

COMMUNIQUE ISSUED AT THE ROUNDTABLE MEETING ON
A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA
ORGANIZED BY THE SHEHU MUSA YAR'ADUA FOUNDATION

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BACKGROUND

Nigeria needs to reform its public finance management if it is to translate substantial oil wealth into equitable economic benefits for its citizens. 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.

The Oil Revenue Tracking Initiative of the Yar'Adua Foundation on July 30, 2018 convened civil society organizations, community groups and media in the South West region to provide information regarding the need for effective fiscal and oil governance frameworks and encourage them to demand accountability.

PRESENTATIONS AT THE ROUNDTABLE

Experts on petroleum and energy economics, public policy and media analysts, shared their wealth of expertise and made recommendations towards the establishment of a savings and stabilization mechanism for Nigeria. Presentations included: *Oil Revenue and the Nigerian Economy*, *Review of Stabilization Programs in Nigeria*, *Media Perspective on Nigeria's Savings and Stabilization Mechanisms*, *Policy and Advocacy Approaches for Establishing Fiscal Rules in Nigeria* and *Advocacy Strategy and Monitoring Framework*.

OBSERVATIONS

1. Countries that depend on revenues from natural resources to finance their budgets are characteristically prone to boom-and-bust cycles.
2. Over reliance on oil reduces the capacity of government to provide socio-economic benefits for citizens.
3. Oil is the dominant source of Nigerian export and foreign exchange earnings for Nigeria and the largest contributor to government's revenue.
4. Economic reforms established by the Obasanjo Administration (2003-2007) represented the first attempt to break the pattern through the innovation of a "savings mechanism" known as the Excess Crude Account (ECA).
5. Attempts have been made to institutionalize the ECA in the Fiscal Responsibility Act of 2007 but state governors claim it contradicts the 1999 Constitution.
6. Nigeria's proven oil reserves in 2015 was 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.
7. Despite oil revenue earnings, 60% of the population still lives below the poverty line. Corruption, mismanagement of oil reserves and lack of diversification in the export sector have slowed economic growth and contributed to high poverty levels. Multiple "curses" associated with natural resource endowed economies are all manifest in Nigeria.
8. 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.

9. Norway serves as an example to Nigeria regarding an effective savings and stabilization mechanism. By May 2018, Norway's sovereign wealth fund, established in 1990, 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.

RECOMMENDATIONS

Civil Society

1. Develop effective messaging to drive conversations regarding transparency and accountability.
2. Adapt and share content regarding savings and stabilization frameworks that have worked in other countries.
3. Simplify data, statistics, indicators and analysis for Nigerians at the grassroots level to engage.
4. Sustain conversations and messaging on savings and stabilization mechanisms with key advocacy actors, oil and media.
5. Create awareness on the importance and benefits of effective stabilization mechanisms to society at all levels.
6. Include traditional and religious leaders in advocacy initiatives.
7. Create awareness on the need for proper implementation of the budget.
8. Utilize mechanisms deployed by "Not too Young to Run" for effective advocacy campaigns.
9. Collectively and consistently demand transparency in all Public-Private sector initiatives.

Government

1. Follow due process in management of the ECA in line with demands from CSOs and the Fiscal Responsibility Commission.
2. Ensure that energy data and statistics are accessible to the public.
3. Place a priority on investment over consumption.
4. Increase transparency regarding revenue inflow and outflow from the Federation Account.
5. Ensure that the Niger Delta Master Plan is revised and fully implemented.
6. Ensure that disbursement of funds from stabilization accounts is absolutely discouraged.
7. Ensure that all tiers of government meet their financial obligations to the Sovereign Wealth Fund account.
8. Collapse the Excess Crude Account and 0.5% Stabilization account into the stabilization account of the Sovereign Wealth Fund.

Conclusion

The Oil Revenue Tracking Initiative of the Yar'Adua Foundation called for submission of proposals to assist civil society organization advocacy programs that ensure the establishment of effective stabilization mechanisms and encourage fiscal responsibility in Nigeria. Participants agreed to collaborate in joint efforts that demand transparent leadership and accountability in the oil sector and monitor Nigeria's savings and stabilization funds.

PARTICIPANTS

Participants included Dr. Obiageli Ezekwesili, Former Vice President (Africa Region) of the World Bank and Director of Africa Economic Development Policy Initiative (AEDPI); Bode Longe (Economic Analyst), Andrew Onyenakwe (Kaydson Konsult), Dr. Ibrahim Salawu (Kwara State University); Fisayo Ajala (Spaces for Change); Muhammad Ganiyat (NANS); Abel Akeni (BudgIT) and Timothy Adewale (SERAP).