

A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA

HOTEL NOVOTEL, PORT HARCOURT

AUGUST 13, 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

Nigerian Excess Crude Account – Financial Analysis Report

Ms. Aisha Haruna, Consultant, BL&C Limited, provided an in-depth analysis of the Excess Crude Account (ECA) featuring cash flow patterns and irregularities of public and government data. She expressed dissatisfaction over depletion of the Excess Crude Account (ECA), from a net expected balance of \$84.58 billion to \$2.32 billion, despite estimated revenue of over \$1 trillion. Ms. Haruna shared results from a commissioned study that sought to gauge government transparency in administration of the ECA from 2007 to 2017. The study discovered inconsistencies with public data. In conclusion, she urged reassessment of the stabilization mechanisms and asked if they truly served their purpose.

Key Points:

- Inconsistencies in the balance of ECA over an 11 year period (2007-2017). Financial analysis showed an expected balance of \$84.58 billion, but \$2.32 billion was reported by the Federal Ministry of Finance in 2017.
- \$79.74 billion was unaccounted for in the ECA before 2015.
- Lack of transparency in administration of the ECA, particularly with regard to accruals and withdrawals.
- Inconsistencies in published NNPC production reports.



Figure 1 – Ms. Aisha Haruna during her presentation on the ECA

Review of Stabilization Programmes in Nigeria

Mr. Andrew Onyeankwe, Kandyson Konsult, offered a review of stabilization programmes in Nigeria. He enumerated challenges that Nigeria faces as an oil-reliant country susceptible to macro-economic shocks caused by volatility of oil prices and highlighted the impact of boom and bust cycles on the economy.

Key Points:

- Oil price volatility affects every aspect of the economy: price of food, basic commodities and amenities.
- Nigeria is a dysfunctional economy suffering from Dutch disease. Non-oil sectors contribute over 90% to GDP yet generate less than 10% to government revenue.

- Huge revenue from oil has not translated to real improvement in the welfare of citizens.
- Stabilization mechanisms have been ineffective due to mismanagement and prevalence of corruption.
- Lack of political will has prevented proper implementation of stabilization mechanisms.



Figure 2 – Mr Andrew Onyeanakwe during his presentation

Media Perspective on Stabilization Mechanisms in Nigeria

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 Ogonnaya-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.



Figure 3 – Mr. Jide Ojo during his presentation on Media Perspective on ECA

Discussions

Amara 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.



Figure 4 - Discussions session led by Mr. Nwankpa

Participants were encouraged to ask questions and make comments on presentations.

Observations

Excess Crude Account

1. The ECA has had no significant increase despite rallying oil prices between July 2017 and January 2018.
2. Appropriations from the Excess Crude Account had previously gone through the FAAC. However, in the past 3 years, withdrawals from the ECA were not disclosed to the FAAC even when documentation exists elsewhere.
3. It was observed that the ECA lacks transparency and has an unclear methodology for withdrawals and distributions. 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 Excess Crude Account was ranked the most poorly governed sovereign wealth fund among 33 resource-rich countries in a 2017 report by the Natural Resource Governance Institute. Nigeria was placed in last position along with the Qatari Investment Authority as countries whose governments do not implement rules governing deposits, withdrawals or investment of such funds.

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% to government revenue.
3. Stabilization mechanisms have been ineffective due to mismanagement and the prevalence of corruption in Nigeria.
4. There is a disconnect between revenue generated from oil and the level of economic development attained.

5. Lack of political will has prevented proper implementation of the stabilization mechanism over successive administrations.
6. Nigeria has failed to make the transition to a capable state in order to enable it to produce enviable development outcomes such as the diamond rich nation of Botswana.
7. 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. Politically negotiate and agree binding rules for ECA revenue inflows and outflows until such time as the constitutional amendment is effected to entrench the ECA;
2. Mandate transparency and accountability with disclosure and reporting requirements on deposits and withdrawals from the ECA;
3. The 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. Create a real-time platform for the Federal Ministry of Finance to provide figures on the ECA (this will end conflicting accounts from the Ministry of Finance and Office of the Accountant General).

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 stakeholders;
3. Encourage all tiers of government to regularly meet their financial obligations to the Sovereign Wealth Fund account;
4. Collapse the ECA and 0.5% Stabilization account into the Sovereign Wealth Fund.

Institutional Reform

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

The Role of Civil Society

1. Establish National Economic Governance Debates organized by civil society;
2. Civil Society Organizations (CSOs) should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation;
3. CSOs should demand transparency of revenue inflow and outflow from the Federation Account;

Press Briefing

A press briefing was held on August 13, 2018, with journalists from notable media organizations in attendance. Mr. Amara Nwankpa read the communique on behalf of the panel and invited questions and comments from the media.



August 13
Communique SMYF.

Response to Lagos Communique

Participants gave 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;	100%		
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.	59%	37%	4%
3.	Mandate transparency and accountability with disclosure and reporting requirements on deposits and withdrawals from the Excess Crude Account - ECA;	89%	7%	4%
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;	96%		4%
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);	96%		4%
6.	Encourage all tiers of government to regularly meet their financial obligations to the Sovereign Wealth Fund account;	96%		4%
7.	Collapse the Excess Crude Account and 0.5% Stabilization account into the Sovereign Wealth Fund;	66%	15%	19%
8.	Strengthen NSIA with appropriate guarantees on transparent and accountable governance to re-assure stakeholders;	89%		11%
9.	Build a critical mass to demand change in the institutional framework guiding Nigeria's Savings and Stabilization Funds.	93%		7%
10.	Ensure that oil, gas and mineral revenues are more effectively and efficiently utilized for capital investment rather than consumption;	96%		4%
11.	Strictly monitor implementation of yearly budgets;	96%		4%
12.	Diversify the economy through investment in non-oil sectors;	100%		

13.	Increase contributions of the oil industry to GDP;	85%	11%	4%
14.	Establish National Economic Governance Debates organized by Civil Society;	93%		7%
15.	Revise and fully implement the Niger Delta Masterplan;	96%		4%
16.	Civil Society Organizations should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation;	96%	4%	
17.	CSOs should demand transparency of revenue inflow and outflow from the Federation Account;	96%		4%

Media Mentions

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

1. The Guardian

<https://guardian.ng/news/yaradua-foundation-tasks-fg-on-public-finance-management/>

Yar'Adua foundation tasks FG on public finance management

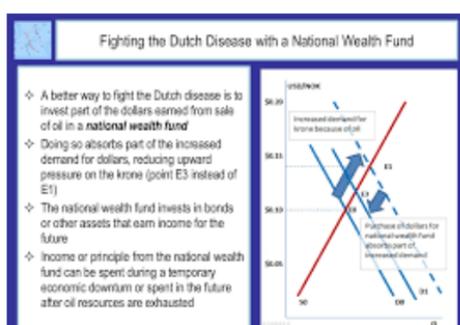
For the country to translate its substantial oil wealth into equitable economic benefits for citizens, the Federal Government needs to reform its public finance management.

This was the position of stakeholders in a communiqué issued at a roundtable meeting on Savings and Stabilisation Mechanism For Nigeria, organised by the Shehu Musa Yar'Adua Foundation in Port Harcourt.

According to them, despite earning over \$1trn from oil since 1970, there are more Nigerians living in poverty than any other country in the world.

2. Sweet Crude Reports

<http://sweetcrudereports.com/2018/08/23/groups-urge-govt-to-save-excess-oil-revenue-constitutionally/>



Mkpoikana Udoma

23 August 2018, Sweetcrude, Port Harcourt — The [Federal Government of Nigeria](#) has been urged to make constitutional provision that will guarantee automatic savings of surplus from oil revenue in the Excess Crude Account, ECA.

The group [Shehu Musa Yar'adua Foundation](#) and the [Nigeria Natural Resource Charter](#), made the call as their resolution during a roundtable discussion on savings and stabilization mechanism for Nigeria, held in Port Harcourt, the Rivers State capital.

Director of Public Policy Initiatives of the foundation, Mr. Amara Nwankpa, explained that Nigeria requires improved legal policy and advocacy frameworks for the excess crude account and other stabilization funds to be more effective and beneficial to citizens.

Nwankpa said Nigeria earned over one trillion dollars revenue through five cycles of oil booms, but made no significant savings, nor have the earnings translated to a lasting and productive capital through human development, physical infrastructure and institution building.

3. Tribune Online

<https://www.tribuneonlineng.com/159929/>

Nigeria can't account for \$82.5bn in ECA in 10 years

August 14, 2018 Onyema Godwin - Port Harcourt Latest News, Top News



Minister of Finance, Mrs Kemi Adeosun

A survey by experts under the Musa Yar'Adua Foundation has shown that Nigeria cannot account for a whopping \$82.5-billion about N10-trillion that accrued to the Excess Crude Account (ECA) for over a period of 10 years.

This is the Abuja-based group has also called for a review of the Niger Delta Master Plan

and immediate implementation to replace the economy of the oil region before oil would run out.

Conclusion

All participants agreed that it is important to intensify advocacy efforts at the grassroots to ensure that an inclusive citizens' collective can place a demand on policymakers to implement an effective savings and stabilization mechanism for Nigeria.