

# **REPORT OF THE SOUTH EAST ROAD SHOW/TOWN HALL MEETING HELD AT IMO CONCORDE HOTEL, OWERRI ON 3<sup>RD</sup> NOVEMBER 2009**

**Background:** The Nigerian Extractive Industries Transparency Initiative (NEITI) organized a Road Show in Owerri, South East geo-political zone of Nigeria on 3<sup>rd</sup> November 2009. The aim 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.

**Opening:** The meeting started at about 10.05am 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 dimensional 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.

He 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 hails from the south east zone of Nigeria. The zone is specifically represented on the board by Mazi Sam Ohuabunwa.

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 awareness raised on the findings. It is expected that 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:** Prof. Assisi Asobie, Chairman of the NEITI, started his presentation by clarifying that the south east zone is comprised of the 5 States created out of the old East Central State. He highlighted the political and cultural significance of the south east zone stating that Owerri especially produced many icons of the region and Nigeria as a state. Culturally, the people of the zone value individual freedom, hard work and a good family name above everything else. He stated that the name 'Owerri' means fighting for our rights.

The Chairman further stated that the zone produces not just oil and gas but also is the home of coal, lime stones and oil. It is on this basis that the NEITI considered it of great importance to hold the second roadshow in the zone immediately after that held in the south-south zone. He emphasised that the Roadshow/Town Hall meeting is a stakeholders outing meant to stimulate public evaluation of the work of NEITI; its main purpose is to explain to the people what the NEITI is established for; its main activities, how such activities can impact on the lives of the people; and also to solicit external input for improvement and greater social relevance. He enjoined participants to ensure that contributions made suggest ways of using the contents of the report of NEITI audits and some other information and data generated by sister agencies to improve the lives of the people of the zone.

The Chairman NSGW/NEITI said the report will reveal findings on the total amount derived from the oil and gas sector, the material basis of the data in terms of volume of production and governance issues involved and will raise the questions of whether the oil companies paid to the federation all that they were supposed to pay; whether government agencies recorded correctly and accurately what they received; whether the regulatory agencies assessed correctly and accurately all those who should pay taxes, royalties, penalties, etc to Nigeria; whether all that federal agencies collected on behalf of the country were swept into the federation account or invested wisely; whether we in fact know in precise and accurate terms exactly how much oil and gas are taken out of the wells by the oil and gas companies. Most importantly, it will raise questions of accountability.

Finally, he informed participants that NEITI is a subset of the global EITI which has as its ultimate goal the eradication of poverty within the context of a programme of sustainable development with the key instrument of transparency and accountability. NEITI employs a number of methods to put EITI principles into

practice in our country as contained in the NEITI Act, 2007. He called on the people of the zone to partner with NEITI to promote transparency and accountability in the extractive industries sector.

**Goodwill Message:** World Bank

Amanda 'Lumun Feese representing the World Bank began by stating the continued commitment of the World Bank to the work on the Government of Nigeria to promote governance and engender transparency and accountability. She commended the government for its recent work in the oil and gas sector especially as it relates to reform program through the Petroleum Industry Bill. She commended the efforts of the National Stakeholders Working Group (NSWG) and the NEITI secretariat for its work in seeking to maximize development gains from oil revenues. It is based on this that the World Bank and DFID have been working closely with the Nigerian Government through support to NEITI to achieve this laudable mandate and ideal.

She reiterated the fact that the implementation of the EITI in Nigeria has been largely geared towards the oil and gas sector hence, the plans to extend it to emerging solid minerals sector. The multi-stakeholder structure of the EITI and its participative nature will ensure that all stakeholders-Governments, Industries and Civil Society groups are actively involved in designing, steering, and governing the process. The role of each stakeholder cannot be discarded as each is important and imperative to the EITI process.

Concluding her message, she urged participants to fully engage the NEITI Secretariat to deepen understanding of what role they can play in the process of demanding for revenue accountability as well as monitoring how these revenues are towards meaningful and sustainable development.

**Vote of Thanks:** Mazi Sam Oluwabunwa, representative of the South-East zone on the NSWG of the NEITI expressed his appreciation firstly to God for making him a part of the revolution. He stated that all literature on Oil and Gas in Nigeria have referred to it as a curse and not a blessing, a view which he disagrees with. In his analysis, it had helped the country develop. The challenge has been that the government has not utilized the proceeds thereof to lift Nigerians out of poverty. It is the demand of the people for accountability that led to the development of NEITI and signing onto the EITI process.

The NEITI secretariat brings the issues of the sector to the people with the view to giving the people a voice to demand for transparency and accountability on monies accrued.

He enjoined participants to participate actively with an aim to have increased and intensified activity based on recommendations made at the forum in the years to come.

### **SESSION 1: Chair - Mr. Basil Omiyi**

#### **NEITI: Implementation and Benefits by Prof. Assisi Asobie, Chairman, NEITI/NSWG**

Prof. Assisi Asobie started the presentation by explaining to the participants what the EITI is and why it is important. He stated that it was created to open up a sector considered to be opaque and characterised by secrecy. It was intended that there should be reporting and accountability periodically and regularly from companies to the government and also from agencies that receive the revenue. The EITI is also aimed at ensuring that the revenues accrued from the extractive sector are used for benefit of the people by providing the necessary information and support to the people to demand accountability.

The EITI has several benefits. These include the fact that the EITI addresses the revenue side of the budget of each country as against the usual expenditure angle. It is an entry point to openness to improve governance. It improves governance. It helps to minimise conflicts bringing about improved investment climates. Finally, it enhances support, public confidence in government. The government will also have support from the international community.

The Chairman examined the NEITI Act 2007 stating that the Act goes beyond the global EITI. The Act specifically directs as an objective the elimination of all forms of corrupt practices. It goes beyond seeking to determine the financial accruals to demanding how much extractive minerals extract and how the resources are used by way of remediation.

The work of the NEITI does not substitute that of any other government agency but compliments them. It provides fundamental statistics for validation of information out in public as financial figures in respect of the extractive sector.

He then informed participants of the gains and lessons of the NEITI Model which include:

- Creation of new, consensual framework for reporting and disclosure of payments and receipts of revenue in Extractive Industry (EI) sector
- Provision of accurate data and credible information on flows of revenue, physical volumes and process issues in EI sector
- Acceptance of necessity for due process + transparency in the payments made by all EI companies to the FGN and other recipients
- Acceptance of the imperative of accountability, + ending corruption in revenue payments and receipts of the FGN from EI companies
- Acceptance of need for transparency and accountability by government in application of resources from payments by EI companies
- Increased rating of Nigeria and credibility of Nigerian government in the international community

Concluding, Prof. Asobie remarked that NEITI has great potentials for transforming the economy and management of natural resource revenue in Nigeria. But it requires a lot of hard work, great patience, mutual tolerance and understanding, as well as a large dosage of selflessness and personal integrity, on the part of all stakeholders, to succeed.

### **The 2005 Audit Report: Highlights and Recommendations by Mallam Haruna Yunusa Sa'eed, Executive Secretary, NEITI**

In his presentation, Mallam Haruna Sa'eed remarked that NEITI is saddled with the responsibility for the development of a framework for **transparency** and **accountability** in the reporting of payments made to and by Government from and to extractive companies 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

### **Implementing the NEITI Audit Recommendations: Key Issues for Remediation by Dr. Arinze Agbim.**

In his presentation, Dr Agbim stated that the aim of remediation was to prevent a recurrence of audit findings and to enhance revenues. He reiterated that the NEITI Audit of 2005 was tripartite in nature of which physical, financial and process audits were carried out. Some of the major issues for remediation in the findings had to do with the crude oil measurement within the upstream sector and the importation of refined products within the downstream sector. There was also the issue of under collection of government revenues and capital allowances claimed on uncompleted construction within the financial audit. The findings requiring remediation within the process audit is that the process of marketing Federation equity crude needs improvement and the need for the Joint Development Areas (JDA) to co-operate with audits.

Dr Agbim further stated that currently, Nigeria was not aware of the exact amount of crude it loses through theft, spillage and other leakages, and how much was produced due to gaps and defects with the measurements within the upstream sector. He also was of the view that it may be necessary to install meters on oil wells and learn best practices from other producing countries on how these measurements are done. He was of the view that some of the crude is lost to theft and spillage in the process. He further stated that this process was not peculiar to Nigeria, however the difference in the Nigerian situation could be the occurrence of theft of crude oil. To solve this challenge, The Norwegian government is offering

assistance based on their experience and the NEITI has initiated a DfID-sponsored study on measurements.

The challenges within the downstream sector includes the fact that PPMC measurement practices are weak, outdated and unreliable as they lack of knowledge of regulatory guidelines and have no culture of striving to follow international best practices. The systems for recording the movement of refined products through PPMC's pipeline network are out-dated and paper based.

Dr, Agbim stated further that between 1965 and 1999, the Nigerian government built four functional refineries, however, since 1999 to date, no refinery was built and the existing ones not maintained. Due to the rise in demand for the products, Nigeria began to import about 90% of the PMS used in the country. He stated emphatically, that Nigeria is the only OPEC country dependent on importation of refined products. Nigeria has recorded huge losses in product distribution system and the audit report has shown that about \$239 million was estimated as unexplained losses. The remediation steps taken towards this is that the PIB & Inter-Agency memo to the National Assembly seeks to address several of the weaknesses in DPR & PPMC. The NEITI study on measurements will also cover the downstream.

Finally, the audit report has shown in the financial audit, the under collection of government revenues and the "Unregulated self-assessment" regime for taxes and royalties. Over \$600 million is claimed by IOCs due to misapplication of MOU (RP v. OSP). Tax returns and royalty payments of indigenous and small operators were not rigorously analyzed and there was no culture of paying taxes and royalties. To overcome these challenges, the presenter suggested the need to strengthen technical capacity in FIRS, OAGF and other agencies responsible for assessing, collecting, and managing government revenues as these regulatory agencies need to attain the technical capacity comparable to those in the companies they seek to regulate. On data management and control, attempts are being made for on-line sharing of data between agencies. Finally, the presenter called on the OAGF to be more proactive in managing Federation Account.

**Panelist:** Mr. Sam Afemikhe, Hart Group stated that Nigeria was one of the leading countries in the EITI process and implementation. Quite a number of weaknesses were highlighted by the paper presenters however, the Nigeria's efforts at remediation has been weak. In the last 20 years, no refineries were built as well as

developmental structures like power plants, schools, hospitals etc. He reiterated the fact that Nigeria does not know how much crude oil it produces. He informed participants that an Inter Ministerial Task Team (IATT) was constituted to look into the identified lapses that agencies have in carrying out their duties and proffer solutions.

Mr. Afemikhe affirmed that there was a challenge with the self assessment method currently in use whereby companies determine their taxes. He also affirmed that the FIRS does not have the capacity required to validate these self assessment/unregulated taxes. He concurred with presenters that there is the need to build the capacity of the regulatory agencies responsible for assessing, collecting, and managing government revenues.

**Comments, Questions and Answers:** The following constitute comments, observations, questions which were raised and answered provided:

1. How reliable was the data given to the Hart Group in conducting the audit?
2. How independent is the NEITI and how far can it carry out its mandate in light of the fact that there may be opposition from the government that funds it? **Prof. Peter Edigho**
3. Considering the fact that the problems of the extractive industry are political and constitutional, will it not be better for federating states to take charge of the sector? **Frank Ihuru**
4. What is NEITI doing about capacity building for government officials who monitor the oil and gas industry? **Ogochukwu Williams**
5. Was there no structure put in place to by the government to ensure that oil companies pay their relevant taxes?
6. What evidence is there to show that the income per head is increasing as this is not reflected in the standard of living of Nigerians? **Mrs. Nonye Edonobi**
7. Nigerians are not sure of the quantity of crude oil produced, refined and imported, how can NEITI be sure it has used the accurate figures in carrying out the audit and what measures have been put in place to curb the gaps identified? **Ugo Stevenson**
8. What Framework has NEITI put in place to monitor remediation?

9. To what extent has NEITI monitored implementation of remediation plans in MDAs?
10. Is it possible for NEITI to compel MDAs to report monthly or quarterly on remediation plans?
11. To what extent is the civil society engaged in remediation? **Barr. Chibuzo Ekwuekwuo**
12. Does the NEITI have a work plan set out on how it plans to implement the findings and how will these plans impact on the common Nigerians? **Fidelis Ogili**
13. Are reports and findings of the audits being taken to the grassroots, traditional rulers etc as necessary information can also be sourced from the grassroots?
14. What are the entry points for ordinary Nigerians to participate in the process? **Eze Obiama Emolo**
15. There is the need to mobilize voices but how can we ensure that the government will respond because it is important that the government responds as this will create job opportunities and arrest youth restiveness, armed robbery and the spread of HIV/AIDS? Prof. (Mrs.) Viola

The Chairman of the Session, Mr. Basil Omiyi intervened and informed participants that in his view, the volume of crude oil lost and the gaps in the measurement system may have been exaggerated. As the chairman Shell Producing Development Company, Nigeri, he was aware that the volume of production, the only issue in question was the accuracy. He assured participants that not too much of the crude was lost to spillage and theft as very little happens between the exploration and terminal stations.

The paper presenters and panelists in responding to the questions above stated that the NEITI was sure of the data used for the 2005 audit. The templates used to source information are drafted in a manner that questions reinforce themselves to serve as a check. Several agencies were also asked the same questions and responses compared. Specifically, a tripartite system of information gathering was used. The limitation only lies with the archaic nature of record keeping within agencies as

several rely solely on hard copies and paper filing. Some agencies also refused to give out information.

In respect of the independence of NEITI, it was reiterated that the government does not interfere with the work of the agency as provided by its law. Currently, the integrity of the board has not been compromised and this can only be maintained if the civil society continues to back the agency. The NEITI is funded by the Federal Government of Nigeria and also has funding from the World Bank and was supported earlier by the DfID.

The NEITI is linked to the international community (EITI) and the chair of the NSWG is a member of the board of the international EITI. This international board pays country visits to the different EITI secretariats in the different countries for validation in respect of its compliance with the global EITI principles.

NEITI has an Inter Ministerial Task Team chaired by the chair of the NEITI. This group has been working on monitoring the remediation plans however, the challenge has had to do with the cooperation of the MDAs and the fact that sometimes, information requested is not sent on time.

There is in existence a meter for measuring crude from oil wells however, this tool is so expensive it is not economically viable. NEITI plans to hold meeting with the government and oils companies to emphasize the need for this tool.

NEITI has the power to implement sanctions on companies that fail to comply with the law but the enforcement of this power is impeded by political implications. NEITI currently carries out Alternative Dispute Resolutions before any matter is instituted in court. The secretariat also cooperates with all Anti-Corruption Agencies when required.

Capacity building has a number of dimensions in the area of remediation. Several agencies lack the capacity although in some cases, the capacity is available and the challenge is the unwillingness to carry out their mandates. NEITI carries out trainings for agencies that lack the capacity required. It also carries out trainings for the civil society in the areas of oil and gas and solid minerals and has also organized several road shows and town hall meetings to engage and build the capacity of the civil society.

The audit report has highlighted the issue of tax evasion and the NEITI is bringing the companies and the DPR together to determine why the taxes and royalties have

not been paid and to revisit the under-collection of government revenues revisited with a view to making recoveries.

Finally, in responding to the demand that the NEITI ensures the governments response to issues raised, it was stated that the civil society needs to galvanise and strategise negotiations with the government while the NEITI provides them with the information required.

## **SESSION 2: Chair, Mazi Sam Oluwabunwa**

### **Redefining Social Responsibility: Public Accountability as a tool for improving Governance and Building Trust: by Honourable Uche Onyeagucha**

Hon. Onyeagoucha started the presentation by stating the wealth of Nigeria in solid minerals and the failure of the government in using this wealth for the benefit of the citizens. He stated in awe how bad governance has been in the past years from the times of the military dictatorship till present. In his view, Nigeria is a failed state.

On the way forward, the presenter recommended that it was important for the revenue sharing formula to be reviewed upwards. He also emphasized the need for this action to be intermarried with electoral reform. He called on all participants to be automatic recruits for the Freedom of Information in Nigeria by ensuring that the National Assembly passes the Bill into an Act and the President is pressurised to sign it.

Speaking further, the presenter discussed the evolution of NEITI and the need for the civil society to strategize and engage the process to demand for transparency in the sector and accountability on the revenue generated. He stated that it was important for the extractive industry and the oil companies to ensure that they contribute to the development of the communities in which they are situated and extract the solid minerals as this was an obligation under corporate social responsibility. The question however has been whether the government ensures that resources derived from the extractive industries are used for the benefit of the people.

The Nigerian situation has been rather peculiar. The extractive industries such as the Shell BP that came into Nigeria in the 1920's before independence set the rules, policies, measurement parameters etc for Nigeria to their own benefit. Even after

Independence, the Nigerian government did not seek to make the necessary changes to ensure the security of these resources and have rather chosen to collude with the companies in recent times.

He called on the NEITI to work with the civil society to deliberate on the way forward highlighting the need for every citizen of Nigeria to play a critical role in ensuring that there is freedom of information as issues of the extractive industry amongst others are secret and confidential. There must also be electoral reform to ensure that the people of integrity are voted into office and the votes of the electorate count. Finally, he recommended that the revenue sharing system based on federalism need to be reviewed as it creates room for laxity and corruption. The review should be that the revenue to the federal government should not exceed 30% of the national budget.

### **Redefining Social Responsibility: What role for Professionals? By Emmanuel Ikazoabor.**

In his presentation, Mr. Ikazoaboh explained what social responsibility is by stating that it implies corporate bodies taking a responsible attitude sometimes exceeding minimum legal requirements, following straightforward principles and adopting best practice and policies covering the environment, community, acts of charity, Integrity and abiding by ethics. He stated that a well executed social responsibility strategy impacts not only on the community but on the business of the company as well. This is because it allows for the efficient management of the human resource in the organization, gives it a good brand name, and also allows for profit improvement arising from cost savings and efficient use of resources. On the part of the community, the benefits will include charitable contributions, corporate involvement in community education by way of scholarships, safe and clean environment, healthcare and employment of locals.

Corporate bodies must have a commitment to developing policies that integrate responsible practices into business operations with reporting on progress made towards implementing these practices. They must also have annual reports stating public commitment to social responsibility and performance in the various areas.

Some common social responsibility policies NEITI should demand for include the adoption of internal controls reform; the commitment to diversity in hiring employees; the need to view employees as assets rather than costs; the use of

natural resources productively, efficiently and profitably and also a conducive working environment for employees.

The presenter also stated that for transparency in the sector, there must be adherence to objective recording standards and principles as well as the principles of ethical ramifications.

In conclusion, he stated that NEITI aims at making extractive industries' revenues of most benefit to society by increasing the transparency and accountability of extractive industry revenues. To achieve this purpose, they need to provide robust standards for revenue transparency and tools to measure progress in this field by, encouraging companies engaged in the extractive industries to improve transparency and accountability. This accountability should in turn support good practice and, more specifically, limit bad practices that can foster conflict, poverty, poor development and corporate risk. To support the use of the revenue transparency standards and measures of performance by companies, rating agencies, investors, government regulators and civil society should be involved. When the economy and business is booming and the bottom line comfortable, corporate responsibility seems an achievable goal. But in difficult times, "responsibility" and "accountability" are – surprise, surprise – much trickier terms to define and employ. In this period of global economic meltdown and the credit crunch affecting the raising of credit facilities and capital corporate social responsibility may not be in the front burner of many companies.

#### Questions and Answers

1. What can the government of Nigeria do to ensure that it produces enough fuel sufficient for the nation without having a need to import?
2. It was stated that the problem of Nigeria is the lack of enforcement of laws and policies. **Prince Chris Ugo**
3. Apart from a physical combat, by what means can Nigerians achieve a revolution on the electoral reform and have a change in the formula of revenue sharing
4. What are the sustainability plan of the roadshow and other activities of the NEITI? Are youths included in this workplan?

5. Why can Nigeria not purchase the instrument needed for measuring crude at oil wells? **Francis Onochie**
6. A request was made that NEITI becomes the data base for information.

In responding to the concerns raised, it was stated that there are laws that can be enforced, however, there are some lapses and gaps within the judiciary which may not allow for immediate and proper adjudication. Furthermore, the market for the importation of petroleum products is manned by a few who are believed to have involvements with the executive arm of government which further makes it difficult to prosecute such matters.

For revolutions to happen, we do not need to carry arms and go to the streets, rather, the people must be ready to make sacrifices when necessary such as joining peaceful protests and strike actions by the Nigeria Labour Congress etc to demand for transparency and accountability from government.

The need for involvement of youths in the process was also emphasised, youths who are engaged in the process and read books.

NEITI is working towards being a data bank for information on the extractive industries sector. Some of its reports will be printed in local languages subsequently, to ensure that the people at the grassroots are informed.

#### DRAMA PRESENTATION:

A drama sketch was presented at the South-East 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*. In a region where youth unemployment abounds, questions must be asked and leaders must be held accountable. 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?”