

REPORT

**ON A TWO-DAY CAPACITY BUILDING
WORKSHOP FOR PWYP-NIGERIA
MEMBERS ON JOINT VENTURE CASH
CALL MONITORING
HELD AT GUBABI ROYAL HOTEL, ABUJA
ON THE 6TH AND 7TH OF JUNE, 2007.**

SUPPORTED BY: OXFAM GB, ABUJA

INTRODUCTION/BACKGROUND

A two-day capacity building workshop for PWYP-Nigeria members on **JOINT VENTURE CASH CALL MONITORING** was held at Gubabi Royal Hotel, Abuja on the 6th and 7th of June, 2007.

The workshop was supported by **OXFAM GB, Abuja**.

Theme: Strengthening Capacity for Effective Engagement in the Oil and Gas Sector

Participants were drawn from the six geo-political zones of PWYP-Nigeria membership. The due process of allowing the zonal coordinators select participants was adopted (*see Appendix I for a list of participants*).

Workshop Design: It was a train-the-trainer workshop. Consequently, trainees are expected to step down the training acquired at the Abuja workshop at the zonal and grassroots levels.

Facilitator: Otsemaye Newton / Tijah Bolton-Akpan

Members of the High Table: Osaro Odemwingie (OXFAM GB); Fatima Labaran (British High Commission); Mimidoo Achakpa (WREP); Daniel Yerima (RAHAMA Bauchi); and Dr. Akongbowa Amadasun (Centre for Development Integration in Africa).

Rapporteur: Michael .A. Odigbe

HIGHLIGHTS

Welcome Address by **Rev. David Ugolor**, National Coordinator, PWYP-Nigeria. It was delivered by **Zik Igbadi** (Programme Director, ANEEJ) because Ugolor had traveled to Germany for the G8 meeting.

The workshop was expected to be declared open by Dr. Siyan Malomo, Chairman of Nigerian Extractive Industry Transparency Initiative (NEITI). He didn't come for the workshop. Uche Igwe, CSO representative on the NSWG of NEITI, was considered a fitting replacement. However, he wasn't on hand immediately to declare the workshop open. He turned up at 1.20pm, explained the reason for his lateness and apologized for it.

Goodwill Messages were delivered by:

- 1) Maisha Strozier, Country Representative, OXFAM GB. Osaro Odemwingie stood in for her.

- II) Tim Wyndham of British High Commission. He was represented by Fatima Labaran.

Paper Presented

Six papers were slated to be presented but only five of them were delivered. The five papers are:

- i. *Overview of the Training Module by Celestine Okei*
- ii. *Introduction to Nigeria Oil and Gas Sector by Moses Iyobhebhe*
- iii. *Oil and Gas Accounting in Nigeria by Dr. Akongbowa Amadasun*
- iv. *Monitoring Joint Venture Cash Call by J. U. Idialu*
- v. *Using Result of Monitoring to Advocate for Change by Andrew Mamedu*

The paper that was not presented was:

- *Analysing Survey Data and Other Coded Information*

Group Work/Plenary Session

It was facilitated by both Tijah Bolton-Akpan and Pastor Innocent Adjenughure.

PROCEEDINGS

The workshop was broken down into two days - namely 6/6/2007 and 7/6/2007.

Day One

Welcome Address

Rev. David Ugolor: I welcome every participant to the workshop. Accept PWYP-Nigeria Secretariats apology for the accommodation problems initially suffered by you on the 5th June, 2007.

Participants should not see the workshop as an end in itself. It is designed in a train-the-trainer format. So, you are eventually expected to step down the skills acquired at the workshop in your respective zones.

I seize this opportunity to thank OXFAM GB for its support for PWYP-Nigeria. Currently, it is sponsoring the two-day workshop with N2,648,000. Also, I won't fail to express my gratitude to the British High Commission, Chairman of NEITI, Dr Siyan Malomo; and all members of PWYP-Nigeria for their commitment to the campaign. (*See Appendix II for paper*).

Goodwill Messages

Maisha Strozier (represented by Osaro Odemwingie): You already know the objective of the workshop. Simply, it is to build your capacity to monitor joint

venture cash calls. It is my desire that beneficiaries of this workshop will step down the training given them later to PWYP-Nigeria members in their respective zones.

The workshop is auspicious. It foreshadows a comprehensive second audit of the oil and gas sector slated to take place soon. One expects that the workshop training will enhance your capacity to participate actively in the second audit unlike what obtained during the first audit of the sector spanning 1999-2004 carried out by the Hart Group.

I expect the workshop to lay the groundwork for a single accounting standard/template in the oil/gas sector.

Finally, I must thank the British High Commission on behalf of OXFAM GB. The commission enabled my organisation to support this workshop.

Fatima Labaran (on behalf of the British High Commission): The commission appreciates the importance of this workshop and PWYP-Nigeria's commitment to good governance, public accountability and transparency in the oil industry. I thank the PWYP-Nigeria and OXFAM GB for making the workshop a reality.

WORKSHOP PAPERS

Paper One: Overview of the training module

Celestine Okei: There are 5 modules in the training workshop. Experts have been invited to take charge of each of the module.

Essentially, the training will focus on evidence gathering, evidence analyses and how to use them to influence policy decisions as they relate to joint venture cash call operations in Nigeria (*See Appendix III for paper*).

Questions ----- Observations ----- Suggestions

Question - Ebonyi State where I come from is currently working on solid minerals development. So, I expected to find one of the training module atleast focusing on this non-oil sector. But this is not the case. Why?

Answer - There are two phases of workshop training earmarked for PWYP-Nigeria members. Phase One, the current workshop, is on joint venture cash calls (oil and gas) sector. Later, Phase Two of the training will address the solid minerals' sector. (*Zik Igbadi*)

Question - Why is there no tool kit provided for stepping down the current workshop training in the zones?

Answer - A training tool kit is available. It will soon be distributed. (Later on, the kit is distributed to all participants. The kit, in a book form, is titled **Training Manual for Members of Publish What You Pay (PWYP) Nigeria/Section Two/Covering The Monitoring of Joint Venture Cash Call in the Nigerian Oil and Gas Sector**).

Observations/Suggestions

- (I) The modules are all embracing. But participants are few, therefore, they should endeavour to disseminate the training acquired at the workshop. It is unfortunate that, in the past, such a selective training is not stepped down at the zonal level.
- (II) The stepping down of the training should even go beyond the zones to the grassroots levels.
- (III) The two days allotted to the training is not sufficient because the subject matter of the workshop is very technical and unfamiliar to participants.

Paper Two: Introduction to Nigeria Oil and Gas Sector

Moses Iyobhebhe: I won't go into a historical discourse of the topic. I will only use a functional approach. Given this, I will start by saying that cash call is a product of the joint operating venture in the oil and gas sector. Nigeria decided to go into the venture because it doesn't have the strong technological base, finance, technical skills and political clout to go it alone in the oil and gas sector.

Broadly speaking, financing the oil and gas sector involves the following:

- Leasehold Approach. Risk in the sector under this arrangement lies only on the oil companies, not the government.
- Production Sharing Agreement. Here oil companies bear all the investment risks. Until oil is found in a commercial quantity, the government doesn't show any interest in the agreement. According to it, an oil company is entitled to 50% maximum of crude oil discovered to assist it recover its cost. This leaves a balance of 50%. Of this amount 55% is set aside for financing tax. Finally, the oil company and the government shares the 5% balance of crude oil.
- Service Agreement (Risk Service Contract)

- Joint Operating Venture. Under this approach, the issue of cash call comes in. Government through the NNPC is an equity participator/investor in the exploration and production of oil and gas. The government and its partners in the venture share profits and losses together. There are three legal requirements in this type of scheme. First, there must be a formal agreement between the government (NNPC) and the partners. Second, there is a participating agreement stating the level of equity each partner is acquiring. Third, there is an MOU between the participating partners.

Highlights of the joint operating ventures are:

- Nigeria owns the ventures but does not control them because foreign oil companies usually are designated operators of the ventures.
- Tax paid by the foreign partners in the ventures are calculated by them. The Federal Inland Revenue Service (FIRS) does not have the technical expertise and logistics to carry out fiscal activities in the upstream oil sector, a concern of the joint operating ventures.
- Nigeria often does not meet its full cash call requirements to the joint operating ventures. (*See Appendix IV for paper*)

Questions ----- Observations ----- Suggestions

Question - Is it possible to monitor the data of oil companies?

Answer - Yes. Nigeria geologists, etc have a way of doing so.

Question - Don't you think confidential clauses in oil agreement should no more be retained because of the new NEITI Act?

Answer - Theoretically, your position is correct. However, note, that the clauses were mutually agreed on before they were put into the oil agreements. If Nigeria refuses to accept the clauses and defaults on them, there are therefore penalties to be paid. Anyway, all said, Nigeria doesn't seem to have any alternative but to abide by the oil agreements. This derives from the fact that Nigeria lacks the resources to undertake upstream oil activities, all alone.

Question - In Afikpo, in the South-Eastern part of Nigeria, oil was discovered in a commercial quantity and then abandoned. I have paid advocacy visits to the site and complained loudly about the incident. But I have been advised to direct my complaints to government. What should I really do?

Answer - Trace the original oil prospectors. Ask the company what led to the oil well abandonment. While doing so, put it at the back of your mind that it

could be a marginal oil field; only a geological survey; or that oil was found in the well but has not been sold.

Question - Why is there so much furore about the issue of cash calls?

Answer - It is because the Nigerian government often defaults in their payments after a budget and workplan have been prepared by joint venture partners.

Question - Don't you think building the monitoring capacity of indigenous Nigerian staff can help to check the leakages in the oil and gas sector?

Answer - I think so. Oil companies are even part of the local content building initiative. A bill is already in place to accelerate local content development in the country.

Question/Observation - Environmental damage in the Niger Delta is a serious issue. It ought to be given proper attention. A cost , I think, should be tied to it and built into a tax that is payable to the government. What is your view on this?

Answer - (I) The subject raised by you is not part of this workshop. Our focus now is on monitoring joint venture calls. Nonetheless, let me say that there are existing laws in Nigeria dealing with environmental damage caused by oil and gas activities. (II) A certain compensation, I am aware, is set aside to cover such environmental damage, which includes gas flaring, of course. Civil societies should initiate a campaign on this issue. This is to facilitate the use of such a compensation in building hospitals as well as undertake other beneficial social services for victims of environmental damage. (*Pastor Innocent Adjenuhure*)

Question - What do you consider a way out of the present practice of oil companies importing expatriates into the country for jobs Nigerians can do?

Answer - There is need for skill mapping in Nigeria so that the oil/gas and ancillary jobs Nigerians can do are known. A law already exists which makes it an offence to use expatriate staff for work which Nigerians are capable of doing. It is high time civil societies carry out advocacy in this work area to sensitize oil companies and the government on the need to fully enforce this law.

Let civil societies also undertake advocacy urging friendly countries - China, included to be wooed by Nigeria to help impart technical skills to Nigerians so that Nigeria can smartly transfer of oil technology to its people.

Uche Igwe Intervene

He says: since 2004, PWYP-Nigeria has witnessed great achievements. For instance, PWYP-Nigeria contributed to the formulation of lobby and advocacy for the NEITI Bill which signed into law before Obasanjo's departure from office on May 29, 2007. I will make the NEITI Act available to the PWYP-Nigeria Secretariat. PWYP-Nigeria members should relaunch their advocacy on the need for the NEITI Act to the National Assembly because of its new members. The acceptance of the act does not mean that the civil societies fully endorse it. Infact, the act has some weaknesses. However, civil societies reluctantly accept the act since a bad law is better than no law, at all.

Paper Two: Oil and Gas Accounting in Nigeria

Dr. Akongbowa Amadasun: The contractual arrangement in place for oil exploration is limited to five options. Namely, they are concession, joint venture, production sharing, service contract and joint operating shareholding arrangements. To safeguard public interest and encourage accountability and probity in the oil industry, SAS 14 and PPTA of 1969 (as amended) were put in place. The major tax act that deals with petroleum activities in the upstream sector is the PPTA (Petroleum Profit Tax Act of 1959 (as amended)).

Two theories on accounting are crucial to oil and gas accounting in Nigeria. They are the “fund accounting theory” and the “accountability and transparency theory.” Also, relevant to oil and gas accounting are the federal auditor-general and public accounts committee.

There is a dire need for transparency reforms in oil and gas accounting in the country. (*See Appendix V for paper*)

Questions ----- Observations ----- Suggestions

Question/Observation/Suggestion - We all know about the Hart Group audit report. Use the report to make your paper clearer to us and help our advocacy plan. Do you think civil societies can be co-opted into the Public Account Committee? Finally, I think the Nigerian Accounting Standard boards should set a single standard of accounting in the oil and gas sector.

Answer - I don't have the relevant documents here to authoritatively link the Hart Group report to our proceedings here today. It is unprofessional to speculate on issues. Meanwhile, I advise that if you find it difficult to personally undertake oil and gas accounting, you can use the services of accountants available in Nigeria.

You cannot be co-opted in the Public Accounts Committee because the constitution does not provide for this arrangement. However, you can write a letter to the committee asking to be invited to its meetings. The committee will oblige you. Also, you can send it a memorandum; or request from it a document on which it is deliberating. Although, constitutionally, you cannot be co-opted into the committee, nothing stops you from carrying out advocacy to be make PWYP-Nigeria a constitutional or legal member of it.

Observation/Question - It is unfortunate that the Freedom Of Information (FOI) Bill wasn't signed into law by Obasanjo while leaving office on May 29, 2007. Anyway, how do we get access to Public Accounts Committee's document? How do you send documents to the committee?

Answer - You can obtain the document very easily. When the committee completes deliberation on a document, it is sent to a committee of the whole legislature (House). Once the document is adopted by the legislature, it becomes a public document. Anyone can have access to it physically or online. If you want to send a memorandum to the committee, you pass it through the legislature (house). The committee will get the memorandum.

Suggestion - It is important we invite the accounting boards to PWYP-Nigeria fora to help us understand accounting procedures which will be applied by us in monitoring the oil industry.

Question - Presently, there seems to be no single accounting standard in Nigeria. Shouldn't accounting boards be involved in advocacy to introduce such a standard?

Answer - The boards cannot be dragged into advocacy issues because they are strictly professional bodies. Even then, you can influence them to adopt an accounting standard endorsed by PWYP-Nigeria either through carrying out an articulate campaign on the issue to their respective secretariats or sending them a memoranda on the changes required in accounting practices in Nigeria.

Day Two

Zik Igbadì reviews day one activities.

Paper Four: Monitoring Joint Venture Call

J. U. Idialu: Oil and gas exploration activities started in Araromi area of Ondo State by the Nigerian Bitumen Company in 1908. Later, Shell D' Arly was formed and commenced operations in Nigeria in 1937. It discovered oil in commercial quantities in 1958.

First attempt to legislatively monitor the oil industry was made in 1956 through the Oil Pipeline Act.

The upstream operations in Nigeria is still on the basis of Joint Operating Agreement (JOA). Before May 1999, the JOA was bedeviled with cash call problems. From May 1999 onwards efforts were made by government to properly manage them. However, the Hart Group audit report revealed that there were discrepancies between the records kept by joint venture companies and various government agencies. This presupposes a need to monitor joint venture calls closely to minimize public revenue leakages. More specifically, civil societies should embark on advocacy to improve JOA cash call management in Nigeria (*See Appendix VI for paper*)

Questions ----- Observations ----- Suggestions

Question/Observation - You didn't discuss the issue of gender in your paper. Why? To me the factor is very important in the monitoring of the JOAs.

Answer - Gender issue has no place in effectively monitoring JOAs. Sex has nothing to do with it. What is needed are technically qualified personnel.

RECALL

J. U. Idialu: *I left out an important issue during my paper while suggesting ways of improving JOA cash call management. The issue is that multinational oil companies should be turned into public limited liability companies owned and controlled by Nigerian shareholders.*

Zik Igbadi: *Your suggestion reminds me of a clause ANEEJ introduced into the EDOSOPADEC Bill to ensure ownership/control of oil resources by Edo host oil communities; as well as promote sustainable development of the communities. This clause enjoins that the communities should use part of their oil funds to buy shares in the stock/equity market.*

Paper Five: Analysing Survey Data and Other Coded Information

The paper wasn't presented.

Paper Six: Using Result of Monitoring to Advocate for Change

Andrew Mamedu: In my paper, I will discuss how civil societies should pursue policy change in their campaign/advocacy. My reason is because researches

have shown that the non-existence of policy, non-policy implementation and wrong policies create problems in society CSOs try to address.

Let's now assume you have decided on a theme of advocacy. Choose at least three policy issues and focus on them for effective results. It is inappropriate to spread your resources thinly on your advocacy theme or policy goals.

It is imperative you know how policies are made in the oil industry before you attempt to influence them using either the problem tree analysis; stakeholder analysis; force field analysis; or SWOT analysis paradigms.

Of course, you will always need an action plan for your advocacy. This action plan should:

- Be realistic
- Take cognizance of your resources
- Understand the problem context
- Define tools that will be used
- Be dynamic and adoptive
- Identify your policy window for articulating policy change
- Incorporate a strategy
- Employ a relevant communication tool, etc

Ultimately, civil societies can explore other options of campaigning for positive policy change like advising, lobbying and activism (not street protests) when the advocacy option fails. (*See Appendix VII for paper*)

GROUP WORK / PLENARY SESSION

Participants were divided into three groups, all of which were assigned to answer this question package:

- *What is a policy?*
- *Identify two national policies regarding joint venture cash call?*
- *Identify the specific target areas PWYP campaign will need to target to sanitize the oil and gas industry in Nigeria?*

Membership of the groups

Group 1

- E. Ogazi Emeka
- Rev. Joseph Nwibo (JP)
- Priscillia Eli
- Rachael Ebe
- Sani Gambo
- Ejike Ijeoma (Mrs.)

- Abigail Aizebamwan

Group 2

- Kola Giwa
- Dudu Manuga
- Ibrahim Waziri
- Mohammed Danburam
- Dassali Patience
- Michael Odigbe

Group 3

(Not provided)

Facilitator: Pastor Innocent Adjenughure

OUTCOME OF WORKSHOP

Participants' knowledge of the joint venture cash call sub-sector monitoring improved considerable. Also, their capacity to monitor this sub-sector of the oil industry was strengthened. Participants left the workshop with burning enthusiasm to step down the training acquired. However, some of them called for an elongation of subsequent workshop training periods to 3-4 days because of the difficult technical subjects usually discussed at PWYP-Nigeria oil workshops.

It was observed that:

- Joint Operating Ventures (JOAs) are acceptable government practice in the oil industry. This is because Nigeria lacks the technological base, technical skills, logistics, finance, experience and international political clout to go it alone in the upstream sector of the oil industry. Unfortunately, however, Nigeria does not own and control it.
- A lot of public funds are invested in the JOVs and there is a dire need to eradicate; or at least minimize corruption in these JOVs.
- Proper and effective monitoring of JOVs by CSOs will promote the prudent use of national resources in them as well as guarantee optimal investment returns on them.
- The JOVs are not open to the CSOs' scrutiny because the CSOs lack adequate knowledge of the sub-sector in addition to participate actively

in the forth carrying audit process most especially now that an NEITI law is now in place.

- There is no single accounting template/standard in the oil industry as a whole.
- The enforcement of laws in the oil industry is ineffectively weak.

Recommendations from members

In view of the above, participants recommended that:

- The PWYP-Nigeria Secretariat should be commended for the training workshop because of its timeliness.
- Participants should step down the knowledge and skills acquired at the workshop at the zonal and grassroots levels.
- Future arrangements by PWYP-Nigeria should immediately be made to organize a workshop on solid minerals monitoring. This is granted that government focus now is also on this sector since it is equally a money-spinning one like the oil industry.
- Effort should be made by CSOs to understudy the Indonesian management and accounting model because it contains international best practices that can guide CSOs advocacy/campaign in the oil industry.
- There is a need for a single accounting template/standard in the oil and gas sector in its entirety to avoid the current confusing discrepancies in accounting procedure in the sector.
- PWYP-Nigeria members don't require to be experts in accounting to monitor the oil industry. The services of accountants are always available for monitoring exercises, if the need arises.
- Accountants'/Auditors' reports on the oil sector should not be allowed to lie fallow. On the contrary, they should be assessed and used for power point campaign/advocacy to promote positive changes in the oil sector.
- The rule of law, which guarantees security of office tenure for the auditor-general office, should be upheld by the governments of the federation. Through this, it is expected that the office will display transparency in its reports on the oil industry.

- PWYP-Nigeria members should pro-actively collaborate with the federal auditor-generals office and the Public Account Committee in checking corruption in the oil industry.
- Members should embark on an advocacy to:-
 - i) *Encourage oil companies and government agencies to eschew tax fraud, crude oil theft and immigration crimes, which involves importing expatriates for jobs which Nigerians can perform.*
 - ii) *Call attention to the need for Nigeria to compile a comprehensive database of available Nigerian skills in the oil industry. This will go a long way to curtail the abuse of expatriate quota by some oil companies.*
 - iii) *Promote the future indigenization of the oil industry through turning multinational oil companies into public limited liability companies' owned/controlled by Nigerian stakeholders.*
- The weak, ineffective law regulating the oil industry should be both strengthened and fully enforced to protect national investments in the industry.