

## **REPORT OF THE NEITI ROADSHOW & TOWN HALL MEETING IN YENAGOA, BAYELSA STATE, 5TH & 6TH OCTOBER 2009**

**Background:** The Nigerian Extractive Industries Transparency Initiative (NEITI) held a Road Show in Yenagoa, Bayelsa State, South-South geo-political zone of Nigeria on 5<sup>th</sup> and 6<sup>th</sup> October 2009. The purpose of the road show was to present the report of the 2005 Audit undertaken by the NEITI Secretariat to the state governments and people of the geo-political zone, to create the necessary awareness among the citizens on the events within the Nigerian Extractive Sector and the work on NEITI.

### **DAY ONE**

**Opening:** The meeting started at 10.30am with the introduction of special guests of honour.

In his welcome address, Mallam Haruna Yunusa Sa'eed, Executive Secretary of the NEITI welcomed participants to the Road Show, stating that Nigerians need to know more about NEITI which is a government establishment with a three pronged and unique composition: the government, industry players and the civil society. The Executive Secretary noted that NEITI was set up to ensure transparency and accountability in the extractive industry by ensuring due process and transparency in all payments made by all extractive industry companies to the government; monitor and ensure accountability in the receipts by the government and that the government accounts for the application of the revenue derived from these payments from the extractive industries companies.

The Executive Secretary emphasised that the role of the civil society includes ensuring the application of these resources by the government for the good of the people. To that end, the current chair of the board of the NEITI has been a renowned civil society activist and the zone is specifically represented on the board by Comrade T.K. Ogoriba.

Speaking further, the Executive Secretary informed participants that the NEITI have carried out audits from 1999 – 2004. The 2005 audit which is the most current audit conducted, will be discussed and light shed on grey areas on the findings of the audit. With the presentation of the audit report, the participants will be aware of the

resources that accrued to the government, the allocation received by their State governments and strategise on what demands should be made by the civil society.

#### OPENING REMARKS BY THE CHAIRMAN NSWG/NEITI, PROF. ASSISI H. ASOBIE

In his opening remarks, the Chairman NSWG/NEITI Prof Assisi H. Asobie, noted that the Road show/Town Hall Meeting was sitting on the home of oil and gas in Nigeria and in recognition of this, the first round of Road Shows/Town Hall Meetings was holding in Yenegoa, Bayelsa State. He also remarked that a road show was meant to be interactive where questions such as ‘how much did the State receive from the Federation account?’, ‘what were the funds used for?’etc. should be asked. The Chairman further remarked that NEITI will ensure that audit reports were conducted as and when due. Concluding his remarks, he informed participants that the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR) and the Inter-Ministerial Task Team (IATT) are relevant in the fight against corruption and the process of transparency.

#### KEYNOTE ADDRESS BY RIVERS STATE SSG MR. MAGNUS ABBEY

The Secretary to the State Government (SSG), Rivers State, Mr. Magnus Abbey, represented the State Governor, Hon. Rotimi Amaechi tendered apologies of the Governor who had to be in Abuja for a meeting of the Governors’ Forum. He recalled that Hon. Rotimi Amaechi, the Rivers State Governor has had memorable associations with NEITI. In the first place, as chair of the Conference of Speakers, he represented them on the Board of the extractive industries watchdog.

In his address, the SSG remarked that half of the development challenges facing the country arise from public perception of how extractive revenues, especially those from oil and gas, are managed. Some of these challenges in the Niger-Delta, he said, include insurgency, youth restiveness and a host of others. He said most Nigerians either do not understand or do not accept the way the oil wealth of this country was being extracted and managed. He therefore noted that NEITI was set up to restore stakeholder confidence in the extractive industries.

Speaking further, the SSG said that he expected the auditorium filled to capacity in view of the mass awareness NEITI was creating in the Nigerian people but however noted that people were yet to imbibe the importance of NEITI and its contribution and capacity to affect not only our national discourse but actually national

development. According to the SSG, *“the whole concept of extractive transparency must start from the manner in which oil fields are acquired to how it is extracted, how the extraction process is financed and carried out and go beyond how the revenues that come from this process are managed to the benefit of the entire citizenry”*.

Concluding his address, the SSG used the opportunity of the road show to call on NEITI to do a value re-think of what it was suppose to deliver in terms of monitoring payments and receipts from oil companies and the value to be brought to the Nigerian citizens on whose behalf the NEITI was established.

#### OPENING CEREMONY & GOODWILL MESSAGE BY SSG, BAYELSA STATE, HON. GIEDOEN

The Secretary to the State Government of Bayelsa State who represented the governor tendered the governor’s apology and remarked that e was unavoidably absent. He also remarked that NEITI was a good initiative with a board set up for due process and diligence in the extractive industries. He, however, said that it was sad that accounting for the oil produced was posing a big problem in the country. Going forward therefore, he said what was needed was truth and collective responsibility to be able to plug the holes of leakages in the national economy. Concluding, he said that transparency in the petroleum sector and the decision to stand by and for the truth by even a few Nigerians will go a long way to stop the darain on the public treasury.

**Vote of Thanks:** *Mr. T.K. Ogoriba* representative of the South-South zone on the NSWG of the NEITI expressed his gratitude for the first road show to hold in his state. He stated that the discussions that would follow would definitely raise awareness on the work of the NEITI and throw light on critical issues that border on payments and receipts of revenue from oil companies to government. He charged participants to participate actively with a view to having increased and intensified activity based on recommendations that would emanate from the discussions.

#### **SESSION 1:**

#### **The 2005 Report: Highlights & Major Recommendations by Mallam Haruna Yunusa Sa’eed, Executive Secretary, NEITI**

Making his presentation, Mallam Haruna Sa’eed remarked that the NEITI was created in 2004 essentially to develop a framework for, and ensure transparency

and accountability in the reporting and disclosure, by the extractive industry companies, of revenue due to or paid to the Government as entrenched in its enabling Act.

In carrying out the above mandate, NEITI conducts annual physical, financial and process audits through independent auditors. The audits identified several weaknesses related to the management of oil revenues and oil and gas sector governance. The second report covering 2005 which was released on 11 August 2009 also identified financial discrepancies, mis-paid taxes, and system inefficiencies. As with the last audit, these lapses have led to remediation efforts. Significant and key statistical highlights of the 2005 audit include:

- Produced oil: 917 million barrels
- Lifted oil: 916 million barrels
- (NNPC: 456 million barrels – 295.5mb exported, 159.9mb domestic )
- Central Bank of Nigeria received (net) from the oil and gas sector: US\$ 37 Billion
- Significant process weaknesses, leading to loss of revenue.

Concluding, Mallam Haruna Yunusa Sa'eed said the stage to which the audit has explained the findings requires that it be brought to the public for inspection. He further said that was the reason why the road show was on-going in order to give the public the benefit to ask questions that would enhance the content of future audits.

### **Questions and Answers**

Following the above presentation, the following questions were asked and some answers provided:

- How is NEITI adding value to its work?
- Can NEITI not audit the NDDC?
- Shouldn't NEITI need to address itself and look at the broad spectrum of the extractive sector?

- Does NEITI have the power to sanction oil companies that do not play by the rules or refuse to cooperate with it?
- Is there Presidential interference in the appointment of the board of NEITI?
- When oil companies cause the environment to be degraded by their actions, what role does NEITI play in ensuring penalty is applied and remedies secured?
- Can NEITI put together a youth programme to promote advocacy at local government level?
- Is there an automated way of extracting oil so as to make oil companies very accountable?
- Need for NEITI to bring together all relevant agencies in terms of interface amongst them so that identified lapses can be promptly addressed.
- Can NEITI provide funds for training of NGOs for the purpose of monitoring oil companies compliance with the law?
- How are law enforcement agencies treating non-transparent declaration of oil and gas produced?
- Why was the DPR not able to provide accurate data on production and lifting of oil?

Regarding to the questions above, the Executive Secretary, NEITI responded as follows:

- ✓ Arrangements are at advanced stage in NEITI to commence activities in the solid minerals sector.
- ✓ Effort on course by NEITI to add value to its work especially through ensuring the application of revenue received by all levels of government.
- ✓ On defaulting entities, NEITI pursues all avenues as its act allows.
- ✓ On metering, a study has been commissioned.
- ✓ NEITI is not empowered to audit the NDDC.
- ✓

In addition to the responses given by the Executive Secretary, NEITI, the Chairman NSWG/NEITI, responded thus:

- ✓ “On the question regarding whether NEITI was in a position to fund advocacy by NGOs at local government level. What we are doing here today (the Town Hall Meeting) is one way of empowering stakeholders, especially , CSOs to understand what is happening in the industry and what is equally happening to distribution and utilization of extractive revenues. Information is power. The next step is to address how people empowered with information can understand how governments at all levels spend the extractive revenues.
- ✓ On environmental issues, every oil company is required to operate based on contractual obligations. Our job in NEITI is to ensure that the processes specified in contractual relationships with the federal government are being followed to the letter. The role of CSOs is to ensure that oil companies, regulatory agencies and other stakeholders do the right thing. Environmental issues represent one group of concerns over which stakeholdere are required to do the right thing.
- ✓ On the comment about oil companies being required to pay fines for breach of obligations. Violation is an offence. Paying fines is not the end of the matter. If you consistently pay fines, then something must be wrong. So payment of fine does not get a compay in breach of an obligation off the hook. If it gets to a point of over-stretch, licenses could be revoked. I believe that if an oil company knows that its licence is going to be revoked, it will be very careful”.
- ✓ On the question of accurately metering the quantity of oil produced at the well head, there is a technology we know already that can measure oil production at the well-head. It is still not yet commercially available and therefore, very expensive. The real concern is how to get the oil companies to overcome their reluctance to work with NEITI to find a solution of satisfactory metering of production. NEITI is determined to get a head way on this matter”.

## **SESSION TWO**

**EITI and the Oil & Gas Industry: Post Passage of the PIB by Dr. Tim Okon, Director of Transformation, NNPC**

## **SESSION THREE**

### **Enhancing Financial Management System as an Avenue for Increased Transparency, Accountability and Revenue in the State by George Orogun Hon. Commissioner for Finance, Delta State**

Mr. George Orogun prefaced his presentation by noting that there is a growing international consensus concerning the centrality of sound governance to the attainment of sustainable human development. He defined governance as the exercise of political, economic and administrative authority to manage a nation's affairs. This is a broad concept and involves a large list of key issues such as legitimacy, accountability, transparency, human and institutional capacities, participation of civil society, rule of law, devolution of authority and resources, leadership and management and civil service reform and sound public financial management systems. In his view therefore, the essence of enhancing, financial management systems as an avenue for increased transparency, accountability and revenue in the States is aimed at attaining good governance for delivery of democratic dividends to the people.

Speaking further, the presenter said that transparency in terms of Government spending refer to Government opening its books to the public so that tax payers can see exactly where the money was going. Transparency ensures that the citizen's funds are spent efficiently by making all decisions in the open and on the record. Transparency therefore means that citizens can review and question policy makers' decision, examine documents, root out inefficiencies and hold officials accountable for the way revenues as spent. Defining, accountability, the speaker said it means "saying what you mean, meaning what you say and doing what you say you are going to do – taking responsibility for words and actions".

The presenter drew from the experience he has in the Delta State civil service and noted that Delta State has put in place automation of its Financial Management System features whose benefits include:

- Improved transparency of public sector operations
- Rapid expedition of many transactions at once (contrary to manual systems which are cumbersome and slow)
- Improved efficiency of financial controls and other expenditure management procedures
- Rapid compilation of data from many sources for improved financial analysis and decision making and improved checks and balances.

Concluding, Mr. Orogun achieving acceptable levels of transparency and accountability in Delta State has not been an easy task but could be achieved in all States in Nigeria.

### **The Role of the Civil Society in Monitoring Extractive Industry Revenues at the State and Local Government Levels by George-Hill Anthony, NDEBUMOG**

The presenter remarked that the role of the civil society in monitoring the extractive industry cannot be over emphasized. He noted that during the 2005/2006 bidding rounds the civil society challenged several anomalies regarding signature bonuses, block(s) enveloping etc. Medium and long term vision the civil society organizations have for with regard to monitoring the extractive sector include:

- Tackling resource curse in the Niger Delta
- Through EITI benchmarking
- Integrating accountability in the sector
- Community buy in
- Disaggregating audit figures of oil companies contribution to the states and gas in form of taxes, dev levies, royalties tie to MoUs, NDDC etc.

The presentation made proposals to the amendment of certain areas of the NEITI Act. The purpose for this being it would give the CSOs functional power to effectively monitor operators in the extractive industry. Concluding, the presenter called for an enhanced role for the civil society in the monitoring of extractive industries; revenue at both the State and Local Government levels.

## **DAY TWO**

### **Socio-Economic Benefits of EITI Implementation in Nigeria by Dr. Sofiri Peterside, Centre for Advanced Social Studies**

In arraying the socio-economic benefits of the EITI implementation in Nigeria, Dr. Sofiri Peterside remarked that in spite of the huge resources derived from the oil and gas sector, Nigeria's management of its revenue makes it a "diminutive weakling". The presenter particularly noted that:

- Despite billions of Naira generated from oil and gas great majority of citizens especially those inhabiting the Niger Delta Region remain steeped in poverty. If government managed these revenues transparently and effectively, they could serve as a basis for successful economic growth and poverty reduction.
- Prior to the emergence of NEITI revenues from oil and gas extraction were often not disclosed by government or the oil companies involved; in some cases this information was considered a state secret. This lack of accountability facilitates embezzlement, corruption and revenue misappropriation.
- Disclosure and publication of revenues would help Nigerians hold their government accountable for the management of income from this sector.

- The Extractive Industries Transparency Initiative (EITI) aims to strengthen governance by improving transparency and accountability in governance.

Socio-economic benefits derivable from implementing the EITI in Nigeria among others include the following:

- Implementing EITI builds governance capacity, improves Nigeria's international credibility, and affirms the Federal Government's commitment to the war against corruption.
- The investment climate is enhanced. The reconciliation of company payments and government revenues through the NEITI Audit process signals a commitment to good governance.
- Multinational oil companies benefit from improved investment climate that follows from transparency and good governance.
- The principle of revenue transparency increases accountability at all levels of government (Federal, State and Local) thereby reducing opportunities for corruption and the potential for waste of public fund.
- The need to audit accounting controls within Niger Delta Development Commission(NDDC) to ascertain the destination of payment made by oil companies.
- The need to determine method to be used for calculation of the 3% of total annual budget paid by relevant oil companies to NDDC.
- Urgent need to resolve the uncertainty concerning the quantum of oil and gas produced. The amount of oil produced at the wellhead is not reliably known as DPR has no system for measuring production, other than through monitoring terminal receipts.

- Call for resolution of the apparent legal ambiguity in respect of calculation of royalty.
- Opportunities for capacity building of covered entities and civil society.

Concluding the presentation, the presenter noted that there was need to audit accounting controls within Niger Delta Development Commission (NDDC) to ascertain the destination of payment made by oil companies; the need to determine method to be used for calculation of the 3% of total annual budget paid by relevant oil companies to NDDC; urgent need to resolve the uncertainty concerning the quantum of oil and gas produced. The amount of oil produced at the wellhead is not reliably known as DPR has no system for measuring production, other than through monitoring terminal receipts; Call for resolution of the apparent legal ambiguity in respect of calculation of royalty; and that opportunities exist for capacity building of covered entities and civil society.

### **Drama Sketch Presentation**

A drama sketch was presented at the South-South Town Hall meeting. The thrust of the drama was *holding leaders accountable for resources allocated for the development of their Local Government Areas and States*. Being one of the challenges in the Niger Delta region, youth restiveness must be doused and the vehicle of delivery has to be transparency and accountability. The drama clearly transmits a message that people must hold their leaders at every level accountable for the development of their communities and their economic well being. People should be asking questions such as “how much was allocated to the State or Local Government?” “What was the money used for?” “Where are the projects located?”

### **Other Presentations**

Other presentations at the road show/town hall meeting include:

- EITI and the Oil & Gas Industry: Post Passage of the PIB by Dr. Tim Okon, Director of Transformation, NNPC.
- NEITI's Mandate and the Implications for the National Strategy to Combat Corruption by Lilian Ekeanyanwu, Head, TUGAR.
- Implications of the PIB on Remediation by Peter Rictchie, AGAMA.
- Converting the Resource Curse into Resource Blessings by Stan Rerri, Director of Services, NEITI.