

Board decision on the second Validation of Nigeria

Decision reference: 2019-20/BM-42

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The Board's decision

The EITI Board agreed that Nigeria fully addressed the corrective actions from the country's first Validation. Consequently, Nigeria made satisfactory progress overall with implementing the EITI Standard.

The Board commended Nigeria's efforts to use the EITI as a key multi-stakeholder consultation platform to proactively drive the natural resource governance debate and as a tool for reforms in government and extractives company systems. The second Validation confirmed Nigeria's efforts to use the EITI as a crucial diagnostic of oil and gas industry oversight to support reforms of state participation, license management and off-budget revenues. While discrepancies between rules and practice in the governance of the extractive industries persisted, the Board considered that the latest EITI disclosures adequately reflected practical challenges in the mining, oil and gas sectors.

The Board welcomed ongoing efforts to consider opportunities to improve systematic government and company disclosures of data required under the EITI Standard. The Board took note of these developments and looks forward to working together with Nigerian stakeholders on these issues.

Nigeria should continue to ensure adherence to the EITI Principles and Requirements while strengthening transparency in the operations of its state-owned enterprises. Where concerns are raised about whether implementation of the EITI has fallen below the required standard, the EITI Board reserves the right to require the country to undergo a new Validation. In accordance with Requirement 8.3.b, stakeholders may petition the EITI Board if they consider that Nigeria's status should be reviewed. Otherwise, in accordance with Requirement 8.3.d.i, Nigeria will be revalidated in three years, with the next Validation commencing on **27 February 2022**.

Background

Nigeria's second Validation commenced on 11 July 2018. In accordance with [Requirement 8.3.c](#), the EITI International Secretariat assessed the progress made in addressing the 16 corrective actions established by the EITI Board following Nigeria's [first Validation in 2016](#). In accordance with the [Validation procedures](#), the draft assessment [[English](#)] was sent to Nigeria's National Stakeholders' Working Group (NSWG) on 2 October 2018. Comments [[English](#)] were received on 16 November 2018 and the assessment was finalised [[English](#)] for review by the Validation Committee. Following reviews by the Validation Committee on [5 December 2018](#) and [15 January 2019](#), a recommendation was finalised for consideration by the EITI Board. In line with the criteria for considering developments subsequent to the commencement of Validation (see above), the Validation Committee has taken account of information published after 11 July 2018. Additional background documentation is available [here](#).

Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1) 					
	Industry engagement (#1.2) 					
	Civil society engagement (#1.3) 					
	MSG governance (#1.4) 					
	Workplan (#1.5) 					
Licenses and contracts	Legal framework (#2.1) 					
	License allocations (#2.2) 					
	License register (#2.3) 					
	Policy on contract disclosure (#2.4) 					
	Beneficial ownership (#2.5) 					
	State participation (#2.6) 					
Monitoring production	Exploration data (#3.1) 					
	Production data (#3.2) 					
	Export data (#3.3) 					
Revenue collection	Comprehensiveness (#4.1) 					
	In-kind revenues (#4.2) 					
	Barter agreements (#4.3) 					
	Transportation revenues (#4.4) 					
	SOE transactions (#4.5) 					
	Direct subnational payments (#4.6) 					
	Disaggregation (#4.7) 					
	Data timeliness (#4.8) 					
	Data quality (#4.9) 					
Revenue allocation	Distribution of revenues (#5.1) 					
	Subnational transfers (#5.2) 					
	Revenue management and expenditures (#5.3) 					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Socio-economic contribution	Mandatory social expenditures (#6.1) 					
	SOE quasi-fiscal expenditures (#6.2) 					
	Economic contribution (#6.3) 					
Outcomes and impact	Public debate (#7.1) 					
	Data accessibility (#7.2) 					
	Follow up on recommendations (#7.3) 					
	Outcomes and impact of implementation (#7.4) 					
Overall Progress						

-  **No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
-  **Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
-  **Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
-  **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
-  **Beyond.** The country has gone beyond the requirements.
-  This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
-  The MSG has demonstrated that this requirement is not applicable in the country.

News

Nigeria uses EITI to reform industry, build accountability

Having met all the requirements of the EITI Standard, country seeks to entrench transparency in government and company systems.

Nigeria's pioneering use of multi-stakeholder governance to disclose data on its upstream extractives value chain was recognised today by the EITI Board. It became the first Anglophone African country to have made satisfactory progress in implementing all the requirements of the EITI

Standard. It now faces the challenge of entrenching this transparency in routine government and company systems.

“Nigeria’s implementation of the EITI Standard remains in many respects a model for implementing countries globally,” said Chair of the EITI Board Fredrik Reinfeldt. “Apart from its scope, NEITI reports have shaped major reforms initiated in the sector, including those by the national oil company, NNPC. We hope the government will continue to use the NEITI process to inform its policies for better governance.”

Over 15 years of implementing the EITI, the Nigeria EITI (NEITI) has become an independent watchdog that holds stakeholders in the crucial hydrocarbons – and more recently solid minerals – sector to account. Since 2017, NEITI has disclosed key data on its allocation of licenses, on the administration of oil and gas subnational transfers and on crude sales and other processes within the Nigerian National Petroleum Corporation (NNPC).

“The NEITI reports form the basis for reforms in the oil, gas and mining industry, as was laid out in President Muhammadu Buhari’s 2015 political campaign manifesto,” said Zainab Shamsuna Ahmed, Nigeria’s federal minister of finance and an EITI Board member. “Inspired by the EITI, the Nigerian government now conducts monthly routine reconciliations for all sectors, not just the extractives, which has increased government revenues.”

Africa’s biggest oil producing nation currently pumps around 2 million barrels of oil a day and plans to roughly double output by 2020. After nearly 50 years of exploration, the country still has four times more in reserves than its nearest rival Angola. The Nigerian economy remains heavily dependent on the oil and gas sector, which accounts for 65% of government revenue. Yet the country has faced long-standing challenges in managing the sector, which has been riddled with corruption and the unaccountable use of revenues.

“Through NEITI’s reports and interventions, Nigerians now know more about the operations of the sector, which despite low commodity prices, still remains the backbone of their economy. Citizens, civic groups and the media are now better armed with information to ask probing questions and make informed contributions to governance,” said Waziri Adio, executive secretary of the Nigeria EITI. “Over time, various governments have used information from NEITI’s reports to recover almost USD 3 billion that would have ended up unpaid. NEITI’s recommendations are driving the ongoing reforms in our oil and gas and mining sectors.”

Standalone EITI reporting will always face challenges of efficiency and sustainability. The building blocks for systematic disclosures of EITI data from the extractives sector already exist within some government systems in Nigeria. Embedding routine online disclosure of extractives data in government and company systems will free up NEITI’s time to focus more on analysing the data and developing policy proposals. It has already started doing so through its series of [NEITI Policy Briefs](#).