A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA

SHEHU MUSA YAR’ADUA CENTRE

ABUJA

JULY 23, 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
Review of Stabilization Programmes in Nigeria
Mr. David Samuel, Consultant, Kandyson Konsult, delivered a review of stabilization programmes in Nigeria. The presentation included analysis of the implications of crude oil volatility on key macroeconomic variables as well as human development indicators.

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% of government revenue.
- Substantial revenue from oil has not translated to 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.

The session urged participants to discourage withdrawals from the ECA, monitor budget implementation and ensure transitory incomes are more efficiently utilised for investment rather than consumption.

Nigerian Excess Crude Account – Financial Analysis Report
Mr. Bode Longe, Managing Director, BL&C Limited, provided in-depth analysis of the Excess Crude Account (ECA) showing cash flow patterns and irregularities of public and government-owned data.

Key Points:
- Establishment and purpose of the ECA.
- 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.
• The sum of $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.

Policy and Advocacy Approaches for Establishing Fiscal Rules in Nigeria
Dr. Obiageli Ezekwesili, Director, Africa Economic Development Policy Initiative, proposed three approaches for establishing fiscal rules in Nigeria. The presentation also included case studies of other countries including China, Botswana, Norway and Ghana.

Key Points:
• Direct constitutional amendment and reform driven by the political class are required.
• Civil society should initiate national economic debates and dialogue aimed at constitutional reforms - driven by citizens.
• Nigeria should not maintain the Status Quo of generally uncoordinated measures by government.
• China pulled more than 700,000,000 people out of poverty by utilising strategic policies to improve their economy.
Advocacy Strategy and Monitoring Framework

Mr. Amara Nwankpa emphasized the need to ensure that conversations on savings and stabilization mechanisms for Nigeria are not politicized. He presented an advocacy strategy and monitoring framework that elicited contributions from participants:

1. Education and Awareness Strategy to determine:
   - Advocacy roles that individuals, CSOs and other organizations would play
   - Target audiences
   - Information required to participate in economic debates
   - Best tools and frequency of engagement required to reach the target audience
   - Methods of measuring engagement and understanding the target audience

2. Building Consensus
3. Establishing a Citizens' Collective

Participants Responses

- Simplify data generated from roundtables and disseminate to key actors and community members using social media and existing networks.
- Organize interactive sessions for members of State and National Assemblies to share acquired knowledge from roundtables and discuss their role in improving fiscal policies in Nigeria, beginning at state level.
- Instil in communities the will to impact government by reacting collectively but peacefully to unfavourable policies.
- Build synergy between civil society organizations and academic institutions.
- Expand scope of research and make available information regarding revenue, stabilization mechanisms and fiscal policies at state and local government levels.
- Need to be less technical and more practical during advocacy.
- Simplify data analysis and translate to local dialects where necessary for understanding of people at the grassroots.
- Encourage marginalized rural communities to demand accountability from community leaders through community outreach and town hall meetings and ensure members of the community are actively involved in their governance affairs.
- Send freedom of information newsletters to religious and traditional leaders.
- Use specific measurable indicators to determine progress.
- Advocacy and outreach programs should be a consistent and continuous effort.

Press Briefing

A press briefing was held on July 23 2018, with representatives of media organizations. Mr. Amara Nwankpa read the communique on behalf of the panel and invited questions and comments from media.

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:

<table>
<thead>
<tr>
<th></th>
<th>AGREE</th>
<th>DISAGREE</th>
<th>NEITHER</th>
<th>NEED MORE INFORMATION</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>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;</td>
<td>100%</td>
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<td>2.</td>
<td>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.</td>
<td>93%</td>
<td>7%</td>
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<td>3.</td>
<td>Mandate transparency and accountability with disclosure and reporting requirements on deposits and withdrawals from the Excess Crude Account - ECA;</td>
<td>93%</td>
<td>7%</td>
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<tr>
<td>4.</td>
<td>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;</td>
<td>100%</td>
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<td>5.</td>
<td>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);</td>
<td>100%</td>
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<td>6.</td>
<td>Encourage all tiers of government to regularly meet their financial obligations to the Sovereign Wealth Fund account;</td>
<td>100%</td>
<td>7%</td>
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<td>7.</td>
<td>Collapse the Excess Crude Account and 0.5% Stabilization account into the Sovereign Wealth Fund;</td>
<td>73%</td>
<td>13%</td>
<td>7%</td>
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<td>8.</td>
<td>Strengthen NSIA with appropriate guarantees on transparent and accountable governance to re-assure stakeholders;</td>
<td>86%</td>
<td>7%</td>
<td>7%</td>
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<td>9.</td>
<td>Build a critical mass to demand change in the institutional framework guiding Nigeria’s Savings and Stabilization Funds,</td>
<td>100%</td>
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<td>10.</td>
<td>Ensure that oil, gas and mineral revenues are more effectively and efficiently utilized for capital investment rather than consumption;</td>
<td>86%</td>
<td>7%</td>
<td>7%</td>
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<td>11.</td>
<td>Strictly monitor implementation of yearly budgets;</td>
<td>100%</td>
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<td>12.</td>
<td>Diversify the economy through investment in non-oil sectors;</td>
<td>93%</td>
<td>7%</td>
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<td>13.</td>
<td>Increase contributions of the oil industry to GDP;</td>
<td>73%</td>
<td>13%</td>
<td>7%</td>
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<td>14.</td>
<td>Establish National Economic Governance Debates organized by Civil Society;</td>
<td>100%</td>
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<td>15.</td>
<td>Revise and fully implement the Niger Delta Masterplan;</td>
<td>86%</td>
<td>7%</td>
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<td>16.</td>
<td>Civil Society Organizations should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation;</td>
<td>100%</td>
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<td>17.</td>
<td>CSOs should demand transparency of revenue inflow and outflow from the Federation Account;</td>
<td>100%</td>
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Media Mentions
Following the roundtable and press briefing, there were a number of media mentions of event proceedings in electronic and print media:

1. Vanguard Newspaper


Shehu Musa Yar’Adua Foundation has advocated the amendment of Section 162 of the 1999 Constitution to include the establishment of the Excess Crude Account (ECA) and also make it automatic for the fund to be domiciled in the Nigeria Sovereign Investment Authority (NSIA).

This is even as they advocated that the law should also stipulate stringent measures from withdrawing from the account.

2. AIT Online

http://aitonline.tv/post-
oby_ezekwesili_advocates_constitutional_amendment_for_operation_of_excess_crude_acc
ount

The Nigerian government has been told to lead the constitution amendment process that will create a legal framework for the operation of the excess crude account and other stabilization funds.
A former Minister of Education and Vice-President of the World Bank’s Africa division, Mrs Oby Ezekwesili, has called on the Federal Government to quickly initiate the process of amending the constitution to legalise the savings derived from an increase in the price of crude oil.

Ezekwesili said this at a workshop on the savings and stabilisation mechanism for Nigeria organised by the Oil Revenue Tracking Initiative of the Shehu Musa Yar’Adua Foundation and the Nigeria Natural Resource Charter in Abuja on Monday.

The former minister said one of the issues that led to Nigeria’s recession in 2016 was the sharp drop in the price of crude oil.

She noted that since there was no legal framework for saving the money that was made during the days of high oil prices, the money was wasted thereby leaving Nigeria vulnerable.
4. Guardian Newspaper

Saraki denies juicy offers by presidency, APC

Saraki, President Buhari's successor, has rejected reports that he is being lured to join the ruling APC, and the ruling All Progressives Congress (APC), by a promise of juicy offers by the presidency. The president, in a statement on Tuesday, said the reports that he was being wooed by the ruling party were misleading.

The report alleged that Saraki, the deputy, and APC leaders, were negotiating a deal to join the ruling party to boost the number of APC representatives in the National Assembly. The report also alleged that Saraki had been approached by APC leaders to join the party and that he had been promised a position of power in the new administration.

However, Saraki denied the reports, saying they were baseless and aimed at spreading misinformation. He also said that he had never had any discussions with APC leaders about joining the party.

The National Assembly has been in session since last week, with the main focus on the budget and other legislative matters. The opposition party, the PDP, has been critical of the budget, saying it was not inclusive and did not address the needs of the people.

5. NAN News

http://www.nan.ng/news/101311/

Why Excess Crude Account won't work without Constitution Amendment – Group

6. Matz Media

7. **World Law Centre**

[https://www.worldlawcentre.com/international-law-news/ezekwesili-others-seek-constitutional-amendment-on-eca/x6507598bfb368137002egetepfqnpmsswone](https://www.worldlawcentre.com/international-law-news/ezekwesili-others-seek-constitutional-amendment-on-eca/x6507598bfb368137002egetepfqnpmsswone)

**Ezekwesili, others seek constitutional amendment on ECA**

25/07/2018

A former Minister of Education and Vice-President of the World Bank’s Africa division, Mrs Oby Ezekwesili, has called on the Federal Government to quickly initiate the process of amending the constitution to legalise the savings derived from an increase in the price of crude oil. Ezekwesili said this at a workshop on the savings and stabilisation mechanism for Nigeria organised by the Oil Revenue Tracking Initiative of the Shehu Musa Yar’Adua Foundation and the Nigeria Natural Resource Charter in Abuja on Monday. The former
Conclusion
Participants agreed that intense policy engagement and advocacy are the next steps to ensuring that a savings and stabilization mechanism becomes a key agenda of policymakers in order to effect desired change.