

**KEYNOTE ADDRESS BY DR. KAYODE FAYEMI, CHAIRMAN OF THE NSWG OF NEITI, AT THE CONSULTATIVE WORKSHOP FOR THE DEVELOPMENT OF A ROADMAP FOR BENEFICIAL OWNERSHIP DISCLOSURE IN NIGERIA'S EXTRACTIVE SECTOR, HELD ON 31<sup>ST</sup> OCTOBER 2016 AT APO APARTMENTS, ABUJA**

Protocols

Let me start by joining others in welcoming you to, and thanking you for finding the time for, this very important workshop. We are here primarily because as an EITI-implementing country, Nigeria is required to publish a roadmap for disclosing the beneficial owners of all companies that do business in our extractive sector. That in itself is commendable. But we are here for much more than that. We are gathered here not just because we want to tick a box or just because we want to fulfil an obligation. We are here for something nobler. We are here because we are keen on making sure that our natural resources work for all of our people; that natural endowments facilitate, and not impede, progress; and that revenues from these natural blessings translate to improved welfare for all our citizens. As simple as it looks, knowing the real owners of the companies that bid for, invest in and operate our extractive assets has practical implications for economic growth, physical security, and human development in our country.

Following the persistent campaign for more openness across the globe, the Panama Papers' leak, and the London Anti-Corruption Summit, beneficial ownership disclosure has become a hot issue on the global development agenda. More than ever before, the world now knows the danger of not knowing who owns what. While not illegal in many countries and could indeed be innocuous, anonymous companies have been shown to constitute real and present dangers especially in sectors as strategic as the extractive sector and more so in developing countries such as ours. These companies, sometimes known as corporate get-away vehicles, are used to mask corruption and conflict of interests, to deny countries of much needed revenues, and to funnel money into areas that put the stability and security of societies at risk. Nigeria thus has a national stake in mandating disclosure of the real, beneficial owners of companies doing business in our extractive sector, a sector which despite low commodity prices still accounts for the bulk of our exports and government revenues.

However, the strength and effectiveness of beneficial ownership reporting lies in cross-border cooperation among countries that collect corporate ownership information. Anonymous ownership is typically embedded in, and often facilitated by, layers of ownership traversing several jurisdictions. This phenomenon was clearly demonstrated by the Panama Papers where a trove of documents, holding secret records of over two hundred thousand offshore companies, was uncovered and leaked to the public by the media. The scale of the revelations showed the truly global dimension of the threat. It is therefore important for the new regime of openness to be truly global, otherwise the impact will be limited. Layers of ownership across multiple jurisdictions make it difficult to identify the real owners of these companies or to detect possible

collusions among companies with common ownership. Ultimately, this makes it easier for their owners to use the companies to facilitate tax avoidance, tax evasion, illicit funds transfers or outright theft of government revenues.

Developing countries are the most vulnerable to this practice; and the impact on their economies is more telling. According to a 2014 report by the ONE Campaign, titled “A Trillion-Dollar Scandal,” developing countries lose more than \$1 trillion every year to the activities of anonymous companies and other fraudulent schemes. This figure is many times the total flow of both aid and foreign investment into developing countries. It is almost half of what the UN estimates that developing countries need to achieve sustainable development. It is also more than double the net debt inflows to these countries. Given these numbers, there can therefore be no question about the necessity and the urgency of requiring mandatory disclosure of beneficial owners of companies operating not only in developing countries but across the world. It is worth repeating that the impact of beneficial ownership disclosure will be limited if some countries continue to serve as safe haven for anonymous companies.

In 2013, Nigeria through NEITI, voluntarily joined 11 other EITI-implementing countries to participate in a pilot project on beneficial ownership reporting in the oil and gas and solid minerals sector. NEITI’s 2012 and 2013 reports thus contain some level of information about the owners of some of the companies operating in our extractive sector. As you will see in a subsequent presentation, the reporting has been limited to information about ‘legal owners’ contained in the companies’ corporate filings. The pilot has thrown up lessons, both in terms of possibilities and challenges. Moving from the pilot to full implementation in a few years will by no means be a simple task.

But based on the wealth of expertise and experience of participants in this hall, I am convinced that we will successfully chart a practicable course for the effective implementation of beneficial ownership reporting in Nigeria, most likely before the 2020 deadline set by EITI. Our task is to determine the appropriate and most effective framework for beneficial ownership disclosure; to identify appropriate legal and administrative instruments required for full disclosure of beneficial owners; to identify existing tools and instruments that can be deployed in furtherance of this objective; to identify new tools and instrument that are required to fill existing gap in beneficial ownership disclosure and reporting; and to determine appropriate timelines, capacities and budget for full implementation of the of the decisions reached at this consultative workshop. As we embark on this task, we can be assured of the full commitment and support of the current administration.

It is important to underscore that the principle of ownership transparency in the extractive sector is consistent with the commitment of President Muhammadu Buhari to open, transparent and accountable management of the Nigeria’s resources. This was clearly in evidence at the London Summit in May which the President personally attended and where he signed up to the Open Government Partnership, made definite commitment to full implementation of the Open

Contracting Data Standard and also proclaimed full endorsement of the EITI Standard. All these commitments align with the President personal conviction and the anti-corruption thrust of his administration. Across the board, openness is being mainstreamed under the President Buhari administration as the defining governance ethos.

For example, it is worthy of note that NNPC, previously renowned as the poster-child of opacity, is now issuing monthly reports on its operations. The recently launched short to medium term plan of the Ministry of Petroleum Resources, tagged the 7 Big Wins, has transparency as one of its pillars, anchored on full compliance by all agencies and companies to EITI requirements. We welcome the change and the reforms on-going in the petroleum sector. But the Ministry of Petroleum Resources and NNPC are not alone in embracing this new regime of openness. The fact is that there are now many points of light in the country, which the recent decision to join the OGP and the commitment to establish a public register of the beneficial owners of all companies operating in Nigeria will further institutionalize and strengthen. This exercise can thus be located within the context of a national renewal process that has political support at the highest level. This, then, is a very important assignment, happening at a most auspicious moment.

The end goal of this exercise is to have a publicly accessible register of the beneficial owners of companies operating in the extractive sector in place by 2020. I am sure there will be ideas and debates about the challenges and different pathways. I do not have any doubt that we will develop an actionable roadmap with the calibre of people gathered here. Without attempting to pour cold water on your enthusiasm, let me say that having a publicly accessible register of the beneficial owners of extractive companies will be a major achievement but it won't be a silver bullet. The register will offer leads, but it won't get the job done. We still need different stakeholders to do their parts: citizens, civic groups and the media to search, to probe, to advocate, to ask questions, to mobilise others to action. The register shouldn't be an end by itself. It should be another openness tool, which if skilfully deployed, can be used to change both the narrative and the trajectory of our country for the overall benefits of our people. I look forward to frank and fruitful deliberations. I thank you for your attention.