A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA

SHERATON HOTEL, LAGOS
JULY 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
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 1- Mr. Onyeankwe giving a comparative analysis of Nigeria’s performance with respect to other countries

Mr. Onyeankwe urged participants to discourage withdrawal from the stabilization fund accounts, monitor budget implementation and ensure that transitory incomes are more efficiently utilised for investment rather than consumption.

Nigerian Excess Crude Account – Financial Analysis Report
Mr. Bode Longe, 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. He expressed dissatisfaction over the depletion of the ECA from a net expected balance of $84.58 billion to $2.32 billion, despite estimated revenue of over $1 trillion. Mr. Longe shared results from a commissioned study that sought to gauge government transparency in administration of the ECA from 2007 to 2017. The study uncovered inconsistencies between public and government data. In conclusion, Mr. Longe urged reassessment of 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, with particular 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, urged the establishment of fiscal rules for a direct constitutional amendment and reform, initiated by the Executive Arm of the Federal Government and the 36 States of the Federation, to be executed by the National and State Houses of Assembly. Recommendations specific to oil revenue management were made to revise relevant clauses necessary to empower automatic funding of the NSIA into the Nigerian constitution and adopt an amendment of the current provisions of the constitution.

Key Points:
• Nigeria has failed to make the transition to a capable state able to produce enviable development outcomes such as the diamond rich nation of Botswana.
• The urgent need for an effective savings mechanism as well as a transparent governance structure that ensures operational controls, risk management and accountability of funds.
• The need for amendment of sections 162(1), (2) and (10) of the 1999 Constitution, which prescribes modes of sharing oil revenue with regard to the ECA.
• Suggestion of three policy options for setting fiscal rules for Nigeria:
  - Direct constitutional amendment and reform driven by the political class.
  - National economic debates and dialogue instituted by civil society aimed at constitutional reforms driven by citizens.
  - Maintain the Status Quo of generally uncoordinated measures by government.
• A proposal to trigger effective public dialogue to secure political buy-in for structural reform of public financial management.
Discussions
Mr. 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.

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 ECA 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 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 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% of government revenue.

3. Stabilization mechanisms have been ineffective due to mismanagement and 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**

**Excess Crude Account**

1. Politically negotiate and agree binding rules for ECA revenue inflows and outflows until a constitutional amendment is effected to entrench the ECA;

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. Create a real-time platform for the Federal Ministry of Finance to provide figures on the ECA (this will end conflicting reports 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;

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 July 30, 2018, with notable media organizations in attendance. Mr. Amara Nwankpa read the communique on behalf of the panel and invited questions and comments from the media.

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

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

<table>
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<th></th>
<th>AGREE</th>
<th>DISAGREE</th>
<th>NEITHER</th>
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<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>95%</td>
<td>5%</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>100%</td>
<td></td>
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<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>95%</td>
<td></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>
<td></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>
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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>63%</td>
<td>11%</td>
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8. Strengthen NSIA with appropriate guarantees on transparent and accountable governance to re-assure stakeholders; 95% 5%
9. Build a critical mass to demand change in the institutional framework guiding Nigeria’s Savings and Stabilization Funds. 90% 5% 5%
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; 100%
12. Diversify the economy through investment in non-oil sectors; 95% 5%
13. Increase contributions of the oil industry to GDP; 84% 16%
14. Establish National Economic Governance Debates organized by Civil Society; 95% 5%
15. Revise and fully implement the Niger Delta Masterplan; 84% 11% 5%
16. Civil Society Organizations should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation; 95% 5%
17. CSOs should demand transparency of revenue inflow and outflow from the Federation Account; 100%

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

   The group also called for submission of proposals to assist its advocacy programs targeted at ensuring establishment of effective stabilization mechanisms and encourage fiscal responsibility in Nigeria.

   The CSIO – Oil Revenue Tracking Initiative of the Yayi/Ade Foundation – gathered CSOs, community groups and newsmen in South West region to provide information regarding the need for effective fiscal and oil governance frameworks and encourage them to demand accountability.

   In a communiqué issued at the end of a roundtable which focused on Savings and Stabilization Mechanism for Nigeria, it stated that, “Despite earning over one trillion dollars from oil since 1970, there are more Nigerians living in poverty than any other country in the world.

   “Nigeria’s proven oil reserves in 2015 were 37 billion barrels. At current levels of production, reserves are projected to last for another 37 years. This increases the urgency of the need to save for future generations.

2. Sun News Online
N11.579tr in ECA unaccounted for in 11 years
— 3rd July 2016
Steve Agbota

The last may not have been heard of the deep-rooted slush in various Federal Government agencies and institutions as a recent report has revealed how an estimated N11.5 trillion, an equivalent of $82.26 billion lodged in the Excess Crude Account in the Central Bank of Nigeria vanished without a trace.

According to the Economic Analyst, Bode Longe, expected inflow to ECA was $162.50 billion, while withdrawals from the account as Federation Accounts Allocation Committee (FAAC) distribution plus Sure-P and NIPF was $82.93 billion.

According to him, net expected balance in ECA as at 2017 was $88.43 billion and amount unaccounted for within the period of 11 years was $62.26 billion, equivalent to N11.579 trillion in ECA. He noted that $79.74 billion on N11.579 trillion was also unaccounted for in ECA in over eight years while $2.52 billion on N1448 billion was unaccounted for in ECA in three years.

This was as public policy analyst, Dr. Olajide Ezekwesili, stated that Nigeria conservative earned an estimated $1 trillion in oil revenue, but made no significant savings, nor had these earnings translated to lending and productive capital through human development, physical infrastructure and institutions.

She observed that the Obasanjo administration’s economic reforms of 2003-2007 represented the first attempt at breaking the pattern through the innovation of a “savings mechanism” known as ECA. According to her, ECA proved so successful that at the end of that administration in 2007, it had accumulated $17 billion despite paying the Paris Club $12.4 billion.

She, however, regrett that “the tempo of the accumulation of savings was not sustained by two successive administrations of President Umaru Musa Yar’Adua (2007-2010) and Dr. Goodluck Jonathan (2010-2015). The situation worsened thereafter, despite six years of record high oil prices, which could have built up Nigeria’s foreign reserves to as much as $100 billion including an ECA level of at least $40 billion. The depletion of ECA to about $3.5 billion has made the country more vulnerable than it was in the past and put the economy at great risk.”

She lamented that Nigeria has failed to make the transition from a country to a nation and from a nation to a capable state, a situation that has warped the country’s capacity to organise its economic governance creditably to produce valuable development outcomes like Botswana did even as a diamond rich country.

https://punchng.com/ekewesili-others-advise-fg-on-excess-crude-account/
4. Tribune Newspaper

http://aitonline.tv/post-oby_ezekwesili_advocates_constitutional_amendment_for_operation_of_excess_crude_account

Former minister of education, Oby Ezekwesili said this in Abuja at a roundtable on savings and stabilization mechanism for Nigeria.

Proper recording of revenue accrued to the excess crude account has been a subject of debate among economic analysts in recent times.

The gathering of professionals was put together to discuss ways in which a legal framework on the account can be achieved.

Other speakers at the event emphasized the need for civil society organizations to embark on enlightenment campaigns that will demand transparency in government spending.

The round table discussion ended with the agreement to sustain the tempo of engagement with the executive and legislative arms of government for a change in the government structure of Nigeria's savings and stabilization funds.
6. New Stage


7. NNU Post

https://nnu.ng/collapse-eca-stabilization-account-into-swf-group-charges-fg

By Prince Okator

A Civil Society Organisation, CSIO, has called on the Federal Government to collapse the Excess Crude Account, ECA, and 0.5 percent stabilization account into the stabilization account of the Sovereign Wealth Fund, SWF.

Mr. David Samuel, consultant, Kandyson Consult; Mr. Amara Nwankpa Director, Public Policy Initiative; Shehu Musa Yar'Adua Foundation; Mr. Andrew Onyebulike; Consultant, Kandyson Consult; Mr. Bode Lorge, Consultant, BL&C Limited during the roundtable

The group also called for submission of proposals to assist its advocacy programs targeted at ensuring establishment of effective stabilization mechanisms and encourage fiscal responsibility in Nigeria.

The CSIO– Oil Revenue Tracking Initiative of the Yar’Adua Foundation – gathered CSOs, community groups and newsmen in South West region to provide information regarding the need for effective fiscal and oil governance frameworks and encourage them to demand accountability.

“Nigeria’s proven oil reserves in 2016 were 37 billion barrels. At current levels of production, reserves are projected to last for another 37 years. This increases the urgency of the need to save for future generations.

“Despite oil revenue earnings, 60 percent of the population still lives below the poverty line. Corruption, mismanagement of oil reserves and lack of devolution in the export sector have slowed economic growth and contributed to high poverty levels. Multiple “crises” associated with natural resource endowed economies are all manifest in Nigeria.

“Despite the substantial revenues that have accrued to state and local governments, states are still burdened by debts from outstanding salaries owed to workers and huge contractor debts.”

The communiqué reads: “Government should follow due process in management of the ECA in line with demands from CSOs and the Fiscal Responsibility Commission, also ensure that energy data and statistics are accessible to the public. Place a priority on investment over consumption.

“Increase transparency regarding revenue inflow and outflow from the Federation Account. Ensure that the Niger Delta master plan is revised and fully implemented. Ensure that disbursement of funds from stabilization accounts is absolutely discouraged. Ensure that all tiers of government meet their financial obligations to the Sovereign Wealth Fund account.

“Norway serves as an example to Nigeria regarding an effective saving and stabilization mechanism. By May 2018, Norway’s sovereign wealth fund, established in 1996, had accumulated approximately one trillion dollars. It is projected that by 2030, the fund will have increased to three times its current size. This will ensure a monthly income of $1,500 per Norwegian.”
8. Dotunroy Media


AN NGO CALLS FOR IMPROVED FISCAL AND REVENUE MANAGEMENT IN NIGERIA!

Shehu Musa YarAdua Foundation, a non-governmental organisation in Nigeria has called on Federal Government, relevant authorities and policy makers to establish legal and policy frameworks for improved fiscal and revenue management in Nigeria using Excess Crude Oil Account as a typical case study.

The foundation has made this call in a Press Briefing and communiqué released at the Roundtable meeting themed ‘A Savings and Stabilization Mechanism for Nigeria’ on Monday in Lagos which had Resource persons, financial experts, technocrats, Civil society Organisations and the media in attendance.

According to Amara Nwankpa, Coordinator, Oil Revenue Tracking Initiative, Yar’Adua Foundation while giving an introductory remarks at the Roundtable, “after several researches by our organisation on Nigeria’s Savings and Stabilization Fund Mechanisms, it has been revealed that Nigeria having gone through five cycles of oil booms accruing well over one trillion dollars in oil revenue had made no significant savings, nor translated these earnings to lasting and productive capital through human development, physical infrastructure and institution building.”

“At this juncture, it has become imperative that legal, workable policy options and advocacy frameworks be put in place for the Excess Crude Account (ECA) and other Stabilization Funds to be more effective and beneficial to the citizens’ he said.

“ECA which ought to be a saving mechanism for critical infrastructural and human capital development as well as to build institutions has however been mismanaged and diverted for personal gains by the unscrupulous leadership due to ineffective accountability structure in the polity over the years” Nwankpa remarked.

Bode Longe, an Economic Analyst who gave insightful presentation at the Roundtable, while sharing the trajectory of Oil Revenue/Excess Crude Oil Account in Nigeria since 1970 till date revealed the volatility of the Nigeria’s Economy with a cursory look at the contributions of both Oil Sector and non-oil sector to the Nigeria’s GDP with attendant effects on infrastructural and Human Capital development.

“These volatility in the statistics reveal that Nigeria as a country has not been saving for the rainy day, which may spell doom for the Nigeria’s economy in the near future”, Longe said.

Already Oil is a depleted resource in Nigeria, Experts have predicted that by 2030 there may not be single barrel of crude oil in Nigeria, hence the need to save for the rainy day, said Longe.

Also speaking at the Roundtable, Former Nigeria’s Minister of Education, Dr Obiageli Ezekwesili while giving her keynote address stated that Nigeria has suffered major developmental setbacks in the past due to several predatory allies and class who have decided to keep milking the countries resources dry – channeling these resources for their personal uses and gains due to lack of efficient transparency and accountability structures in place.

Ezekwesili added that most of these developmental setbacks happened in the 80s and 90s which unfortunately were the decades of oil boom in Nigeria. She referred to these decades as “Wasted Decades” in Nigeria.

9. Investors King

http://investorsking.com/ezekwesili-others-advise-fg-excess-crude-account/

- Ezekwesili, Others Advise FG on Excess Crude Account

Stakeholders, including a former Vice-President, Africa Region, World Bank, Oby Ezekwesili, on Monday called on the Federal Government to insist on accountability and binding rules on revenue outflow from the nation’s Excess Crude Account.

They said the absence of rules of practices governing deposits, withdrawals and investment of the ECA led to Nigeria being ranked as having the most poorly governed sovereign wealth fund among 35 resource-rich countries in a 2017 report by the Natural Resource Governance Institute.

The stakeholders spoke at a roundtable meeting on savings and stabilisation mechanism for Nigeria, organised by the Shehu Musa Yar’Adua Foundation in Lagos.

According to Ezekwesili, members of the executive in the country have turned the ECA into an instrument to withdraw funds from, when in the real sense, the funds are meant to be kept safe, saved abroad and invested in human capital and world-class intuitions.

She said there was a need to develop a mechanism to bring the federal and state governments together to discuss issues that would benefit all.

Ezekwesili added that 80 per cent of state governments depended mostly on the Federation Accounts Allocation Committee for more than 80 per cent of their budgetary revenues.

“Basically, we earn oil revenue to run governance at all levels and leave development for anything the citizens can lay their hands on to survive. Many have been copped by Nigeria’s failure and the belief that they are at least better than their neighbours or colleagues, but we cannot keep living like this,” she added.
10. This Day Newspaper
http://www.nigeriamasterweb.com/paperframes.html

Yar'Adua Foundation Calls for Review of Nigeria's Stabilisation Fund Mechanisms

The Director of Public Policy Initiative, Mr. Amao Iwahkpwa, who made this known in Ilajra on Monday, said that the country needs to reform its public finance management so that its oil wealth can result in equitable economic benefits for the citizens. He noted that the country has earned more than $1 trillion since 1970, but about 45.8 million Nigerians are still living in extreme poverty.

According to Iwahkpwa, the Oil Revenue Trading Initiative of the Yar'Adua Foundation convened the meeting of civil society organizations, community groups and media in South-West region to share their information regarding the need for effective fiscal and oil governance frameworks and encourage them to demand accountability.

The Foundation also commended the government at the end of the roundtable called for a collapse of the excess crude account and 5% per stabilisation account into the stabilisation of the Sovereign Wealth Fund. The civil society groups have called on government to plan "for a new investment strategy, increase transparency regarding revenue inflow and outflow from the Federation."

"Government should follow due process in management of the ECA in line with demands from CSOs and the Fiscal Responsibility Commission, also ensure that energy data and statistics are accessible to the public."

11. Channels TV
https://youtu.be/OAqjAodU7HQ

Crude Oil Value Chain: Policy Experts Say It Is Time To Review Stabilisation Mechanism

12. The Guardian
https://guardian.ng/energy/ezekwesili-advises-csos-onconstitutional-amendments/
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.