

**NATIONAL STAKEHOLDERS WORKING GROUP
(NSWG) OF THE NIGERIA EXTRACTIVE INDUSTRY
TRANSPARENCY INITIATIVE (NEITI).**

ONE YEAR ANNIVERSARY UPDATE OF ACTIVITIES

28TH April 2005

The Nigeria Extractive Industry Transparency Initiative (NEITI) is the Nigerian subset of a global initiative aimed at following due process and achieving transparency in payments by Extractive Industry (EI) companies to governments and government linked entities.

President Olusegun Obasanjo GCFR, at a Workshop on the 19-20 February 2004, launched the NEITI, which builds on existing government transparency efforts. The National Stakeholders Working Group (NSWG) made up of 28 individuals from; Civil Society (2); Media (1); Government (14); Indigenous and Multi-National companies (3); the Organised Private Sector (4); National Assembly (2) and State's (Regional) Houses of Assembly (2), is the platform

through which the Federal Government of Nigeria is implementing the global initiative.

MEMBERSHIP OF THE NSWG

The NSWG is made up of:

GOVERNMENT

1. Obiageli Ezekwesilli **COORDINATOR**

Senior Special Assistant to the President
& Head, Budget Monitoring & Price intelligence Unit

2. Engr. Funsho Kupolokun

Group Managing Director
Nigerian National Petroleum Corporation

3. Engr. Phil Chukwu

Group General Manager
National Petroleum Investment Management Services

4. Mrs. A. Lawan-Ali

Permanent Secretary
Federal Ministry of Petroleum Resources

5. Dr. Bright Okogu

Head, Oil & Gas Accounting Unit,
Federal Ministry of Finance

6. Mrs. Gwen Nwachukwu,

Director Revenue
Ministry of Finance

7. Ifueko Omoigui

Chairman, Federal Inland Revenue Service

8. Dr. Aboki Zhawa ,
Permanent Secretary
Federal Ministry of Solid Minerals

9. Dr. Edmund Daukoru ,
Special Adviser to the President on Petroleum & Energy.

10. Chris Haynes
Managing Director
Nigeria Liquefied Natural Gas (NLNG)

11. Ambassador Edem
Chairman, Niger Delta Development Corporation (NDDC)

12. Mr. B.O.N. Okafor,
Desk Officer, Oil Accounts Research Department,
Central Bank of Nigeria (CBN)

13. Hassan Tukur,
Director, Nigeria -Sao Tome and Principe Joint
Development Authority (JDA)

14. Mr. Joseph Ajiboye
Auditor-General of the Federation.

NATIONAL ASSEMBLY

15. Senator Maeba Lee
Chairman, Petroleum Committee, Senate

16. Hon. Dr. Cairo Ojougboh
Chairman, Petroleum Committee, House of
Representatives

STATES LEGISLATURE

17. Hon. Chibike Rotimi Amaechi
Speaker, Rivers State House of Assembly

18. Hon. Kawu Peto Dukku
Speaker, Gombe State House of Assembly

OIL INDUSTRY

19. Mr. J.R. Pryor
Managing Director, Chevron-Texaco

20. Mr. Basil Omiyi
Managing Director, Shell Petroleum Development
Company (SPDC)

21. Dr. Imo Itsueli
Chairman, Dubri Oil Co. Ltd.

CIVIL SOCIETY

22. Dr. H. Assisi Asobie
President, Transparency in Nigeria (TIN)

23. Dr. Louis Brown Ogbeifun
President, Petroleum & Natural Gas Workers Senior
Staff Association of Nigeria (PENGASSAN)

MEDIA

24. Olusegun Adeniyi
Editor, ThisDay Newspapers

ORGANISED PRIVATE SECTOR

25. Mohammed Hayatu-Deen

Member, Nigeria Economic Summit Group (NESG)

6. Mr. Gbite Adeniji

AELEX Legal Consultants

27. Mr. Trevor Akindele

Group Chief Executive, SAK Resources

28. Engr. (Mrs) J. Maduka

LECCOM Associates (Gas Sector Experts)

SECRETARIAT

Mrs. Appolonia Okigbo

Secretary

Special Assistant to the President, BMPIU

MEETINGS OF THE NSWG

The NSWG has so far met 13 times, that is, once on a regular monthly basis. The average attendance at the meetings of the NSWG is between 18 and 22 Members

STRUCTURE OF THE WORK OF THE NSWG

The work of the NSWG, which is coordinated by the NEITI Secretariat, is thus far structured along five lines:

- A TECHNICAL EVALUATION TEAM
- B LEGISLATIVE TEAM
- C FOCAL TEAM
- D CIVIL SOCIETY TEAM
- E MEDIA TEAM

IMPLEMENTATION OF THE NEITI OBJECTIVES

The NSWG set out to achieve the following objectives:

1. An independent Audit of Nigeria's Extractive Industry (EI)
2. Codification to ensure independent annual Audits in subsequent years beyond the present Administration and assume oversight function.
3. To build Capacity in the EI; particularly government Agencies relevant to EI revenue management and Civil Society
4. Develop and implement a Communications Strategy to fully engage the different publics; particularly the Nigerian Civil Society Organisations and Community Groups to ensure that Nigerians know that the EI resources belong to them.

NEITI advertised in the Nigerian & International press for an Advisor to assist in developing Terms Of Reference/ Scope for the Selection of an Auditor(s) to carry out an

Independent Financial and Operational/ Technical (Value for Money) Audit of Nigeria's Extractive Industry. After a competitive bid process, the NSWG/ NEITI selected Goldwyn International Strategies LLC (GIS), a US-based Energy and Transparency Consultancy.

THE ROLE OF THE TECHNICAL TEAM

The Technical Team was formed to evaluate all tenders for NEITI assignments and report their findings to the NSWG. The TEAM is made up of Mrs. J. Maduka, Chairman; Engr. Phil Chukwu; Mr Gbite Adeniji and Mr. Stan Rerri. The work of the Technical Team led to the selection of the NSWG Advisor, GIS

THE LEGISLATIVE TEAM: TOWARD AN NEITI BILL

With a mandate to set the agenda and strategy for the legislative backbone of the NEITI, the Legislative Team is made up of Obiageli Ezekwesili, SSA-P Chair; Senator Lee Maeba, Chairman, Senate Petroleum Committee; Hon. Dr.

Cairo Ojougboh, Chairman, House of Representatives Petroleum Committee and Hon. Chibike Rotimi Amaechi, Speaker, Rivers State House of assembly.

The inaugural meeting of the LEGISLATIVE TEAM was held on Monday 2nd August 2004 and a draft NEITI bill was presented to the NSWG on the 10th of August 2004. The Group then asked the LEGISLATIVE TEAM to present a Final Copy of the NEITI bill to the NSWG on the 26th of October 2004. The NSWG presented the NEITI bill to His Excellency, President Olusegun Obasanjo GCFR in December 2004.

On the 22nd of December 2004, after due consultations, the Federal Executive Council, presented the NEITI bill to the National Assembly for passage into law. The NEITI bill is currently awaiting the second reading in the National Assembly. *See Appendix A*

BUILDING BACK IN THE EI AND AGENCIES OF GOVERNMENT

The FOCAL TEAM was set up for the design and oversight of a Technical Assistance (TA) Program that combines a variety of coordinated training programs, inward secondments of expertise and infrastructure support for selected government agencies. The Members are Obiageli Ezekwesili, SSA-P, Chair; Edmund Daukoru, Special Adviser to the President on Petroleum; Ifueko Omoigui, Chairman, Federal Inland Revenue Service (FIRS); Imo Itsueli, Dubri Oil; O.C. Harry, Nigerian National Petroleum Corporation (NNPC); Bode Augusto, Budget Office; Bright Okogu, Oil & Gas Accounting Unit, Ministry of Finance (MOF); Mac Ofurhie, Department for Petroleum Resources (DPR); Phil Chukwu, National Petroleum Investment Management Services (NAPIMS); B.O.N. Okafor, Central

Bank of Nigeria (CBN); Gbite Adeniji, Gbite Adeniji & Co and Stan Rerri, NEITI Secretariat.

The Focal Team held its inaugural meeting on the 6th of July 2004 and adopted a Capacity Needs Strategy Agenda with a three-pronged approach namely short, medium and long term. The short term involves organising generic bi-annual Networking Seminars, Conferences and Workshops for staff and stakeholders drawn from the Oil & Gas Unit-MOF, DPR, NNPC, FIRS, Budget Office-MOF, National Assembly, Political Party leadership, Civil Society including Labour, Revenue Mobilization Allocation & Fiscal Commission, Civil Service, Office of the Secretary to the Government of the Federation and Office of the Head Of the Civil Service. The NEITI Conference that held on the 14th to 17th of February 2005 was the start of the generic Capacity Building Plan. The second Conference is planned for September 2005.

The Medium Term Strategy includes Cross Posting of Agency Staff, Secondments/ Attachments/ Recruitment, Continuous and Sustained Training to mitigate attrition proportion and setting up of Technical Advisory Teams made up of upright retired staff of the relevant government Agencies-A Volunteer Force.

The long-term strategy is focused on finding sustainable funding sources for incessant year-to-year capacity and manpower development. The Petroleum Technology Development Fund (PTDF) has been identified as a funding window.

ENGAGING THE PUBLIC: THE ROLE OF THE CIVIL SOCIETY TEAM

The CIVIL SOCIETY (CS) TEAM directly engages the wider NGO constituency. The membership is drawn from TRANSPARENCY IN NIGERIA (TIN)/ Dr H. Assisi Asobie; PENGASSAN/ Dr L. B. Ogbeifun; Citizens Organisations/ Mrs J. Maduka and the NEITI Secretariat/ Stan Rerri.

NEITI intends to publish all information and data on the EI through a grass-root based communication strategy and the engagement of rural communities and regional civil society groups. This will help us change the perception of the EI and build ownership amongst wider stakeholders. The purpose of the interactive session is to fashion ways in which Civil Society can contribute to the entire process.

The engagement with CS commenced through a meeting facilitated by the DFID with the Publish What You Pay (PWYP) Nigerian coalition of over 47 civil society organisations, drawn from the six geo-political regions and

representing a wide-range of socio-economic and cultural interests. The coalition is part of an international network of organisations calling for the mandatory disclosure of the payments made by oil, gas and mining companies to governments, and for governments to publicly reveal its revenues from these sectors so that citizens can hold them accountable for their management.

The NSWG/ CS Session that held on the 30th of November 2004 elected a CS Action Plan Team with a mandate to produce a Strategic Plan for Civil Society engagement in the NEITI. Members are:

- | | |
|-------------------------|------------------------|
| 1. Dr. H. Assisi Asobie | CHAIRMAN/ TIN |
| 2. Mrs Joanna Maduka | Citizens Organisations |
| 3. Mr Emma Ezeazu | Centre for the Dev. CS |
| 4. Hajia Binta Ahmed | N.C. Women's Societies |
| 5. Stan Rerri | NEITI Secretariat |
| 6. David Ugolor | PYWP Secretariat |

The CS Action Plan Team held its inaugural meeting on the 25th of April 2005. The Team produced a

comprehensive CS Engagement Strategy for ratification by the Joint NSWG/ CS Interactive Session holding on the 19th of May 2005. The Strategy has three main thrusts:

1. To develop an administrative framework for an improved working relationship/ partnership with the NSWG
2. To build capacity within Civil Society Organisations (CSO's) to:
 - ⇒ Help CSO's understand the workings of the Extractive Industry enabling them to ask the right questions
 - ⇒ Help CSO's educate their constituency and the general public as to the workings of the Extractive Industry, building ownership and an understanding that the resources actually belong to the people
 - ⇒ Help CSO's better understand the data and information expected from the work of the Auditors enabling robust information dissemination
3. To fashion ways to deepen Extractive Industry transparency and develop effective feedback mechanisms

The Team proposed the 31st of May and the 1st of June 2005 (in Port Harcourt) as the start of the Nationwide

Road Show. The Road Show will take the NEITI message to the grassroots and most importantly, receive feedback.

See appendix B

THE ROLE OF THE MEDIA TEAM

The MEDIA TEAM, anchored by Olusegun Adeniyi of ThisDay Newspapers and Orji Ogbonnaya Orji, formerly of Radio Nigeria, has the task of ensuring that the work of the NSWG drills down or percolates broadly across the sector. The work of the Media Team contributed immensely to the development of the NSWG/ CS draft Communications Strategy that will be presented on the 19th of May 2005.

THE NEITI AUDIT PROGRAM

The NEITI/ NSWG commenced its Audit program with a strategic two-stage approach in line with International Best Practice namely:

1. An International Invitation for Expression of Interest (EOI) in the selection of an Auditor.
2. A Request for Proposals (RFP) from short-listed firms to carry on the following:
 - ⇒ **Physical Audit**; a reconciled figure and a coherent map that will give a complete picture of the amount of oil/gas that has been produced/ lifted/ lost/ refined/ exported in the given period of review
 - ⇒ **Financial Audit**; a reconciled picture that shows who has paid money, how much and who to?
 - ⇒ **Process Audit**; a critical examination of crucial extractive industry processes like levels and justification of Capital Expenditure proposals; checks and balances in importation of products; comparative analysis,

benchmarking and recommendations for improvement.

GIS prepared a draft EOI for publication in the local and international press. The draft EOI was adopted at the NSWG meeting on the 15th of December 2004. The NSWG agreed that the Audit program captured succinctly its thematic priorities in implementing the reform of Nigeria's EI.

The NSWG mandated the NEITI Secretariat to advertise the EOI in the Economist, the Wall Street Journal, ThisDay, Punch, Vanguard and Guardian newspapers from the 17th of December 2004.

The NEITI Secretariat received over 100 EOI's from prospective Auditors. The NSWG meeting of the 12th of January 2005 acknowledged the receipt and directed GIS to short list the EOI's and prepare RFP solicitation documents for short listed firms only.

GIS then short listed the firms as follows:

Financial Audit

Name of firm
Akintola Deloitte
Awoyemi Obafunso&Co
BDO Oyediram Faleyo
Ernst & Young
Eywumi Rone
Horwath Dafinone
Jerseb
JK Randle
OYELAMI ADELEKE/Baker tillyO
PKF Pannell Kerr Forster
S.S. Afemikhe &Co

Process Audit

Name of firm
Akintola Deloitte
BDO Oyediram Faleyo
Channoil Consulting
Ernst & Young
Horwath Dafinone
JK Randle
Saybolt
Swede Control Intertek

Physical Audit

Name of firm
Akintola Deloitte
Hart Group
JK Randle
Ryder Scott
Saybolt
Swede Control Intertek

The NEITI Secretariat sent out the RFP solicitation documents to the above short-listed firms on the 31st of January 2005 and received eleven RFPs on the 14th February 2005.

GIS presented its findings to the NSWG meeting on the 22nd of February 2005, which eventually led to the selection of the Hart Group to carry on the Financial, Process and Physical Audits of Nigeria's Oil & Gas Industry on the 15th of March 2005. *See appendix C*

AUDIT PROGRAM: STATUS

The Hart Group commenced work immediately, backed by an Executive Order by His Excellency, President Olusegun Obasanjo GCFR. Obiageli Ezekwesili, SSA-P and Coordinator NEITI invited the Chief Executives of all the Oil Producing Companies in Nigeria to the State House, Presidential Villa the 30th of March 2005, where she

reiterated Mr. President's Directive wherein he emphasized that the NEITI Audit is a priority transparency program of this Administration for which the visible collaboration and cooperation of all participants in the Extractive Industry must be demonstrated.

To date the Hart Group has produced two reports for March and April 05. *See appendices D & E.* The reports and other documentation will be available shortly on the NEITI Website. www.neiti.org

**OBIAGELI EZEKWESILI
SSA-P, COORDINATOR
NEITI/ NSWG SECRETARIAT
STATE HOUSE
PRESIDENTIAL VILLA ABUJA**

NSWG Milestones: Timeline of Activities

19th Feb 2004	Inauguration of NSWG
9th March 2004	Oil & Gas Knowledge Acquisition Seminar for NSWG Members and 1 st of 13 NSWG Meetings to date
1st April 2004	NSWG Adoption of Terms of Reference/ Scope for engagement of Technical Advisor (TA)
19th June 2004	Advert in National Papers for EOI for TA
24th of June 2004	1 st NSWG/Civil Society Interactive Session
6th of July 2004	Focal Team Inaugural Meeting
2nd Aug. 2004	Legislative Team Inaugural Meeting
10th Aug. 2004	Presentation of draft NEITI bill to NSWG by Legislative Team
26th Oct. 2005	NSWG Acceptance of Development Grant from DFID to engage Technical Advisor
30th Nov. 2004	<ol style="list-style-type: none"> 1. Engagement of Technical Advisor, GIS through transparent international tender 2. Final Copy of NEITI bill to NSWG 3. 2nd CS Interactive Session
17th Dec. 2004	Int. and National Advert for EOI for Audit Services
22nd Dec. 2004	NEITI Bill presented to National Assembly by the Federal Executive Council
12th Jan. 2005	NSWG approval for Request For Proposals (RFP's)
31st Jan. 2005	RFP's sent to short-listed bidders
14th Feb. 2005	Receipt of RFP's & Start of NEITI Conference
15th Mar. 2005	Engagement of Auditor, Hart Group and commencement of Financial, Process and Physical Audits
17th March 2005	2 nd London EITI Conference and endorsement of NEITI as a Global Model
22nd April 2005	1st Audit Deliverable- Financial Report 1

