

NEITI NORTH-WEST ROAD SHOW IN KADUNA, MAY 27, 2010

OPENING REMARKS BY H. ASSISI ASOBIE, CHAIRMAN NSWG-NEITI

Protocol

The “Road Show” held by Nigeria Extractive Industries Transparency Initiative (NEITI) is a forum for reciprocal sharing of experience and mutual learning. Through it, we explain to Nigerians what we do, how what we do is perceived, and learn how to do it better. We also listen carefully to understand what Federal, State and Local authorities, the private sector, and civil society organizations in different zones have been doing, the challenges they face, and the progress they have made. The road show is, in short, an opportunity for mutual communication in furtherance of Nigerian development. We are privileged to be in the North West zone of Nigeria—a zone of huge population and immense natural resources. We have brought a tool with us: it is known as **EITI**

The Extractive Industries Transparency Initiative (EITI) was invented to address a strange ailment, known as the “*Dutch Disease*”. The possession of abundant natural resources ought to be a blessing. Instead, experience has shown that, if not properly managed, it becomes a curse. It is now known that natural resource exploitation is accompanied by many pernicious effects. First, earning huge amounts of foreign exchange from natural resources drives up a country’s exchange rate, making the country’s traditional export commodities less competitive in the global market. Secondly, when a country can finance much of its expenditure from revenues from natural resources, it tends to neglect income tax, thus breaking the fundamental bond between the state and its citizens. Since citizens are no longer adequately taxed, government feels less pressure to report on how revenues are used, leading government to become authoritarian, and rendering the people less able or motivated to demand responsiveness and public accountability. Third, a government which earns a high level of revenue from natural resources, produced by a few hands, tends to be very corrupt.[EITI International Secretariat, Oslo, 2 February, 2009] The EITI movement was founded in 2002 to overcome these detrimental effects of resource exploitation and extractive industry revenue dependence.

The Nigerian government proclaimed its interest in the EITI movement in 2003, established a body to implement it in 2004, and institutionalized its implementation by way of legislation in 2007. Of the 31 countries that implement EITI in the world, 20 are in Africa. This is an indication that the Dutch disease has since transmuted into largely an African disease; and that Africans are determined to eradicate it. We are in Kaduna, in the North-West of Nigeria, to discuss how this disease can be cured.

Nigeria is a victim of resource curse. Nigeria is a rich country of very poor people. She has the largest proven reserve of petroleum in Africa. She boasts of no less than thirty five solid minerals, much of this wealth largely unexploited. These include huge deposits of coal, gold, uranium, iron ore, lead-zinc, tantalite, barites, etc. She has rich arable land and luxuriating forests. Yet, Nigerians living in extreme poverty constituted 70% of the population in 2003 and 54% in 2007. Measured in terms of Human Development Index, Nigeria is also a paradox of poverty in the midst of plenty. The HDI report issued by the United Nations Development Programme in 2006, showed Nigeria as ranking 159 out of 177 countries. With a score of 0.44, Nigeria compared unfavourably with another oil producing country, Norway(0.965) but favourably with another extractive industries dependent country, Niger (0.311).

The North-West states of Nigeria are particularly vulnerable to this disease. In a lecture delivered in 2008, Charles Soludo, the former Governor of Central Bank of Nigeria, disclosed that although the national poverty level was 54% in 2007, the three geo-political zones of the North had much higher levels of poverty: 72.2% (the highest in the country) for the North East; followed by the North-West 71.1%, and then the North-Central 67.0%. In contrast, the three geopolitical zones in the South had poverty levels which were considerably lower than the national average; South-West 43.05%; South-South 35.1% and South-East 26.6 % (the lowest in the country).

It is well known that the bulk of Nigeria's revenue emanates from extractive industries, especially oil and gas. The revenue from this sector is swept into the Federation Account and allocated monthly to the three tiers of the Nigerian State.

While the South-South zone comes first among the six zones of the Federation, in terms of the size of the allocation from the Federation Account, the North-West comes second. For instance, between 1999(June) and 2005, the Federation of Nigeria had for allocation the sum of N15.809 trillion. Out of this, the FGN was allocated N5.138 trillion (or 32.5%); the States/Local Government Councils N10.671 trillion (or 67.5%). The relative allocation to zones was as follows: SS-N1.259 trillion (7.96%); NW-N622.888 billion (3.94%); SW-N550.526 billion (3.49%); NE-N458.195 billion (2.90%); NC-N425.398 billion (2.69%); and SE-N374.503 billion (2.37%).

Clearly, there is no correlation between the proportion of revenue received from the federation account, and the reduction of the level of poverty for each zone. Although the South-South received the highest amount and the highest proportion, it was the South-East, which received the least, that had the lowest poverty level. The poverty level in the North-West was the second to the highest in the federation, yet it received the second to the highest amount and proportion from the federation account. At the level of the constituent states, the state with the highest level of poverty was Jigawa (95.0%), but the state with the lowest allocation of revenue from the federation account during the period under review was Plateau (N52.53billion). In the same way, while Delta had the highest financial allocation (N321.002billion), followed by Rivers (N286.395 billion) and Bayelsa (N259.882 billion), the states that recorded the lowest poverty level were Bayelsa (20.02%), Anambra (20.1%) and Abia (22.3%), in that order.

The general point is that receiving the highest unearned income, or rent, derived from natural resource , or emanating from allocation from the central authority, does not necessarily guarantee the fastest rate of growth, sustained development or significant poverty reduction. Indeed, the paradox is that heavy dependence on externally derived rent, not linked to industrialization, is detrimental to growth and development. It is this conundrum that the EITI addresses. How does EITI deal with the problem?

The fundamental method for addressing the problem is the introduction of greater transparency in the management of resource revenues and stronger

accountability in their application and expenditure. The aim of EITI is to equip citizens with an accurate knowledge of what comes into the economy as revenue in order to enable them hold their government to account in terms of how the resources are disposed of or expended. In EITI, revenue transparency and expenditure accountability go hand in hand. Some states in Nigeria have clearly understood this. This is why, as a complement to the Nigeria Extractive Industries Transparency Initiative (NEITI), a state like Bayelsa has launched its own Expenditure and Income Transparency Initiative (eiti). And the Rivers State has its own laws on Due Process and Fiscal Responsibility. We are now in the North-West and would like to learn about the programmes and policies of the following states: Kaduna, Katsina, Kebbi, Sokoto, Zamfara, Jigawa and Kano. We would like to be informed especially on the use of the tool of transparency and accountability in these states to promote socio-economic development and enhance the people's welfare.

A distinct feature of the EITI process is the multi-stakeholder approach to revenue management. It is a method that promotes dialogue among private business, government and civil society. By promoting such tripartite dialogue, EITI opens a pathway for similar multi-stakeholder discussion in other issue areas. Experience of implementing EITI in Nigeria has shown that there is a link between transparency, accountability and sustainable development.

At the national level, the implementation of EITI in Nigeria has had a lot of positive impact. It has resulted in recovery of much revenue for government and the discovery of new monies to be recovered. It has facilitated the improved credit-rating of Nigeria in the international community and contributed to the write-off of some of Nigeria's external debt. It has stimulated further reform of the extractive industry sector: the PIB and the Local Content Development Act are examples. It has contributed to an improved environment for foreign direct investment, with Foreign Direct Investment in Nigeria rising from US\$2.17 billion in 2003 to US\$7.6 billion in 2007. It has contributed to some improvement in the global perception of Nigeria as a country beset by corruption, with Nigeria's position on the CPI rising from 1.4 over 10 in 2003 to 2.7 in 2008 and 2.5 in 2009. It is, however, important to note that benefits of implementing EITI accrue to

countries only when it is treated as a part of, or an entry point to, broader efforts at improved governance.

Ladies and Gentlemen, we welcome you to a robust debate on the path to Nigerian development. How best can we convert our huge human and natural resources into a blessing? Does NEITI provide the answer? Or is the resource curse “a puzzle, wrapped in a riddle, and placed in an enigma”?

Thank you

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