

Nigeria



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Nigeria is Africa's largest oil exporter, and the world's 10th largest oil producer, accounting for more than 2.2 million barrels a day in 2011. Oil revenues totaled \$50.3 billion in 2011 and generated 70 percent of government revenues. Nigeria's hydrocarbons sector is at a crossroads as the current administration attempts to pass the controversial Petroleum Industry Bill.

Nigeria	2000	2005	2011
Population (million)	123.69	139.82	162.47
GDP (constant 2011 international \$ billion)	58.7	127.1	244.0
GDP per capita, PPP (constant 2005 international \$)	1,469	1,750	2,237
Oil and gas revenue (% total government revenue)	...	89%	70%
Extractive exports (% total exports)	100%	98%	88%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Extractive exports 2005 data from 2006; 2011 data from 2010.

Nigeria's Performance on the RGI

Nigeria received a "weak" score of 42, ranking 40th out of 58 countries. Relatively strong performance on the Institutional & Legal Setting component contrasted with a poor Enabling Environment score.

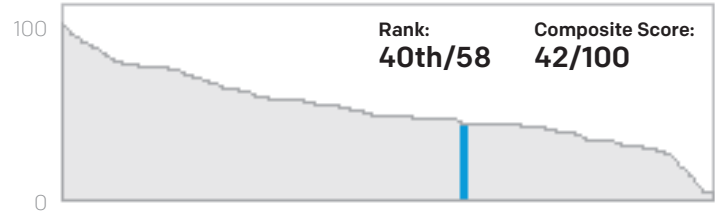
Institutional and Legal Setting

(Rank: 22nd/58, Score: 66/100)

Nigeria's "partial" score of 66 reflects substantial public access to information but incomplete revenue disclosure policies.

The minister of petroleum resources grants licenses for oil exploration, while the Department of Petroleum Resources, under the minister, oversees the licensing process and regulates the sector.

Nigeria's tax agency receives taxes on petroleum profits and other hydrocarbon-related levies, while the Department of Petroleum Resources collects rents, royalties, license fees, bonuses, and other payments. Some revenues bypass the treasury and are not reported to the legislature. Nigeria adopted a Freedom of Information Act in 2011.



Reporting Practices

(Rank: 42nd/58, Score: 38/100)

A lack of contract transparency and incomplete reporting on most aspects of the petroleum industry led to a "failing" score of 38.

The Petroleum Resources Ministry publishes little information on the upstream licensing process, fiscal and production arrangements, contracts, environmental impact assessments, or operational data. It publishes no reports on revenues. In contrast, the Finance Ministry publishes information on production volumes, prices, the value of resource exports, estimates of investment in exploration and development, production costs, costs of subsidies, production stream values, royalties, special taxes, and the government's share in production sharing contracts. The central bank regularly publishes information on production volumes, prices, the value of crude oil exports, production costs, production streams value, royalties, and special taxes. Nigeria's 2012 Extractive Industries Transparency Initiative report covers the 2009-2011 fiscal years and includes comprehensive information on industry operations and disaggregated revenue streams.

Safeguards and Quality Controls

(Rank: 31st/58, Score: 53/100)

Nigeria's "partial" score of 53 is a reflection of incomplete government monitoring but substantial conflict-of-interest disclosure requirements.

The minister of petroleum resources exercises wide discretion in awarding licenses, despite a policy of open bidding, and the legislative branch has limited oversight of the process.

The Office of the Auditor General for the Federation is statutorily responsible for conducting periodic audits of public accounts; audits are published but are at least two years old. Audits of the state-owned Nigerian National Petroleum Corporation (NNPC) have never been disclosed.

Enabling Environment

(Rank: 44th/58, Score: 18/100)

Nigeria received a "failing" score of 18, the product of particularly poor rankings on government effectiveness and the rule of law.

State-Owned Companies

(Rank: 23rd/45, Score: 47/100)

The NNPC owns a majority share of the six substantive joint

ventures currently operating in Nigeria. The company operates as an autonomous entity, with little or no information available on its finances, internal controls, or quasi-fiscal obligations. Its controversial administration of fuel subsidy payments resulted in an estimated \$13 billion in losses between 2006 and 2011.

Natural Resource Funds

(Rank: 18th/23, Score: 17/100)

Nigeria created a Sovereign Wealth Fund in May 2011. It received \$1 billion in seed money from the state but is not yet operational. The Excess Crude Oil Account currently receives revenues directly from oil extraction. Structurally, the central bank and the Finance Ministry oversee the account; in practice, the president has substantial control over deposits and withdrawals.

There are no published rules about the account's operations, and information on its assets and transactions is not available. The Office of the Auditor General for the Federation examines the fund's financial reports, but they are not published.

Subnational Transfers

(Rank: 7th/30, Score: 83/100)

Oil-producing states receive 13 percent of revenues from the oil produced in their state, in addition to standard revenue allocations. The Finance Ministry publishes regular reports on the transfers. The government appears to follow the rules for resource revenue sharing established by legislation.

Nigeria's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
40	COMPOSITE SCORE	42
22	Institutional and Legal Setting	66
	Freedom of information law	100
	Comprehensive sector legislation	67
	EITI participation	100
	Independent licensing process	67
	Environmental and social impact assessments required	50
	Clarity in revenue collection	50
	Comprehensive public sector balance	22
	SOC financial reports required	100
	Fund rules defined in law	0
	Subnational transfer rules defined in law	100
42	Reporting Practices	38
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	33
	Production volumes	50
	Production value	100
	Primary sources of revenue	75
	Secondary sources of revenue	20
	Subsidies	67
	Operating company names	33
	Comprehensive SOC reports	50
	SOC production data	33
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	50
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	0
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	100
	Subnational reporting of transfers	0
31	Safeguards and Quality Controls	53
	Checks on licensing process	22
	Checks on budgetary process	44
	Quality of government reports	47
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	67
	SOC reports audited	22
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	0
	Fund reports audited	33
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	100
	Quality of subnational transfer reports	100
	Government follows subnational transfer rules	100
44	Enabling Environment	18
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	19
	Open Budget (IBP Index)	23
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	27
	Government effectiveness (WGI)	11
	Rule of law (WGI)	11

■ Satisfactory	■ Weak
■ Partial	■ Failing