Planning Guidelines (Gyampo, 2012).  

CONCLUSION

Ghana is a rich gold mining country and very much endowed with other natural resources. Nevertheless, the nation continues to wallow in poverty and under-development as a result of several challenges that continue to plague the mining sector. These challenges have serious implications for the nations’ burgeoning oil sector. If the saying, “coming events casts their shadows” is true, then what is happening in the gold mining sector may mean that Ghana’s oil may also not count towards the development of the nation. To ensure that Ghana’s oil counts, it is instructive that the nation takes serious lessons from the gold mining sector. Indeed, even though what pertains in the gold mining sector is painful and disappointing, it serves as insightful and useful guide to managing Ghana’s oil money to ensure that it counts towards efforts to ensure that the nation’s lower middle income status actually reflects in the lives and pockets of the ordinary citizenry.

REFERENCES


21 In District Development Planning, the Planning Guidelines of the National Development Planning Commission and also the National Development Planning Act 480. 1994 clearly mandates forums and symposiums to be organized for the communities for the ordinary people to participate in the district development planning process to ensure that their needs are captured and promote popular ownership of the plan.


