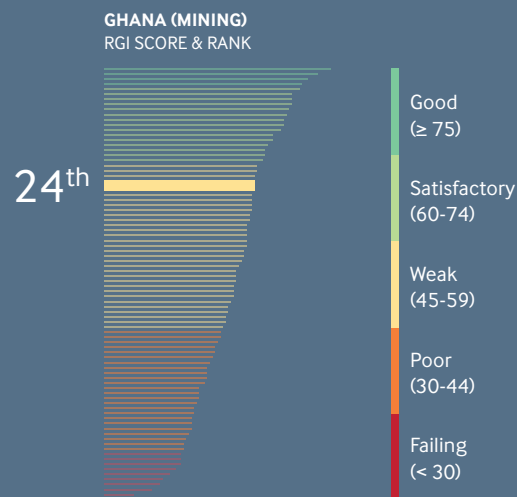


2017 Resource Governance Index

Ghana (mining)



Ghana's mining sector scores 56 of 100 points and ranks 24th among 89 assessments in the 2017 Resource Governance Index (RGI). The sector performs better than most others in sub-Saharan Africa, mainly because of a satisfactory enabling environment, however, performance in revenue management is poor. This assessment focuses on gold mining; gold accounts for 14 percent¹ of Ghana's mineral exports, however government revenues from mining have declined and been surpassed by income from oil and gas.² The recent discovery of and focus on hydrocarbons has resulted in governance issues in the mining sector receiving less attention, leading to an 11-point performance gap between the two sectors.

Ghana (mining): RGI and component scores

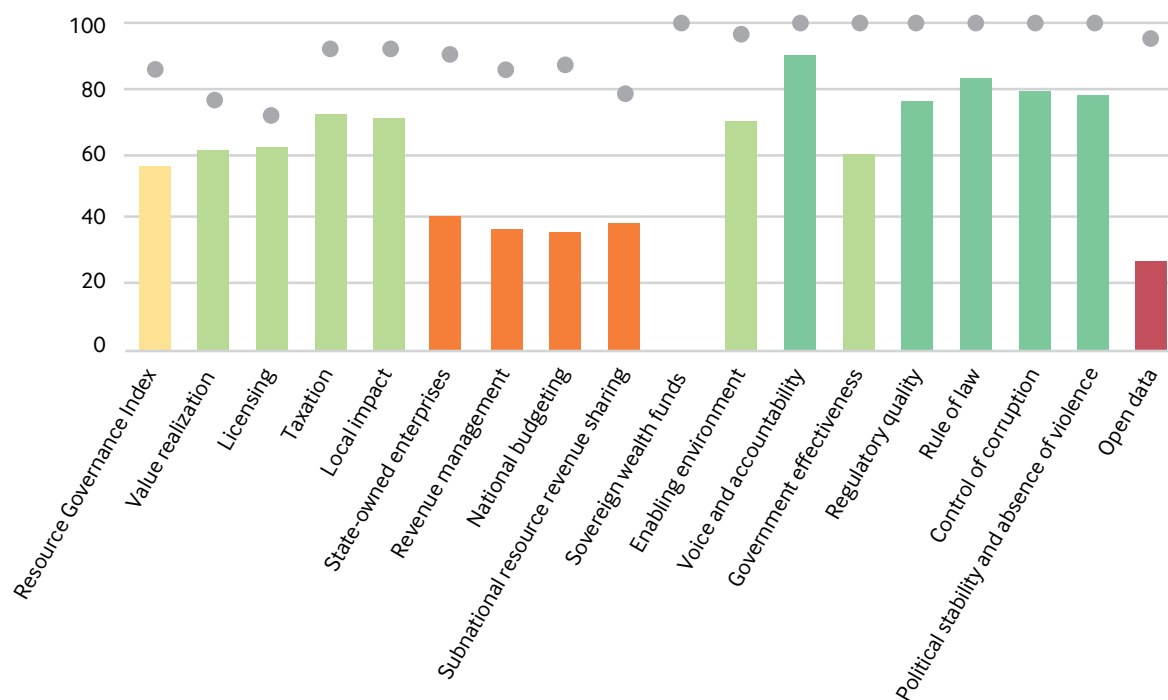


INDEX RESULTS SUMMARY

Ghana's mining sector performs well in value realization but poor in revenue management

Ghana's favorable enabling environment provides a good foundation for resource governance. An ever-opening space for the media and civil society is reflected in Ghana's position within the top ten countries in the voice and accountability subcomponent.

Ghana (mining): subcomponent scores



The mining sector performs satisfactorily in the value realization component; however, performance within this component is variable, ranging from poor governance of state-owned enterprises (SOE) to satisfactory performance in taxation and management of local impact. With a score of 62 of 100 points in licensing, Ghana's mining sector outperforms most neighboring countries in sub-Saharan Africa, ranking fifth among 31 assessments. The country's minerals commission grants licenses on a first-come, first-served basis; the commission launched an online minerals cadaster administration system in 2016 through which companies can view and apply for licenses. The Ghanaian government could address questions over mining companies' tax obligations and environmental responsibilities by requiring and enforcing disclosure of mining development agreements, some of which are governed by stabilization clauses.

The gold sector consists of a few large companies and many artisanal and small-scale (ASM) miners. In an attempt to develop the sector, the Ghanaian government has introduced local content requirements on procurement and employment. Proposed amendments to the Minerals and Mining Act of 2006 include larger fines for illegal artisanal mining. The index results indicate that governance of local impact could be improved by introducing a requirement for social impact assessments and enforcing compliance with environmental requirements. For example, the Akoben Program, an Environmental Protection Agency environmental performance rating and disclosure initiative, has reported lack of compliance with mining site rehabilitation requirements.

Ghana (mining): resource governance trends

| Issue | 2017 RGI Score | Direction |
|--------------------------------|----------------|-----------|
| Historical contract disclosure | 0 | ● |
| Company payment disclosure | 100 | ▲ |
| Revenues shared disclosure | 20 | ▼ |

Revenue management is the weakest element in governance of Ghana's mining sector. Ghana's score of 36 of 100 in national budgeting results from the absence of numerical fiscal rules setting a binding constraint on overall public finances. Ghana also does not have an open data portal providing key mining sector datasets. Ghana performs poorly and ranks 23rd among 33 country assessments of subnational revenue sharing mechanisms. Rules for sharing mineral revenues via the Mineral Development Fund are clear, but disclosures of revenues shared are not timely or audited.

STATE-OWNED ENTERPRISE GOVERNANCE

Ghana's gold mining company scores far below its petroleum sector peer and parent company, GNPC

Ghana has two mining sector SOEs, Sankofa Prestea Mining Company and Precious Minerals Marketing Company. Additionally, the state has minority shares in ten private mining companies. The largest of the majority-owned SOEs, Sankofa Prestea, extracts gold from tailings and is not one of the major gold miners in Ghana in terms of production volume. Even though Sankofa Prestea is 90 percent owned by the Ghana National Petroleum Corporation (GNPC), its activities and finances are governed in a less transparent manner than GNPC's. Ghana's mining and oil SOEs have the widest gap in scores among all countries with two sectors assessed in the index.

Sankofa Prestea's performance is below average compared to other mining and Extractive Industries Transparency Initiative (EITI) countries and near average compared to SOEs in sub-Saharan Africa. Its financial position is reported as part of a consolidated GNPC annual report, but operational information on production, joint ventures, and sales is not disclosed to the public. EITI country reports only shed light on production figures. Sankofa Prestea's index score is 49 points below the highest-scoring mining SOE, Chile's Codelco, which discloses all of the above information, apart from details on commodity sales. Like its parent company GNPC, Sankofa Prestea has engaged in non-commercial activities by financing public infrastructure projects.

| SOE name | State ownership level | Revenue [USD] | Score [/100] | Rank [/74 SOEs] | Rank [/22 mining SOEs] |
|--|-----------------------|-------------------|--------------|-----------------|------------------------|
| Sankofa Prestea Mining Company Limited | 100% | 19 million (2015) | 41 | 44 | 10 |

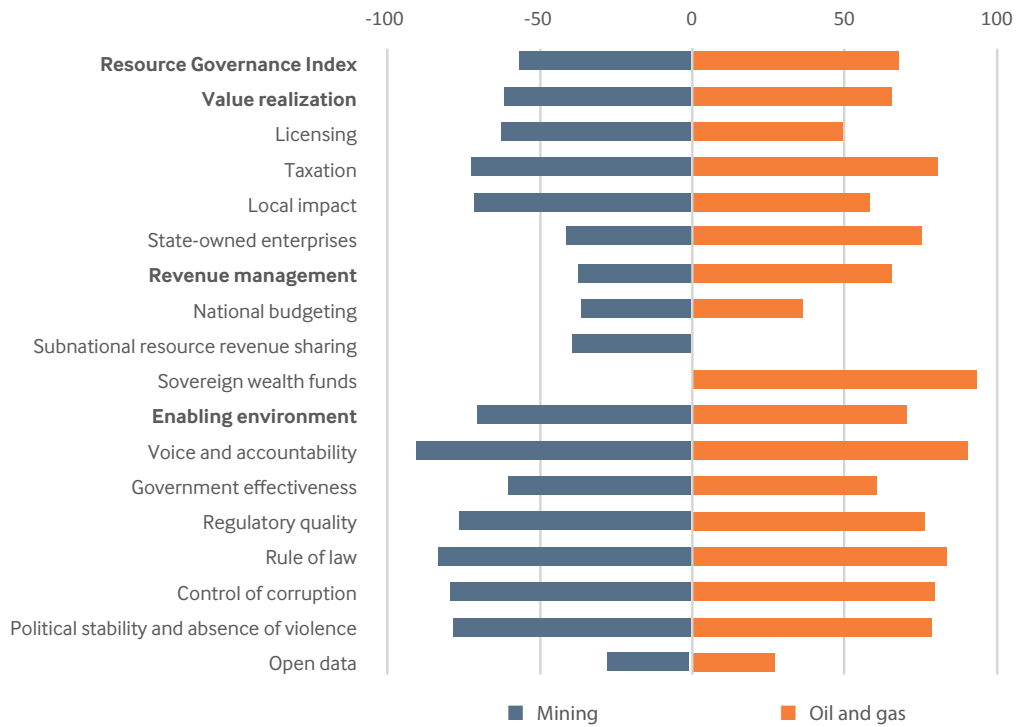
GOVERNANCE PERFORMANCE ACROSS OIL, GAS AND MINING SECTORS

Ghana features the index's largest difference between oil and gas and mining sector performance

As in most dual-sector countries assessed by the index, Ghana's oil and gas sector exhibits better governance than its mining sector. In Ghana this difference is due to revenue management practices. The government has published information on the oil and gas sector, including projections of oil revenues, but has not done the same for the mining sector. Following the passage of the Petroleum Revenue Management Act in 2011, which created institutions to support transparency and accountability for petroleum revenues, civil society organizations have advocated for a comparable minerals revenue management act. Ghana's petroleum funds top the rankings for transparency and accountability measures and contributes to the good revenue management score in the oil and gas sector. In the mining sector, however, lack of disclosures and audits of subnational revenue sharing bring revenue management performance down.

Ghana performs well in taxation in both sectors due to good disclosure of extractive sector data, transparency of tax rates in legislation, and audits of companies and the national tax authority. The mining sector’s taxation score of 72 of 100 points is slightly lower than the oil and gas sector’s score because of the absence of a legal requirement to disclose extractive companies’ payments to the government. Disclosure of company payments is also less timely in the mining sector because this information is released via Ghana EITI reports, which disclose data at a significant lag.

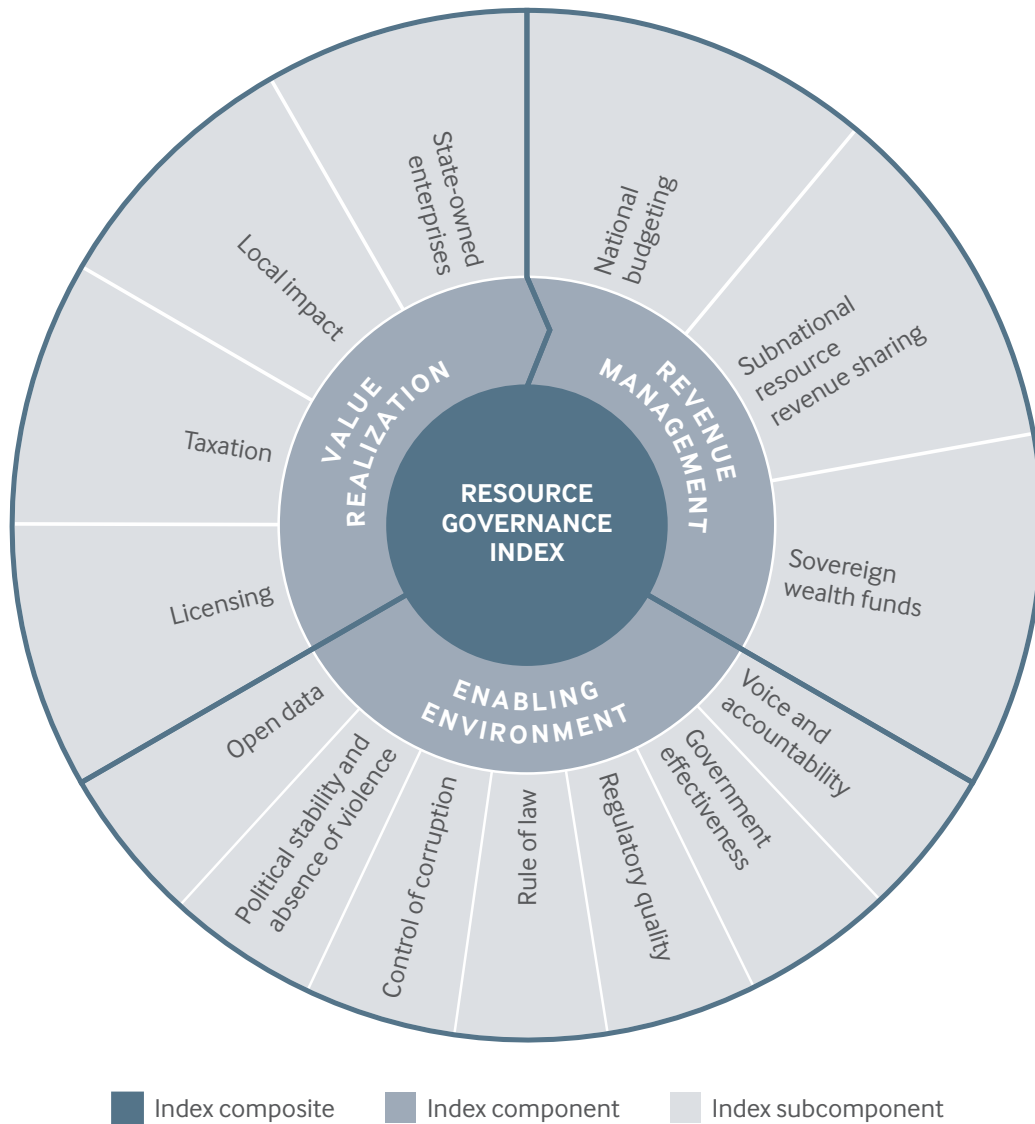
Ghana: oil and gas vs. mining scores



What is the RGI?

The 2017 RGI assesses how 81 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 133 questions.

Independent researchers, overseen by NRG, in each of the 81 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2015-2016. For more information on the index and how it was constructed, review the RGI Methodology.



Endnotes

- 1 United Nations, UN Comtrade Database, accessed 13 April 2017, <https://comtrade.un.org/>
- 2 Ghana EITI. Accessed 11 April 2017, <https://eiti.org/ghana>