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PRESIDENT OBASANJO SIGNS NEITI BILL INTO LAW

... Legal Backing Provided to Demand for Transparency in the Management of Nigeria's Oil, Gas and Mining Sectors

Abuja—President Olusegun Obasanjo today signed the Nigeria Extractive Industries Transparency Initiative (NEITI) Act 2007, thereby giving legal boost to the quest for increased transparency in the management of Nigeria's oil, gas and mining sectors.

“This great development represents a landmark opportunity for extractive resources to serve as a catalyst for growth, equity and development in Nigeria,” says Dr. Siyan Malomo, chairman of the National Stakeholders Working Group, NEITI's governing board. “It is a major step forward towards institutionalizing transparency and accountability in Nigeria”

The NEITI Act seeks to promote probity and prudence in an economic sector, which though accounts for more than 80 per cent of Nigeria's foreign earnings, is reputedly managed in an opaque and non-accountable manner, with the resulting effect that vital resources that could aid development are routinely diverted.

To ensure that revenues from mineral resources benefit the generality of Nigerians, the Act empowers NEITI to obtain, verify and publicize information on payments by extractive companies to the government and the general operations of the extractive sector. The Act also authorizes NEITI to conduct and publicize comprehensive audits of the oil, gas and mining sectors every year, using international accounting standards.

Failure to provide timely and accurate information to NEITI and failure to pay or report the amount due to government are now criminal acts punishable upon conviction. A defaulting extractive company will be liable to a fine of N30, 000, 000 (Thirty Million Naira) as well as refund the amount underpaid to government. The company may also lose its operating license.

The company's directors and other officials involved in the underpayment or non-disclosure are liable to a fine of N5, 000, 000 (Five Million Naira) or a jail term of two years. Also, a government official that does not provide timely and accurate information on payment received is liable to two years in jail or a fine N5, 000, 000 (Five Million Naira).

Nigeria signed on to the Extractive Industries Transparency Initiative (EITI) in 2004. EITI is a global initiative aimed at ensuring that revenues from extractive industries contribute to sustainable growth and development. More than 20 resource-rich countries in Africa, Europe Asia and Latin America have signed on to EITI so far. With the passage and signing of the NEITI Act, Nigeria is the first country to have an enabling law for this initiative.

Even as a non-statutory agency, NEITI commissioned the first financial, physical and process audits of Nigeria's petroleum industry for 1999 to 2004. Conducted by an international consortium led by the Hart Group of United Kingdom, the audit revealed serious lapses in the governance of the oil industry and recommended remedial actions, which are currently being undertaken. (*For more on the audit report, check: <http://www.neiti.org/NEITI%20Final%20Audit%20Reports.htm>*). The Act has institutionalized the yearly audits and strengthened the hand of NEITI in providing critical oversight on the management of Nigeria's extractive sector.

Under the Act, functions of NEITI include: developing a framework for transparency and accountability in reporting and disclosure of Extractive Industries revenues due and paid to the Federal Government; evaluating practices of Extractive Industries and government regarding acquisition of acreages, budgeting, contracting, procurement and production cost profile to ensure due process, transparency and accountability; and monitoring lapses and undertaking measures to enhance capacity of government agencies with statutory responsibility to monitor Extractive Industries payments. (*For more information on the Act, please check: www.neiti.org*).

The NEITI Bill was sent by the executive arm to the National Assembly in December 2004. It was passed by the House of Representatives on January 19, 2006; and by the Senate on March 8, 2007. The two chambers harmonized the bill on May 17, 2007. The president signed the act this morning (May 28, 2007).

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