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**EITI Implementation in Nigeria: Outcomes,
Impacts and Challenges**

by

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The views expressed are those of the author and do not necessarily reflect the views of
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EITI IMPLEMENTATION IN NIGERIA: OUTCOMES, IMPACTS AND CHALLENGES

BY
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THE NEITI MANDATE

- In 2003, the Federal Government commenced a comprehensive economic reform program under the National Economic and Empowerment Development Strategy (NEEDS)

TARGETS OF THE REFORM PROGRAM

The reform targeted four main areas:

- Improve Nigeria's macroeconomic environment;
- Pursue structural reforms;
- Strengthen public expenditure management
- Institutional and governance reforms.

Decision to implement EITI in Nigeria was part of the overall reform programme of the Government.



NEITI National Conference. 1st of its kind

THE NEED FOR REFORMS IN THE EXTRACTIVE SECTOR

- Opaque transactions in the awards of OPLs
- Financing mechanisms
- Inappropriate disclosures of oil and gas production figures/revenues
- Corruption and unethical practices in the sector
- General poor governance of the sector, leading to socio – economic crises
- Increasing demand for transparency and accountability by Nigerians

FIRST STAGE OF EITI IN NIGERIA (2004-2007)

- Nigeria signed up to the EITI in June, 2003.
- Implementation began in February, 2004.
- Supported with Legislation in May, 2007 (NEITI ACT)
- NEITI conducted its first audit in the oil and gas industry covering 1999-2004.
- The Report was made public in 2006 and identified the sum of US\$232m as discrepancies in revenue between government receipts and companies' payments.
- Report also outlined various governance lapses, financial malpractices, physical and process deficiencies in the sector

FIRST STAGE OF EITI IN NIGERIA-2004-2007 (Cont'd)

- An Inter-Ministerial Task Team (IMTT) was set up by the Government to examine issues highlighted by the audit and develop a comprehensive remediation plan.
- A second audit covering year 2005 was conducted with more revealing disclosures.
- Nigerians awareness and consciousness were raised and discussions began on issues of extractive revenue receipts and payments transparency in the sector
- More on NEITI Website- www.neiti.org.ng

SECOND STAGE OF DEVELOPMENT (2008-2012)

- Legislation - the NEITI Act of 2007. The Law institutionalised the EITI process in Nigeria.
- Nigeria became the first country to back the EITI process with an enabling law and became a reference point in all advocacy, public agitation and demand for transparency.
- The Act also requires NEITI to conduct Financial, Physical, Process and Resource Application audits of government institutions.

SECOND STAGE OF DEVELOPMENT (2008-2012) (Cont'd)

- NEITI became 'compliant' which serves two critical functions. First, the promotion of dialogue and learning at the country level and the safeguard of the EITI brand by holding all implementing countries to the same global standard.
- The 2006-2008 audit cycle were conducted during this time
- A five year strategic plan was developed to meet with NEITI's post compliant challenges

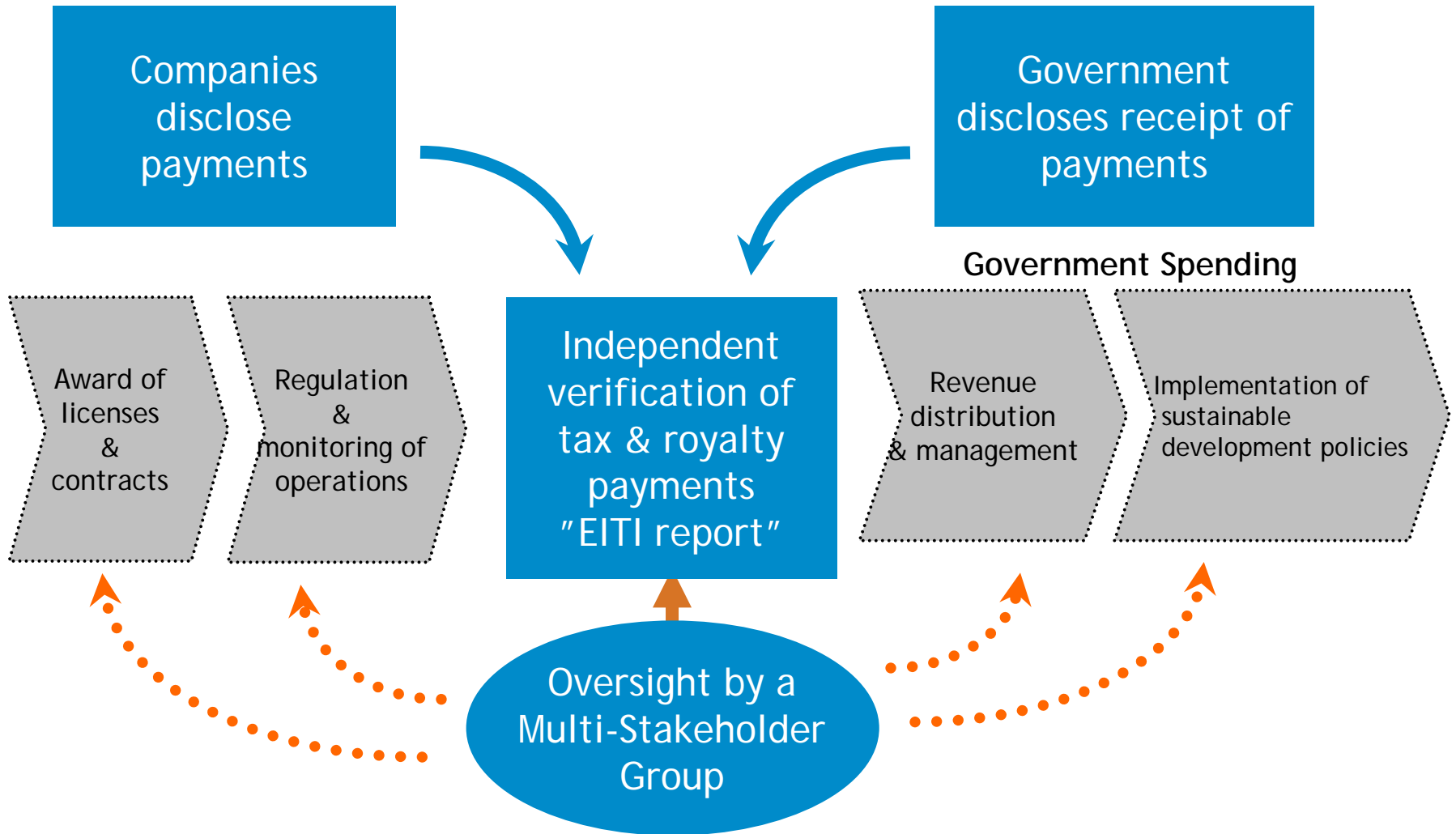
THIRD STAGE OF DEVELOPMENT (2012 TO DATE)

- New NSWG inaugurated on August, 2012
- Three major industry audits conducted: 2009-2011 Oil & Gas, 2007-2011 Solid Minerals and 2007-2011 Fiscal Allocation and statutory disbursement audit
- Robust engagement with the civil society, the Parliament, Government, Companies, media and the public



President Goodluck Jonathan receiving EITI Award won in Sydney, as the best implementing country from the NEITI Board Chair, Ledum Mittee

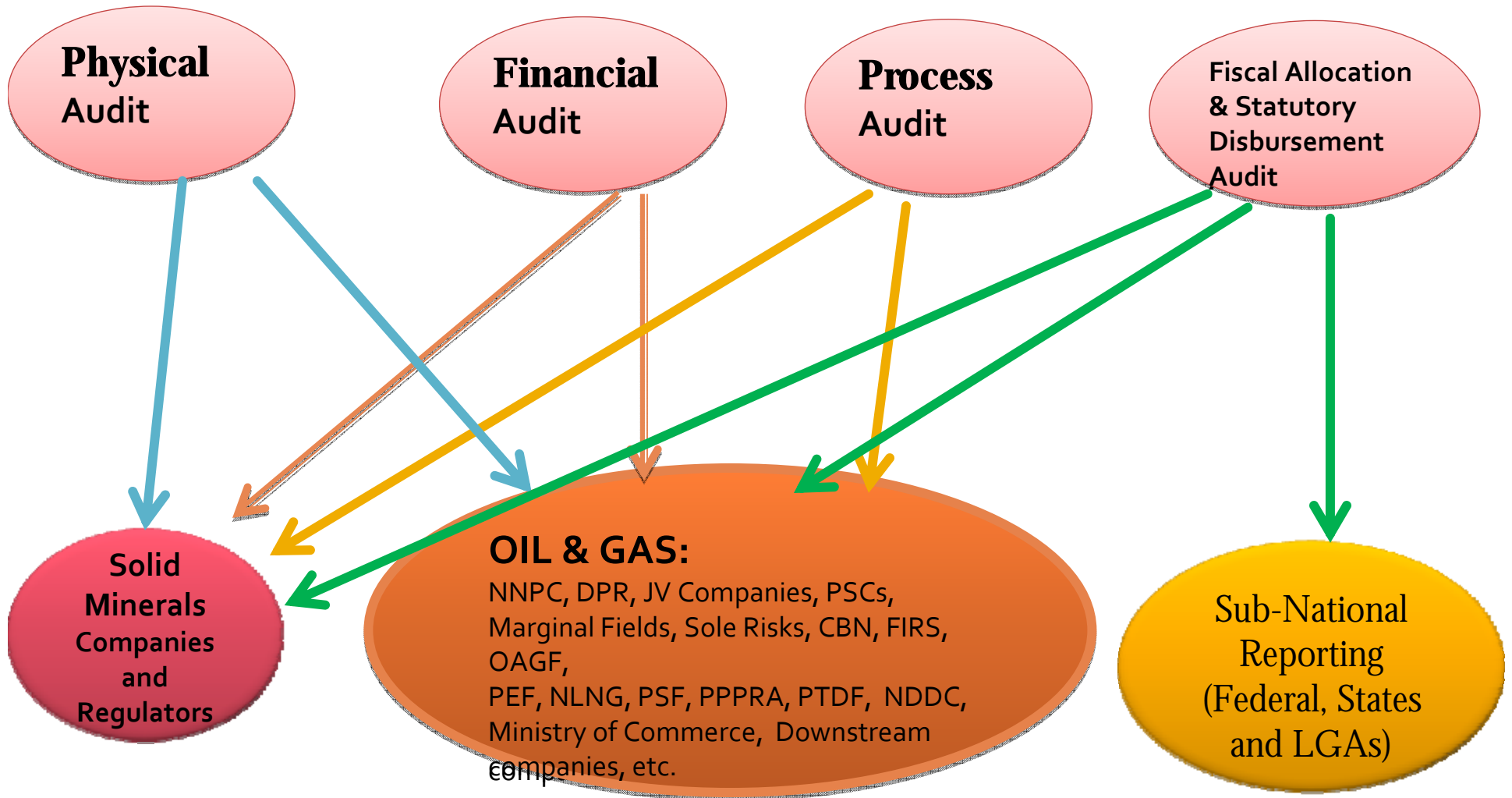
HOW EITI/NEITI WORKS



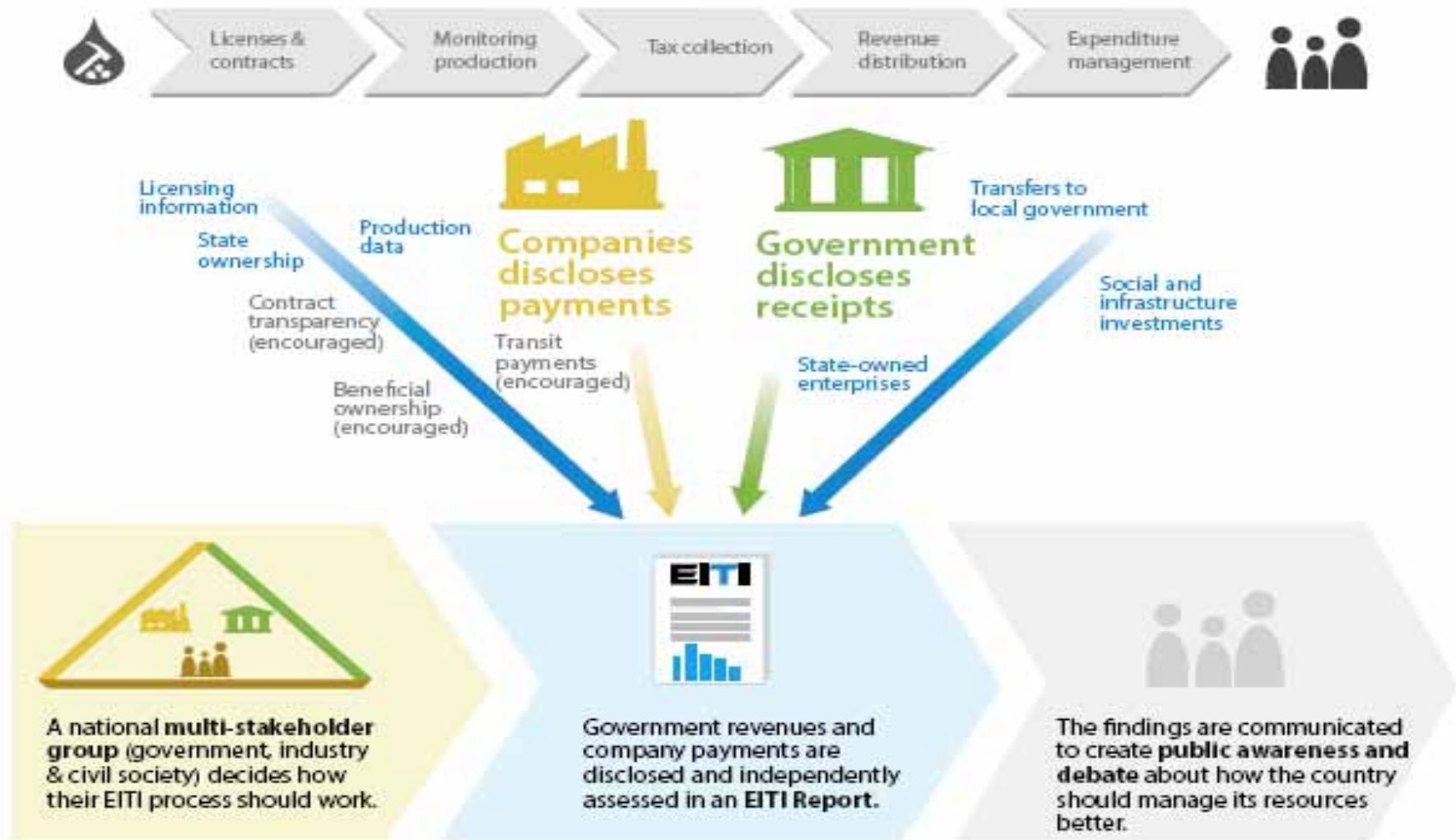
The EITI provides a forum for dialogue and a platform for broader reforms

SCOPE OF EITI IMPLEMENTATION IN NIGERIA

Aims at ensuring revenue streams due to Government were made by Extractive Companies



THE NEW EITI REPORTING STANDARDS



REVELATIONS OF NEITI AUDITS

- NEITI audit reports have exposed massive decay and monumental corruption in the sector.
- \$9.8Billion was reported as outstanding recoverable over a ten year period (1999-2008) arising from:
 - Underpayments & Under-assessments
 - Differences between what was paid and what was received
- Slow remediation of lapses
- Incapacity of regulatory agencies to verify royalty and petroleum profit tax computations.
- Poor metering infrastructure for crude oil production accounting
- Poor record keeping and other leakages in the system
- Subsidy payments increased by 71 per cent from N406 billion in 2009 to N695 billion in 2010 and by 174 per cent in 2011 to N1.90 trillion.

OUTCOMES AND IMPACTS OF EITI IN NIGERIA

- Enactment of legislation on extractive revenues transparency and governance - the NEITI Act, 2007.
- Opening up of an opaque oil and gas sector to wider public knowledge and scrutiny by the public, industry experts and other stakeholders
- About \$2Billion recovered into the Federation Account. Reports also exposed \$9.8Billion as potential revenue to the Federation due to under-assessment, under-payment and variance between what companies paid and what government received in the form of royalties, taxes, signature bonuses, levies and sales of equity crude.

OUTCOMES AND IMPACTS OF EITI IN NIGERIA (Cont'd)

- There is now greater transparency and disclosures in the oil and gas sector and global stakeholders are taking notice of Nigeria's commitment to EITI.
- Provided the platform for Nigerians to interrogate and discuss broader issues of national development .
- NEITI has lifted Nigeria's profile in the eyes of investors which has led to significant increases in FDI not only in the oil sector (about US\$ 6 billion a year by 2010) but also in other non-oil sectors US\$3 billion.
- Generated accurate data that has been crucial for national economic planning.

OUTCOMES AND IMPACTS OF EITI IN NIGERIA (Cont'd)

- Exposed irregularities in the extractive sector, proffer solutions and make recommendations
- Led to the introduction of the Petroleum Industry Bill and general reforms of the industry.
- The provisions of section 4 and 190 in the PIB has further strengthened NEITI's oversight role in the oil and gas sector.
- Increased public awareness and demand for accountability on extractive revenue management.
- Increased the revenue flows into the federation account (about \$1bn was recovered between 1999-2004, \$550m in 2005) and \$450m in 2006-2008) as a result of under-assessment and under-payments

OUTCOMES AND IMPACTS OF EITI IN NIGERIA (Cont'd)

- NEITI Audit reports have led to improved tax collection systems-Royalties, PPT, Signature bonuses for Nigeria
- Inter-Agencies Task Team (IMTT) set up to address remedial issues contained in NEITI audit reports
- Transformation Agenda of the current Administration provides for the full implementation of the NEITI Act, 2007 in order to “reduce” corruption and loss of revenue from the extractive sector (Transformation Agenda final report, May 26, 2011)

FUTURE OF NEITI

- **Regular Reporting in all Extractive sectors**
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- **Effective Communication and engagement with all stakeholders**
- **Stronger CSOs/ Legislative Partnership**
- **Automated Audit**
- **Better relations between Extractive sector operators, companies and government**
- **Improved Human Capital among government regulatory agencies to match the IOCs**

