

REVENUE WATCH INSTITUTE REGIONAL WORKSHOP
DAKAR, SENEGAL

How Can Africa Get a Better Deal on Its Extractive Resources?

BRINGING BENEFITS TO THE PRODUCING REGIONS

Guest Speaker: His Excellency Chief Timipre Sylva, Governor of Bayelsa State, Nigeria

Fellow participants, I have very much enjoyed my participation in today's workshops. This morning's session was extraordinarily insightful and quite revealing of the work that needs to be done in Africa to promote transparency and good governance, defeat poverty and set a solid foundation for sustainable development.

It is difficult to say any more without paying tribute to the lifetime achievements of George Soros who has contributed intellectually and materially to the development of civil society capacity to participate more effectively in governance for the promotion of peace, transparency and development, particularly in Africa.

I congratulate Revenue Watch Institute and the Open Society Institute for putting together these first-class workshops from which I have learnt so much. The diversity of participation and ideas has been incredible and the passion with which we are all committed to the cause of good has reassured me, if any reassurance were needed, that in my home state of Bayelsa in Nigeria we are doing the right things.

I am going to speak briefly on the subject: *bringing benefits to the producing regions* with the Niger Delta and Bayelsa State as reference. I assure you that I will indeed be brief considering that this is a dinner speech. My intention is to address this issue by looking briefly at the work of two scholars that you may be familiar with- Michael Watts and Nicholas Shaxson, from which I will make some observations.

Nicholas Shaxson in a recent paper, *New Approaches to Volatility: dealing with the "resource course" in sub-Saharan Africa*, made three points of interest to me:

- 1.) That increased oil revenues would not automatically bring about stability and prosperity - he supported this conclusion with the experiences of "failed economies" of several African countries in the 1970s and 80s, including Nigeria, Angola and Guinea Bissau
- 2.) In line with Paul Collier and other notable scholars, he concluded that natural resources have been a key cause of civil wars and that oil has been directly or indirectly linked with conflict in the Niger Delta, in Cabinda in Angola and to the 2003 and 2004 coup and coup attempts in Sao Tome and Equatorial Guinea and to Congo Brazaville civil wars of the 1990s

3.) That in western democracies NGOs have been able to influence the design of fiscal instruments in the oil industry and there is no reason why the same can not happen in Africa

Before I comment on these claims I will like to briefly draw your attention to the material conditions that exist in the oil producing Niger Delta region of Nigeria and to outline the historical evolution of the crisis we are now addressing in the region.

Michael Watts in a paper delivered at the Oxford University conference on Oil and Politics titled *The Rule of Oil: Petro-Politics and The Anatomy of an Insurgence*, gloomily referenced the 2005 UNDP Human Development Report on the Niger Delta, which concluded that the "appalling development situation" (p.2) reflects the uncontested and shameful fact that after a half century of oil development "the vast resources from an international industry have barely touched pervasive local poverty" (p.1). Watts concluded that it is precisely this material condition that has made the Niger Delta a "region of insurrection".

I was sworn-in as Governor of Bayelsa State on the 29th of May 2007. I inherited collapsing education and health sectors, little transport infrastructure, inadequate employment opportunities and low investment activities outside the oil and gas sector. At the time even the oil and gas sector was almost collapsing as a result of the activities of the militia in the region.

About forty years ago a young man named Isaac Boro was forced by the material conditions of the Ijaw people to embark on a revolutionary initiative aimed at seceding from the Nigerian state. His rag-tag army lasted only 12 days before it was defeated by a detachment of the Nigerian police. Forty years later other groups emerged from the same Ijaw stock to provide a more potent threat to the Nigerian oil industry.

In between these two attempts at the use of violence to restore economic rights to the Niger Delta there were several peaceful initiatives including the political struggles of Chief Melford Okilo who demanded for just 1.5% of the oil income, through to the struggles of the Movement for the Survival of the Ogoni People (MOSOP) which drew attention to the environmental and social impact of oil exploitation on the peoples of the Niger Delta (particularly the Ogoni). The Ijaw Youth Council's Kaiama Declaration demanded for self-determination and resource control for the Ijaw of the Niger Delta.

Historically therefore a trend has been established by which every successive phase of the Niger Delta crisis has had greater negative impact on the stability of the region and Nigeria's economy than the previous.

When oil was first discovered in Nigeria at Oloibiri in Bayelsa State in 1956, the oil industry did not in anyway relate oil production activities to community development or any benefits for the oil producing regions. Over a period of fifty years this created a deep schism between the people of the oil producing region and the federal government and the oil companies who, through Production Sharing Agreements (PSAs) jointly operated the oil industry to the exclusion of the communities and the producing region.

Deepening poverty and lack of opportunity for the people of the Niger Delta created a context in which young people buoyed by the expansion of democratic space all over the world began to express dissent and to openly resist the Nigerian State.

The response of the state was typically heavy-handed and without a corresponding resolve to address the underlying issues associated with popular protest.

The current Federal Government however has departed from the doomed trajectory of violent repression and has opted to pursue the path of a negotiated settlement. To this end, the President of Nigeria, Alhaji Umaru Yar' Adua included peace and sustainable development in the Niger Delta on the top of his 7 point agenda, and mandated his Vice-President, Dr. Goodluck Jonathan to facilitate dialogue with the militia and all other interest groups in the Niger Delta. Despite challenges and expected points of disagreement, this approach has led to a marked reduction in the level of disruptions and violence in the Niger Delta.

In Bayelsa State we brokered a peace agreement with the militia on the 6th of December 2007, which has held up to this point; providing us with the enabling atmosphere to concentrate on sustainable development delivery in the state as well as working with the Federal Government to explore ways of addressing the core issues that will enthrone lasting peace in the region and set the stage for accelerated development.

At the top of the core issues for the long term peace and stability of the Niger Delta and energy security in the Gulf of Guinea is *bringing benefits to the producing regions*. To address the core issue of bringing benefits to the producing regions I will like to quickly go back to my three observations on Shaxson's paper.

First, the contention that increased oil revenue does not translate to stability and prosperity. In the case of the Niger Delta I have already stated that increased oil revenues did not translate to stability and prosperity. The exclusion of the producing region from the benefits of the oil industry resulted into a contest for economic and political space, which is today directly responsible for the crisis in the Niger Delta. The resolution of this crisis is therefore linked to the systematic economic empowerment of the Niger Delta through a renegotiation of the revenue sharing formula in favor of the oil producing region which should get at least 50% of the oil revenue.

Apart from the questions of equity and the need to provide sufficient funds to address the development needs of an extraordinary terrain, an upward review of derivation revenue will further dampen the effects of the *Dutch disease* by exacting pressure on the federating units to diversify sources of income.

Associated with the failure of economies according to Shaxson are corruption, mismanagement and lack of transparency in the management of oil funds by the Federal Government of Nigeria. Paradoxically, this argument was also used by the Federal Government to justify the denial of development resources to the oil -producing region.

Today this pretext is no longer fashionable.

In Bayelsa State we have established a Due Process and e-Governance Bureau to return integrity to the contracting and procurement process and are eliminating all sources of waste and graft within the government financial management system.

Over the past 8 months this has saved over Five billion naira, restored confidence in government and assured better value for money. Due process is further strengthened by the planned deployment of e-Government infrastructure and processes which will

further deepen transparency and assist in the implementation of the Bayelsa State Sustainable Development Strategy, which captures our development plans to improve health and education, social infrastructure, the environment and other aspects of life on a sustainable basis.

We are also moving to attract private sector investments by working on a Public Private Partnership framework to put in place the basic foundation for investment flows by providing a robust and reliable electricity system, sea-port and airport facilities, a Central Business District and tourism and leisure infrastructure including a Marina.

Bayelsa is in the process of constructing a climate change policy- what we call a *GreenPrint* for Bayelsa. We plan to undertake a scoping study leading to a comprehensive environmental audit of our carbon assets and infrastructure. The study will also help us to articulate and put in place the legal architecture and instruments to enable Bayelsa benefit from the Clean Development Mechanism of the Kyoto Protocol as well as establish a framework for risk analysis and mitigation. Our ultimate goal is to promote and market Bayelsa as the number one destination in Nigeria for sustainable development investment.

We are engaged in this Greening of the state not just because of the potential market opportunity but because we appreciate that oil and gas are finite resources. We cannot continue to rely on one source of income, we must plan for a post oil future, one that not only guarantees the economic wellbeing of the State but also protects the integrity of the environment as well as the health and safety of our citizens. All of our state is below sea level so we are directly threatened by climate change and will do all we can to redress climate change. Climate change is a reality but a reality that presents us with an opportunity to usher in a cleaner, safer and prosperous future.

We are providing a major boost for Agriculture production by increasing our investment support to that sector and providing a road network to support evacuation of produce. All this will be happening within the context of an open and transparent system with strict procurement guidelines and regulations, and the disciplined operation of the state budgets including a strong project management framework.

We are confident that this new resurgence of oil revenues if backed by increased inflow to the producing regions will meet visionary, open and transparent governments in the producing region.

Regarding the second observation, it will suffice to say briefly that the steps we are currently taking will hopefully address the problems of conflict in the Delta that I had earlier highlighted, and are so graphically described by Michael Watts in his paper. Natural resources can be both a source of development and prosperity but also a source of conflict. More needs to be done to resolve the issues in the Niger Delta and there is a strong role for civil society.

This is a very convenient point to turn to the third observation, which is regarding the role of civil society in designing fiscal instruments in the oil industry and whether the same could happen in Africa. Of course the same is already happening in Africa, and there lies a lot of my hope for *bringing benefits to the producing regions*.

Civil society organizations have played a pivotal role in the democratic development of Nigeria and continue to be active in the implementation of micro-development projects as well as health and sanitation projects. NGOs have played a significant role in demanding good governance and transparency in public fund management in Nigeria. NGOs however need the support of governments.

Most civil society organizations working in Africa do so with funding from Europe, America and other foreign countries. There is little support from African governments for NGOs to carry out activities even though these activities are complementary to the activities of government.

In Bayelsa State of Nigeria we are strengthening the ties between civil society organizations and the government through constant consultation. We will carry this further through the funding of NGOs involved in development, conflict resolution, good governance and climate change work.

We will develop and promote Bayelsa state as a hub for civil society, emphasizing their role as a partner in development as well as enabling and appreciating their role as a watchdog of the public interest.

Finally I will like to conclude by inviting all of you to join us in Bayelsa state where we are establishing the openness that is required for cooperation in peace building and sustainable development

Thank you.