



THE IMPACT OF 13% DERIVATION FUNDS IN THE NIGER DELTA REGION

On Friday 29th January 2021, ACIOE Associates held a webinar on **The Impact of 13% Derivative Funds in the Niger Delta Region**. The webinar had three main segments; the first segment was presentations of the report, stakeholders' remarks, and finally, a question-and-answer session.

1. Report Presentation

The first section presented the study report by Mrs. Funmi Adesanya, Project Lead – ACIOE Associates. She highlighted the derivation fund's impact in eight (8) States of the Niger Delta region, excluding Cross River State, which is not considered oil-producing. The Project Lead also stated that while the federal government has consistently made allocations to the oil-producing states as enshrined in Section 162 (2) of the Constitution, the state governments have full reign over the management of the 13% derivation funds received from the Federation Accounts Allocation Committee (FAAC).

Below are some key highlights of the report presentation:

Highlighted Issues:

Based on the review of the utilisation of the 13 percent derivation funds allocated to the Niger Delta States, revealed that the utilisation process of the funds in these states is plagued by several issues, which diminish the positive impact of the 13 percent derivation fund in the Niger Delta.

These issues include:

- Lack of consultation with recipient communities/host communities;

- Inadequate governance structures: corruption, low project quality, lack of project maintenance, lack of transparency and accountability;
- Local Dutch effect;
- Discretionary transfers.

Summary of Findings:

- Most of the basic amenities that exist in the selected oil communities are provided by either joint venture partnerships between the NDDC or Nigerian National Petroleum Corporation or IOCs;
- Lack of structured framework for commissioning infrastructure projects across the communities which have left several oil-producing regions with little or no infrastructures;
- States that manage the derivation funds through a revenue management commission better focus on developing rural oil-producing oil communities in their States. Unlike States who focus more on the development of urban areas, who are barely oil-producing;
- States that manage their derivation funds through commissions must fund the commissions with a percentage of the derivation fund received. The funding percentage ranges from 40-50 percent;
- Indigenes of the oil-producing communities across the Niger Delta States desire that the derivation funds should be given directly to host communities for effective management;
- The aggregate sum of N6,587,895,590,862.78 (Six Trillion, Five Hundred and Eighty-Seven Billion, Eight Hundred and Ninety Thousand, Eight Hundred and Sixty-two Naira and Seventy-Eight Kobo), paid to the Niger Delta States by the FAAC during the review

period, in compliance with the provisions of Section 162 (2) of the Constitution, have had little or no impact on its citizens.

Recommendations:

a. The Legislation of Fiscal Rules:

- Uniform vertical transfers of derivation funds to curb the practice of discretionary transfers currently practised by the Niger Delta States;
- carry out Proper needs assessment of the intended beneficiaries of prospective budget implementations;
- Development of resource allocation criteria that are 'downwardly accountable.' Particularly to the intended beneficiaries of the derivative funds;
- Consistent publishing of fiscal information and ensuring access to such information;
- Embark on a considerable proportion of the derivation funds for specific sectoral development such as health, education, and portable water facilitation.

b. Memorandum of understanding between the Niger Delta States and Oil Producing communities;

Managing Director of ACIOE, Mr. Ekenem Isichei, stated that the report's findings were corroborated by data obtained from the Office of the Accountant-General, NEITI, State Government financial statements where possible and interviews with host community members.

2. Remarks from Key public officials and Stakeholders

The report presentation was followed by remarks from key public officials and stakeholders.

**a. Edobor Iyamu - Senior Special Assistant to the President on Niger Delta Affairs,
Office of the Vice President**

He mentioned that a lot could be done in terms of development in the Niger Delta regions. In his view, he suggests that more discussions should be around the quantum and utilization of the derivation fund in the Niger Delta region. He noted that the federal government has embarked on some initiatives to bring development and positive benefits to host communities. He highlighted some positive impacts of the Petroleum Industry Bill (PIB) before the NASS. He said that implementing that bill would help bring tangible benefits to the Niger Delta region.

b. Charles Achudo – SA to the Federal Ministry of Niger Delta Affairs

He stated that there had been issues around the demand for fiscal federalism, which has developed controlled matters. According to Him, matters within the Niger Delta are around the need for more resources or delivery modalities to bring development across the Niger Delta regions. He noted that more emphasis should be given to the relationship between the percentage of derivation allocated and projects carried out in host communities.

He recommended that there should be a comparative study across the Niger Delta region. It will help to know states that perform better in terms of development and whether such growth is institutional frameworks or regulatory Acts adopted. He added that the federal government should clarify whether the 13% derivation is for the state government or host communities.

c. Hon. Johnson Oghuma – Chairman House Committee on Environment

He emphasized the need to review the 13% derivation in the Niger Delta region as provided in the Constitution. He noted that the implementation of the 13% derivation in the Niger Delta



region to foster development. According to him, more priority should be on host communities in the Niger Delta region.

d. Hon. Dekor Dumnamene – Chairman Host Communities

According to Hon. Dekor, there is a big issue around defining a host community and managing the 13% derivation of the fund in the Niger Delta region. He stated that the committee (House Committee on Host Communities) would pay visits to the impacted and host communities in the Niger Delta region to ensure federal government initiatives positively develop those regions.

The managing partner of ACIOE Associates stated that copies of the report and recommendations made during the workshop would be shared with the National Assembly to ensure the recommendations will be considered and implemented.

After the panel discussion and Q&A sessions, the Managing Partner of ACIOE Associates, Mr. Ekenem Isichei, gave a vote of thanks to key public officials and other stakeholders, participants, and ACIOE Team as part of the closing remarks to end the webinar.