



FOSTER
FACILITY FOR OIL SECTOR TRANSFORMATION

Thinking and working Politically

Experience from the FOSTER
programme in Nigeria



FOSTER – Thinking and working politically to improve governance of the oil and gas sector in Nigeria.

Introduction

The Facility for Oil Sector Transparency and Reform (FOSTER), funded by FCDO was designed to reduce the many incentives for misuse of power and capture of oil revenues in Nigeria. It ran from 2011 to 2023 over two terms lasting from 2011 to 2016 and 2016 to 2023 respectively. FOSTER's core mandate was to 'improve management of Nigeria's extractive industry'.

FOSTER sought to address a wide range of challenges over that period, including that:

- Nigerian laws were outdated and too skewed to oil rather than gas, arguably a more profitable resources
- There was a need to enhance industry institutions and resolve overlapping mandates with a comprehensive reform
- An updated fiscal framework was required to enhance government take
- Deregulation of the downstream petroleum sector was necessary to reduce wastage, eliminate subsidy and enhance effectiveness
- An overall improvement in transparency and accountability was required.

FOSTER was guided by the principles encapsulated in key global initiatives such as the Extractive Industries Transparency Initiative (EITI) and the Natural Resource Charter (NRC), and sought to embed those principles in the Nigerian oil and gas sector.

FOSTER achieved a number of big wins over its life. While details on a wider selection of achievements are available in FOSTER's series of Output and Outcome brief papers (together with discussions on the level of attributability of change to FOSTER's efforts), four examples are provided below as illustrative of the sort of work the programme was engaged on:

- **Restoring peace in the Niger Delta.** Following the re-emergence of conflict in the Niger Delta region in 2016 that caused massive disruption to the oil and gas sector, FOSTER played a crucial role working with local actors to understand the key drivers underpinning conflict in the region and helping them to define the key issues that needed to be addressed and the routes likely to allow that to happen. This in turn allowed FOSTER to effectively support negotiations between the Federal Government and Pan Niger Delta Forum (PANDEF), which contributed to a cessation of hostilities by militant groups in the region. FOSTER further worked with the Vice President, Niger Delta -focussed ministries and PANDEF to develop what was to be known as the Strategic Implementation Work Plan in an effort to address some of the economic development issues that underpinned the conflict. *"The role played by FOSTER is enormous. The value was not only in making the Vice President's visit to the Niger Delta happen, but also in translating the visit into a meaningful process."* Deputy Director, Ministry of Niger Delta Affairs
- **Better utilisation of Nigeria's gas resources,** FOSTER's work in the gas sector was wide ranging and examples included helping the Vice President ensure an international oil company (Total) honoured its domestic gas supply obligation for the first time, the development of a strategy for gas based industrialisation for the Minister of State for Petroleum Resources, drafting support for the 2017

National Gas Policy, and technical assistance to revise gas regulations under the Petroleum Act to effect a 1800% increase in the fines payable by oil companies for flaring gas.

- **Passage of the Petroleum Industry Act (PIA).** FOSTER's engagement with the development and passage of the Petroleum Industry Bill started in 2011 and continued intermittently in various forms until the Bill's eventual passage and assent by the President in 2021. FOSTER's inputs to the process ranged from support to public information campaigns and advocacy by civil society, the unions and the media to technical assistance to drafting committees in both houses of the National Assembly. FOSTER played a critical role in the final stages in facilitating negotiations to deliver a bill acceptable to both the National Assembly and the Executive. *"The PIB was passed by the House of Representatives in 2015 because I saw the need for the sector to be reformed and was convinced that the proposition being presented by FOSTER was apt to address the inherent issues"*. Hon. Ihedioha, Deputy Speaker of the House of Representatives in the 7th Assembly.
- **Removal of premium motor spirit (petroleum) subsidy.** Throughout both the first and second phase of FOSTER there was a consistent and continuous focus by the programme on downstream sector efficiency, including the need to ideally remove, or at least reduce, subsidy on petroleum. Interventions ranged from support to the Petroleum Products Pricing Regulatory Agency (PPPRA) to improve its regulatory oversight (including restructuring the fuel pricing template to reflect market forces and providing policy options for the removal of subsidy), diagnostic studies on the daily consumption of petroleum products in Nigeria and cross border smuggling as an impact of subsidy, support to demand side actors to develop advocacy strategies on subsidy removal, and support to the National Assembly in embedding subsidy removal in the drafting of the Petroleum Industry Bill. After a number of false starts (including the announcement of the complete deregulation of the downstream oil sector in 2020), the full removal of subsidy on petroleum products was finally enacted by the incoming President Bola Admed Tinbu at the end of May 2023.

Over the second phase of the project alone (from 2016 to 2023 FOSTER safeguarded more than £1.3 billion of revenue for the Nigerian State. Over the same period improvements were seen across seven of the 12 Nigeria Natural Resource Charter (NNRC) Precepts used as a proxy indicator of the effectiveness of the management and governance of the oil and gas sector in Nigeria.

FOSTER adopted a thinking and working politically approach that was examined in some depth in a [study](#) carried out with the University of Birmingham in 2017. The remainder of this brief sets out some of the key features of FOSTER's design and approach that enabled its politically-aware approach to be so successful and, in so doing, provides a short update to the 2017 study.

Thinking and working politically

According to the Thinking and Working Politically Community of Practice: 'A TWP approach has three core principles: strong political analysis, insight and understanding; detailed appreciation of, and response to, the local context; and, flexibility and adaptability in program design and implementation.' These principles are elaborated at <https://twpcommunity.org/what-is-twp/>. FOSTER's approach to thinking and working politically is set out below to show how it applied these principles in practice.

Strong political analysis, insight and understanding

Understanding the political economy of the sector was critical to FOSTER's ability to operate effectively. In the early years FOSTER carried out quarterly formal PEA exercises to identify policy failures ripe for action, shifts in context that might create opportunities to act, likely winners and losers from any successful policy change and thus potential sources of resistance to be overcome. Over the years the cumulative experience of interventions and the programme's ever growing network of connections

(see further below) meant that the need for formal PEA exercises became less critical, as weekly staff meetings to review progress and plan became essentially mini PEA updates. In the latter year's FOSTER formal commissioned PEA exercises were carried out only once or twice a year, to verify the current political understanding of FOSTER's staff, or on occasion to try a new approach (for example a study commissioned to understand the power dynamics and motivations of the President's inner circle of trusted advisors and political backers).

Detailed appreciation of, and response to, the local context

A key aspect of the FOSTER approach was to identify and target critical actors and potential reformers within institutions to support policy reform, and not to treat institutions uniformly. FOSTER also sought opportunities to strengthen government and regulatory systems and institutional capacity, to make institutions more effective in carrying out their oversight and accountability roles. Interventions were accordingly focused on one of two approaches:

- targeting government institutions that had responsibility for governing the collection and management of oil and gas revenues (those that 'supply accountability'); and
- targeting 'demand-side' accountability actors such as civil society organisations (CSOs), the media and unions (to build a popular public base for change) and oversight bodies such as the Nigeria Extractive Industries Transparency Initiative [NEITI] and the Nigerian National Assembly (to provide formal public scrutiny over the sector and advocate for improvements in governance).

This approach is summarized diagrammatically in the figure below as activity in three 'zones' of influence.

Figure 1: Three zones of influence - an integrated approach to supporting reform



FOSTER's thesis was that the greatest potential for sustained reform is created when all action in all three zones overlaps, although achieving this was not always possible or necessary in all cases (see Box 1 for examples of successful operations in two and in all three 'zones').

Box 1: Examples of working across two and three zones of influence to deliver change.

Achieving impact via two zones of influence – Improving capability of Federal Ministry of Finance to interrogate revenue reports from the Nigerian National Petroleum Corporation (NNPC).

Revenues generated by the Federal Government are credited into the Federation Account and disbursed monthly among the three tiers of government as defined in the Revenue Act 1982. The states rely heavily on the allocations made and are represented on the Federation Accounts Allocation Committee (FAAC) which has the role of scrutinising revenue reports and making the monthly allocations. NNPC's revenue constitutes a significant proportion of overall revenue but its figures were regularly contested or rejected in the monthly allocation meetings of the FAAC. FOSTER identified a willingness to interrogate the figures in the relevant department of the Finance Ministry, but a lack of knowledge and tools to do so effectively. The capability strengthening intervention support provided by FOSTER addressed the issue by developing a minimum standards verification tool and increasing the capacity of key officers in the Home Finance Department and Oil and Gas Division of the Ministry to use it, (thus working in the **backing a champion of change zone** in the process). Alongside this, FOSTER worked with State government officials represented on FAAC to push for the tool to be used to improve transparency and confidence in revenue reports (thus working in parallel with accountability institutions in the **strengthening challenge zone**). In the ensuing years, the Ministry of Finance has remained consistent in reviewing oil and gas reports to FAAC and utilising the templates and tools developed with FOSTER's support. As a result the Committee has functioned more effectively and transparently in the disbursement of funds to the Federal Government, States and Local Government Councils.

Achieving impact via three zones of influence – passage of the Petroleum Industry Bill into law.

FOSTER's engagement with the development and passage of the Petroleum Industry Bill started in 2011 and continued intermittently and in various forms until the Bill's eventual passage and assent by the President in 2021. FOSTER designed parallel but often intertwining initiatives involving supply and demand side actors. This led to the drafting of a PIB that took into account the expectations and priorities of many key stakeholders.

On the supply side, FOSTER provided technical inputs to government departments (**backing champions of change zone**). One example in 2012 was a study FOSTER commissioned to analyse the main provisions of the Technical Sub-Committee Preliminary Draft of the PIB. The analysis suggested that, if passed, the draft would potentially result in a loss of revenues to the Federal Government of around one-third and that only around 10% of the Bill could be considered aligned to 'best practice'. The MoF used this analysis at the Technical Committee/Task Force drafting sessions to provide critical inputs from the MoF perspective.

FOSTER also worked with demand side players to increase understanding and awareness of oil and gas issues and to stimulate public discourse around the PIB contents. This work involved capacity building of media reporters, supporting civil society organisations to craft and mount advocacy campaigns, and work with relevant oil worker unions to support their efforts to see the PIB lead to greater transparency in the sector (**communicating issue zone**).

Finally FOSTER also supported key accountability actors (working in the **strengthening challenge zone**), for example by providing summaries of draft bills to both houses of the National Assembly, providing capacity building support to legislators to help them better understand the key issues in the bill, technical support to drafting teams and embedding an advisor in the Office of the Deputy Speaker of the House of Representatives, to provide technical assistance on oil and gas sector issues.

To identify who to work with, FOSTER staff had to build strong networks. The FOSTER approach of engaging with both supply- and demand-side partners was based on identifying policy challenges within the sector and then trying to work with whoever was most influential within the 'reform space' of the sector to advance these issues around the policy cycle. In this way, the programme aimed to leverage its partners' own efforts and political capital in reforming a few areas within the sector that mattered to them. This approach of 'going with the flow' was an explicit recognition that the challenges for everyone with an interest in substantive reform were vast and that it was important to exploit any existing or potential momentum towards improvements.

In some instances, interventions took place over a longer period (e.g. through embedded advisers), but most took place through short-term inputs, such as commissioning scoping studies to collect data, applied policy research to address specific research questions, support to CSOs, funding for media groups, facilitation of parliamentary discussions and so on. Over FOSTER's lifetime, the team can be said to have balanced working on both the supply and the demand sides, as well as with the governance institutions – such as Parliament – that sit between them.

Change, when it occurred, was rarely the result of a single intervention but of the cumulative effects of a cluster of actions over an extended period of time.

Flexibility and adaptability in program design and implementation

Having the capability to adapt to changing circumstances and to move quickly to take advantage of emerging opportunities was critical to FOSTER's operations and its ability to think and work politically. The funding mechanism and the team structure were important components that facilitated this:

Managed fund: FOSTER was designed around a 'managed fund' setup, with the intention of funding interventions on an iterative basis throughout the programme lifecycle. The fund could be accessed to support activities falling within the programme's remit to work on particular themes and that set out to achieve the programme's particular indicators of effectiveness and impact. Oxford Policy Management (OPM), as fund manager, provided a set of comprehensive services to support successful programme delivery through the fund for example: the design and commissioning of projects in line with the strategic direction of the programme, recruitment of consultants, risk management, financial management, and monitoring and evaluation (M&E).

The rationale for a managed fund approach was that it was not possible to know in advance the specific pathways through which change might occur. By having a flexibly managed fund, it was possible to identify and allocate resources to initiatives as the programme went along. Moreover, the programme deliberately took a 'portfolio' approach – trying a range of approaches that seemed promising in the knowledge that not all would necessarily be successful.

Core team capability: FOSTER initially was structured around 4 thematic workstreams:

- Accountability - Working through demand-side partners (e.g. the media, CSOs, NEITI) to advocate for better management and transparency in the sector
- Revenue Management - increasing government take from the sector by plugging leakages and strengthening the management, transparency and accountability of the sector.
- Industry Restructuring - Increasing efficiencies in current oil and gas operations to raise production and government take
- Local Communities - Improving policy outcomes from the extractives industries for local communities

Under FOSTER 2 a fifth workstream was added:

- Gas Management - Strengthening the gas market and working to remove barriers to investment

Each workstream was staffed with a technical lead with subject expertise and the capabilities to design interventions to push for change in the sector. Importantly the core team was almost exclusively Nigerian, with each workstream lead having an extensive network of contacts within the oil and gas sector, and the ability to identify and exploit opportunities for change.

Problem definition and approach to contracting for initiatives: Part of the explanation for FOSTER's success was that it did not use the managed fund as a 'challenge fund' and issue calls for proposals around thematic areas. Rather, proposals came from its own core team, based on current political economy analysis and identification of emerging opportunities in the policy reform space for action. This meant that problems could be identified and Initiatives designed in consultation with the 'client' they were designed to support, whether that was a government department, a committee of the national assembly, an accountability organisation such as the Nigerian Extractives Industry Transparency Initiative (NEITI), or a group of civil society organisations or media companies. Based on the needs of 'clients' and the design of initiatives, FOSTER then found suitable (usually national) partners or experts to implement them. This approach allowed FOSTER to maintain 'fine control' over the design and implementation of initiatives, and to build relationships with different demand and supply-side 'client' groups, ensuring greater coherence and alignment with the objectives than would have been the case with a Challenge Fund-type mechanism that solicits and evaluates calls for proposals. This was particularly important from the perspective of learning by doing and incrementally building the conditions for positive change over time through series of focussed interventions.

Other important success factors

Finally, in addition to effectively covering the three principles elucidated by the Thinking and Working Politically community of practice, three other aspects of FOSTER's approach were particularly important to its success. These were:

Trusted partner status. FOSTER worked hard to achieve and maintain 'trusted partner' status across both 'supply' and 'demand' institutions. FOSTER followed a deliberate strategy to earn trust as an impartial and sound source of advice and support. At the core of this strategy was the idea of working discretely. FOSTER's communications policy was to have a very low profile. It did not have a website and rarely published material under its own name, preferring to support whichever partners it was working with to develop high quality analysis and reports under their own banners. Reports resulting from studies FOSTER did commission in order to provide advice were generally shared with a 'client', most likely a government agency or accountability institution, for their use, and were not put into the public domain by FOSTER. FOSTER's relationship with its funder, FCDO, was not hidden, but neither was it placed front and centre in communications with partners. This provided a degree of protection for FCDO when FOSTER was operating in sensitive areas. More importantly perhaps, combined with an all Nigerian core staff, it also allowed FOSTER to be seen as a Nigerian entity with which sector actors were more likely to open up about, and be prepared to work on, key issues.

Longevity. One of the reasons FOSTER was so successful was that it operated over a long time scale (12 years). This gave it time to develop a really extensive network, but also to establish a track record of effective but discrete action which helped to build its 'trusted partner' status. FOSTER's longevity also allowed it to operate over the timescales required to see real large scale change embedded – this was certainly the case with the drafting and eventual passage of the Petroleum Industry Act, a process which took almost the entire life of the programme to complete.

Tolerance for risk. FOSTER operated in a controversial sector where corruption is rife and political and commercial interests and pressures abound. There were clear risks to FCDO and the UK Government in supporting FOSTER and it was important and OPM and FCDO established a clear and common understanding of risk appetite that was reviewed on a regular basis in the light of ever-changing circumstances. To this end, in addition to the normal procedures around maintaining and using risk registers, FOSTER developed and agreed with FCDO a clear strategy setting out limits on the nature of support and forms of partnership that could be tolerated under the programme. This included very specific rules around the nature and extent of engagement possible with different government agencies. This strategy was considered a live document, open to review and amendment as necessary.