



NIGERIAN  
NATURAL  
RESOURCE  
CHARTER

# The **Petroleum Industry Bill**, and Social Development, Equity and Precepts 1, 2, 11 and 12 of the Nigerian National Resource Charter

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# INTRODUCTION

Ideally the entire decision chain in the management of Nigeria's natural resources should have a Mitochondrial.


TRANSFORMATIONAL DNA encoded in every link of its value chain.

Every element of the transactional processes must necessarily be aligned to the grand existential outcome which must be TRANSFORMATION i.e., **"Securing the greatest social and economic benefits for the people of Nigeria."**

That is, the number one precept of the Nigerian National Resource Charter(NNRC) and the mother of all precepts.

Therefore, Transaction plus Transaction must equal TRANSFORMATION, and not more “Transactions” as is the case presently.

In this presentation, **Social Development** and **Equity** will be treated as the side of TRANSFORMATION in the contest between **TRANSFORMATION** and **Transaction**.

The background of the slide is a repeating pattern of light green, 3D-style question marks. The question marks are arranged in a grid-like fashion, slightly offset from each other, creating a textured effect. The text is centered in the middle of the slide.

**How does the present Petroleum Industry Bill (PIB) address the issues of Social Development, Equity and Transformation?**

# PRECEPT 1

From the standpoint of Social Development especially as that is captured in precept number one of the NNRC, the stated objectives of the PIB seem to be undergirded by an assumption that once increased operational efficiencies and increased revenues are delivered, Social Development will take care of itself.

# PRECEPT 1

However, economic growth is not necessarily accompanied by Social Development.

Beyond the theoretical arguments of Development Economics, nothing demonstrates the gap between Development and Growth as that strange paradox of a rich country full of poor people, Nigeria, with nearly 70 per cent of our citizens poor amidst the abundance of oil wealth.



The largest tribe in Nigeria is the Poverty tribe.

## Nigeria's Poverty Tribe

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70% Poor

70% under  
30 years

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WEST AFRICAN NGO NETWORK

[www.wangonet.org](http://www.wangonet.org)

# PRECEPT 1

Also, from the standpoint of Equity and as that is expressed in precept one of the NNRC, the stated objectives of the PIB seem to be undergirded by a second assumption, that the Government of Nigeria will be a good steward of the people of Nigeria, that there are no differences between the interests of the "government" and those of the "people."

# PRECEPT 1

However, in Nigeria, about two per cent of the population have access to and control 80 per cent of resources.

“ The ruling elite have demonstrated over the last 50 years or so, that they really do not care about the welfare of Nigerians, and even when they do, their egos, arrogance and incompetence prevents them from creating a fully realized and sustainable process of lifting their compatriots out of poverty. ”

It is useful to remember that there is such a thing as the Principal-Agent problem.

# PRECEPT 1

Concerns for the benefit of the Nigerian people and for health, safety and the environment are only EXPLICITLY addressed in only two of the eleven objectives.

Note also that in the statement of the general principles to guide management of petroleum resources what is deemed important is a need to strive for balance between the guarantee of a fair return for investors and the optimization of benefits to the Nigerian people.

# PRECEPT 2

On the bright side, and with regard to the 2<sup>nd</sup> precept of the NNRC (*government accountability to a well informed public*), the 8th objective of the PIB is to **"promote transparency and openness in the administration of the petroleum Resources of Nigeria."**

## PRECEPT 2

In the furtherance of the aims of Transparency and Good Governance, the PIB specifically mandates compliance with the Nigerian Extractive Industries Transparency Initiative (NEITI) Act for all companies and agencies established by the PIB.

However, the office of the Minister of Petroleum Resources, which is the primary institution established by the PIB, seems by some sleight of legalese to be exempt from this stipulation.

# PRECEPT 11

The emphasis on transparency seems to indicate the willingness of the Nigerian Government, as a Host Government and from the “demand side”, to catch up with the Home Governments of (The *home governments* of extractive companies and *international capital centers* should require and enforce best practice.) extractive companies, such as Canada, Norway and the U.S. with its [Dodd-Frank Act](#). These governments, from the “supply side,” already require and enforce best practices especially in the area of reporting.

# PRECEPT 12

Clearly, the establishment by the PIB of the Office of a Minister of Petroleum Resources, a Petroleum Technical Bureau, an Upstream Petroleum Inspectorate, a Downstream Petroleum Regulatory Agency, the National Oil Company and an Asset management Corporation is to, among other things, ensure that **“extraction companies [follow] best practice in contracting, operations and payments.”**



# PETROLEUM HOST COMMUNITY FUND(PHCF)

The PIB establishes a Petroleum Host Community Fund which shall be “utilized for the **development** of the **economic and social infrastructure** of the communities within the petroleum producing areas.”

This is clearly in consonance with precept one, the mother of all precepts.

# PHCF

Although not exactly the 10% plan announced by the late President Yar'adua in the heat of the Niger Delta Militancy crises, the Petroleum Host Community Fund requires that upstream petroleum companies remit 10% of their net, monthly profit to the fund.

# PHCF AND PRECEPT 12

It is clear to see how PHCF remittances are tied to the operations of upstream petroleum companies, as the more efficient and profitable their operations, the larger the monies that would flow into the fund.

The demand placed on upstream petroleum companies in terms of the calculation, collection and auditing of payments is also clear.

# PHCF AND PRECEPT 2

In the interest of transparency and accountability, it should be noted that the revenue flows to the PHCF bypass the Federation Account and the systems of financial controls related to it.

The upstream petroleum companies are to remit directly to the PHCF.

The monitoring of the financial flows, however, fall squarely within the purview of the FIRS and NEITI.

# PHCF AND PRECEPT 1

However, the PIB does not address the ways in which a PHCF may complicate and heighten the redundancies, duplications and conflicts between the Ministry of the Niger Delta, the Niger Delta Development Council which account partly for the lack of social development commensurate to the vast sums appropriated through these institutions for the peoples of the Niger Delta.

# PHCF AND PRECEPT 1

Neither does the PIB, in the establishment of the PHCF, deal with the problem of the networks of extortion and patronage which prevent the vast sums appropriated for the Ministry of the Niger Delta, the Niger Delta Development Council from translating into concrete social development for poor Nigerians in the Niger Delta.

# CONCLUSION

- Clearly the PIB process is presently ensnared in the typical shortsighted and counter productive Nigerian political 'wahala'

With the drastic changes in the oil markets, certain to collapse oil prices in the next two years, and Nigerian oil sales dwindling year on year, the big question is how will Nigeria react?

Embrace the tenets of NNRC process and pass a proper, forward looking and enlightened PIB or continue with the current games?