



## **COMPACT TO PROMOTE TRANSPARENCY AND COMBAT CORRUPTION:**

### **A NEW PARTNERSHIP BETWEEN THE G8 AND NIGERIA**

Nigeria and the members of the G8 announce today their intention to cooperate in a “Compact to Promote Transparency and Combat Corruption.” Nigeria and the G8 share the view that corruption is a threat to democratic institutions, economic development and to the integrity of the international system of trade and investment. Nigeria and the members of the G8 recognize that promoting transparency and integrity and fighting corruption require commitment and action on all sides. Outlined below are the intentions and policy commitments of the G8 and Nigeria as they pursue cooperation through the Compact in a spirit of partnership and mutual respect.

### **STATEMENT OF THE GOVERNMENT OF NIGERIA**

The Government of Nigeria wishes to commit to partnership and cooperation with the G8 in the continuing implementation of the comprehensive national anti-corruption strategy as a pivotal step for accelerating the rebuilding of our National Integrity Systems. The anti-corruption strategy is situated within the framework of a whole set of structural reforms (detailed measures of which are available on the website – [www.fmf.gov.ng](http://www.fmf.gov.ng)) designed to lay a foundation for sustained economic growth and development for the country. These reforms are anchored around:

- (a) Maintenance of Macro Economic Stability;
- (b) Public Expenditure/Budget Reforms and Public Revenue Reforms;
- (c) Public Sector/Reforms
- (d) Accelerated Privatization and Liberalization
- (e) Anti-corruption, Transparency and Accountability Reforms.

### **OUR POLICY COMMITMENTS**

We have in response to the malignance of corruption to our development designed and are currently implementing a broad and systemic anti-corruption strategy as a flagship of our economic, political and social reforms. The anti-corruption program of the Government includes concrete measures -- preventive as well as punitive -- that address issues of accountability, transparency and efficiency by fundamentally tackling the problems of our institutional, economic, political and social structures.

The range of the anti-corruption, transparency and good governance programs of our Government includes budgetary and fiscal transparency, procurement reforms, strengthening anti-corruption and economic crimes institutions for effective law enforcement and sanction of corruption and money laundering, privatisation transparency, public sector/bureaucratic reforms, judicial and justice sector reforms, tracing, freezing and recovery of corruption proceeds and general re-orientation of the public.

More specifically, the following underpin the priority efforts of our Government to enthrone transparency, accountability, efficiency and effectiveness in governance of both public financial resources and governance of the political and social infrastructure of our country:

### **BUDGET AND FISCAL TRANSPARENCY:**

The Budget formulation process, presentation, consultation, implementation and monitoring is being done with clear rules, roles and responsibilities.

- (1) Beginning with the 2004 budget, a Fiscal Strategy Paper laying out the broad directions and priorities of the budget is first discussed with the Executive and then the Legislature. It is then shared with stakeholders groups among the public to catalyze public debates on the policy objectives, macroeconomic framework and the parameters on which the budget is based;
- (2) Following the crafting and passage of the Budget, the public is provided with full information on the past, current and projected fiscal activity of government and the presentation is done in a way that facilitates independent analysis and enhances demands for accountability;
- (3) To make the budget more accessible to the public and demystify it, a publication on “Understanding the ABCs of the Budget” has commenced. It is to be followed by a more detailed, but still basic, citizen’s guide to the budget. Both the ABCs of the budget and the budget document itself are available on the Ministry of Finance Web site- [www.fmf.gov.ng](http://www.fmf.gov.ng);
- (4) Publication of monthly revenue allocations to all three tiers of government (Federal, State and Local) began in January 2004. The data is available on the Ministry’s web site and monthly in local newspapers after the Federation Account meetings. Publication of monthly warrants showing allocation to Federal Ministries and Agencies for recurrent costs, and quarterly warrants showing allocations for capital costs has also begun. The data is available on both the Ministry as well as the Budget Office websites-[www.budgetoffice.gov.ng](http://www.budgetoffice.gov.ng);

- (5) Very rudimentary quantitative and qualitative performance indicators have been developed by major spending ministries and agencies to link allocations in the budget to results on the ground. These performance indicators for Budget 2004 can be found in the ministry's website;
- (6) Quarterly budget performance monitoring, mid year review and presentation of performance or implementation status to the Legislature and the public have been introduced;
- (7) Transparent management of additional petroleum receipts over and above budgeted price. Petroleum receipts over the budget benchmark price of \$25 a barrel are held in an "excess crude account" at the Central Bank for purposes of saving and managing oil price volatility and its impact on the economy. The balance on petroleum proceeds in this account is shared with the public;
- (8) Procedures for the execution and monitoring of approved expenditure have been harmonized and strengthened through the establishment of the Cash Management Committee headed by the Minister of Finance with membership drawn from the Budget Office, the Nigerian National Petroleum Corporation (NNPC), FIRS, Accountant-General, Central Bank and the Procurement Regulatory Office;
- (9) The Revenue Framework is being redesigned to provide clearer details of revenues collected by all revenue-collecting agencies in a reporting format that is clear and concise;
- (10) The inauguration of a coalition group of civil society and private sector representatives to independently monitor program implementation under the Economic Reform program;
- (11) A program for capacity enhancement of the Office of the Auditor-General of the Federation for more effective synergy with the Public Accountability Committee of the Senate;
- (12) A program of "Running Operational Reviews" of major government spending activities by the Ministry of Finance to ascertain operational and financial efficiency and effectiveness of major spending.

### **PUBLIC PROCUREMENT LEGISLATION, POLICY AND ADMINISTRATION**

To ensure good use of financial resources and enhance competition, the GON has introduced stringent and enforced guidelines for public contracting.

- (1) The Procedure for the award of contracts has been redesigned to conform to the standards of internationally competitive bid, with emphasis on

openness, competition and value for money under the transitional Due Process Regime; a reform effort that has already resulted in the savings of \$800 million dollars in prevented overpricing of federal contracts.

Through the Due Process certification process which is a mandatory requirement for all public treasury funded projects, we now cancel all contracts that are poorly packaged and non-compliant with internationally acceptable standards of a competitive process and value-for-money.

- (2) Attract new domestic and foreign entrants into the market for public works, goods and services by continuing to adhere to newly established standards of openness and competition and ultimately achieve costs of contracts that are comparable with international practice;
- (3) The publication of Federal Procurement Journal available nationwide and containing notices of procurement opportunities and the information on cost and winners of public contracts commences in August 2004;
- (4) A bill for the establishment of a Federal Public Procurement Regulatory Agency is being concluded for submission to the Legislature to set out the process for contract awards, administration and redress/dispute resolution.

#### **EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE**

- (1) A standing multi-stakeholders group of twenty- seven drawn from the private sector, civil society and public sector has been set up to implement transparency of revenue from oil, gas and solid minerals;
- (2) The result of independent financial and technical audits of revenue and costs reported by the government to have been received/incurred from/by the oil sector, and payments to have been made to the government or costs incurred as reported by the oil sector, shall with effect from September 2004 become a quarterly revenue/costs reporting instrument;
- (3) Technical capacity and institution and human resource re-organization in the principal oil and gas cost/revenue regulating or collecting agencies, including the Inland Revenue Service and the Office of the Accountant General of the Federation;
- (4) Back up the requirement for quarterly revenue reporting with relevant piece of Legislation within the next twelve months;
- (5) Establishment of an Oil and Gas Accounts Unit in Federal Ministry of Finance for purposes of improved modeling/forward accounting of expenditures and revenues in the Oil and Gas sectors. Provide additional back up to the Extractive Industries Transparency Initiative (EITI).

## **ANTI-CORRUPTION INSTITUTIONS BUILD-UP**

Cognizant of the importance of institutions that enforce anti-corruption laws to an effective anti-corruption strategy, the GON has strengthened a number of the core institutions statutorily empowered to investigate, prosecute and sanction corruption.

- (1) Our independent anti-corruption agency known as ICPC is being strengthened through legislative amendment, technical and human capacity building and appropriate funding to enhance its capacity for the sanction of corrupt conduct;
- (2) The Code of Conduct Bureau is being strengthened to monitor effectively the asset declaration and ethical conduct of public officials, legislators and judges;
- (3) The Economic and Financial Crimes Commission recently established to enforce economic crimes laws and punish criminals has commenced investigation and prosecution of over two hundred economic criminals, especially the fraudsters perpetrating international scams. Results: \$300 million equivalent recovered, \$52 million to the Treasury. Continued efforts to track, trace and recover looted funds. Communications campaign on 419 internally and very soon externally. Anti-money laundering legislation approved.
- (4) The EFCC plans by August 2004 to conclude action to establish a Financial Intelligence Unit (FIU) to deepen its capacity for monitoring and enforcing laws against money laundering and other economic crimes;
- (5) A Cyber-Crime Commission has been set up to stem the tide of Internet and ICT related crimes emanating from Nigeria;
- (6) An integrated legal and police reform strategy that is linked to the broader institutional strategy for effective sanction of corruption has become a catalyst for on-going judicial reform efforts by the Judiciary, a separate arm of government.

## **PUBLIC SERVICE REFORM**

- (1) The strengthening of the Management information system and public sector accounting capacity;
- (2) Payroll computerization has begun to curb incidents of "Ghost Workers" that caused inflated corruption-induced wage bills;

- (3) Monetization of benefits in kind has begun to curb the abuse of open ended privileges and entitlements of public officials that distorted the recurrent-to-capital expenditure ratio;
- (4) The Legislation-backed Contributory pension scheme recently established aims to build confidence in the public work force of a more secure future and enhance productivity and curb economic security driven corruption.
- (5) National Health Care Insurance System.
- (6) Selection of several key pilot ministries for the rightsizing of the public service by attracting new core competencies in policy articulation and implementation and redeployment of excess un-needed skills to private enterprise.
- (7) Institute a competency driven and incentive/sanction-based procedure for hiring, promotion, training, rotating and firing public officials to create a new public sector culture.

### **JOINT ACTIONS WITH G8 PARTNERS**

We invite the G8 to work with us in further broadening and deepening these various programs already under implementation through a collaborative process of identifying any gaps that may exist in our Strategy. The map of our various programs detailing objectives, responsibility for action, expected impact, timelines and possible partners clearly elaborates the areas of priority for our national integrity renewal.

We wish to reiterate our unreserved commitment to continuing to pursue the transparency program of our Government, as the results have already begun to show.

We urge our G8 Partners to match our commitment to the transparency program so that together, we can accelerate the pace at which our country rebuilds its national integrity and plays the pivotal role that it is positioned to play both in Africa and the rest of the world.

### **STATEMENT OF THE G8 GOVERNMENTS**

#### **GENERAL STATEMENT OF POLICY COMMITMENTS**

For their part, G8 countries committed at Evian and Sea Island to act together to fight corruption and increase transparency. At Sea Island, the G8 agreed to pursue specific actions to follow up their Evian commitments. As set forth in more detail in their Declarations in Evian and Sea Island, the G8 intend to:

- Become parties to the UN Convention Against Corruption and call for rapid signature and completion of all necessary steps to ratify and implement the Convention, and support the convening in Vienna of a multilateral “Friends of the Convention” process for promoting active and effective implementation.
- Translate the words of the UN Convention into effective actions and assist third countries, particularly developing countries, in accomplishing the objectives of the Convention.
- Implement a new G8 partnership to detect, recover and return illicitly acquired proceeds of corruption.
- Put in place new methods to coordinate G8 asset recovery actions, including by:
  - Establishing G8 accelerated response teams
  - Enhancing G8 asset recovery case coordination; and
  - Holding G8 asset recovery workshops.
  - Adopting rules and measures or creating best practices to track and recover assets in corruption cases.
- Seek in accordance with national laws to deny safe haven to public officials guilty of corruption, by denying them entry, when appropriate, and by using extradition and mutual legal assistance laws and mechanisms more effectively.
- Work with the international financial institutions (IFIs) and UN agencies to encourage anti-corruption and transparency actions by developing countries. The G8 intend to:
  - Encourage countries to meet the high disclosure and transparency standards set by the IFIs.
  - Support World Bank and related programs to help developing countries achieve accountability in public finance and expenditure and procurement.
  - Seek agreement to disclose country assistance strategies, performance evaluations and reports on country budget procedures from the World Bank, International Monetary Fund and regional development banks.
  - Invite developing countries to prepare anti-corruption action plans to implement their commitments in regional and international conventions.
- Adhere rigorously to an updated peer review schedule for the OECD Anti-Bribery Convention and honor our pledges to serve as lead examiners to monitor our enforcement of anti-bribery laws. Send prosecutors and other law enforcement officials to participate in peer reviews.

- Encourage efforts of our private sectors to develop and implement corporate compliance programs to promote adherence to laws that criminalize the bribery of foreign public officials.
- Implement the Financial Action Task Force (FATF) revised 40 recommendations and promote implementation of the UN Transnational Organized Crime Convention (TOC).
- Work towards including in G8 regional and bilateral trade agreements provisions requiring transparency in government procurement and the awarding of concessions, as well as provisions on trade facilitation.

### **PROPOSED ACTIONS TO LAUNCH A NIGERIA TRANSPARENCY COMPACT**

A number of G8 countries are prepared to work to find ways to support the efforts of Nigeria to enhance transparency, use public resources wisely and fight corruption. Participating G8 countries intend to join in a voluntary and cooperative partnership with Nigeria to help improve transparency in the specific areas identified as national priorities by the Government of Nigeria. The future work plan for the transparency compact is expected to focus on efforts to promote transparency and prevent corruption in the following areas:

- Public budgets and financial management, including revenues and expenditures;
- Government procurement; and
- Letting of public concessions.

These are the key channels for public resource management and use.

Participating G8 countries intend to work in consultation with the Government of Nigeria to consider, within their budgetary possibilities, country-specific technical assistance, political support and policy guidance in areas where Nigeria identifies a need for capacity building to enhance transparency. G8 partners may help to support efforts by the Nigerian authorities to make information available to the public, to develop appropriate rules and regulations and to build support for pro-transparency reform among domestic constituencies. Assistance from participating G8 partners may include stepped-up coordination with the international financial institutions to ensure that new assistance complements existing and future transparency work with Nigeria in those institutions.

### **NEXT STEPS**

Representatives of the Government of Nigeria and of participating G8 countries intend to meet soon to carry the compact forward to the next operational stage. The participating partner countries intend to work together to develop a technical plan of action. The technical plans would be based upon Nigeria's stated priorities to build on its current



efforts and actions in the realm of transparency and public financial management and accountability.

Participating G8 countries and the Government of Nigeria further intend to adopt a procedure to measure and evaluate progress as the pilot compact moves forward.