



Oxford Policy Management

# Bringing the Natural Resource Charter to life

## Lessons from Nigeria

This *Briefing Note* explains how the Natural Resource Charter was used to benchmark oil and gas governance in Nigeria. The first systematic application of the Charter in-country holds valuable lessons for others looking to use it to harness the potential of natural resources for growth and human development.

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### Background

Transforming resource wealth into improved quality of life for people involves a complex extractives industry value-chain, with an equally complicated chain of policy decisions and governance. Both chains are only as strong as the weakest link. Having them all hold together is vital if natural resources are to be used to sustain human development.

The Natural Resource Charter (the Charter) is an international initiative that aims to help governments, industries and societies of resource-rich countries make the most of extractive resources.<sup>1</sup> The Charter is structured around 12 'precepts' of good practice developed by a group of international experts. It has been adopted by NEPAD.

But securing national political commitment and widespread buy-in to externally developed tools is often difficult, especially when powerful vested interests are entrenched in the political and economic settlements around oil and gas, such as in Nigeria. Application of the Charter needs to be adapted to the national context and involve national stakeholders.

In 2011 and 2012, Oxford Policy Management (OPM) applied and adapted the Natural Resource Charter to Nigeria's oil and gas sector, as part of the work of the DFID-funded 'Facility for Oil Sector Transparency and Reform' (FOSTER). The purpose was to provide a benchmark for measuring progress in the country's oil and gas sector against the 12 Charter precepts. It has produced the most comprehensive and independent reference book on oil and gas in Nigeria, and created the country's own 'Nigerian Natural Resource Charter' (NNRC).<sup>2</sup>

### Key points

- The successful use of the Natural Resource Charter in Nigeria showed the relevance and adaptability of this tool in a complex and politicised environment;
- Even where scant primary evidence and information exists, it is possible with hard work to produce a comprehensive assessment and reference guide on the state of oil and gas governance, which provides a baseline for measuring progress on policy and regulation.

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1 [www.naturalresourcecharter.org](http://www.naturalresourcecharter.org)

2 <http://nigerianrc.org/>

## What is the ‘Nigerian Natural Resource Charter’?

The ‘Nigerian Natural Resource Charter’ (NNRC) is the most comprehensive application to date of the Natural Resource Charter. The Charter Secretariat, OPM staff, and national partners – working through FOSTER – convened for the first time a body of influential and knowledgeable people willing to give their time voluntarily to a critical public assessment of Nigeria’s oil and gas sector governance. This panel of Nigerian experts used qualitative judgements to benchmark Nigeria’s oil and gas policies, legislation, and administration against the Charter’s framework of 12 precepts of good practice.

## The steps: approach and challenges

### Step 1: Developing the benchmarking questionnaire

The Charter precepts are statements of good practice that, when adapted, can provide a benchmarked reference point and a potential framework for reform. But the Charter does not provide a handbook on *how* to evaluate a particular state of governance against the Charter framework, nor *how* to use it to push change.

The NNRC methodology developed for Nigeria provides an objective assessment of the state of governance, and a baseline for reform. It is based on qualitative information and draws on the expertise of a panel of experts to judge performance. It is not a set of quantitative indicators.

The first step of the benchmarking process was to take the 12 precepts and break them down into high-level questions, and then break those down further into between five and 30 sub-questions. These questions were the basis for organising the evidence needed to benchmark petroleum sector governance.

### Step 2: Mobilising influential stakeholders to support the NNRC

OPM through FOSTER mobilised influential figures to make authoritative judgements on natural resource governance based on their collective knowledge of the entire industry value-chain. Much research went into finding possible candidates for the expert panel, based on their knowledge and credibility within the sector, their access to key government figures, and political track record. The members of the expert panel come from civil society, the private sector or are former senior government officials.<sup>3</sup> They give their time voluntarily and are widely respected in Nigeria. This is important: they need to command a high degree of moral authority when judging some very sensitive issues. They all endorsed the initiative, were closely involved in scoring the precepts for the benchmarking report, and have engaged publicly in policy debates.

Credible and representative civil society organisations (CSOs), active in sector reform and analysis, were contacted to do the research and validate the results. They included over 20 NGOs, academic institutions, independent think-tanks, advocacy, community and faith-based organisations; many also participated in multi-stakeholder forums organised to discuss the NNRC. The process harnessed the expertise of civil society groups working on natural resource governance and supplied tools for informed advocacy work.

### Step 3: Researching and analysing the evidence

A Nigerian think-tank, the Centre for the Study of the Economies in Africa (CSEA),<sup>4</sup> was engaged by FOSTER to lead the research in compiling evidence for the benchmarking exercise. The work was done in collaboration with four other Nigerian research and advocacy organisations: Centre for Social Justice (Abuja), Social Action (Port Harcourt), Centre for Public Policy Alternatives (Lagos), and Civil Society Legislative Advocacy Centre (Abuja). These organisations were supported by international experts provided by FOSTER, including those from OPM, staff from the Charter Secretariat, and the Revenue Watch Institute.

The evidence gathered, and the answers to the benchmarking questions, were brought together in a benchmarking report. The answers to the questions were given preliminary scores by the research team using a ‘traffic-light’ system of red, amber or green, indicating negative, indeterminate and positive performance against each precept. In addition to desk-based research, one-to-one semi-structured interviews were carried out with a large number of experts on their respective areas of knowledge covered by the precepts.

3 <http://nigerianrc.org/content/people-nnrc>

4 <http://www.cseaafrica.org/>

The overall scoring for each of the 12 precepts was agreed upon by the panel of experts, built up from the evidence amassed on the scores of the individual sub-questions. There was no specific weight attached to each sub-question. The objectivity and measurement of the answers is therefore as much dependant on the underlying benchmarking questionnaire as the experts' perceptions and views on issues at hand. Having a broad and rigorous base of research for the work of the panel was as important as having a credible process to ensure buy-in, and a shared understanding of the Charter.

The research was formally peer-reviewed in four stages: 1) A zero draft distributed internally to the team; 2) a revised draft, which included input from a review by the Expert Panel and CSOs; 3) a second revised draft circulated to the Expert Panel and CSOs; and, 4) a third and final draft used by the Expert Panel for scoring.

#### **Step 4: Building consensus on the framework and final benchmarking report**

Building consensus was perhaps the most challenging step of the process, given the wide range of views of the stakeholders involved. The flexibility that the framework offers could accommodate diverse views, but some consensus on how to use it was still needed.

The process was at least as important as the product. Getting buy-in and ownership of the process required numerous individual and group briefings and meetings. It was important that everyone involved felt engaged, and sufficiently consulted, even if that meant delaying the final product, or it taking a form not previously envisaged. All strategic decisions, such as the institutional form of the NNRC, the scoring mechanism, and the dissemination campaign, were discussed and agreed with the expert panel. Building the legitimacy to be able to use the Charter was as important as doing the benchmarking research, and both took time.

The Government was not asked to participate in the benchmarking exercise because this would have raised concerns about the perceived independence of the NNRC and was needed to ensure buy-in by the CSOs. However, key members of government were briefed by the Expert Panel members on progress, without them being actively involved.

#### **Step 5: Operationalising the Charter**

One key output of this work is the report that benchmarks the state of governance in the petroleum sector in Nigeria.<sup>5</sup> It highlights strengths and weaknesses, including potential policy priorities and opportunities. It is a first step in a path towards a more socially and economically equitable use of natural resources, as well as providing evidence needed to stimulate a broader, more informed debate.

The NNRC provides a baseline on which a time-bound action plan for sector-wide reform could be based, and so has the potential to become a real 'Charter' between the government and the citizens. The Charter's success in supporting reform will ultimately hinge on keeping it both regularly updated and in the spotlight, for example via the media, to ensure it supports an informed public to demand more accountability.

### **Lessons learned**

- The panel of experts participated on a voluntary basis. This means that the use of their time and effort needs to be flexible.
- The incentives of those involved are important. In Nigeria, the partnership has been a success thanks to the common overall mandate and shared commitment to facilitating sector reforms from the two driving institutions: FOSTER (OPM) and the Charter secretariat.
- We underestimated the time required to reach the point where NNRC could speak publicly as a credible and respected source of opinion within Nigeria. Getting buy-in and ownership of the process required numerous individual and group meetings to lobby for the initiative.
- The original benchmarking questionnaire highlighted duplications in the responses across precepts. Other countries' starting point should now be easier if the questionnaire is based on Nigeria's experience.

<sup>5</sup> Nigeria Natural Resource Charter – Benchmarking Exercise Report, December 2012

- The dissemination of the NNRC is being done through ad-hoc forums and publications; a series of soft launches. This supports the conceptualisation of the NNRC as an on-going overarching framework, and not only as a one-off or once-every-so-often diagnostic or monitoring tool.
- The NNRC is born as a civil society tool to inform and influence policy, as well as to demand accountability. With the research and backing of the panel of experts, it aims to pressurise Government from the outside. This does not need to be the case in other countries, but in Nigeria is the only way.

## Conclusion

The NNRC has demonstrated that it is possible to produce a comprehensive, independent and up-to-date assessment and reference guide on oil and gas policy, even in Nigeria – where transparency is often in short supply. The comprehensive nature of the report is especially important as many stakeholders often have detailed knowledge of specific areas yet few understand how all the pieces of the puzzle come together. The credibility of the expert panel, secured by being at a sufficient distance from the Nigerian government, adds to the authority of the report. The challenge for the NNRC to work as a baseline, or foundation, for reform to move Nigerian policy closer to good practice remains.

For the Charter Secretariat, now part of the Revenue Watch Institute, the Nigeria exercise was the first of its kind. The uptake by additional countries in the coming year, combined with lessons drawn from the Nigeria exercise will help it realise its potential as a tool to help improve resource management and good governance.

### About the authors

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### About OPM

Oxford Policy Management (OPM) is one of the world's leading international policy development and management consultancies. We enable strategic decision-makers in the public and private sectors to identify and implement sustainable solutions for reducing social and economic disadvantage in low- and middle-income countries. Supported by offices in the UK, Bangladesh, India, Indonesia, Nepal, Pakistan and South Africa. For further information, visit [www.opml.co.uk](http://www.opml.co.uk)

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