

Communiqué issued at a Roundtable on the Savings and Stabilization Mechanism for Nigeria

Organized by the Shehu Musa Yar’Adua Foundation and the Nigeria Natural Resource Charter

May 24, 2018

Protea Hotel, Victoria Island, Lagos

INTRODUCTION

Nigeria requires improved legal, policy and advocacy frameworks for the Excess Crude Account (ECA) and other Stabilization Funds to be more effective and beneficial to citizens. Importantly, every Nigerian has a responsibility to engage the Federal Government on this.

These were the unanimous views of speakers and guests at a Roundtable on *The Savings and Stabilization Mechanism for Nigeria* organized by the Oil Revenue Tracking Initiative of the Shehu Musa Yar’Adua Foundation and the Nigeria Natural Resource Charter (NNRC), on Thursday, May 24, 2018 at the Protea Hotel, Victoria Island, Lagos.

Resource persons and participants drawn from the Executive and Legislative arms of government, oil industry players, financial, investment and economic analysts, public policy analysts, civil society organizations (CSOs), development partners and the media expressed disappointment that despite an estimated trillion plus dollars in oil revenue, Nigeria has no significant savings nor have we translated these earnings to productive capital through human development, physical infrastructure and institution building.

PRESENTATIONS AT THE ROUNDTABLE

Findings of commissioned research on Nigeria’s Savings and Stabilization Fund Mechanisms made public at the event, included: “Improving Public Awareness and Advocacy on a Stabilization Mechanism for Nigeria”; “Safeguarding and Smoothing Fiscal Adjustments in Nigeria - Policy Options”; “Nigerian Excess Crude Account Financial Analysis Report” and “Media Analysis of ECA and Emerging Issues”.

OBSERVATIONS

1. 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.
2. The huge revenue from oil has not translated to real improvement in the welfare of citizens. According to the National Bureau of Statistics, Sixty per cent (60%) of the population still live below the poverty line. Corruption, mismanagement of oil reserves and lack of diversification in the export sector all have an important role to play in our slow economic growth and high poverty levels.

3. 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.
4. Stabilization mechanisms have been ineffective due to mismanagement and the prevalence of corruption in Nigeria.
5. Lack of political will has prevented proper implementation of the stabilization mechanism over successive administrations.
6. There has been no significant increase in the ECA despite rallying oil between July 2017 and January 2018.
7. Appropriations from the Excess Crude Account had previously gone through the FAAC. In the past 3 years, however, this does not seem to be the case. Withdrawals from the ECA are not disclosed to the FAAC even when appropriately documented elsewhere.
8. Successive governments have not followed due process and have not been transparent in the management of the ECA. This is evident in the unilateral withdrawals and distributions that undermines objective an appraisal of the ECA by statutory institutions such as the Fiscal Responsibility Commission
9. The absence of rules of practices governing deposits, withdrawals and investments of the ECA led to Nigeria being 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 as a country whose government does not implement the rules governing deposits, withdrawals or investment of such funds.
10. 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.

RECOMMENDATIONS

The following recommendations were put forward at the Roundtable:

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;
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.
3. Mandate transparency and accountability with disclosure and reporting requirements on deposits and withdrawals from the Excess Crude Account - ECA;
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;

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

Conclusion

The Roundtable ended on a note of agreement to sustain the tempo of engagement of the Executive and Legislative arms for the desired change we wish to see in the governance structure of our savings and stabilization funds.

Participants

Key participants included Dr. Obiageli Ezekwesili, Former Vice President (Africa Region) of the World Bank; Director of Africa Economic Development Policy Initiative (AEDPI) and Member of the NNRC Expert Advisory Panel, Mr. Odein Ajumogobia, Former Minister of State for Petroleum Resources and Chairman of the Nigeria Natural Resource Charter (NNRC) Expert Advisory Panel, Mr. Osten Olorunsola, Former Executive Director of the Department for Petroleum Resources, Professor Adenikinju, member of the Central Bank Monetary Policy Board and member of the NNRC Expert Panel. Also in attendance were other members of the NNRC Expert Advisory Panel; Mr. Sam Daibo, Dr. Ukoha Ukiwo, Ms. Ronke Onadeko and representatives from Ministries Departments and Agencies, Civil Society, National Assembly and the Media.