

**CLOSING REMARKS**  
**DELIVERED BY**  
**HON. KEN OFORI-ATTA**  
**ON THE OCCASION OF THE AFRICAN AND FISCAL AFFAIRS**  
**DEPARTMENTS' CONFERENCE ON**  
**“FISCAL MANAGEMENT OF MINING AND PETROLEUM IN WEST AFRICA”**  
**ON TUESDAY, 28<sup>TH</sup> FEBRUARY, 2018**  
**AT THE KEMPINSKI HOTEL, ACCRA**

Mr. Chairman

Your Excellences

Resident Representative of the IMF

Distinguished Ladies and Gentlemen

### **Introduction**

I am exceptionally grateful for the invitation to deliver the closing remarks for the Conference on **“Fiscal Management of Mining and Petroleum in West Africa.”**

Let me begin by thanking the African and Fiscal Affairs Departments of the IMF for choosing Ghana to host this all-important conference on mining and petroleum. I am reliably informed that the Conference has been able to achieve its objective of highlighting the need to focus on:

- the design and evaluation of fiscal regimes for extractive industries;
- fiscal regime implementation and revenue administration; and

- public financial management of the resulting revenue flow, including the design of macro-fiscal frameworks and integration of revenue flows into the budget framework.

Every stage is important and requires enhanced collaboration among the institutions of state to be able to block possible sources of revenue leakage. Most of the time, we tend to pay a lot of attention to the revenues that accrue to the state from natural resource exploitation. However, the design of the fiscal regime is very crucial. The negotiation stage is one area where many African countries lose out. The fiscal regime ought to be structured to favour countries as much as for investors.

Weak institutional capacity in relevant state agencies also makes it difficult for African countries to get their fair share of rents from the industry. In a fiscal regime where corporate tax is a key element, the need to understand the rudiments of the industry and avert unwarranted costs is very paramount. Transfer mispricing increases operational costs and reduces tax liability of contractors. Capacity building in regulatory and revenue administration needs to be prioritized and, as a continent, we must not be shy to share our experiences and help one another out.

That is the reason why this Conference is particularly important. It has kick-started the conversation around the subject matter. We have learnt a lot from country experiences and we hope to be able to carry the conversation forward.

## **Impact of Resource Price Decline**

Mr. Chairman, Ghana, like many of its neighbours, has been caught up in this quagmire of commodity price decline over the recent past. Interestingly, this happened at a time when Africa's renaissance had been touted by many global economic analysts: countries were ramping up resource production, growth had picked up tremendously and resource rents were being channeled into critical infrastructure development as well as social interventions such as education and health. Africa was rising to meet the challenge of poverty until the commodity price decline slowed the momentum.

Some countries have failed to recover from the resource revenue shortfalls and have thus had to cut back on capital investments. Nigeria, for instance, is only just recovering from the throes of recession after having been hit by the recent crude oil price decline. Ghana, Guinea, Liberia, Sierra Leone, to name but a few more countries, have also had their fair share of slow economic growth brought about by low resource prices. Without resource rents, they have struggled to amass the requisite revenues to prosecute their economic and social agendas.

Revenue inflows have been underwhelming, to say the least, compared to what they would have been had prices remained at the 2011-2013 levels. The commodity price declines have adversely affected such critical indicators as fiscal deficit, the Balance of Payments, employment, foreign direct investment, amongst others.

Not only have countries suffered under this low price dispensation, but so have the foreign companies. Some companies have had to postpone investment decisions because of the relatively low rewards the low price regime offered.

## **Fiscal Regime Design**

Mr. Chairman, given the revenue administration capacity challenges we have on the continent, fiscal regimes should be designed in such a way that can be monitored and enforced by tax administrators. We must learn to simplify the determination of government's take in the design of fiscal regimes and ensure that all parties understand the process of determining and collecting it. We must do away with ambiguities, which sometimes result in long-standing disputes and stand-offs. Ghana's upstream petroleum fiscal regime, for example, has an element called "Additional Oil Entitlement", which is a tier system based on the project's internal rate of return. The schedule is a maze of complex calculations, which requires a great level of attention to detail. This could be simplified to make it intelligible to the average tax administrator.

## **Regulation**

The next critical thing is regulation. The extractives industry sector is constantly evolving. There is, therefore, the need for regulators to be on top of issues in a way that secures government's take, while not stifling the growth and dynamism of the industry. The regulator must be able to ensure that it certifies costs from a position of knowledge and avert a situation whereby contractors pad costs and engage in acts of transfer mispricing.

The regulator must also make it a point to engage the tax administrator regularly to ensure that costs it has disallowed will not be recognized by the tax administrator at the stage of tax determination.

## **Diversification**

Mr. Chairman, the commodity price debacle brings into sharp focus the need for diversification. We, as a continent, have continued to focus on exporting only a limited number of raw materials, giving little room for diversification. It is time to identify other resources to diversify our revenue flows. The call for diversification has been made over and over again.

We must make a conscious effort to move away from the rhetoric and begin the process of implementation. We have focused on natural resources at the detriment of agriculture and manufacturing. We need to channel resource rents into these traditional sectors, which not only employ the most people, but also help bring about diversification.

## **Ghana and Africa beyond Aid**

Mr. Chairman, our President, H. E. Nana Addo Dankwa Akufo-Addo, is on record to have said that he will move Ghana beyond aid in the foreseeable future. This would mean being able to mobilise both internal and external (other than aid) resources to prosecute the government's agenda.

One key area by which we can achieve this is maximizing government's take from the extractives sector. This calls for all the actions outlined above to be solidified – a simple and an efficient fiscal regime, a strong a tax administration mechanism, an effective public financial management system and economic diversification.

This will enable us to garner enough resources to implement programmes that will inure to the benefit of our people. It is only when we succeed in mobilizing

enough resources for development that we can truly be able to wean ourselves off aid.

## **Conclusion**

Mr. Chairman, let me conclude by thanking the organisers of this Conference once again. I would like to thank the IMF and the Real Sector Division of the Ministry of Finance, Ghana, for the effort they have put in to ensure a successful conference.

While concluding, I would like to reiterate the need for countries to pay particular attention to the design of fiscal regimes for the extractives sector, tax administration, and the need for diversification.

May God bless us and take us safely back to our home countries.

Thank you.