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Nigeria: Gains of Extractive Transparency

This Day (Lagos)

OPINION

5 June 2007

Posted to the web 6 June 2007

THIS DAY

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Waziri Adio
 Lagos

It seems counter-intuitive, but it is true: countries blessed with abundant mineral resources rarely use such resources to enable abundant life for their people. Rather, resource-rich countries are prone to corruption and conflicts, misrule and misery.

This supremely ironic development has given birth to two disturbing but familiar phrases: 'the paradox of plenty' and 'the resource curse'.

Yet, there is nothing pre-ordained about this terrible turn of things. As the examples of Norway, Indonesia, Botswana and a few other countries have shown, a different path is possible.

As few as they are, the exceptions post a poignant lesson: resources are not necessarily cursed; and plenty should not automatically produce lack. What makes the difference is the prudent management and transparent governance of the available resources.



Fifty years after striking and squandering oil, Nigeria has embarked on the path least taken. With the creation and legal strengthening of the Nigeria Extractive Industries Transparency Initiative (NEITI), Africa's slumbering giant has, belatedly but finally, initiated moves that should translate to increased transparency and accountability in the management of revenues from oil, gas and mining sectors.

Nigeria took the first bold steps in this direction in 2004, when it signed on to the Extractive Industries Transparency Initiative (EITI), a global initiative aimed at ensuring that resources from the extractive industries contribute to poverty reduction and sustainable development.

The domestication of the EITI principles in Nigeria is far from the usual fixation on foreign fads. It is an integral part of the reforms initiated by former President Olusegun Obasanjo. Besides, NEITI speaks directly to the legitimate aspirations of long-suffering Nigerians that their God-given resources should be used for the benefit of all, not eternally feeding the insatiable appetite of a predatory few.

As an idea, NEITI is premised on a simple but profound logic: beam the searchlight on these strategic sectors of national life, ensure that government get all the revenues due to it, and arm citizens and civil society activists with vital information that they can use to demand prudent and accountable management of their resources.

In everyday terms, NEITI is hinged on the idea that the more things are done in the open, the less likely the possibility of malfeasance. It is a policy reinforcement of the popular saying: 'sunshine is the best disinfectant'.

Clearly, this philosophical shift represents a sea-change in the operation



of the extractive industries and the management of natural resources in Nigeria. Hitherto, this strategic sector of the economy (petroleum alone accounts for more than 45 per cent of GDP and 85 percent of Nigeria's foreign earnings) has been run in a cavernous and opaque manner, giving rise to undue processes, underhand tactics, diversion of resources and revenues, and the predictable immiseration of Nigerians.

All these are beginning to change. In April 2006, NEITI published the first comprehensive audit of Nigeria's petroleum sector covering 1999 to 2004. The financial, process and physical audits revealed serious lapses in the governance of this strategic sector, including in areas such as probity, data management, and institutional capacity and integrity.

One of the mind-boggling revelations of the audit is that oil companies declare different amounts of oil extracted at different stages and for different purposes and that government agencies report different revenues on the same issues.

As part of the work of NEITI, the identified lapses are being remedied. Also, more revenues have accrued to the government by virtue of the fact that the operators now know that it is no longer business as usual. The amount saved so far should be in the neighbourhood of about a billion dollars.

This much is clear: the obvious gain of transparent management of the extractive industries is increased revenues to government. This should increase the resource envelop available and, all things being equal, should enhance government's capacity to reduce poverty, promote equity and achieve the Millennium Development Goals.

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Beyond increasing revenues paid to government by extractive companies, running a transparent and accountable government also has the knock-on effect of increasing foreign investments and aid flows.

A transparency regime unwittingly stimulates the demand for good governance too. With critical information about government revenues in the public domain as a result of increased openness, citizens and civic groups are empowered to ask hard questions, to engage in evidence-led advocacy for the prudent and better management of public resources and to critically interrogate policy options.

Transparency is good for engaged citizenship and participatory democracy. The resultant democratic deepening occurs in myriad ways. One is that access to critical information on national well-being (a democratic right) enhances the development of social capital, increases trust in government and enhances democratic practice as a whole

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