



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 13-Feb-2018 | Report No: PIDC113741



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
P163756		C - Not Required	Ghana - Extractive Industries Technical Assistance
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA	Ghana	13-Feb-2018	
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Ministry of Finance and Economic Planning	EITI Secretariat - Ministry of Finance and Economic Planning	The review did authorize the preparation to continue

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**PROJECT FINANCING DATA**

**FINANCING**

**FINANCING SOURCES**

Select all that apply

Counterpart Funding

Trust Funds

Parallel Financing

**SUMMARY (USD)**

<b>Total Project cost</b>	<b>350,000</b>
<b>Total Financing</b>	<b>350,000</b>
Trust Funds	350,000
<b>Financing Gap</b>	<b>0</b>

**DETAILS**

**Trust Funds**

Source	Currency	Amount	USD Equivalent
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Extractives Global Programmatic Support(EGPS)	USD-US Dollars	350,000	350,000
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## B. Introduction and Context

### Country Context

Since its return to a multi-party political system more than two decades ago, Ghana has taken major strides towards democracy, with its judiciary proving independent and generally gaining the trust of Ghanaians. Ghana consistently ranks in the top three for freedom of the press and freedom of speech in Africa. These factors put Ghana in an enviable position and provide it with social capital.

Ghana's economic performance during 2016 was mixed. After making solid progress on fiscal consolidation in bringing the fiscal deficit down from 10.2% of GDP in 2014 to 6.3% in 2015, the target to narrow it further to 5.3% of GDP in 2016 was missed by a wide margin with the deficit widening to 9% of GDP. Nevertheless, GDP growth at 3.6% was slightly higher than the forecast of 3.3%, and inflation, after remaining stubbornly above 17%, fell a little to 15.4% in December and further to 13.3% in January 2017, closer to the central bank's target range of 6%–10%.

Furthermore, in spite of weak commodity prices, Ghana's external balance improved in 2016, reflecting increased exports and a fall in imports. The current account deficit narrowed to 6.4% of GDP in 2016 from 7.6% of GDP in 2015. Gross foreign reserves increased marginally from \$4.4 billion in 2015 to an estimated \$4.9 billion, equivalent to 2.8 months of imports at the end of 2016. Total petroleum receipts for 2016 were \$247,175 million.

Ghana's near term prospects are good, absent further fiscal slippage. Economic growth is expected to accelerate in 2017, spurred by improvements in both the oil and non-oil sectors. Oil production is expected to increase as repairs are completed in the Jubilee field and the Tweneboa, Enyenra, Ntomme (TEN) Field reaches its full capacity. The expected 2017 petroleum revenue is projected at \$515.6 million. The non-oil growth sectors, including services, are also expected to remain robust. Surveys conducted by the central bank indicate a positive outlook for business sentiments; this will go a long way to improve private sector investments. The expected rebound in commodity prices will support the exports and growth necessary to stabilize the exchange rate and create employment going forward.

However, near-term challenges are substantial and downside risks remain high, reflecting in part the need for the new government to build credibility in prudent fiscal management. In addition, uncertainties in the global environment, including whether the nascent recovery in commodity prices will be sustained, could negatively affect foreign direct investment flows to Ghana.



### Sectoral and Institutional Context

Ghana is home to one of the oldest mining industries in Africa. Gold mining continues to constitute the heart of the industry, accounting for 80% of mining activity. Ghana is the second-largest producer of gold in the continent after South Africa, ranking 11th in the world in 2016 with a total production of 90 metric tons. Other commercially exploited minerals in Ghana include diamonds, manganese, kaolin, silica, mica, clays and bauxite, with the country once hosting Africa's largest aluminium smelter. In addition to this, Ghana is known to have under-exploited deposits of iron ore, limestone, columbine-tantalite, feldspar, quartz and salt.

The mining industry contributed an estimated \$365 million to Ghana's revenue in 2016, up 23 percent from 2015. The recent uptick in gold prices has led to a flurry of activity, with companies signing agreements, initiating production and seeking land for exploration. While several fiscal changes aimed at increasing mining tax revenue have been introduced in recent years, the government has also sought to address sector challenges such as widespread illegal mining and ensure attractive investment conditions.

Oil reserves are estimated at around two billion barrels, and there have been 24 new oil and gas discoveries since the Jubilee discoveries in 2007. Oil production increased gradually from between 70-80,000 barrels per day (b/d) in 2012 to 131,000 b/d in 2016. The country's three largest offshore oil and gas projects are Jubilee, TEN and Offshore Cape Three Points (OCTP). Jubilee produced a total of 178.84 MM barrels were produced over 5 years, with average daily production above 100,000 barrels per day (bpd) since 2013. Nonetheless, production at Jubilee has been affected by technical issues such as the damage sustained by the turret bearing the Kwame Nkrumah Floating Production Storage and Offloading (FPSO). Like Jubilee, TEN was also affected by technical issues: production at TEN was first achieved in August 2016 with production of around 31,600 bpd, with expected peak oil production at 76,000 bpd. OCTP in turn holds about 41 billion cubic meters of non-associated gas and 500 million barrels of oil. The first gas is expected in 2018 with a combined (oil+gas) production peak in 2019 reaching 80,000 barrels of oil equivalent per day. The first phase of OCTP was initiated in July 2017 with first oil produced in the Sankofa field. Sankofa is expected to produce oil in the order of 30,000-45,000 bpd on average per day in 2017-2022.

Ghana signed onto the Extractive Industries Transparency Initiative (EITI) in 2003 and proactively extended it to the sub-national level. Ghana started the EITI implementation in the mining sector in 2003 and Cabinet subsequently gave approval for the extension of the EITI to cover the oil and gas sector in September, 2010. The country has so far produced ten (10) reports and three (3) reports (financial and process audits) for the mining and the oil and gas sectors respectively. The production of the reports is the corner stone of the EITI implementation.

Ghana has made tremendous progress with the EITI implementation and this effort was even recognized at the EITI international global conference held in February, 2016 in Lima, Peru for using the EITI recommendations to undertake policy reforms and making impact at the sub-national level in the country.

The Ghana EITI could not produce reports for 2015 due to funding challenges. Thus, the production of the earlier reports was mainly supported by Government and the World Bank through the Multi-Donor Trust



Funds (MDTF) which closed in 2015. However, due to fiscal challenges faced by Government coupled with the fact that the country is under an IMF program and also currently in transition are enough evidence to demonstrate that Ghana EITI will need financial support to implement its activities. The last GHEITI reports produced was for the year 2014 and so the likelihood of Ghana's reporting gap being widened is high if the needed funding is not secured to guarantee the production of 2015/16 reports.

The Ghana EITI has always ensured the implementation of the recommendations contained in the reports. To mention a few, in 2014 report for instance, some of the notably recommendations which have been implemented according to the report include the establishment by the Minerals Commission of an official online cadastre map with information on coordinates has been complied with for the mining sector. For the oil/gas sector, some of the recommendations such as the introduction of thin capitalisation rules, oil and gas project expenditure ring fencing have been implemented.

Ghana is EITI Compliant and on 8 March 2017 Ghana was validated against the 2016 EITI Standard. The EITI Board agreed that Ghana has made meaningful progress in meeting requirements. The areas of more concern relate to license registers (#2.3), state participation (#2.6), production and export data (#3.2 and #3.3), comprehensiveness (#4.1), in-kind revenues (#4.2), state-owned enterprise (SOE) transactions (#4.5) and SOE quasi-fiscal expenditures (#6.2).

Again, the evolution and changes of the EITI Standards to deal with emerging issues relevant to the extractive sector has led to the expansion of the scope of the EITI reporting to include issues such as Beneficial Ownership, commodity trading transparency just to mention a few. Ghana is one of the five countries selected to participate in commodity trading pilot project by the International EITI Secretariat and this will require an additional funding to implement those activities.

#### Relationship to CPF

Ghana's CPF is at present not available. The CPS (2013-2016) that is currently in place consists of 3 pillars: improving economic institutions; improving competitiveness and job creation; and protecting the poor and vulnerable. This project is consistent with the goals set for the "improving economic institutions" pillar, more specifically in what strengthening public financial management and improvement of e-governance as it promotes transparency and timeliness in information release (for extractives) that allow citizens to monitor the use of government revenues and impact of public policy.

### C. Project Development Objective(s)

#### Proposed Development Objective(s)

The Development Objective is to support the Government of Ghana in the implementation of the Extractive Industries Transparency Initiative (EITI) post validation.



Key Results

The key expected results of this project will be:

- Production of 2015/2016 Ghana EITI Reports for mining, oil and gas sectors
- Artisanal and small scale mining (ASM) sector informed and engaged on the EITI process
- Enhanced capacity of sub-national level civil society organizations (CSOs) on EITI standards and processes
- Development and pilot of a tracking tool to monitor the sub-national level utilization of mineral royalties

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**D. Preliminary Description**

Activities/Components

The main activities of this project are based on updated priorities of the 2018 work plan of GHEITI. They include:

1. **Reporting** - Hiring of a consultancy that will prepare the Ghana EITI National Reports for 2015 and 2016.
2. **Outreach** - Outreach to Ghana's artisanal and small scale miners (ASMs) on the EITI process and to sub-national civil society organizations (CSOs) on the recent changes to the EITI Standard.
3. **Dissemination** - Dissemination of the Ghana EITI Reports for 2015 and 2016 as well as the publication of two (2) newsletters that will describe Ghana EITI's activities.
4. **Developing and piloting of a tracking tool monitor the utilization of mineral royalties at the sub-national level by CSOs** - Development and piloting of a tracking tool to monitor the use of mineral royalties at the sub-national level by the CSOs

**SAFEGUARDS**

**E. Safeguard Policies that Might Apply**

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	



Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

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**Implementing Agencies**

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