



IPD: Michael Peel's presentation on tracking oil wealth

Talk for journalists' course 08.05.04

One of my most striking introductions to the politics of oil in Nigeria came during a visit to Bayelsa state the day before last year's presidential elections. The governor's lodge in Sagbama had been torched, in an apparent dispute over alleged ballot-rigging: the building was gutted and at least eight cars were torched. The governor's spokesman dismissed the event as an "isolated incident".

At the state electoral commission, an official showed me how high turnouts had brought the ruling People's Democratic Party success in parliamentary elections the previous week. In the House of Representatives seat of Brass/Nembe, the 131,335 valid ballots cast exceeded the 129,535 registered voters. It was an important lesson about official transparency in Nigeria: even basic information, reluctantly disclosed, can be a good deal more revealing than intended.

I see this talk is entitled "Tracking Nigeria's oil money". That's quite a billing to live up to. It conjures an image of a fearless reporter painstakingly assembling the evidence across the country and abroad, producing the definitive account of where the estimated \$300bn that the country has earned from oil over the last quarter-century has gone. Unfortunately, for some inexplicable reason, the FT has yet to give me three months off and tens of thousands of dollars to complete this task. In the mean-time, as the aphorism has it, "we try".

What I do hope to do is to offer you a few thoughts based on my own experience of living in Lagos for two years. I'm the west Africa correspondent of the Financial Times, a London based business newspaper that sells copies all over the world. I travel in the region but spend most of my time in Nigeria, where in my better moments I get out of the office and try to understand what is going on.

In this talk, I want to consider the meaning of the government's claims to be committed to transparency. This is a message the finance ministry has been taking to western capitals for many months, in search of more favourable treatment on issues such as debt relief. Our job is to see whether the claims are true, how we can use any information that becomes available and to decide what sort of questions we can ask to provoke further illuminating disclosures.

Let me make a disclaimer at the outset. We foreign journalists don't do anywhere near enough work on the kind of issues I will talk about, for all sorts of reasons. In fact, I've been pausing often while writing this talk to think: 'that's a really good idea for a story, why I haven't I done this'? So please see this talk as a way of starting a debate, and be assured that the points I make could equally be directed towards me and my colleagues as to Nigerian journalists. I'll talk for a short time only and then I hope you'll hit me with lots of questions.

"Tracking Nigeria's oil money" could almost as well be paraphrased "tracking Nigeria's government spending". Oil accounts for three-quarters of government revenues and more than 90 per cent of export earnings. The International Monetary Fund estimates that oil revenues over the next five years will exceed \$100bn, or almost \$1,000 for every Nigerian. International oil companies are already developing huge offshore fields and more will no doubt be discovered.

The questions begin with how much oil Nigeria produces. That ought to be relatively straightforward: until a recent reduction, the country had an Opec quota of fractionally more than 2m barrels a day. Yet the April report of the London-based Centre for Global Energy Studies tells us that Nigeria produced around 2.34m barrels a day in both February and March. So immediately we have a discrepancy and a set of interesting questions: why is the government busting the quota and where is the extra money going? I didn't have time to cross-reference the figures with the ministry of finance's own statistics for oil production, but I'm sure the answers could be interesting. This is

just one of many complicated supply-side issues we could address, but, having seen the programme for this course, I suspect the workshop given by Jenik Radon tomorrow will give you much more detailed and authoritative information than I can.

I'd like to concentrate on a different part of the process: after the oil money is received, how is it spent? Ngozi Okonjo-Iweala, the new finance minister and a former colleague of Prof Stiglitz, has talked a lot about accountability. Her ministry has begun publishing details in newspapers of how much oil revenue, customs duties and corporate taxes the federal government remits to states and local authorities. She says it's been the one of the most controversial things she's done. I'm not surprised: the details are really interesting and certainly taught me a lot about the way wealth is distributed at an official level.

The figures illustrate the way oil-producing states have benefited hugely from the extra allocation they have been granted through a Supreme Court judgement. We learn that, according to the latest figures available on the finance ministry's website, that Delta state is the top earner with 5.52bn naira a month, or \$40m. Akwa Ibom, Bayelsa and Rivers, also oil producing states, earned more than 4bn naira a month. By comparison, Lagos, home to sub-Saharan Africa's largest city, receives less than 2bn naira a month.

>From my own visits to Delta, Rivers and Bayelsa, I haven't seen much evidence - to put it mildly - that life is better than the non oil-producing states. The governments of these states have made a lot of fuss about how they should be getting more benefit from the resources they have on their land: Victor Attah, the governor of Akwa Ibom, even read publicly from the Bible's book of Lamentations to make his case. "Our inheritance has been turned over to aliens, and our houses to foreigners," he said in 2002. "We have become orphans and waifs, our mothers are like widows."

Now these governors have what they want, where is the extra money going? The budget is predicated on an oil price of \$25 a barrel but international prices are around \$40. There will be a lot of extra money sloshing around in the states this year.

Similar questions can be raised, perhaps even more forcefully, about the local government revenue figures that are also published on the same website. Here is an opportunity for reporters at a local level to inform their readers just how much the authorities are receiving on their behalf. I'm sure some people are doing this at the moment - and I appreciate that local reporters come under a lot of political pressure to censor themselves - but there should be more of it and local civil society groups should be more involved.

The finance ministry details are a start, but the government should be publishing even more. From what I could see yesterday, the figures hadn't been updated since February. Now that might not be so bad for a paper like the FT, where publication of stories from Africa sometimes seems to take place on a geological time-scale. But it's not much good for those of you putting out chunky papers on Nigeria every day. The minister says she wants transparency, so she and her officials should be held to that.

Another weakness of the government's approach is that much of what it publishes contains facts but little commentary. Transparency is not just about publishing raw data. Without the accompanying context, figures often risk being meaningless.

This year's budget is a good example. The draft budget contained a large amount of tables detailing government spending - 157 pages in all - but not a single word of accompanying explanation or justification. It was strong on the "what" but not on the "why". This, of course, is where journalists come in, both in terms of pressing the ministry to be more informative and in doing their own independent research.

Since we're talking about oil, let's open the page quite by chance at the....department of petroleum resources (p83). In the headquarters spending allowance of 52.5m, entertainment and hospitality, including house rents, comes to 2.15m naira. That's about \$15,000. Now it's true that when Dennis Kozlowski was the head of Tyco International he spent about that amount on an umbrella stand. But it's not the quantum that's important: it's what's done with the money. Who is benefiting from this and why - is this on legitimate government business or, as more sceptical observers might suggest, so that senior civil servants can have somewhere pleasant to live funded by the taxpayer?

That's without even mentioning the miscellaneous expenses of 9.5m naira - almost one fifth of the department's total headquarters spending.

Much media attention focused on the budget proposal to spend 10bn naira on a new presidential jet. It's a lot of money and a legitimate issue to scrutinise. Yet there are so many other intriguing details left hanging by the budget. What of the 4m naira proposed for the maintenance of the presidential yacht, or the 20m naira allocated to the national security adviser's office for the administration and welfare of political refugees and their entourages. Can the government produce evidence of whom this money is being spent on and what it is being used to buy?

The government's plan to publish full accounts and do historic audits for the Nigerian National Petroleum Corporation also demands careful scrutiny. President Obasanjo used this as the centrepiece for his speech late last November at the tenth-anniversary celebrations held by Transparency International at its Berlin headquarters. Yet the project has already been significantly delayed: the improved accounts promised early this year by Funsho Kupolokun, NNPC managing director, have yet to materialise.

At a deeper level, the changes in the oil industry raise questions about a different kind of corruption: not stealing money directly, but making policies to favour your own interests or those of your allies. It's an issue everywhere, whether it's the British government and its position on tobacco advertising or the US government and its attitude towards the big oil companies where so many of its senior officials once worked. Nigeria is no different.

Vanguard newspaper did some good work recently pointing out how petrol marketing companies were still getting a subsidy from the NNPC despite the fact that the price controls imposed on them had been abolished. In other words, according to the report, the marketing companies were making profits not just out of the Nigerian consumer at the pump but out of the taxpayer who provides the NNPC subsidy. It's the kind of issue that, once exposed, attracts the attention of civil society organisations and movements such as the Nigeria Labour Congress, creating the possibility of real pressure on the government to justify its policy or change it.

The oil lifting contracts awarded by NNPC are a further controversial example of an area in which there are longstanding allegations that public policy has been used for private gain. The Corporate Affairs Commission in Abuja, where all businesses are supposed to be registered, has all sorts of logistical problems, but it is possible to get useful information from it concerning the management and ownership of companies. I know that, as in other countries, ownership is often disguised through third parties. But names that do crop up are often suggestive - and, in an environment in which officials are rarely held accountable, there's always the possibility that people will be carelessly open in the information they provide.

Then there are plenty of stories to do on how the oil multinationals operate in Nigeria. A good example is the announcement by Royal Dutch/Shell that a third of the 3.9bn barrels of oil reserves it downgraded earlier this year were in Nigeria. Shell relied largely on the highly questionable practice of revising oil data, rather than discovering new oil and gas, to raise its proved reserves in Nigeria in the past three years. The whole issue of why they did this - was it to improve their own image with investors, to please the Nigerian government or both - is critical and important.

I know you do good stories already and face all sorts of obstacles to doing even more. Nigeria desperately needs freedom of information laws to compel officials to release information that the public has a right to know, for example. On a broader political level, the kind of institutions that are supposed to investigate and prosecute allegations raised in the media are mostly lamentably inadequate.

The limited information that has been made available over the past few years has allowed journalists to write powerful stories about alleged corruption. The internet publication of the presidential election results allowed ThisDay - and other newspapers - to do some good work in highlighting extraordinary voting patterns in President Obasanjo's home state. Perhaps as striking as the 99.92 per cent vote in favour of the president was the fact that hundreds of thousands of people who voted for the president didn't bother to vote in the gubernatorial election, even though ballot papers for both were issued at the same time. The publicity may not have got the election rerun, but it provided material on the record to which Nigerians and foreigners can refer time and again as evidence of ballot-rigging.

At the airport in the oil city of Warri a couple of weeks ago, immigration officials were there to examine the passports of oil company workers and other foreigners arriving from Lagos. I said to the official that I was surprised at the check, as we had come on a domestic flight and other airports in Nigeria did not ask for documents from expatriates travelling internally. He replied enigmatically: "There are things that happen in Warri that do not happen elsewhere."

That seemed to me a pretty concise summary of the kind of culture of arrogant opacity that has characterised the oil industry in Nigeria. The government has promised to make system more accountable. Let's keep the pressure on them to do this and hammer them if they don't.

ENDS

NNPC ACCOUNTS -EITI AND NNPC
AUDITOR-GENERAL'S REPORT
VANGUARD GOOD WORK ON OIL MARKETERS.

TRANSPARENCY AND ELECTIONS

We saw the power of this transparency in ThisDay breakdown of voting figures in presidential election in Ogun. The president scored a modest 99.92 per cent of the vote.

Look at other governors, especially in the Delta. Journalism is full of frustrating stories where you suspect someone is doing something wrong but you can't quite prove it. But here there is irrefutable evidence eg in Bayelsa - higher turnout that number of votes and also ballot papers found in burned state governor's lodge. No-one believes these results: drill down, be forensic, present the evidence in an unanswerable form. Then you have done your job: it should start a public debate, get civil society organisations interested.

Something about NNPC accounts....

Something about what the finance minister is now publishing...

Something about the EITI NNPC audits...

Something about quota-busting (central bank figures)

Details of production figures...are they rising?

Halliburton?

What about reserves...why did Shell exaggerate its reserves and why does government connive.

Vanguard some good work on petrol subsidy still there from NNPC to marketers.

Budget - \$25 a barrel - so how much will this leave over in excess?

Use the fact that the government is officially committed to transparency...

Growth rate

<http://www.fmf.gov.ng/>

<http://www.fmf.gov.ng/a.htm>

Realise that we as foreign journalists are very privileged...we are paid a lot of money, good technology, backed up by rich organisations. We all come up against an official culture of not imparting information.