

# A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA

BON HOTEL SUNSHINE

ENUGU

NOVEMBER 30, 2018

ROUNDTABLE REPORT



OIL REVENUE TRACKING INITIATIVE  
SHEHU MUSA YAR'ADUA FOUNDATION

## Welcome and Introductions

Mr. Amara Nwankpa, Coordinator of the Oil Revenue Tracking Initiative (ORTI), Shehu Musa Yar'Adua Foundation, welcomed participants, provided a brief overview of the event agenda and highlighted objectives of the roundtable.

## Presentations

### Media Perspective on Nigeria's Savings and Stabilization Mechanisms

Mr. Nwankpa, on behalf of Mr. Jide Ojo, Director, OJA Development Consult, presented a media perspective on management of Savings and Stabilization Mechanisms for Nigeria.

Key Points:

- Premium Times, June 28, 2017: Nigeria's Excess Crude Account, ECA, has been ranked the most poorly governed sovereign wealth fund among 33 resource-rich countries around the world, a new report by the Natural Resource Governance Institute has shown.
- The PUNCH, August 15, 2017: Saving Nigeria's Oil Revenues for the Rainy Day. An article written by Orji Ogbonnaya-Orji of Nigeria Extractive Industries Transparency Initiative (NEITI).
- The PUNCH, February 21, 2018: Reps move to Legalise Excess Crude Account. An article regarding a bill seeking to legalise the ECA by introducing the Excess Revenue Fund Account.



### Stabilizing Nigeria's Volatile Economy

Mr. Nwankpa decried the Federal Government's inability to neither translate its substantial oil wealth, exceeding one trillion dollars, into equitable economic benefits for Nigerians nor have significant savings. He highlighted that Nigeria still has some of the highest poverty and birth mortality rates as well as the lowest life expectancy rates globally and continues to decline on most HDI indices.

Key Points:

- Oil and the Nigerian Economy.
- Rationale for stabilization policies.
- Key indicators of successful stabilization policies.
- Stabilization programmes in Nigeria.
- Country comparisons.

- Challenges to implementing an effective savings and stabilization mechanism.
- Policy options for establishing prudent fiscal rules.

## Advocacy Strategy and Monitoring Framework

Mr. Amara Nwankpa, highlighted some key factors to consider when creating awareness on the need for a savings and stabilization mechanism for Nigeria.

Key Points:

- Education and Awareness
- Building consensus
- The citizen collective



## OBSERVATIONS

### **Excess Crude Account**

1. Despite earning over one trillion dollars from oil since 1970, there are more Nigerians living in poverty than any other country in the world. According to the Brookings Institute, approximately 83.6 million people in Nigeria (estimated 43%) live in extreme poverty.
2. The ECA has had no significant increase despite rallying oil prices between July 2017 and January 2018.
3. The ECA lacks transparency and has an unclear methodology for withdrawals and distribution of funds. This has been manifested in unilateral withdrawals by successive governments. A report by the Fiscal Responsibility Commission corroborates this, expressing concern due to its inability to carry out a full appraisal of the ECA.
4. Nigeria's ECA has been ranked the most poorly governed sovereign wealth fund among 33 resource-rich countries around the world by the Natural Resource Governance Institute.

### **Effects of Oil on Nigeria's Economy**

1. The huge revenue from oil has not translated to real improvement in the welfare of citizens. Sixty per cent of the population, according to the National Bureau of Statistics, still live below the poverty line. Corruption, mismanagement of oil revenue and lack of

diversification in the export sector all have an important role to play in our slow economic growth and high poverty levels.

2. Nigeria is a dysfunctional economy suffering from Dutch disease, as non-oil sectors contribute over 90% to GDP yet generate less than 10% of government revenue.
3. Stabilization mechanisms have been ineffective due to mismanagement and prevalence of corruption in Nigeria.
4. Lack of political will has prevented proper implementation of the stabilization mechanism over successive administrations.
5. Nigeria has gone through five cycles of oil booms. During these periods, Nigeria earned a conservative estimate of over one trillion dollars in oil revenue but made no significant savings, nor have these earnings translated to lasting and productive capital through human development, physical infrastructure and institution building.

## RECOMMENDATIONS

The following recommendations were put forward at the Roundtable:

### **Excess Crude Account**

1. Increase transparency regarding revenue inflow and outflow from the Federation Account.
2. Mandate transparency and accountability regarding deposits and withdrawals from the ECA.
3. Federal and State Governments should seek speedy resolution of pending Supreme Court cases on the constitutionality of remittances to the ECA and Nigeria Sovereign Investment Authority (NSIA).
4. Politically negotiate and agree binding rules for ECA revenue inflows and outflows until a constitutional amendment is effected to entrench the ECA.
5. The federating units especially federal and state governments should seek speedy resolution of the pending cases at the Supreme Court on the constitutionality of remittances to the Excess Crude Account and the Nigeria Sovereign Investment Authority (NSIA).

### **Nigeria Sovereign Investment Authority**

1. Urgently effect an amendment of section 162 of the 1999 Constitution with provisions that guarantee automatic savings of surplus revenue from oil, gas and minerals with the Nigeria Sovereign Investment Authority (NSIA).
2. Strengthen NSIA with appropriate guarantees on transparent and accountable governance to re-assure all stakeholders.
3. Collapse the ECA and 0.5% Stabilization account into the Sovereign Wealth Fund.
4. Encourage all tiers of government to regularly meet their financial obligations to the Sovereign Wealth Fund

### **Institutional Reform**

1. Ensure that oil, gas and mineral revenues are more effectively and efficiently utilized for capital investment rather than consumption.
2. Strictly monitor implementation of yearly budgets
3. Diversify the economy through investment in non-oil sectors
4. Build a critical mass to demand change in the institutional framework guiding Nigeria's Savings and Stabilization Funds.
5. Ensure that oil, gas and mineral revenues are more effectively and efficiently utilized for capital investment rather than consumption.

### The Role of Civil Society

1. Advocate a constitutional Amendment to institutionalize a savings and stabilization mechanism for the country.
2. Promote national economic debates on prudent fiscal management of Nigeria's oil revenue.
3. Demand for transparency in management of ECA.

### Press Briefing

A press briefing was held on November 30 2018, with representatives of media organizations. Dr. Chris Kalu read the communique on behalf of the panel and invited questions and comments from media.

## communique

Content from the press briefing was used by various media houses following the event.

### Response to Lagos Communique

Participants provided feedback regarding recommendations from the communique issued at the May 24, 2018 Lagos stakeholder roundtable. The table below shows an analysis of responses:

		AGREE	DISAGREE	NEITHER
1.	Enact a constitutional amendment of section 162 of the 1999 Constitution with provisions that guarantee automatic savings of surplus revenues from oil, gas and minerals with the Nigeria Sovereign Investment Authority NSIA;	97%		3%
2.	Politically negotiate and agree binding rules for ECA revenue inflows and outflows until such a time as the constitutional amendment is effected to entrench the Excess Crude Account.	84%	16%	
3.	Mandate transparency and accountability with disclosure and reporting requirements on deposits and withdrawals from the Excess Crude Account - ECA;	100%		
4.	The Federal and State Governments should seek speedy resolution of pending Supreme Court cases on the constitutionality of remittances to the Excess Crude Account and the Nigeria Sovereign Investment Authority;	97%		3%
5.	Create a real-time platform to provide figures on the ECA at the Federal Ministry of Finance, (this will end the conflicting accounts from Ministry of Finance and Office of Accountant General);	94%	6%	
6.	Encourage all tiers of government to regularly meet their financial obligations to the Sovereign Wealth Fund account;	94%	6%	

7.	Collapse the Excess Crude Account and 0.5% Stabilization account into the Sovereign Wealth Fund;	61%	32%	7%
8.	Strengthen NSIA with appropriate guarantees on transparent and accountable governance to re-assure stakeholders;	94%	3%	3%
9.	Build a critical mass to demand change in the institutional framework guiding Nigeria's Savings and Stabilization Funds.	100%		
10.	Ensure that oil, gas and mineral revenues are more effectively and efficiently utilized for capital investment rather than consumption;	100%		
11.	Strictly monitor implementation of yearly budgets;	94%		6%
12.	Diversify the economy through investment in non-oil sectors;	97%	3%	
13.	Increase contributions of the oil industry to GDP;	71%	6%	23%
14.	Establish National Economic Governance Debates organized by Civil Society;	100%		
15.	Revise and fully implement the Niger Delta Masterplan;	84%	6%	10%
16.	Civil Society Organizations should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation;	100%		
17.	CSOs should demand transparency of revenue inflow and outflow from the Federation Account;	97%		3%

## Media Mentions

Following the roundtable and press briefing, there were a number of media mentions of event proceedings in electronic and print media:

### 1. Inside Business

<http://insidebusinessonline.com/index.php/2018/12/03/photos-meeting-on-savings-and-stabilization-mechanism-for-nigeria-in-enugu-nexgen-2018-customers-day-in-ibadan/>



*Meeting on Savings and Stabilization Mechanism for Nigeria in Enugu Pic.15. Participants during a meeting on Savings a Stabilization Mechanism for Nigeria in Enugu on Monday (3/12/18). 06248/3/12/2018/Mike Agada/ICE/BJO/NAN*

## Conclusion

Participants at the roundtable agreed to collectively advocate for constitutional amendment to mandate a savings and stabilization policy for Nigeria. They are also committed to sustaining demands for transparency and accountability of the ECA.