A SAVINGS AND STABILIZATION MECHANISM FOR NIGERIA

PROTEA KURAMO WATERS HOTEL, LAGOS

MAY 24, 2018

ROUNDTABLE REPORT

OIL REVENUE TRACKING INITIATIVE
SHEHU MUSA YAR’ADUA FOUNDATION
Welcome and Introductions
Mr. Amara Nwankpa, Project Coordinator of the Oil Revenue Tracking Initiative (ORTI), Shehu Musa Yar’Adua Foundation, welcomed participants, gave a brief overview of the event agenda and highlighted objectives of the roundtable.

Presentations

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

Figure 1 - Mr. Bode Longe during his presentation on the ECA

Media Analysis of ECA and Emerging Issues
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, 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.
Improving Public Awareness and Advocacy on a Stabilization Mechanism for Nigeria

Professors Adeola Adenikinju of the Centre for Petroleum Energy Economics and Law, and Andrew Onyeanakwe, discussed implications of crude oil price volatility on key macroeconomic variables and human development indicators. The presentation also included a comparative analysis of Nigeria’s performance with respect to other countries with stabilization policies and programmes.

Key Points:

- Oil price volatility affects every aspect of the economy: the 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.
- The 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 mechanism.
The session urged government agencies to discourage withdrawal from the ECA, monitor budget implementation and ensure transitory incomes are more efficiently utilised for investment rather than consumption.

**Safeguarding and Smoothening Fiscal Adjustments in Nigeria - Policy Options**

Dr. Obiageli Ezekwesili, Director, Africa Economic Development Policy Initiative, described Nigeria’s resource curse and the ‘Dutch disease’, a negative impact on an economy due to an inflow of foreign currency. She illustrated Norway and Botswana as examples of countries that have leveraged deliberate policy objectives to guide revenue management.

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, sound governance structure that ensures operational controls, risk management, and accountability of funds.
- The need for an 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 gave a recap of presentations and stated that Nigeria needs improved policy and advocacy frameworks to ensure that oil revenue savings in the ECA and Stabilization Fund become more effective and beneficial to citizens. It was also unanimously agreed that every Nigerian has a role to collaboratively engage the Federal Government to implement and sustain a more effective savings and stabilization mechanism.
Participants were encouraged to ask questions and make comments on presentations. As a result, the following observations and recommendations were made:

**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 the conflicting accounts from Ministry of Finance and Office of 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 May 25, 2018, with notable media institutions featuring members of the Expert Advisory Panel - Nigeria Natural Resource Charter (NNRC), Resource Persons and Consultants.
Mr. Odein Ajumogobia (SAN), Former Minister for Petroleum Resources and chair of the EAP-NNRC, read the communique on behalf of the panel and invited questions and comments from the media.

Summary of Discussions:

1. The importance of establishing structural procedures to monitor inflows and outflows regarding the ECA. It was observed that the current process is flawed because no one seems to know exactly how much has been accrued and withdrawn from the ECA till date.
2. Amendment of the constitution in order to legalise the ECA and ensure it is used for its intended purpose.
3. The need for policy advocacy regarding a stabilization mechanism for Nigeria championed by the media and civil society.

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. **Tribune Online**
   

   **Nigeria made no savings from $1trn in oil revenue, says Ajumogobia**

   According to him, Appropriations from the Excess Crude Account (ECA) have previously gone through the FAAC, adding that in the past three years withdrawals from the ECA are not disclosed to the FAAC even when properly documented elsewhere.

   He observed that the ECA lacks transparency and has an unclear methodology for withdrawals and distributions manifested in unilateral withdrawals by successive governments.

   "Nigeria’s ECA has been ranked the most poorly governed sovereign wealth fund among 33 resource-rich countries, according to a 2017 report by the Natural Resource Governance Institute."

   "Nigeria was placed in the last position along with the Qatar Investment Authority as a country whose government discloses almost none of the rules or practices governing deposits, withdrawals or investment of the ECA."

   **ALSO READ**:  Osun joins states: Think, plan like countries to succeed financially.

   "The huge revenue from oil has not translated to real improvement in the welfare of citizens. Fifty percent of the population, according to the National Bureau of Statistics, still lives 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."

   In recommending possible solutions to the problem, Ajumogobia observed that the ECA and 0.5% stabilization fund should be collapsed into the Sovereign Wealth Fund.

   He added that Civil Society Organizations should generate grassroots political pressure regarding the importance and benefits of the stabilization fund to the nation.
2. Guardian Newspaper

https://guardian.ng/energy/ezekwesili-ex-drp-boss-seek-legal-status-for-excess-crude-account/

3. ThisDay Newspaper
Obasanjo Administration Spent Only $3.5bn on New Power Projects, Says Ezekwesili

Ulfah Ali

An allegatios and countera allegatios is to refute this allegatio. The obasanjo administration made the news about the new power projects. The obasanjo administration is called for the new power projects. The new power projects are to improve the power situation in the country. The obasanjo administration is to be praised for the new power projects. The new power projects are to be applauded. The obasanjo administration is congratulated for the new power projects.

But Robert F. Kochar of the United Nations Development Programme said that Nigeria's new power projects were not sufficient. He said that Nigeria's new power projects were not sufficient to meet the country's energy needs. He said that Nigeria's new power projects were not sufficient to meet the country's energy needs. He said that Nigeria's new power projects were not sufficient to meet the country's energy needs.

The Sunday Telegraph Newspaper

4. The Sunday Telegraph Newspaper

Sit-at-Home! IPOB Warns Police Commissioners in South-east against Interference

David-Christopher Eliebe

The Indigenous People of Biafra (IPOB) has warned that the police should not interfere in the sit-at-home protest in the South-East. The IPOB has warned that the police should not interfere in the sit-at-home protest in the South-East. The IPOB has warned that the police should not interfere in the sit-at-home protest in the South-East. The IPOB has warned that the police should not interfere in the sit-at-home protest in the South-East.

Nigeria made no savings on $1trn crude earnings – Ajumogobia

Ajjumogobia

Ajjumogobia, a former oil industry executive, has said that Nigeria made no savings on its $1 trillion crude earnings. Ajjumogobia, a former oil industry executive, has said that Nigeria made no savings on its $1 trillion crude earnings. Ajjumogobia, a former oil industry executive, has said that Nigeria made no savings on its $1 trillion crude earnings. Ajjumogobia, a former oil industry executive, has said that Nigeria made no savings on its $1 trillion crude earnings.
5. **The PUNCH Newspaper**

A clarion call for improved savings culture

Jide Ojo

Research has shown that many Nigerians have poor savings culture. Under the guise that we do not earn enough to meet our immediate needs, we always end up consuming all that we earn. We rarely leave anything for the proverbial rainy day when we will not be able to go out to work. It turns out that as it is for individual Nigerians, so it is for our country. For decades after independence, we have no savings and stabilisation fund. We have been a mono-cultural economy, depending largely on oil and gas revenue while failing signally to use the proceeds therefrom to develop other sectors of the economy. When the price of crude oil falls in international market, our economy is negatively affected as there are no savings from which to draw to cushion the effects.

On Thursday, May 24, 2018, I was one of the participants at a roundtable on “The Savings and Stabilisation Mechanism for Nigeria”, organised by Shehu Musa Yar’Adua Foundation and the Nigerian National Resource Charter. The meeting had in attendance dignitaries such as Mrs Obiageli Ezekwesili, a former Vice President (Africa Region) of the World Bank; Odein Ajumogobia (SAN), a former Minister of State, Petroleum Resources and Chairman of the NNRC Expert Advisory Panel; Osten Oluyemisi Olorunsola, a former Executive Director of the Department for Petroleum Resources; and Prof Adeola Adenikinju, member of the Central Bank Monetary Policy Board. Also in attendance were other representatives from Ministries, Departments and Agencies, civil society, National Assembly and the media.


6. **NTA News**

May 25, 2018: 9pm nationwide news and 7pm Lagos local news.

7. **Ray Power FM**

May 25, 2018: 6pm nationwide news.
Figure 6: NNRC live stream of the Roundtable Meeting on Facebook
Conclusion
All participants agreed that intense policy engagement and amendments are the next steps to ensuring that a savings and stabilization mechanism becomes a key agenda of policymakers in order to effect desired change.