

PEACE AND SECURITY IN THE NIGER DELTA

**CONFLICT EXPERT GROUP
BASELINE REPORT**

WORKING Paper FOR SPDC

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- Luc Zandvliet authored Chapter 2, "Internal Environment".
- Akachukwu Nwankpo and David Nyheim authored the social, political and economic sections of the "Delta-wide issues", and Lockton Morrissey and David Nyheim authored the security section in Chapter 3.
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ACRONYMS

bpd	Barrels per day
CA	Community Affairs
CD	Community Development
CBO	Community Based Organisation
CDC	Community Development Committee
CDO	Community Development Officer
CEG	Conflict Expert Group
CLO	Community Liaison Officer
GoN	Government of Nigeria
HQ	Headquarters
IA	Industrial Area – SPDC eastern division main office area in PHC
LTO	License to Operate
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NDDC	Niger Delta Development Commission
NGO	Non Government Organisation
PAC	Project Advisory Committee
PaSS	Peace and Security Strategy
PHC	Port Harcourt
PMC	Project Management Committee
PRA	Participatory Rural Appraisal
SCD	Sustainable Community Development
SCIN	Shell Companies in Nigeria
SMEs	Small and Medium Enterprises
SPDC	Shell Petroleum Development Company of Nigeria Limited



EXECUTIVE SUMMARY

The current climate of violence, insecurity and lawlessness in the Niger Delta has significantly increased the risk and cost of resource extraction. In a bid to address the difficult operating environment, SCIN initiated the development of a Peace and Security Strategy (PaSS); an integrated and comprehensive approach to establishing security through peace rather than through purely fiscal means.

The stated objective of PaSS is to set out 'how SCIN can contribute to conflict resolution and sustainable peace in the Niger Delta'. To this end, SCIN established a Conflict Expert Group (CEG) to provide the analytical basis of the PaSS and advice on strategy formulation and implementation processes.

Analytical findings

The fieldwork for the Baseline Report was preceded by a desktop review of the 13 major conflict assessments and related reports on the Niger Delta. The resulting Synthesis Report, completed in June 2002, was used to scope the baseline fieldwork on which this Baseline Report is based.

This Baseline Report provides the findings of four months field research by CEG members and Nigerian experts on: (a) how the corporation's internal practices affect conflict; (b) the external conflict environment the corporation faces; (c) the capacities available to draw on in PaSS implementation; and (d) likely strategic pitfalls for PaSS.

Internal corporate issues

It is clear that SCIN is part of Niger Delta conflict dynamics and that its social license to operate is fast eroding. Whereas some groups argue that SCIN consciously fuels conflict as part of a "corporate conspiracy", the SCIN-conflict links result rather from a quick-fix, reactive and divisive approach to community engagement expressed through different areas of policy, practice and corporate culture.

- There is not a single policy, practice or element of corporate culture that, if addressed, will alone decrease company-community and communal conflict. Rather, it is the accumulation of many (seemingly small or isolated) practices that feed into conflict. A strategy to improve corporate-community relations must address these. This means that there are numerous opportunities to make a positive difference.
- The current expenditures on communities do not provide the company with a sustained LTO. There is no evidence that spending more money will lead to less conflict in the Niger Delta. If anything, there is ample evidence to suggest that providing more money to communities may even exacerbate conflict. Most causes of company-community conflicts can be addressed not by doing more things, but by doing things differently. SCIN will be able to make a significant progress in reducing conflict in the Niger Delta within the current budget framework.

External conflict dynamics

Annual casualties from fighting already place the Niger Delta in the 'high intensity conflict' category (over 1,000 fatalities a year), alongside more known cases such as Chechnya and Colombia. The criminalisation and political economy of conflicts in the region mean that the basis for escalated, protracted and entrenched violence is rapidly being established. This not only threatens SCIN's (and the oil industry's) future ability to operate, but also Nigerian national security.



- A lucrative political economy of war in the region is worsening and will deeply entrench conflicts. Increasing criminalisation of the Niger Delta conflict system means that unless remedial action is swiftly taken, SCIN's (and the oil industry's) 'business horizon' in the Niger Delta will continue to contract. If current conflict trends continue uninterrupted, it would be surprising if SCIN is able to continue on-shore resource extraction in the Niger Delta beyond 2008, whilst complying with Shell Business Principles. Indeed, given the likely illegal oil bunkering links to political campaigns, the run-up to the 2007 Presidential elections may see a significantly earlier serious escalation of Niger Delta conflicts which will be difficult to dismantle, even to return to the former pre-election lower level on conflict. Some individuals argue that there is likely to be a plateau in the amount of oil that is stolen (between 8 and 10 percent of production) which represents a level low enough not to attract military intervention while still providing acceptable revenue flows to government and the oil producing corporations. Whilst such a state of homeostasis seems plausible, the large international oil companies could not continue to absorb the escalating costs associated with community demands (which if ignored often result in closure or occupation of company facilities, lack of access to exploration areas or physical threat to staff), or meet the standards of public accountability and transparency increasingly demanded by international bodies and shareholders.
- Micro-level conflicts are part of a complex conflict system that is issue-based, ethnic, and geographic in nature – and often span local and state boundaries. It is rare to find a 'self-contained' micro-level conflict that does not have implications for other communities beyond its locality. However, in this complexity there are two important common threads; resource control and social disintegration. Again this suggests that the oil industry can contribute to conflict resolution in and around their areas of operation. In addition, it is important to note that where there is conflict 'spill-over', there is also the potential for peace 'spill-over'. As such, the conflict system provides opportunities for conflict resolution to have a multiplier effect.

Conflict management capacities

Although there are demonstrated cases of effective conflict management in the Niger Delta, current initiatives remain limited in scope and under-resourced. SCIN's own capacity to manage conflicts is undermined by lack of co-ordination, coherence, and analysis. External efforts are fragmented, but constitute a critical building block for conflict resolution in the region.

- The analysis of internal conflict management capacities available shows there is a significant need for SCIN to strengthen these in terms of co-ordination, coherence, utilisation, and information management.
- An assessment of external conflict management efforts gives a range of perspectives on good practice in the field. Common principles and implementation process 'ingredients' are identifiable. These provide the basis for a systematic PaSS approach to tackling micro-level conflicts.

Strategic pitfalls

SCIN cannot ignore Niger Delta conflicts or its role in exacerbating these. The 'do-nothing' option is taken at SCIN's peril. PaSS is a realistic way forward but will fail if strategic pitfalls associated to implementation are poorly managed. The odds of success depend on SCIN management commitment to the initiative. Half-hearted support and amateurish implementation of PaSS will not decrease the current significant security risks.

- Among the assumptions to the successful implementation of PaSS, the three most critical ones are resource availability/infrastructure for PaSS formulation and implementation, commitment from senior management to both SCD and PaSS, and the ability of the company to bring the oil industry/government on board. If these assumptions cannot be verified, or processes cannot be put in place for their realisation, PaSS is unlikely to succeed.



- The number of spoilers pitted against the PaSS are numerous, well resourced, and dangerous. As such, PaSS implementation requires a strategy for ‘bringing over’ so called “reconcilable spoilers” – and tackling through law-enforcement means those that remain “irreconcilable”. It also means that individuals involved in PaSS implementation will require protection and contingency plans for their possible evacuation.

Strategy formulation

In terms of strategy formulation and implementation processes, this report concludes that PaSS will not be one strategy – but a series of strategies developed over time, each based on substantive research as well as facilitated processes that draw on key stakeholders and implementing partners. Incrementally, their implementation helps tackle the causes of conflict and conflicting interests, as well as strengthen peaceful dispute settlement mechanisms. Ultimately, PaSS will enhance human security in the Niger Delta. To be successful and positively affect the lives of people, however, each strategy has to be fully engendered. In short, the success of PaSS is dependant on the participation of key stakeholders in the formulation of the strategy and commitment to its implementation.



1. INTRODUCTION

1.1. OVERVIEW

The perception among staff in many companies that operate in a context of conflict is that the conflict only starts outside their gates. SCIN is no exception. Many in the corporation assume 'neutrality' in the exploration of oil in the Niger Delta. As such, conflict between SCIN and communities is attributed largely to the incapacity and/or unwillingness of the Nigerian government to deliver social services and deal with resource-scarcity in the region. SCIN is seen as a lightning-rod for community frustrations.

It is easy to conclude that any type of company or trade bringing resources to the Niger Delta will be confronted with the same problem. While this view is valid, it is also true that the manner in which the SCIN operates and its staff behaves creates, feeds into, or exacerbates conflict. After over 50 years in Nigeria, it is therefore reasonable to say that SCIN has become an integral part of the Niger Delta conflict system.

It remains a fact that the current level of violence in the Niger Delta severely reduces both SCIN's ability to operate in the region and the impact of its social investment programmes. Pervasive agitation and crime, coupled with poor law enforcement undermine SCIN's ability to operate efficiently in the region. The costs of engaging in resource extraction in the Niger Delta continue to escalate with the associated social investment producing a diminishing result.

As a consequence, SCIN has restructured its Community Development (CD) to become Sustainable Community Development (SCD). A component of this reorganisation is the development of a Peace and Security Strategy (PaSS); an integrated and comprehensive approach to establishing security through peace rather than through purely (previously tried) fiscal means. The stated objective of the PaSS is to set out 'how SCIN can contribute to conflict resolution and sustainable peace in the Niger Delta'. Towards this end, SCIN established a Conflict Expert Group (CEG) to advise on strategy formulation and implementation processes, as well as the analytical basis of the PaSS.

The "Peace and Security in the Niger Delta: Conflict Expert Group Baseline Report" provides the Group's findings of: (a) the extent and how SCIN policies, practices, and corporate values/culture create, feed into or exacerbate violent conflict; (b) an external assessment Delta-wide conflict factors and micro-conflicts that SCIN faces; (c) the conflict management capacities the corporation can draw on (and needs to develop) in order to reach its stated objective; and (d) strategic pitfalls (risks and areas of push-back) likely to be encountered during PaSS implementation.

The following introductory sections highlight assumptions and caveats in the Baseline Report, as well as an overview of the PaSS development process. The definitions used and a gender perspective on the internal and external context are provided in Annex A.

1.2. ASSUMPTIONS AND CAVEATS

The Baseline Report is based on two important assumptions:

- After operating in the Niger Delta for over 50 years, SCIN is an integral part of the regional conflict environment. An analysis that informs the development of a PaSS has to address the relationship between internal corporate issues and the external conflict context.



- As opposed to a standard conflict assessment that reviews critical issues only, an analysis focused on informing a corporate peace and security strategy also needs to look at current internal and external conflict management efforts, as well as the strategic pitfalls (or obstacles) that will be encountered during implementation.

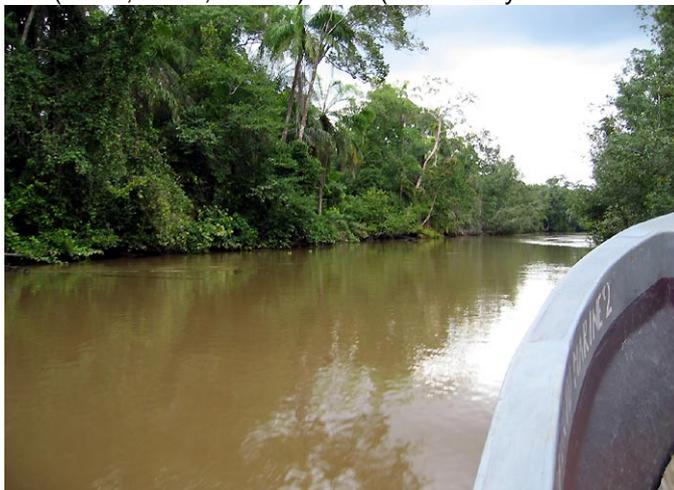
The research process for this report is described below. However, a number of caveats related to the process need to be highlighted:

- The Baseline Report provides a “birds-eye view” of highly complex issues. As such, breadth of perspective is seen as more important than depth for initial strategy formulation.
- The research methodology has involved observation, interviews, qualitative assessments, and a peer-review process. However, the conclusions such methods yield in highly volatile and politicised environments are easily challenged for the simple fact that they are ‘judgements’.
- Given that any perceived SCIN investigation into the issues also raises expectations of forthcoming action among stakeholders, and lacking clarity on the timeframe of PaSS implementation, the ‘depth’ of research had to be limited – thus affecting some sections of the report.
- Some data used in this report (such as GNP per capita, etc.) is drawn from reliable secondary sources. Verification of such facts and figures is beyond the scope of the research process used for the Baseline Report.

1.3. PASS DEVELOPMENT PROCESS

The research process leading up to the Baseline Report has involved the following steps:

- *A synthesis of existing conflict assessments and related reports covering the South-South Zone of Nigeria.* The Synthesis Report provides a summary of what is known in relation to communal, corporate-community, community-government, and corporate-government conflicts as available in 13 major reports on the issue.
- *A comprehensive consultative process to ensure both broad-based ownership of the PaSS and harness available expertise for its development.* Through the consultative process (interviews and meetings) insights from over 200 key stakeholders have been incorporated. Interviews and meetings have been held with community members (youth groups, women’s groups, CDC members, Kings, Chiefs), movement leaders, oil industry (SCIN, Total, Statoil) staff (community relations and security personnel, production and



area managers, senior management), military officers (army and navy), NGO and CBO representatives, and government officials at the local, state, and federal levels.

- *Field-visits to a range of oil producing and affected communities.* Over 10 communities were visited both in the Eastern and Western divisions of SCIN. These community visits were focused on potential and actual micro-level conflicts, and served also



as a means to investigate internal cross-cutting and Delta-wide issues for the Baseline Report.

- *The development and testing of a gender analysis framework.* The framework was tested in two communities (Eastern and Western divisions of SCIN) and yielded important insights into the internal and external context of the PaSS.
- *Workshops with conflict management practitioners and SCIN staff dealing with conflict.* These workshops brought together individuals with concrete 'ground-experience' in dealing with conflicts – and drew out lessons learned from their work.



- *The establishment of a SCIN Resource Group to provide guidance throughout PaSS development.* The Resource Group consisted of key individuals within SCIN who are highly knowledgeable about the issues, steer the PaSS development process, and serve as a sounding-board for emerging thinking on PaSS directions.

- *An internal peer-reviewing process.* A two-day peer-reviewing workshop was held in London (November 2003) and included senior staff from SCIN and Shell International.

Following the Synthesis Report, completed in June 2003, the CEG outlined three principles for the development of the PaSS:

- It should draw substance direction from a baseline report of 'internal' SCIN issues that affect conflict dynamics, as well as address issues in the 'external' environment.
- Initially, the PaSS should be narrowly focused, phased and revised in view of changing conflict dynamics and the need for both confidence-building, as well as learning.
- It should be strongly aligned with new SCIN Sustainable Community Development principles and approaches.

During the implementation of research for the Baseline Report, four additional principles were identified:

- The phased Peace and Security Strategies should follow a three-step approach:
 - ❖ outline broad (systemic) approaches towards conflict resolution and sustainable peace applicable to SCIN and the Niger Delta as a whole;
 - ❖ field-test these in micro-conflict settings (e.g. Soku) to demonstrate validity and impact; and
 - ❖ draw lessons learned, revise (systemic) approaches, and introduce them as flexible guidelines/policies to relevant stakeholders (government/companies).
- The phased Peace and Security *Strategies* should be closely aligned to relevant External Relations (SCD and Security) strategies, add value and be applied synergistically (e.g. in common pilot sites such as Soku).
- The actual design of each PaSS should be based on substantive research (baseline reports) *as well as* a facilitated process that draws on implementing partners. This will



ensure that the PaSS reflects current priorities and capacities, and is not experienced as constraining.

- There are certain 'hard security' issues (e.g. illegal oil bunkering, weapons availability, etc.) that need to be addressed for sustainable peace in the Niger Delta. Given the sensitivity of these, as well as their implications for Nigerian national security, they need to be dealt with separately and by the proper authorities.

2. INTERNAL ENVIRONMENT

2.1. INTRODUCTION

Corporate interactions with local stakeholders can have a positive or negative impact on conflict dynamics, and in the context of the Niger Delta, they are never neutral. Groups that are part of a conflict attempt to use the presence of the company to further their own agendas and SCIN faces daily work interruption due to community disturbances. These are costly and undermine the efforts of the company to sustain a social license to operate.

This chapter provides insights into the depth and variety of linkages between internal policies and practices of SCIN and external conflict dynamics. It explores the ways internal company policies and practices affect local communities and impact on company-community relations, as well as relations between and within communities.

A critical assumption amongst many SCIN staff is that conflict in the Niger Delta relates only to factors external to the company and that there is little the company can do about it. Rather, dealing with conflict is considered to be the job of external actors such as the government.

However, Baseline Report research shows that numerous internal company practices have external impacts. SCIN has more control than is generally assumed over its external environment. Multiple opportunities exist to reduce the likelihood that corporate policies and practices impact, and are impacted by conflict.

This chapter reviews three interlinked internal issues:

1. Policies that may unintentionally feed into conflict;
2. Corporate practices that have an impact on conflict; and
3. Corporate culture that influences corporate policies and practices.

An overview of key issues is provided in the table below. In each section, the relevance of particular elements to conflict is made explicit.

Policies	Practices	Culture
<ul style="list-style-type: none"> • Land acquisition • Oil spill compensation • Hiring • Contracting 	<ul style="list-style-type: none"> • Benefit distribution mechanisms • Community engagement for risk mitigation • Short-term production targets supersede long-term perspectives • Poor policy enforcement • Lack of standardisation • Low levels of loyalty and integrity • Community engagement 	<ul style="list-style-type: none"> • Corporate assumptions • Status of Community Affairs and CLOs



2.2. CORPORATE POLICIES

The overwhelming majority of SCIN policies are coherent, thorough and aimed to ensure a positive contribution to Nigerian society and local communities. Most company-community conflicts can be traced back to poor company practices, not poor policies. However, aspects of current policies (land acquisition, oil spill compensation, hiring and contracting) may feed into, or even create conflict. For each, its relation to conflict, relevant policy aspects, and consequences are discussed.

2.2.1. LAND ACQUISITION POLICIES

Land acquisition and land ownership have become important conflict factors for two reasons:

- Land ownership determines if a community is designated as a “host” community. This qualification is linked to benefits such as employment opportunities, CD projects and contracting opportunities.
- Being legitimised as the landowner is important vis-à-vis other communities, given the cultural attachment to land.

There are several practices in the land acquisition process that feed into conflict, which are discussed in the next section. At a policy level, however, there are three aspects that require attention.

- SCIN policy assumes individual land ownership. Land ownership in the Niger Delta has traditionally been communal. Individual ownership of land is a relatively new and alien concept. SCIN policy to acquire land from individuals without going through traditional structures gives rise to distrust and jealousy within a given community against the individuals who collect compensation.
- It is SCIN policy to follow Oil Production and Trade Section (OPTS) compensation rates. However, these rates: (a) do not recognise, and are much lower than, the actual market prices of the economic structures on the land (trees, crops and infrastructure); and (b) do not take a long-term lost income perspective. For example, there is no calculation of how much income a young banana tree would provide during its life. This means that land users are not adequately compensated for the negative impact on their livelihoods that result from SCIN activities.
- SCIN policy also distinguishes between landowners who get compensated for “loss of the use of land” and land users who are compensated for “surface rights”. Owners and users may not be the same people if owners allowed settlers to cultivate unused land. Sometimes such arrangements date back decades. Although the policy acknowledges both groups, it can pit these groups against each other. In some cases it has resulted in the most powerful group chasing out the other and claiming all benefits.

Land is the only marketable “stake” that communities have in the oil business. An individual land ownership assumption contributes to social disintegration as communities see benefit in forming smaller identities and make competing claims to land. Conflict is created where it did not exist before.

2.2.2. OIL SPILL COMPENSATION POLICIES

Aside from land loss, receiving compensation for oil spills is the only other means by which ordinary citizens can get access to company resources. Similar to land acquisition, it is SCIN policy to compensate only for direct negative impacts on livelihoods.



Several corporate practices in relation to oil spills are discussed in the section below on benefit distribution mechanisms. However, at a policy level, SCIN's policy to compensate communities for oil spill damages only when it is determined they are caused by technical failure and not sabotage creates conflict.

Conflict erupts in the process of determining the cause of spills since this is linked to: (a) payment of compensation; and (b) the appointment of clean-up contractors (the company or the community). These stakes transform oil spills from an *environmental issue* into a *political issue* – and leads to opposing positions rather than a focus on shared interests. As a result, SCIN staff and contractors have problems accessing sites for investigation or clean up. If security providers are brought in to provide access to such areas, it further feeds into community grievances against the company.

2.2.3. HIRING POLICIES

Employment opportunities with SCIN are sought on an individual level, as well as on a community level. Various communities point out that since the beginning of SCIN's operations not one single person from their community has been employed (e.g. even not from the four communities that "own" the Shell Industrial Area in Port Harcourt) and refer to the more inclusive hiring policies of Agip and Mobil.

SCIN's hiring and scholarship policies emphasise merit. This policy was designed not to favour one ethnic group over the other and to provide equal opportunities for each person. Nonetheless, ethnic groups that traditionally have had better access to education have a greater chance of obtaining SCIN employment. This leads to a general perception that Shell is ethnically biased against Niger Delta communities – and is an Igbo and Yoruba organisation. Scholarships and employment opportunities are often presumed divided among people that have connections with SCIN staff.

SCIN policy to provide support and training opportunities through scholarships, but not to guarantee employment leads to dashed hopes and frustration among those who obtained such sought-after spots and find themselves unemployed. In response to complaints, the Human Resources Department is currently working to better connect scholarships with employment opportunities. For example, all SITP graduates will be guaranteed SCIN employment.

2.2.4 CONTRACTING POLICIES

SCIN contracting policy states that contractors are responsible for their own community relations. However, about 70 percent of the conflicts that lead to work interruptions relate to contractor issues and there are currently no guidelines or policies in contractors' contracts that determine their behaviour in dealing with communities. Contractors each have their own approach.

Contracting policies award contracts based on tender only. Large contracts are not always split up to be more accessible for local contractors. Earthwork contracts and other contracts that could be done through local contractors are often awarded to large international contractors. Also, some contractors use international staff for jobs such as welders and equipment operators. This feeds local resentment and antagonism.

Poor contractor behaviour reflects badly on SCIN. Delegation of community relations responsibilities to the contractor in combination with the short-term goals of the contractor may cause long-term damage to SCIN through precedents of cash payments, a legacy of unfulfilled promises, etc.

Claims policies based on "force majeure" can also fuel conflict. SCIN community relations staff alleges that some contractors have an incentive to *create* conflict within communities. On several occasions community representatives accused contractors of inciting violence in order to have their own project closed down. If work stoppage cannot be tracked to the contractor's



behaviour, then contractors can claim compensation from SCIN to obtain: (a) contractual extensions; (b) exchange rate benefits on the Naira side of the contract for the duration of work stoppage; and (c) lost days due to “force majeure”. For example, Saipam was awarded USD 20 million in claims due to community unrest at the Soku Gas Plant (by comparison, the CD budget was USD 2 million).

2.3. CORPORATE PRACTICES

The majority of the company-community problems stem not from problematic policies, but from poor, or even obstructive, implementation of (mostly good) policies. There is a direct relation between some practices and conflict. Some corporate practices violate company policies that are aimed at establishing cordial relations with local stakeholders, contributing to conflict.

No single practice accounts for corporate-community conflicts. Rather, it is the cumulative effect of several poor practices at both company and community levels that cause tensions. The fact that the impact of any individual practice may not be large explains why some senior managers are not able to identify which corporate practices lead to “disproportionately” strong reactions from communities. The cumulative effect of these practices is a perception amongst communities that they cannot engage with SCIN other than through forceful or obstructive actions. There is no single solution to company-community problems.

On the positive side, the cumulative negative effects of numerous small practices indicate there are immediate opportunities for the SCIN to analyse, identify and correct corporate practices that are all within control of the company. Hence, the peace and security strategy is not an elusive “outside” activity. It starts within the company.

There are three main reasons why company practices have gradually and cumulatively developed negative impacts on corporate-community relations:

- The company is “locked into” practices that were established decades ago. Given Shell’s long history in Nigeria, some policies and practices that were established a considerable time ago would be done differently if established at this time. Precedents have been set and policies have been institutionalised that are challenged in today’s context.
- However, revising or correcting such policies may be costly or cumbersome. It appears cheaper and less problematic to continue “faulty” practices than to go through the trouble of adapting or creating policies and practices that reflect society’s expectations today. The beneficiaries of inappropriate practices are often well entrenched and any attempts to change corporate practices to fall into line with Shell’s Business Principles will find some significant resistance.
- Compliance with policies, and the spirit behind the policies, is weak. There is little consequence management or punishment for poor practice both for SCIN staff and for individuals and groups in the community. This allows for individual interpretation of policies or lets individuals use the company to further their own agendas and negatively impact company-community relations.

The sections below outline priority areas for corporate attention and provide perspectives on good practice that inform actions that can be taken.

2.3.1 BENEFIT DISTRIBUTION MECHANISMS

Access to benefits derived from SCIN’s presence is the prominent trigger for company-community conflict, conflict between communities and conflict within communities. In the resource scarce environment of the Niger Delta, individuals and groups attempt to position



themselves to access cash, contracts and legitimacy, to mention some. This leads to leadership tussles, conflicts over boundaries between villages, over who are 'genuine' inhabitants of villages, and over what kind of development projects a community receives.

Community benefits from SCIN presence
<ul style="list-style-type: none"> ▪ Facility payments (homage, courtesy, palace upkeep, seating allowance, hotel costs etc.) ▪ Favours/donations ▪ Contracts (maintenance & short-term & CD project construction) ▪ Compensation (damage/spills & land acquisition) ▪ CD projects ▪ Employment

There are a number of decisions and practices in the benefit distribution system that feed into, exacerbate, or even create conflict. Numerous examples of how aspects of benefit distribution happen in a cordial, systematic and positive manner are nonetheless visible. However, poor practices can be categorised around: (a) community representation; (b) compensation for land acquisition; (c) compensation for oil spills; (d) community development projects; (e) venue where benefit distribution takes place; and (f) the benefit distribution unit.

Community representation

SCIN deals with a variety of groups that “represent” the community. These include:

- traditional rulers such as the King and the Council of Chiefs;
- the elite (often residing outside the village) that are able to articulate community views;
- the most powerful, vocal groups or violent ones that need to be pacified in order to prevent or minimise “waihalla” or that are able to deliver short-term peace in the area;
- CDC Chair and Secretary; and
- individuals within the community selected by SCIN staff.

All of these groups or individuals may or may not represent the genuine interests of the community. When there is a leadership tussle and a CLO is pressured to deliver community input on short notice, he/she may be compelled to make a judgment call as to who is considered the community representative.

There is a history of individuals who use a community platform to further their own personal agenda at the expense of representing community interests. SCIN practices such as providing seating allowances, hotel accommodation, travel reimbursement, lunch packs and other perks reinforce this tendency.

Deep conflicts in the community exist over positions that provide access to SCIN benefits (community contractors, Chiefs, chairman and secretary of the PMC, chairman of the CDC, chair of the Youth Council). At times communities will point out that some CLOs deal with and channel company funds through individuals that do not, or no longer, represent the community.

By virtue of working with certain individuals, SCIN itself directly becomes a part of community conflicts. In some villages (Soku, for example), SCIN staff is seen as siding with one party in an internal conflict. This affects the reputation of the company as a whole.

Compensation for land acquisition



The consequences of SCIN policy to compensate individuals for land, as opposed to communities or families have been explained above. In addition, the following practices can unintentionally feed into land disputes:

- *Lack of transparency in the SCIN decision-making process on land ownership.* Maps used for land acquisition purposes are often old and obsolete. New communities or settlements are not recognised as owners by SCIN without approval by the State Ministry of Land and Housing. This fuels a concern among many in communities about not being appropriately identified as owners.
- *Lack of transparency over proposed location of assets such as pipelines.* Poor communication about plans leads to conflicts based on rumours even over *anticipated* pipeline routes.
- *Cheating in the survey process.* Field assessments that determine ownership require that owners are physically present on their land when the survey takes place. Despite SCIN's best efforts to announce assessments widely, this practice allows false owners to claim land.
- *Recognizing a "wrong" owner.* Pressure from the Project Department or the Land Department to "deliver" land leads to recognition of "wrong" community land claims.
- *Limited co-ordination between SCIN and State government.* Use of State government officials as arbitrators in disputes is limited. It leaves the companies vulnerable to community accusations that the (non-State) arbitrators used are partial and corrupt.
- *Poor records of land acquired.* Often it is unclear in SCIN records if the land is leased or rented, and when rent is due.
- *SCIN default on its contractual obligations.* Budget cuts within SCIN (lease of land is an "opex") means that the Land Department is not able to fulfil its contractual obligations in paying annual leases to landowners.

The impact of land acquisition practices is multifaceted.

- Conflicts over land ownership include: (a) conflicts between communities over boundaries; (b) conflict between local/State governments over boundaries; (c) conflicts between landowners and land users; (d) conflicts between "real" and "hoax" owners; and (e) conflicts between communities and SCIN.
- Recognising the wrong community leads to court cases and double payment for land.
- Lack of transparency leads to accusations over deals being made between SCIN staff and 'hoax' owners.

Compensation for oil spills

Problematic practices around oil spills include:

- Premature determination of the cause of an oil spill:
 - ❖ Some communities will accuse SCIN of attempting to relate the cause of any oil spill to sabotage. They refer to cases such as Began where SCIN allegedly issued a statement about the cause of the spill before an investigation team had arrived.
 - ❖ SCIN staff claim that communities frequently cause spills and refuse SCIN staff or outside contractors access to the spill site to determine its cause, or to clean it up so that demands for compensation can be increased.
- Poor SCIN response to oil spills:



- ❖ Communities sometimes claim that some oil spills have never been cleaned up, or are cleaned up by contractors that either bury or burn the oil causing further environmental or economic damage. Communities also claim that temporary measures such as clamps are not replaced by more permanent fixtures and thus cause consequent spills.
 - ❖ Community respondents state that SCIN response teams (deliberately) do not show up within the regulation 48 hours. Communities complain that by the time the response teams do arrive, pipes have been closed and the spill has washed away to other areas.
 - ❖ There is no transparency about: (a) to whom the company pays compensation; (b) the basis on which the amount is calculated; and (c) how individual or communal compensation is divided.
- There are frequent statements about corruption. Communities and some NGOs working with communities claim that:
 - ❖ The Joint Investigation Process is corrupted as it attempts to declare the cause of oil spills as sabotage. They claim that community people who protest are allegedly compensated, and the faulty parts (“evidence”) are taken away and replaced. Communities also refer to independent investigation experts that have come to the conclusion that differs from those of the Joint Investigation Team.
 - ❖ Some individuals in the three departments involved in the scooping, enumeration and paying for clean up (Production, CR and Land Department) are corrupt. They have incentives to minimise compensation and to select “their” contractors to clean up spills.
 - ❖ SCIN staff, contractors and some community members make alliances to cause, repair and clean up oil spills. Two people spoke about SCIN staff teaching youngsters how to create a spill that looks like “equipment failure” so that they can obtain a clean-up contract and compensation.

Whether these allegations are true or not is no longer relevant from a conflict perspective. They *become* a reality that influences the behaviour of communities and as such, are factors the company has to deal with.

Regardless of the real causes of oil spills, affected communities are also angered by the destruction of their livelihoods. They have to seek other fishing grounds (that are sometimes claimed by other communities) and their income drops. Such resentment can have long-term implications given that communities face the consequences of oil spills on a daily basis. Their grievances make it easy to mobilise them against the company. Some feel they have few venues to express their anger other than to target the company’s production areas or by blocking the gate of the company’s headquarters.

Community Development projects

Current efforts by the company to address community needs fail to secure an LTO. The objective of empowering communities during the Participatory Rural Appraisal (PRA) process is undermined during the implementation process. PRAs raise expectations when communities are encouraged to take ownership over their own “needs”. Subsequently, they find they have little control over timeframes, project types and implementation.

PRA discussions in the villages are supposed to be the basis for CD decision-making. PRAs are seldom announced or not even conducted. Some communities claim they were never involved in the PRA process. CDOs explain that under the pressure to produce PRAs (as part of the tasks and targets) they simply do not have time to announce an upcoming visit to far-away communities.

CD staff also list the following challenges to PRAs:



- PRAs are conducted by company staff. This influences the answers the community provides as they know what SCIN is prepared to provide.
- The CDO spends only a few days in a village to conduct a PRA. This is often insufficient to truly find out the real needs and capacities of a community. CD experts acknowledge that this often leads to a “shopping-list” based on what people want and not what they need. One expert admits that PRAs are in practice used as “confirmation” tools and not as “appraisal” tools.
- Some CDOs use a pre-determined list of SCIN projects from which communities can choose. This feeds into allegations among communities of deals between CDOs and contractors.
- The PRA process is sometimes hijacked by elites that reside in urban areas but originate from the community. These elites insist that SCIN should provide similar services in the community as they enjoy in Warri or Port Harcourt (such as tennis courts). This makes it more difficult to determine genuine needs and leads to conflicts between the elite and the communities. CD projects have been destroyed as a result (e.g. Nembe).

In cases where SCIN commissioned NGOs with an ongoing presence on the ground to conduct the PRAs, the PRAs were more focused on capacity building and providing vocational training, as opposed to infrastructure.

Communities that fall under the responsibility of SCIN's Area Teams are not involved in final project selection. The selection of both the type and the location of CD projects is done by the CDO and the CAC, and based on a combination of: (a) needs in the community (as expressed in the CD plan); (b) the business case (risk of community interruption); and (c) production volume.

The allocation and selection of CD projects in the Project Teams is sometimes done on the spot, especially when the teams face a threat of work stoppage. Promises are made without verification of the capacity of the community to handle a project (both absorptive capacity and executive capacity) and a feasibility study to ensure sustainability.

Community development is generally divided into component projects without providing the community any guarantee that there will be follow-up to complete each project. For example, an electrification project requires three sub-projects (poles, wires and a transformer) for completion. The rig team may only fund the poles project without coordinating with the pipeline team or the flow station team as to whether they can provide the wires and transformers respectively. Naturally, such decisions lead to pressure on the next team that arrives, and feed into perception that the company only wants to buy time to complete work in an uninterrupted manner. In such cases the deferment contributes to increased project risk.

The use of the Project Management Committees (PMC) can be problematic. PMCs officially fall under and report to the (elected) Community Development Committee (CDC). The PMC is responsible for the allocation of resources and the implementation of CD projects. Although some PMCs function well, they can feed into conflict in five ways:

- Limited experience of some PMC members makes them vulnerable to manipulation by elites and SCIN staff.
- Some PMCs operate independently from the CDC and are much better resourced than the CDC. When PMCs are seen are better able to deliver than the CDC, the CDC's legitimacy is effectively undermined.
- External reviews conclude that a majority of CD projects are abandoned by PMCs during the implementation phase.
- Some projects are functional but not successful; running water is installed, but quality may be salty or non-potable; school buildings are built but there is no furniture; boats are



provided without instruction in use or a strategy to meet running costs; modern hospitals are not used by the population (eg. Umuebule, Soku).

- Community respondents complain that many infrastructure projects implemented by outside contractors are substandard and not functional.

The majority of CD projects focus on the provision of infrastructure as most managers value this over “non-tangible” capacity-building. Although infrastructure may provide a short-term LTO, experience shows that this approach by itself does not secure a long-term LTO.

Community respondents also complain about the lack of SCIN supervision and monitoring during project implementation. This leads to rumours that SCIN staff is engaged in corruption with their ‘own’ (external) contractors.

The transition phase from CA to CD has not yet been completed although the policy shift from CA to CD occurred in 1998. Limitations to corporate capacity to genuinely implement a CD approach in all communities means that engagement with many communities still takes place on a CA basis. “We still conduct supply-driven development projects without any capacity or feasibility study,” concluded a CD insider.

Venue where benefit distribution takes place

Most interaction with communities takes place either in corporate headquarters or in closed meetings with the Council of Chiefs or traditional rulers. Occasionally other venues (e.g. hotels) are used.

Using company premises as the venue of interaction contributes to conflict in several ways:

- It does not ensure that the details of contracts, MoUs or other issues are made public. When representatives meet with companies in company headquarters, the broader community that they claim to represent may not even know that the meeting takes place.
- It allows “hoax” representatives to present themselves as legitimate, without the opportunity for the public to verify whether they actually represent the communities’ true interests.
- The company typically limits the number of people that can join a meeting. Thus, not all interest groups in communities may be able to attend. Those who are excluded can refuse to take ownership for, or to “buy-in” to the decisions made on their behalf.
- Community representatives that have meetings at SCIN premises frequently complain that upon return to the community there is a suspicion that the company has corrupted them.

The benefit distribution unit

Many of the ways in which companies interact with local people reinforce narrow group identities and differences, rather than reinforcing broader, common identities and goals. It rewards groups and individuals based on how they are different from others, not according to what they share or have in common. This may take the following forms:

- benefits are awarded to “host” and impacted communities only and not to ethnic groups or regions;
- host communities are defined as those where the company has assets and not those that are physically located over oil or gas reservoirs;
- contracts are awarded to individuals and not to communities;

COSTS OF CONFLICT

- Illegal bunkering
- Contractor claims (force majeure)
- Actual work stoppage
- Budgeted down-time due to community unrest
- Higher compensation rates for land/damage
- Security costs
- Increasingly expensive CD projects
- Litigation costs
- More staff working on communities
- More difficult to attract good staff
- Seating money/ Homage/ Ransom/ Ghost workers
- Community contracts as compensation
- Higher staff costs (insurance/danger allowance)



- CD projects are aimed at and awarded to sub-groups such as youth or women, rather than addressing shared and larger community issues;
- benefits accrue to individual land occupants and landowners rather than to the family or community unit that traditionally owns land;
- PRAs are conducted per village or settlement and not by clan or cluster of communities; and
- managers are generally interested in establishing cordial relationships with strategically located “spearhead” communities.

An emphasis on narrower identities contributes to jealousy and conflict in several ways:

- Rewarding communities based on why they are different from others and not what they share or have in common leads to conflicts over boundaries and access to land that were previously shared.
- Rewarding groups based on narrow identities leads to fragmentation of society, “Everybody is looking for an identity by which they can extract resources from the company”. Common land associations are splitting groups into multiple associations, with women groups and youth groups often wishing to be dealt with separate from communities. This leads to increasing numbers of “stakeholders” that the SCIN has to deal with and satisfy. Fragmentation also means that more groups can behave in obstructive manners.
- Sometimes communities obtain company benefits on the premise of “might is right”. For example, reference is sometimes made to how SCIN has obtained permission to operate in areas from powerful communities that did not own the land. This has led to court cases against the SCIN from the real owners.

2.3.2 COMMUNITY ENGAGEMENT FOR RISK MITIGATION



Mobile Police security cover

SCIN staff take the view that one of the main purposes of community engagement is to mitigate the risk to the corporate operations due to community disturbances. While some practices may solve immediate threats to corporate operations, approaching communities from a risk-mitigation angle leads to an implicit corporate perception that communities represent risk to the corporate operations. In turn, this leads to a series of practices that unintentionally can feed into, or reinforce conflict tendencies and increase, rather than decrease risk to the organisation. These practices are related to: (a) how and when to approach communities; (b) the use of local contractors to mitigate risk; and (c) transparency.

How and when to approach communities

It is naïve to assume that all



communities are safe places for SCIN staff. Unfortunately, kidnap and assault of company staff occur regularly. Given this reality, there are several practices that, although understandable from a corporate or individual perspective, do not contribute to making communities less risky in the long-term.

Apart from CLOs, CDOs and some project staff, most SCIN staff does not visit communities regularly. There is a genuine fear to be identified in the community as Shell staff although staff mentions this fear is lower than five years ago. Senior management especially, avoid visiting communities under the assumption they run a higher risk of kidnapping. If staff, and particularly senior staff, visits the community they are typically escorted by the mobile police (MoPol).

The use of the military or police in escorting SCIN staff to the community for negotiations or meetings sends several messages:

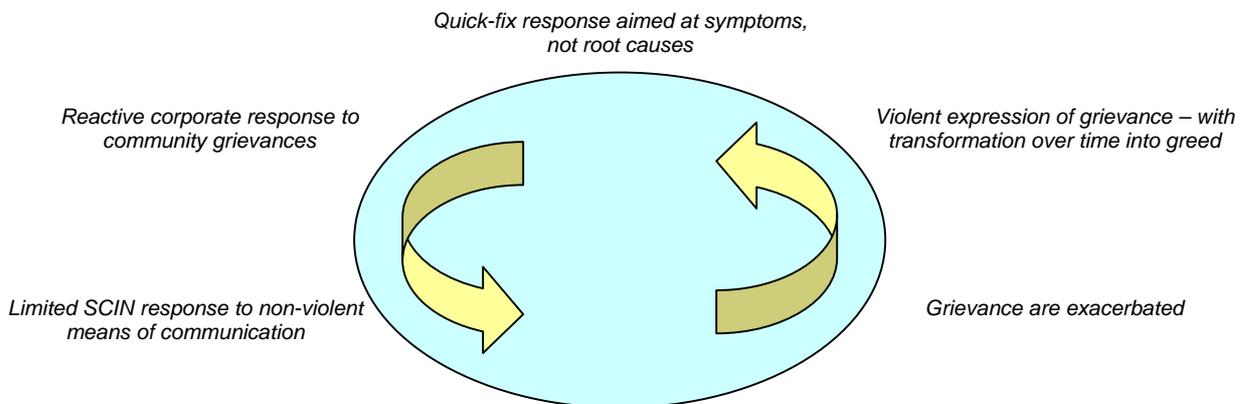
- Youth have repeatedly expressed their frustration that it feeds into a sense of “victimisation when the company tries to bully us”.
- When communities know they are seen as risks, it furthers anger amongst them and contributes to communities *becoming* a risk.
- Use of the military emphasises the notion that SCIN is “stealing oil” because “why would they otherwise come armed [with police and army]?”

Resources and attention are only allocated when there is a direct and tangible “need” to mitigate a risk to core operations; typically after a threat, work stoppage or other negative community behaviour. Thus most SCIN teams show a *reactive approach* to community issues. CLOs complain that the focus on addressing negative manifestations rather than root causes of problems means that the company is in a constant fire-fighting mode and no problem is fundamentally solved.

Communities often complain that the only way they can be heard is by acting in a violent manner. They see little indication that SCIN will deal seriously when approached through non-violent means of communicating (e.g. letters). When the company indicates that it only responds to violent triggers, it can be sure these triggers will happen.

If the company only responds to threats or violent actions, *peaceful behaviour is not adequately rewarded, violent behaviour is*. It legitimises and strengthens those that are most radical and vocal while ignoring the silent and peaceful majority.

The vicious cycle of rewarding violence



The use of local contractors to mitigate risk



Using local contractors is an essential aspect of how communities directly benefit from SCIN's presence. Contracting opportunities are much desired among communities. The point here is *not* to contest the provision of contract to local communities (rather, the opposite is the case) but to address the consequences if local contracts are primarily provided to mitigate risk.

Contracts are still frequently given as a strategy to quell the most vocal and potentially violent elements in communities. Contracting as the cornerstone of community relations leads in some places to conflict over obtaining contracts:

- Powerful community elites, typically residing in urban areas influence PRAs and (financially) manipulate community leaders so that the community requests CD projects the elite can build; and
- Vocal or violent youth demand, and gain, surveillance or maintenance contracts.

Community contractors (e.g. pipeline surveillance) are not held to the same accountability standards as other contractors. Contracts are still seen as "gifts" to the community rather than as actual contracts. For example, there are few monthly reports coming from such contractors, and even if contractors have failed to do their work (failing to report illegal oil bunkering, for example) SCIN is reluctant to take them to court.

When no consequence management occurs for community contractors out of fear of the possible implications for security it sends a message of impunity. This message may increase the risks of sabotage rather than decreasing it through surveillance.

The lack of transparency of contract details for the construction of CD projects allows for deals between SCIN staff and community representatives (chief, CDC chairman, PMC chairman). Speculation about inflated contract prices causes conflict within communities, as they feel "robbed".

However, it is important to note that some SCIN Project Teams have integrated a local content plan into their project design. This practice has transformed local contracting from a reactive risk mitigation strategy to a pro-active approach, building on existing capacities and opportunities within the community. Projects where such an approach has been implemented have shown dramatically reduced work stoppages due to community interference and sustained higher contracting opportunities for community staff after the project was finalised (Umuebu). The current local content plan of the Gbaran/Ubie project is a promising example.

Transparency

There is a widespread corporate assumption that any information can be used by communities against the company, partly due to the "risk" of making promises to communities that the company will be unable to fulfil. This lack of transparency can lead to rumours and interpretations that the company "has reasons to hide the truth".

Currently, there is little transparency about: (a) who receives benefits/compensation; (b) the amount of benefits/compensation given; (c) when benefit distribution will take place; (d) the type of benefits (e.g. type of CD project, benefits in cash or in CD projects) provided; and (e) what criteria were used to decide on benefits.

Communities are often not informed nor involved in future plans or decisions that impact their lives. For example, the company does not provide a long-term plan for community development. Nor does the company provide substantial information about the scope, impact and duration of major projects. Some communities (Soku, for example) are not aware that major projects (with major impacts) will commence in their area in only two months time. Such a short-term approach combined with the absence of a long-term perspective of corporate benefits for the community leads communities to focus on short-term gains.

The relevance of using the company headquarters or the offices of the Council of Chiefs as a venue of community interaction has been mentioned earlier in this report. Dissemination by



community leaders to their constituencies of the content of their discussion with SCIN is generally poor and contributes to the lack of perceived transparency among communities.

As there is no mechanism available to communities to obtain accurate information the company leaves itself vulnerable to misinformation and rumours that feed grievances. Furthermore, the lack of transparency leads to suspicions within communities about who gains at the cost of others. It also feeds into allegations that corrupt SCIN staff makes arrangements with individual community members or use benefits that should accrue to the community for their own benefit.

2.3.3 SHORT-TERM PRODUCTION TARGETS SUPERSEDE LONG-TERM PERSPECTIVES

SCIN staff actions appear to be driven by a focus on achieving quarterly production targets or short-term project objectives. The company's scorecard system reinforces this. An approach focused on reaching short-term objectives and production targets triggers a series of practices that undermine positive and sustainable relationships with local communities. The company behaves towards communities as if it is leaving the Niger Delta within months (no commitment to ensure higher local content in the years to come, no commitment to CD activities beyond one year, etc.). Very few SCIN staff members are able to articulate a vision of where the company wants to be in ten years and what systems need to be put in place to achieve this objective.

Community demands are often assessed using a short-term cost-benefit analysis where production targets are the sole variable. Assessment criteria do not include relational, reputation, long-term consequences, or other cost-benefit variables. For example, when communities closed down a flow station and demanded that a hospital be built, a cost-benefit analysis based on lost production vs. hospital construction costs made the company construct the hospital swiftly.

In practice, reaching short-term objectives means dealing with those groups that can provide the quickest "solution". Rather than managing conflict via a cumbersome Traditional Council, SCIN has tended to respond to the most violent or vocal groups in order to keep them quiet. This approach has legitimised violence and (further) undermined traditional leadership.

Reaching short-term production targets triggers a chain reaction among other departments

- The pressure to purchase land can lead to buying land from illegitimate owners and often (after a court decision) to double land payments.
- The pressure to purchase quickly, leads to inflated land prices. Communities know that if they resist long enough the price that SCIN is prepared to pay increases. This creates continuously new precedents.
- Under pressure to 'deliver' a community representative, CLOs may choose the "wrong" representative when a leadership structure in the community is not clear.
- CLOs are under pressure to produce an MoU with communities. They make promises they cannot fulfil or pay signatories to the MoU get it finalised.
- Bureaucratic constraints make the first Project teams (e.g. Rigs) implement CD projects that are not fully functional. This puts pressure on following teams to deliver what is needed to complete the CD project.
- In the case of work interruptions due to community unrest, Project management feels under pressure from senior management to resume work as quickly as possible. Under such pressure they tend to rely on security cover.

A short-term approach means that problems are postponed rather than addressed. For example, promises are made or CD initiatives allocated to "buy peace" until major projects are completed. This transforms the vision behind community development from an empowerment model based on shared interests to a negotiation model based on might. Communities feel they need to get what they can in the short-term because they have little idea what future benefits look like. Thus, they ask, for or are directed by staff to ask for, projects that can be implemented within the project time frame, rather than what they really want or need.

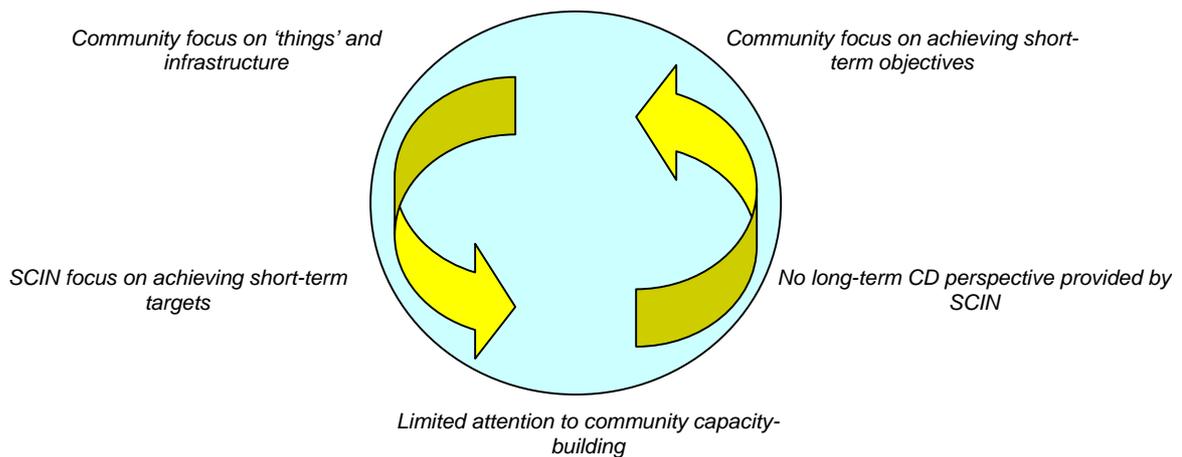


However, communities are often aware of the need for the company to reach short-term production targets and effectively use delaying techniques (“time is on our side, not on theirs”) to increase community benefits. The “Kpepe strategy” is based on the assumption that, “If you shake them enough, you will get anything out of them” (Kpeke is the Ijaw word for “shaking”). The sharp rise in the CD budget from 1990 onwards shows this strategy has been successful. Some communities approach SCIN managers these days with the calculation how much the SCIN is losing per day if they were to close down a flow station.

- Practices that leave communities with no other choice but to react in an obstructive manner***
1. Only “difficult” communities receive a MoU for CD projects.
 2. No SCIN response to letters and verbal complaints, but consistent SCIN response to flow station occupation, threats, sabotage, blockage.
 3. No consequence management for unethical staff practices: communities sometimes feel SCIN staff is stealing “their” money.
 4. No provision of a future perspective means that communities need to take what they can while they have at the moments they have leverage over the company.
 5. Some CD projects are “given” in components. Communities have to behave in obstructive ways with each passing SCIN project to obtain the next component. Since there is little consequence management for obstructive communities, the more obstructive they behave the bigger their leverage to obtain benefits.
 6. The focus on individual benefit distribution means that groups and individuals have to fight to distinguish themselves in order to access benefits.

The current scorecard system for CD is *only* based on the implementation of a certain number of projects. It does not include consideration of whether these projects were successfully implemented and whether implementation improved the communities’ perception of SCIN. Furthermore, short-term budgets make it difficult for CD staff to provide a long-term perspective to communities. This leads to a “patchwork project” approach, rather than to real community development.

The vicious cycle of the community focus in short term objectives



2.3.4 POOR POLICY ENFORCEMENT

There are three areas of policy enforcement practices that relate to conflict: (a) internal consequence management; (b) external consequence management; and (c) policy compliance.

Internal consequence management



There is a perception among SCIN staff that the company is lenient toward colleagues involved in unethical practices, the violation of business principles or not following through on commitments. Concomitantly, there is a tendency within SCIN to accommodate rather than to tackle problems. For example, NGOs representing local communities complain that SCIN's approach is to compensate for grievances (through CD projects for example) rather than addressing the underlying causes of such grievances.

External consequence management

Few communities are held accountable for their negative behaviour. People in the company question the ability and willingness of the organisation to deal with threats from outside groups against staff if criminals are prosecuted. As a result, even when criminals are caught, few people are prepared to stand as witnesses in court. There is frustration with what is seen as SCIN's capitulation to lawlessness.

Policy compliance

There is a "flexible" interpretation of SCIN policies, a low level of standardisation and continued unethical practices.

Poor consequence management undermines policy compliance. Audit experts report that in cases where they had clear evidence of violation of business principles, the superiors of guilty staff failed to take action. This sends a message of impunity to the rest of the organisation.

2.3.5 LACK OF STANDARDIZATION

Community respondents continuously point to the lack of standardisation in SCIN as a point of confusion. There is not a single coordinated community approach. Different villages or individuals receive different treatment. For example:

- powerful villages are able to extract large amounts of money (e.g. through a Trust Fund for the Council of Chiefs on Bonny island) over and above the CD budget;
- some villages have MoUs while others do not. Often only "difficult" communities can force the company to sign an MoU;
- at the same time, the content of the MoUs varies widely. Furthermore, in some cases MoUs exist with villages, in other cases with clans;
- some communities have been exposed to a thorough CD planning process; others have a rapid assessment of needs and interaction with them takes place on a CA basis; and
- as CD budgets are tied to production, "newer" production with communities see their CD budget rise whereas "older" areas with decreasing volumes receive fewer benefits.

Communities tend to watch each other closely. Conflicts frequently arise over perceived favouritism. For example, there is the perception among non-ljaw villages that ljaw villages receive more benefits because they are more militant.

In addition to different standards for different groups or individuals, there are also different standards applied to the same community:

- the lack of guidelines for contractors in dealing with communities leads to different cultural approaches;
- different Project and Areas Teams pay different amounts of homage to the same authorities;
- during the construction of major projects communities deal with three different CLOs (area, project and contractor). Each has a different approach, budget and objective; and
- as outlined in the table below, Area and Project Teams use substantially different community engagement approaches.

Area Team Approach	Project Team Approach
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<ul style="list-style-type: none"> ▪ Limited CD budget (“there is more money when the rig comes”) ▪ Focus on a larger group of spearhead communities ▪ Planned CD approach ▪ MoU only when needed ▪ No reward for success of the Project means no stake in the Project 	<ul style="list-style-type: none"> ▪ Large CD budget (confronted with existing community expectations) ▪ Focus on a concentrated group of communities ▪ Ad-hoc CD approach ▪ MoU as “must” ▪ Communities know that Project is under time pressure and is well funded
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Despite an impressive number of guidelines and policies aimed at standardising approaches, the implementation of these varies considerably. When under pressure to achieve short-term targets, staff may compromise on upholding standards. This impacts conflict in the following manners:

- Differences in treatment for different people transform objective fairness into a perception of relative unfairness. It leads to a feeling that the company is not caring toward communities and directly affects the social LTO.
- Precedents are regularly set in terms of cash payments and commitments made to communities. Communities look at the benefits of others and play different Asset Managers off against each other.

2.3.6 LOW LEVELS OF LOYALTY AND INTEGRITY

Overall loyalty of staff to the organisation is low. This is particularly the case among those with short-term service contracts (Manpower Service) and others that are on “non-pensionable” contracts. But even many SCIN staff members in middle management positions acknowledge they feel little loyalty to the organisation and are just there to “do the job and cash my pension”.

There is a direct link between being considered as fulfilling a “core-activity” and the type of employment contract, and between the type of contract and staff loyalty. If management would consider certain departments or key positions dealing with company-community issues as a “core-activity,” it would affect the loyalty to the organisation of people that make decisions on behalf of SCIN that have long-term relational implications.

There are widespread concerns both within the company, as well as among community respondents of integrity problems among SCIN staff. The areas where community representatives say loyalty and integrity impact on conflict include:

- CD staff determines which contractor a community needs to hire for a project and for what kind of budget. When the community disagrees or even proposes to seek a more cost-efficient solution, the CDO may refuse and the project stops.
- The level of the compensation for oil spills can be agreed under the condition that the SCIN staff takes a share of the compensation.
- Elders can send their youth to create trouble in order to get some kind of “compensation”. CR staff are said to make arrangements with the elders about compensation, taking a ‘cut’ themselves.
- CD Engineers determine both the bill-of-quantity and approve progress reports on the implementation of CD projects. They can provide “advice” to PMC members on how to increase the budget over and above the standard budget for a CD Project. If, due to increased market prices, the real price of the project goes up and the engineer does not get his share, he will not approve the next project milestone.



- Land acquisition money is paid at the Port Harcourt office to people that do not own the land, leading to court cases against the SCIN and conflict between the legitimate owners and the proxy owners.

There are also claims that some SCIN staff directly benefit from creating disputes. For example, in the case of disputed land ownership, no compensation is paid. SCIN staff brings in outsiders that claim ownership to create a dispute. Since the real owner also has an incentive to get compensated, he may sign an agreement with the fake owner. SCIN staff receives part of the compensation from the hoax owner.

Low loyalty of SCIN staff means that negative perceptions about the company are not challenged. When staff blame SCIN, the CLO, the Yoruba boss or others instead of defending actions of the company, this signals that they dissociate themselves from the (vision and mission of) the company. CLOs point out that retired SCIN staff often cause the greatest grief for the company. At the same time, there is sympathy within the organisation for the “cause” of the Niger Delta people against the company, although many disagree with the violent manner in which grievances are expressed. Cumulatively such practices send a message to communities that the company is rich, exploitative and faceless bureaucracy “stealing oil” from communities and that it is a legitimate target for demands.

2.3.7 COMMUNITY ENGAGEMENT

Community representatives frequently state that, “Shell ignores our demands”. Discussion reveals that there is a widespread feeling in the communities that the company is not “caring” and cannot be trusted. Although some SCIN staff find caring and trust to be “fuzzy” notions, communities themselves define these as, “knowing that agreements will be honoured”. This definition demystifies the notions of trust and caring and becomes a more objective notion to work with.

Community respondents mention the following examples of behaviour that affect community perceptions of the company:

- access to, or interaction with, SCIN staff (“We never see a CLO or only when there is a problem”);
- high expectations with regard to employment don’t materialise;
- the degree in which community projects are finished, appropriate and sustainable;
- staff integrity. The community has no mechanism or procedure to hold company staff accountable for unethical actions;
- interference with intra-community relations to achieve company objectives (“divide-and-rule”);
- the use of a security cover;
- the degree to which SCIN accepts, or not, court decisions that rule against the company;
- responses (or lack of responses) to letters sent from the community to the company; and
- communication about companies’ intentions or plans and how these affect communities.

Knowing that a company follows up on what it commits to is the cornerstone of good company-community relationships. While SCIN staff is aware of this, seven practices explain why the company still cannot fulfil promises:

- Managers newly arriving on a project may reset priorities after commitments to the community have already been made and described in a MoU.

Budget/administrative issues

- When Project budget closes, CD budget closes; CD projects remain unfinished;
- Budget cuts are made when CD projects have been promised. Projects are either cancelled or delayed;
- Budget cuts means that SCIN is not able to pay lease of land in time;
- Lengthy administrative procedures cause delay in payment for local contractors;
- CD budgets are only known on short notice which impedes on long term planning;
- Half of the CD budget is spent by Project teams that have a short term operations approach;
- SCIN tells communities that the CD budget is based on the production of a well; communities now want to see data themselves.



- Some managers keep postponing the implementation of projects till the following quarter in order to reduce operational costs.
- CLOs lack the tools or ability to articulate why the company is not able to cater to some of community demands. They may either make promises or refer back to their manager. Meanwhile the community understands that things have been promised; “there are a dozen words for the community that mean yes”.
- The implementation of promised CD projects exceeds the duration of SCIN construction activities. When the SCIN project is closed, the budget closes and CD projects remain half-finalised.
- Community development budgets are cut during the year while a community still expects commitments made to be honoured. Some area teams spend 50 percent of their CD budget carrying over projects from previous years. Meanwhile, the community sees that budget cuts do not affect Capex operations.
- Budget allocation follows, not informs, discussions with communities over CD Projects. As a result, communities find that there is no budget for the plans they and the company have discussed.
- Bureaucratic obstacles delay payments or allocation of resources.

Differences between Western and Nigerian cultural values

Nigerian senior staff explains that the root cause of the conflicts between SCIN and communities goes back to a fundamental clash in cultural understanding. When people gave their land to SCIN, they did so in the cultural understanding they still “owned” the land but that the SCIN could use it. As with a bride price where not the whole sum of money is accepted by the parents of the bride so that the parents of the groom “owe them for life,” local communities want SCIN to “remember and bless us back”. In other words, communities expect SCIN to behave like a good father-in-law that takes a caring and long-term approach.

According to one Area Manager, key to solving company-community issues is having SCIN act as a good father-in-law, on whom communities can rely in times of trouble. In other words, SCIN needs to move from having a “transactional” relationship to a “fatherly” relationship based on mutual caring.

Individual characteristics of SCIN staff appear to be important for constructive relationship-building between the company and communities. In cases where communities feel cared for, often SCIN staff has gone just a bit further than expected in showing respect and concern for local communities. Communities explain that staff acts not as a “master” but as “a good neighbour”. Elements of neighbourly relationships include:

- a relationship based on seeking win-win solutions for both the company and the community;
- pro-actively spending time in the community to understand local dynamics;
- staff is accessible for communities;
- responding and following through on community requests; and
- explaining in a transparent manner if and why not all requests can be honoured and helping the community seek creative approaches to address their issues.

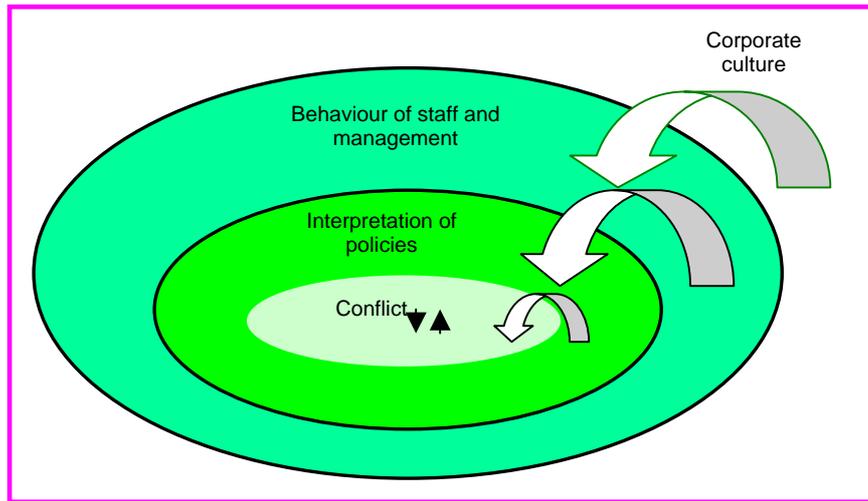
2.4. CORPORATE CULTURE

In any organisation, corporate values and norms determine company policies and practices. Hence, corporate culture can be both one of the root causes of poor practices that



unintentionally feed into conflict or serve as a powerful engine to create opportunities for success.

SCIN corporate culture is assessed in terms of assumptions and how the organisation classifies community affairs. Making prevalent and implicit assumptions explicit provides insights into the drivers of certain policies and practices.



2.4.1. CORPORATE ASSUMPTIONS

There are three important assumptions prevalent among SCIN staff that guides their actions and decisions:

1. "Violence relates to external factors only";
2. "Communities want money, social services and "things" that can never be satisfied"; and
3. "Communities don't know what is best for them".

Each of these assumptions guides behaviour and impacts on conflict dynamics.

"Violence relates to external factors only"

The prevailing SCIN assumption is that addressing conflict is outside their control and relates to external factors only. On the other hand, many staff members are aware that the company plays a role in Niger Delta conflicts.

However, a formal recognition of the relation between some corporate practices and conflict entails the risk that managers will be held accountable if conflict lowers production rates. One manager stated, "So far we have been able to explain why we should not be penalised". This logic feeds into an "it's-not-our-fault" mentality that becomes an obstacle to conflict resolution.

Furthermore, contractors copy company behaviour and also de-link community violence from performance. Instigating violence in the community so that claims based on 'force majeure' can be made towards the SCIN has become a business in itself among some contractors (Soku gasplant, Obibo Note AGG project).



“Communities want money, social services and ‘things’ that can never be satisfied”

Throughout the organisation there is a sense of powerlessness with regard to how much the company can do to satisfy community demands. People feel that no matter how much SCIN tries to satisfy communities, they will always come back for more. This assumption makes company staff avoid community interaction (believing it will only lead to demands) and to limit and control information about company plans. These actions reinforce the communities’ perception that they must demand more to get anything.

“Communities don’t know what is best for them”

SCIN puts little emphasis on capacity-building largely because managers prefer short-term tangible outcomes. As mentioned earlier, the scorecard for some CD departments is *only* focused on implementing a certain number of projects rather than assessing their relevance, appropriateness or sustainability. In their effort to help communities finalise projects, CDOs get involved in the implementation of projects, effectively disempowering the community.

The consequences of such an assumption include: (a) limited ownership in communities of infrastructural projects; (b) communities feel that projects are imposed on them; (c) communities feel that they are not allowed to make their own decisions; and (d) the company is seen as arrogant by telling communities what they need.

Assumption	Reason	SCIN behaviour	Consequences
“The conflict is due to external factors”	Partly true, partly not Acknowledgement implies responsibility	Focus on external factors (e.g. spills caused by sabotage) “It-is-not-our-fault” mentality	Communities feel they have to fight to prove the company is wrong Contractors follow same SCIN logic; force majeure claims
“Communities only want money and other ‘things’”	Easy to deliver First reaction of some youth	Short-term hand-outs No capacity building Focus on ‘wants’, not on ‘needs’	Inter-group conflict No sustainable LTO Undermined traditional leadership Dependency syndrome
“Communities don’t know what is best for them”	Low institutional capacity Desire to show tangible results	Focus on infrastructure No capacity building	Low local ownership of good SCIN efforts Communities feel that projects are imposed on them

2.4.2 STATUS OF COMMUNITY AFFAIRS AND CLOS

Community affairs are not classified as a core activity to the organisation, affecting the type of contracts that staff members receive, and as discussed before, results in poor staff loyalty and motivation.

The position of the CLOs is generally seen as a non-essential job and even diminished. This undermines their ability to perform as the front-line people dealing with corporate-community conflict. Some important repercussions of this ‘low’ status include:

- CLOs are not trained adequately to fulfil their front-line job. The CLO position is seen by operations managers as a “dumping ground” for “non-functional” or “redundant” staff. Hence, CLOs are expected to solve conflict issues without having the appropriate background to be successful.



- A majority of CLOs do not have a pensionable contract with SCIN because the position is not considered a “core staff” position.
- As the main interface of the company with local stakeholders, CLOs are frequently logistically unable to visit and work with communities:
 - ❖ Logistics are tied to production. This means that boats and cars are only available to the CLO when there is a problem. This feeds a reactive approach to problems;
 - ❖ CLOs experience a lack of internal logistical support (e.g. ensuring that bureaucratic procedures are followed, bills are paid, etc.).

Technical staff can be responsible for negatively impacting relations with communities, but are rarely held accountable for their actions. As the Community Affairs Department is seen as responsible for community relations, there is limited ownership elsewhere of relationships with communities.

Most senior managers acknowledge that SCIN does not recognise CR as a critical success factor to its operations. Because the relationship between the organisation and the communities is conditioned by problems, there is limited space for CLOs to establish a relationship on any other basis than demands, compensation, and conflict. To a large extent this is due to the fact that the Community Affairs Department is not involved in the planning phase of the project. Many problems that can be anticipated are only responded to, which means that operations are in constant crisis mode.

2.5. STRATEGIC IMPLICATIONS

It is clear that SCIN is part and parcel of Niger Delta conflict dynamics and that its social license to operate is fast eroding. Whereas some groups argue that the compact consciously fuels conflict as part of a “corporate conspiracy”, the SCIN-conflict links result rather from a quick-fix, reactive and divisive approach to community engagement expressed through different areas of policy, practice and corporate culture. From the above sections, a number of strategic implications for the PaSS can be drawn:

- The company itself is part of the conflict dynamics and thus has multiple options to positively influence these. Addressing conflict is not only dependent on outside actors but to a significant extent within the control of the company.
- Corporate practices (more than policies) can lead to conflict. This signals that the company does not have to change the fundamentals of it of its operations (although some policies need review) but ensure that the policies and the ideas behind the policies are adhered to.
- There is not a single policy, practice or element of corporate culture that, if addressed, will alone decrease company–community and communal conflict. Rather, it is the accumulation of many (seemingly small or isolated) practices that feed into conflict. A strategy to improve corporate-community relations must address these. This means that there are numerous opportunities to make a positive difference.
- Virtually all SCIN departments have an impact, or are impacted by the context of conflict in which SCIN operates. There are opportunities for departments other than the Community Affairs department to raise awareness of the impacts of their day-to-day activities on conflict, to take responsibility for the costs that these practices may unintentionally have, and to take steps to reduce conflict.
- Many internal practices feed into vicious cycles. Analysing these cycles more closely provide entry points for the organisation to transform a negative re-enforcing cycle into a positive one.



- The current expenditures on communities do not provide the company with a sustained LTO. There is no evidence that spending more money will lead to less conflict in the Niger Delta. If anything, there is ample evidence that providing more money to communities may even exacerbate conflict. Most causes of company-community conflicts can be addressed not by doing more things, but by doing things differently. SCIN will be able to make a significant progress in reducing conflict in the Niger Delta within the current budget framework.

In addition to the above, “Management Notes” with more detailed areas requiring attention are provided in Annex B.

3. EXTERNAL ENVIRONMENT

3.1. INTRODUCTION

The external conflict environment faced by SCIN is highly volatile, complex and dynamic. It is not appropriate to talk about the “Niger Delta conflict”. Rather, instability in the region is fuelled by a number of increasingly criminalised and commercialised conflicts, lacking conflict management mechanisms, as well as deteriorating socio-economic and political conditions. Annual casualties (over 1,000) from violence qualify the Niger Delta as a high intensity conflict zone.

In order to assess the complexity of the Niger Delta conflict environment, the analysis provided here distinguishes between the range of regional (Delta-wide) issues that cause and accelerate conflict – and micro-level conflicts. Importantly, although the analysis given below is grim, there are also factors present in the region that mitigate conflict and sustain a fragile stability. Furthermore, given that current criminalisation of conflict is a fairly recent phenomenon and resilience of the Niger Delta communities, micro-level conflicts are not as entrenched as they otherwise would be.

This chapter reviews, therefore, Delta-wide issues and micro-level conflicts. Given the number of communal conflicts in the region and the focus of the SCD pilot, only the Soku, Elem-Sangama, and Oluasiri conflict is analysed in some depth. Further conflict assessments will be necessary as PaSS implementation gathers momentum.

3.2. DELTA-WIDE ISSUES

3.2.1. OVERVIEW AND RATIONALE

Although micro-level conflicts in the Niger Delta are context specific and in many ways unique, there are a range of Delta-wide issues that are common to most of them. These are both conflict inducing and peace generating factors.

- Conflict inducing factors may be part of the causes, ‘accelerators’ or consequences of a micro-level conflict.
- Peace generating factors often serve to ‘keep a lid on’ violent conflict in a given setting. They are in essence the building-blocks of peace in the region.

The table below provides an overview of the Delta-wide issues identified. It is important to note that these are not given in any order of priority as their relevance is context specific.

	Social	Political	Economic	Security
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Conflict inducing Delta-wide issues	<ul style="list-style-type: none"> • Social disintegration • Crime and criminal cartels • Perceived and actual discrimination • Endemic corruption • Resurgence of intra- and inter-ethnic tensions 	<ul style="list-style-type: none"> • Political manipulation • Government failure to manage conflicts • Inequitable distribution of revenues and infrastructure 	<ul style="list-style-type: none"> • High youth unemployment • Poverty and inequality • Limited local capacity to legitimately benefit from oil industry 	<ul style="list-style-type: none"> • Illegal oil bunkering • Weapons availability and use • Armed ethnic militias and warlords • Ineffective and corrupt law enforcement/ judiciary
Peace generating Delta-wide issues	<ul style="list-style-type: none"> • Common heritage and religion • Popular resilience 	<ul style="list-style-type: none"> • New democratic dispensation 	<ul style="list-style-type: none"> • Significant resource-base 	<ul style="list-style-type: none"> • Pervasive conflict fatigue

The nature of these Delta-wide issues makes it necessary to address them not only at the micro-level, but also systemically. In addition, action on some of these issues will signal to key stakeholders SCIN’s commitment to the peace and security of Nigeria in general, and the Niger Delta in particular.

Caveat The Delta-wide issues presented here are wide-ranging and complex in nature. It is not possible within one report to rigorously cover each issue as comprehensively as needed.

Delta-wide issues were selected on the following basis:

- their manifestation or presence in all the communal conflict dynamics studied;
- their direct and field-level impact on communal conflict dynamics; and
- their relative importance compared to other social, economic, political and security issues.

The following two guiding principles determined what was covered under each:

- factors that are specifically conflict relevant;
- dimensions that can directly or indirectly be tackled by the PaSS.

Furthermore, given the time available and the audience, ‘breadth’ was chosen before ‘depth’ and issues are presented in a summary form to ensure readability.

3.2.2. ASSESSMENT OF DELTA-WIDE ISSUES

Delta-wide issues are identified in the social, political, economic and security domains. For each conflict inducing issue, the description aims at giving a sense of the concept, dimensions and impact on conflict, as well as links with the oil industry. Given the abstract nature of peace generating factors, these are described only briefly and in colour-coded text boxes in relevant sections.

Social disintegration

Social disintegration in Nigeria is referred to in the literature as involving the breakdown of traditional authority (IPCR, 2002), pre-eminence of youth groups as a consequence (Basse et al., 2002), and “strong feelings of hate; low levels of mutual respect;

**Peace-generating factor:
Common heritage and religion**

Although there are long-standing inter-ethnic conflicts in the Niger Delta, communities in the region have co-existed and inter-married over centuries. As explained by one respondent, “There is no such thing as a ‘pure’ Ijaw or Itsekiri. We can all identify ancestors from each others’ communities in our lineages”. This common heritage is also expressed in historical inter-ethnic trade relationships, communal ownership of land, shared use of resources (e.g. fish and land), as well as no historical boundaries between some communities.

Furthermore, communities in the region share and often devotedly practice a common Christian faith. This sets the stage for a collective value system that embraces tolerance, reconciliation and forgiveness, as well as the sanctity of life. Whereas one may question the practice of these values in a context of violence and insecurity, the power of the Church as an instrument for peace cannot be underestimated.

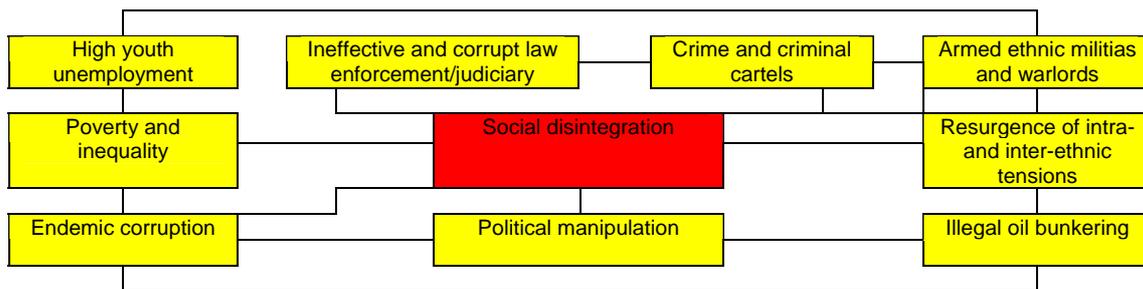


a great deal of anger; and a high level of impatience” (Reychler, 2002).

Consultations and fieldwork suggest that since 1990 a rapid process of social disintegration has taken place in the Niger Delta. It involves the erosion of family values, community cohesion, and inter-ethnic/community relations – and has a range of causes and other consequences.

- Social disintegration is visible at three levels:
 - ❖ At a family level, with the dislocation of family structures, evidence of significant domestic violence, sexual molestation of young girls, as well as increases in teen pregnancies and female-headed households.
 - ❖ Within communities the erosion of traditional governance is often visible, with disrespect for elders and traditional authorities. One respondent called it “a lost sense of being your brother’s keeper”. High levels of mutual suspicion and distrust are often cited, with ensuing inter-family fights, as well as the emergence of cult-groups and gangs.
 - ❖ In terms of inter-ethnic/community relations, now commonplace attacks on neighbouring villages impact on the perceived value of coexistence. The viciousness of such attacks (e.g. the Bille-Ke conflict and Warri crisis) indicates the extent of breakdown in relations in parts of the Delta.
- The causes of social disintegration include a combination of endemic corruption, poverty and inequality, as well as high youth unemployment (youth restiveness). In essence, community relations are strained by a collapse in trust, envy, and challenges to traditional leadership.
- The process of disintegration appears to be accelerated by general lawlessness and impunity. Law enforcement is largely absent from remote areas and unreliable due to corruption, thus often enabling criminal groups to prey on local communities and illegal oil bunkering to go on almost undisturbed. Political manipulation of communal tensions is made possible by lacking cohesion and, as outlined below, perpetuates intra and inter-community conflict.

As such, social disintegration is linked to a number of Delta-wide issues. These linkages are presented in the diagram below.



Social disintegration provides a suitable environment for conflict to emerge through divisions, tensions, and the elimination of ‘conflict safety valves’ that communities have put in place over time. It also compromises the ability of communities to recover from the effects and scars of conflict. Distrust and disunity mitigates healing, as well as reconciliation.

The role of the oil companies in fuelling social disintegration is largely through the design of the benefit distribution process that allows groups to fight over access to cash, jobs, contracts and power. It impacts on corporate activities through obstructive and criminal activities conducted by mostly youth groups that operate outside the traditional social system and over whom traditional leadership rarely has control.

Crime and criminal cartels



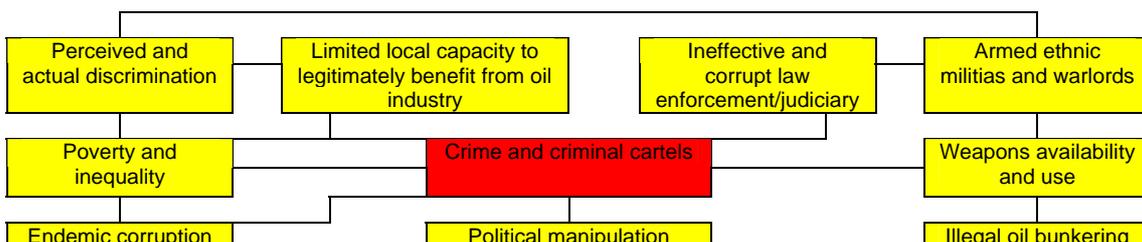
Within an environment of insecurity, agitation, mistrust and uneven wealth distribution, criminal elements have become strong in the Niger Delta. These are armed, well organised and protected by powerful patrons. They steal pipes, well-heads and vehicles, engage in illegal oil bunkering, attack small craft on the rivers, intimidate communities and companies to extort money and protect their networks.

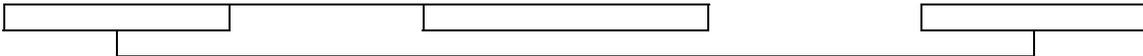
Although crime and criminal cartels in the Niger Delta is categorised above as a social phenomenon, it also has very strong political, economic and security dimensions.

- The social context of crime in the Niger Delta is strongly associated to a feeling of “being cheated” and “robbed of resources that are rightfully ours” and as such perceived or actual discrimination, as well as endemic corruption.
- Politically, criminal cartels are linked to both oppression by, and organised resistance to the previous military regimes, as well as the current culture of democracy.
 - ❖ Well funded and armed youth groups were initially supported by the former military regime as sources of information and political influence over traditional leaders who were not co-operating with the government. They were essentially ‘strong arm’ militias who worked outside of the legal framework to influence communities and pacify independent thought or action.
 - ❖ With the return to democracy in Nigeria, these groups became even more prominent as local politicians and parties supplied youth groups with money, weapons, and political/legal immunity to influence opinions of community members leading up to elections. Once elections were over these rewards were not forthcoming. Rather than returning weapons, these groups engage themselves in a range of criminal activities, including illegal oil bunkering, highjacking of vessels, and the sacking of villages.
 - ❖ During the military dictatorship, a number of pro-democracy movements emerged (Ijaw National Congress, MOSOP, etc.) in the Niger Delta. Some of these movements were engaged in or preparing for armed struggle. However, when the dictatorship ended, those involved in armed struggle were not demobilised. Whereas some returned to normal life, others became involved in criminal activities and formed criminal gangs.
- Crime also follows from a combination of deprivation (poverty and inequality), lacking capacity or opportunities (particularly among unemployed youth) to benefit legitimately from the oil industry, as well as the significant monetary incentives from being involved in illegal oil bunkering.
- From a security perspective, the widespread availability of weapons and opportunities for wealth that follow their use, financial benefits from illicit activities of armed militias, and the absence of law enforcement from many areas serves to perpetuate criminal activities.

It is also important to note that larger criminal groups have significant access to the highest levels of government and are able to influence the actions of security forces, oil companies and their staff.

From the above, it is clear that the phenomenon is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.





The impact on conflict of pervasive crime and criminal cartels is multiple: (a) it corrupts any legitimate social justice agenda, thus making constructive conflict resolution problematic; (b) its political roots mean that criminal cartels are well-armed and regularly supplied with weapons by politicians; (c) it entrenches conflict by creating a strong criminalised political economy of violence; and (d) it perpetuates lawlessness and the feeling that violence is the only way to protect interests.

The role of the oil companies in fuelling crime and criminal cartels is largely related to corruption in the contracting process and the payment of ransoms that make crime lucrative. Its impact on corporate activities is multiple, ranging from illegal oil bunkering, sabotage, and various kinds of theft, hostage taking, piracy, hijacking, extortion, and corruption.

Perceived and actual discrimination

A recurrent theme in community discussions is a broad-based and strong perception among people that they are “being cheated” and robbed of their rights. Communities are aware of the wealth of oil companies, of the money paid to government by corporations, and of funds paid to community groups by corporations. The contrast between manifestations of wealth generated by the oil industry and chronic underdevelopment lends credence to such perceptions.

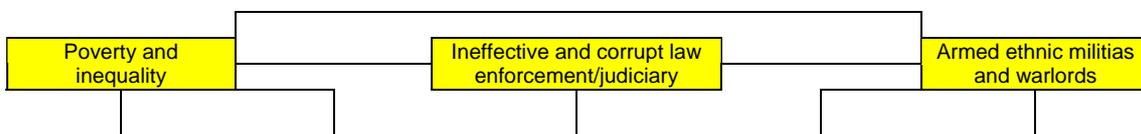
Perceptions of and actual discrimination has several dimensions.

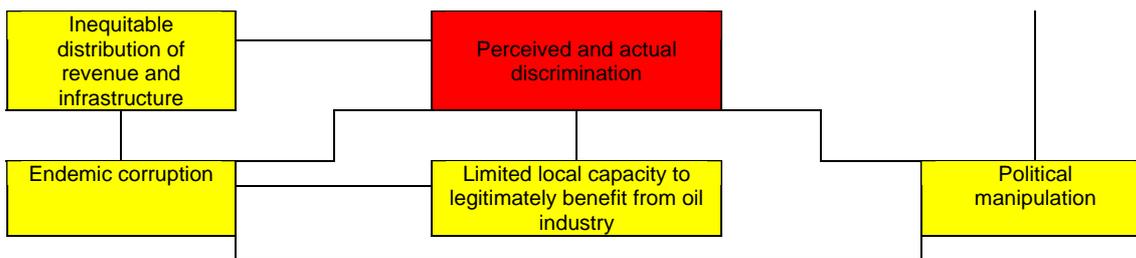
- They are expressed in feelings of:
 - ❖ powerlessness to improve their lives, and effectively exit a state of deprivation and poverty;
 - ❖ distrust of and disgust for leaders who are sometimes seen as not leading their communities and/or are corrupt and simply seeking personal wealth;
 - ❖ deliberate neglect by the government and oil companies of the Niger Delta communities (inequitable distribution of revenue and infrastructure);
 - ❖ being cheated and robbed either by other communities, government and/or oil company staff of their wealth and land – with no rule of law to protect them; and
 - ❖ frustration with not being able to benefit legitimately from the oil industry;
- As mentioned above, the causes of perceived and actual discrimination include a combination of poverty and inequality, inequitable distribution of revenue and infrastructure, as well as endemic corruption that lead to frustration and a feeling of neglect.
- It appears to be accelerated by the absence of rule of law, leaving communities to fend for themselves, and few opportunities to benefit legitimately from the oil industry. Politicians and officials also stir feelings of anger and resentment. As a result, there is a sizeable pool of (mostly young) people drawn to violent and criminal activities.

**Peace-generating factor:
New democratic dispensation**

There is much criticism of Nigeria's emerging democracy, including a number of the issues raised above. However flawed democracy is though, it represents the end of military misrule and oppression. Opportunities now exist for protecting human rights and addressing years of neglect in the Niger Delta.

The phenomenon is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.





Perceived and actual discrimination perpetuates conflict in several ways: (a) it makes communities susceptible to political manipulation and aggression; (b) it leads to polarised positions, defensiveness and a zero-sum approach when negotiations take place; and (c) it fosters a short-term and cash-focused perspective of what oil companies can do for communities.

The role of the oil companies in fuelling perceived or actual discrimination is largely related to unclear communications, poor transparency, the non-fulfilment of obligations, as well as corporate arrogance. When SCIN does not action contracts, or make payments and settlements or resolve disputes in a timely fashion, communities will often feel discriminated against. Trust in the oil industry (represented by Shell) is severely eroded, with frequent statements that Shell is ‘beyond redemption’. Its impact on corporate activities is seen with the use of ultimatums and (threats of) disruption as the only way of getting corporate and government attention to grievances.

Endemic corruption

As stated by Human Rights Watch (1999), “the Nigerian political economy has come to depend on a spectacular system of corruption, involving systematic kickbacks for the award of contracts, special bank accounts in the control of the presidency, allocation of oil or refined products to the politically loyal to sell for personal profit, and sweeteners for a whole range of political favours”.

Corruption is encountered in and driven by the activities of the oil industry and private sector, government, non-governmental organisations, communities, and (obviously) criminal groups. It is directly linked to all Delta-wide social, political, economic and security issues mentioned here. Whereas it is beyond the scope of this report to provide an exhaustive analysis of corruption in the region, it is necessary to highlight the most salient conflict-enhancing dimensions of endemic corruption. These are divided into factors that destroy the basis of peace and those that accelerate conflict.

Corruption undermining of peace	Corruption accelerators of conflict
<ul style="list-style-type: none"> • Erosion of the social fabric and social disintegration • Compromised rule of law and government conflict management • Reduction of the ability to legitimately benefit from oil-related activities 	<ul style="list-style-type: none"> • Perpetuation of poverty, inequality, and inequitable distribution of resources • Greater room for political manipulation, as well as space for growth of armed ethnic militias and warlords

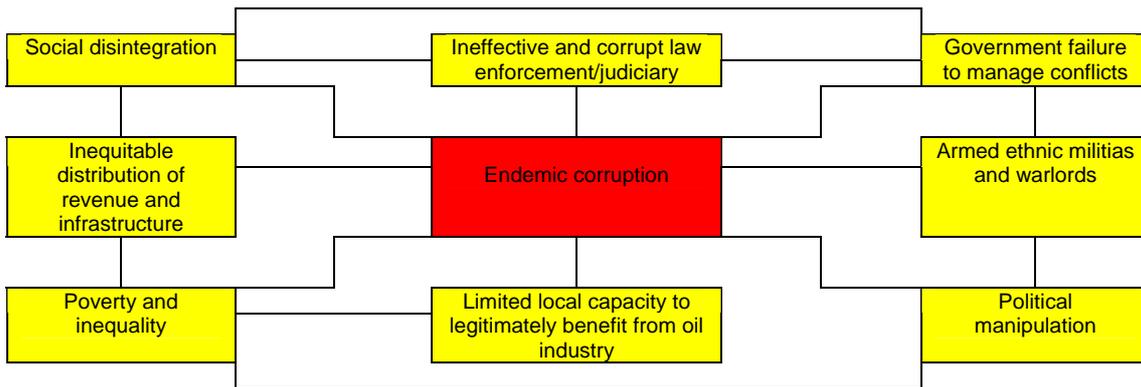
- At a community and inter-community level, suspicion and tension emerging from (often oil industry related) corruption has become an important conflict driver. For example, accusations and counter-accusations of corruption in community bodies is often seen in leadership tussles (e.g. Soku), and fights over access to largesse from companies in the Northern Swamp both erode cohesion and the ability of communities to manage conflict there. Numerous incidents of communal violence occur throughout the Niger Delta as families, new settlements, and various interest groups clash over control of committees and territory and the contracts which flow to them.
- Corruption and collusion with criminals in the national and state security forces renders law enforcement ineffective in dealing with issues such as illegal oil bunkering and theft.



In the judiciary, political interference and bribery reduces people’s confidence in the courts and legal system. Corruption at these levels undermines the rule of law – a corner-stone for peaceful conflict resolution. Furthermore, the ability of individuals often to manipulate government conflict management efforts (e.g. such as the non-release of inquiry findings or interference in the operations of security forces) to favour one group over another reduces the credibility of such initiatives.

- Nepotism and ‘kick-back schemes’ in recruitment or contracting prevent or discourage a range of groups from gaining legitimate entry into the oil business. It perpetuates a business culture that is ineffective in delivering services and bolsters the position of corrupt individuals who benefit from the status quo.
- Corruption within government, NGOs, and oil companies prevents the delivery of approved funds for infrastructure and community development from reaching their intended target groups. As such, it maintains the poverty, societal inequality, and inequity in resource distribution that fuels conflict.
- Endemic corruption in society gives room for effective political manipulation where individuals can easily orchestrate violence and communal conflict. Such orchestration of communal conflict is linked to the activities of armed ethnic militias and warlords – and has become a business in itself.

As mentioned above, endemic corruption is linked to all other Delta-wide issues. However, key conflict linkages are presented in the diagram below.



It is important to highlight several dynamics in the conflict-corruption nexus. First, where corruption exists there are losers and their frustration drives them to perpetuate more conflict. Second, where there is corruption there are opportunities to profit and this leads both to conflict between groups for access to those opportunities and conflict with the government and oil companies to reduce their losses. And third, where corruption paralyses a system such as government infrastructure or the actions of oil companies this undermines the ability of the two to work toward a common outcome or strategy.

The role of the oil companies in fuelling corruption is significant. Numerous examples can be found in how companies seek to maintain their LTO through short-term cash payments, giving in to monetary demands for the right of way, following facility closures, exorbitant homage payments, use of ghost workers, surveillance contract implementation, contracting procedures, employment processes, and kick-back schemes in community development projects.

**Peace-generating factor:
Popular resilience**

Foreign analysts of Niger Delta conflicts are often surprised at the relatively low level of violence when considering the depth of grievances, inequality, weapons availability, and dire conditions of living for most people. Nigeria has not thus far witnessed the balkanisation experienced elsewhere with the advent of democracy.

In addition, results from well-managed conflict resolution initiatives (e.g. Cawthorne Channel Project) where feuding groups have worked constructively together after vicious fighting may indicate strong communal pragmatism. It is still possible to effectively initiate dialogue when common interests are identified and a credible process is put into place.



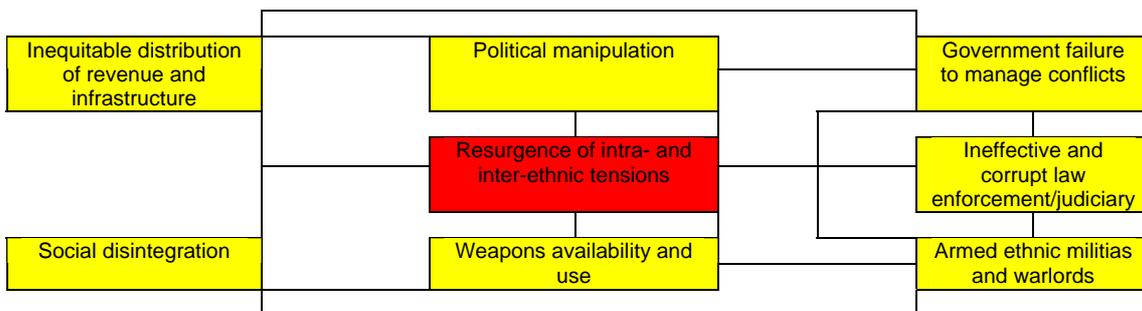
Resurgence of intra- and inter-ethnic tensions

Tensions within and between ethnic groups are rekindled by the drive to benefit from the oil industry. Examples of such tensions include expulsion of oil producing Houses in the Bonny Kingdom from the Council of Chiefs, violent struggle for communal autonomy and traditional stools among the major houses of the Kalabari Kingdom, and violence between the Itsekiris and Ijaws in Warri.

The resurgence of intra- and inter-ethnic tensions has several dimensions:

- Benefits distribution processes (host and impacted communities) coupled inequitable distribution of revenue and infrastructure are bringing to focus rivalry within and boundary disputes between groups.
- The struggle to maximise benefits leads some communities to disassociate themselves from traditional regulatory mechanisms present in communities and the kingdom system. As loyalty to kingdoms erodes, fights break out when traditional rulers try to bring independent communities back into the fold. A process of social disintegration is occurring.
- Political manipulation of intra- and inter-community tensions is significant. Violence is orchestrated between groups to put pressure on government and the oil companies to either respond to key issues or give in to demands. Community groups arm themselves to protect their interests – or are armed by politicians or officials as part of efforts to orchestrate violence.
- Government efforts to manage these tensions are undermined by contradictory interests, ineffective law enforcement, corruption, as well as political interference and manipulation.
- Armed ethnic militias and warlords often sustain intra- and inter-ethnic tensions as it provides an enabling environment for criminal activities that are profitable – and, as mentioned above, is an increasingly lucrative business in itself.

The resurgence of intra- and inter-ethnic tensions is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



The role of the oil companies in fuelling the resurgence of intra- and inter-ethnic tensions is difficult to pinpoint. As one observer noted, “Whenever SPDC compromises on its obligations, corrupts a process or uses inappropriate methodology this can lead to inter, intra communal and SPDC conflict”. However, as mentioned above, the corporate benefit distribution process and the rivalry/envy it sometimes produces between communities is an important contributor to such tension.

Political manipulation

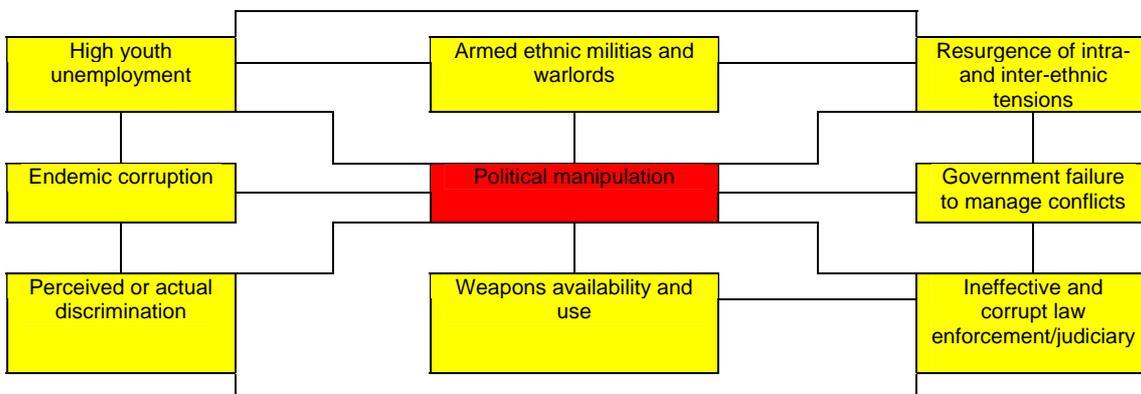
Interviews with political figures at a state and federal level highlighted how a number of politicians or officials orchestrate conflict or undermine government conflict management efforts to affect the electorate, gain wealth, and/or exert pressure on opponents.

There are several important dimensions to political manipulation of communal tensions:



- The use of youth groups, armed militias or cult groups as thugs (paid for increasingly through illegal oil bunkering revenue) is a common strategy to intimidate political opponents, voters, and electoral officials at polling stations. They are supplied with weapons, intoxicants (particularly alcohol), and shielded from law enforcement when they commit crimes. Promises are also made to these groups to ensure loyalty, but rarely kept. As a consequence, weapons are not returned but rather used for criminal purposes or in communal conflicts.
- The current political culture in the Niger Delta is predominantly populist in nature. Politicians often capitalise on and stir up grievances of different communities to obtain votes, but not address these grievances when in power. In essence, perceptions of discrimination are galvanised or conflict is stirred between communities for electioneering purposes.
- Parties to communal conflicts will seek political office or appointments and use their influence when in power to 'settle scores' with opponents. Such 'score settlement' may involve using 'bought' elements of the security forces (or personal thug groups) to intimidate or eliminate opponents.
- There is also evidence to suggest that violent incidents and communal tensions are created (or their resolution is sabotaged) to put pressure on government or oil companies to respond to key issues or give into demands. As one well-placed respondent said, "I can easily mobilise youths I know to stir up trouble and put pressure on Shell, without being identified as the source".

Political manipulation is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



It is important to note that accusations abound of "divide and rule" tactics and an active role of oil company officials in fuelling specific communal conflicts. Whereas this is likely to be the case where individuals or small groups of oil company staff are engaged in criminal activities, there is no evidence to suggest a company-wide "conspiracy" or manipulation of conflicts in the Niger Delta. More realistically, incompetence in the implementation of company policy is at the core of such accusations. The impact of political manipulation of conflict on companies is in the overall insecurity it creates in the operating environment.

Government failure to manage conflicts

Government efforts to manage conflicts in the Niger Delta have largely been based on the use of force and inquiries into incidents. 'Softer' conflict management initiatives (such as the Committees of Peace, Security and Welfare at local levels) have not materialised and efforts to deal with the structural causes of conflict (such as the NDDC) are yet to prove themselves (Bassey et al, 2002). In essence, the government appears unable to tackle armed ethnic

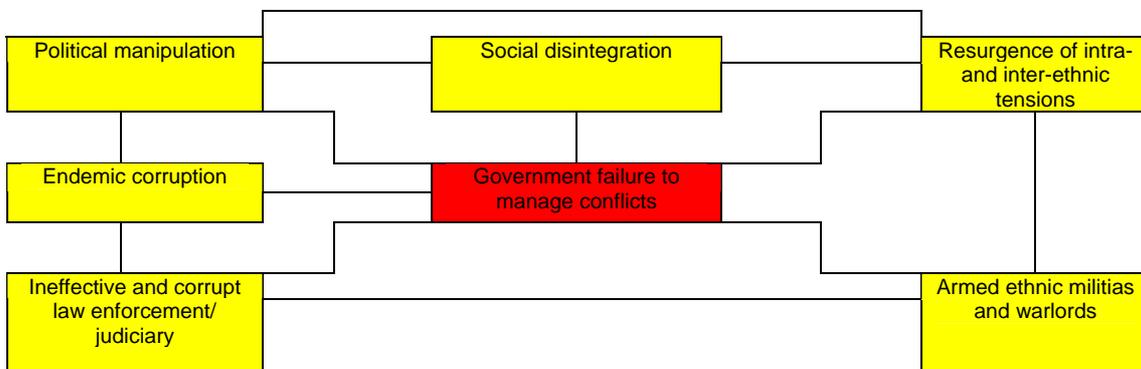


militias and the resurgence of intra- and inter-ethnic conflict in a durable manner, nor arrest the on-going process of social disintegration.

The reasons for government failure of manage conflicts are numerous:

- Whereas the deployment of security forces (Mobile Police, Army, and Navy) has curbed the worst excesses of some conflicts, a security approach to conflict prevention that does not effectively address core conflict issues remains unsustainable.
- Furthermore, such an approach can indeed be counter-productive. Frequent human rights abuses perpetrated by some elements in the security forces and the use of the national military to fight Nigerians results in further conflict between communities and government. Where oil companies are associated to government action, this accentuates corporate-community tensions.
- Poor equipment and often low morale make security forces prone to corruption and partiality in conflict situations. In addition, when inquiries are set up to investigate violent incidents, the non-release of inquiry papers causes suspicion among conflict parties of government partiality. When coupled with inadequate legislation and legal systems peoples' confidence in the government's ability to maintain the peace and uphold the rule of law is eroded. These deficiencies perpetuate a belief, particularly in most swamp and riverine areas where government is also largely absent that justice can only be delivered from the barrel of a gun and with the use of force.
- The absence of conflict management skills focused funding and a clear policy direction in dealing with conflict leads to the failure of most government efforts. This is further compounded by corruption (funding disappears) and the deliberate manipulation of communal tensions by government officials and politicians for personal political gain.

Government failure to manage conflicts is as such linked to a number of Delta-wide issues. These linkages are presented in the diagram below.



Oil companies have no direct role in government failure to manage conflicts. However, where these conflicts are about oil benefits, the industry is seen as complicit in government actions.

Inequitable distribution of revenue and infrastructure

When compared to other parts of Nigeria, the Niger Delta presents a picture of neglect and lower than expected infrastructural investment. Even though recent developmental activities show an increased effort by the federal government to allocate more revenue to the area, there is a general perception that what is being done is not adequate.

There are two identified primary causes of inequitable distribution of revenue and infrastructure in the Niger Delta:

- As stated by Human Rights Watch (2002), “little of the money paid by the federal government to state and local governments from the oil revenue is actually spent on



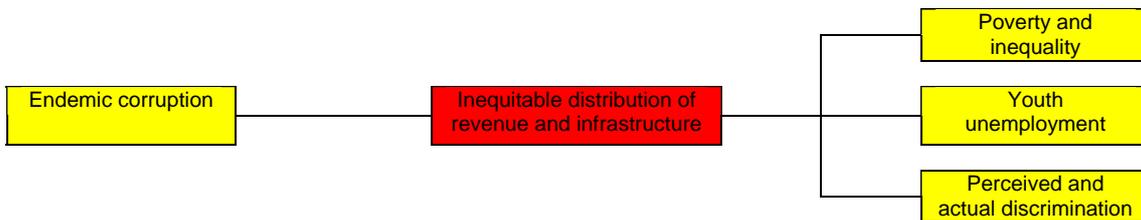
genuine development projects”. Due to graft and poor work ethics, contractors assigned to implement development initiatives and infrastructure, often do not complete projects – or do so at substandard levels.

- Unclear priorities, limited capacity, slow implementation, and delays in the elaboration of a master plan for developing the region affects the efficiency of the government agencies. Much attention is currently given to the NDDC as the agency established to address regional development. However, NDDC capabilities are already low, and several community respondents “had no trust” that the agency can deliver.

It is important to note the historical context and multiple layers of inequitable distribution of revenue and infrastructure. Respondents often refer to the ‘policy’ of the Federal government during the dictatorship years to keep the Niger Delta under-developed – and “backwards”. The slow implementation of revenue sharing formulas between federal and state governments further compounds the legacy of neglect experienced by the region’s people. Corruption and incompetence appears to cut across government agencies and levels. Although interviewees would focus on the NDDC, the roles of the three levels of government (federal, state, and local) in tackling revenue and infrastructural inequity is critical.

In addition to resulting poverty and inequality, as well as youth unemployment, community respondents highlighted the sense of discrimination that follows the inequitable distribution of revenue and infrastructure. When combined with visible development in neighbouring localities (e.g. good facilities at flow-stations or in a neighbouring community) or state capitals and towns, frustration and a feeling of injustice is experienced in communities who live in poverty.

Inequitable distribution of revenues and infrastructure is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



As with perceived and actual discrimination mentioned above, the role of the oil companies in fuelling inequitable distribution of revenue and infrastructure is largely related to the non-fulfilment of obligations. When SCIN does not action contracts or complete projects, this feeds into inequity across the region.

High youth unemployment

Unemployment (not underemployment) among youths is an issue with a number of important consequences for conflict dynamics in the Niger Delta. Generally, unemployment has been estimated to be at least 30 percent in Port Harcourt (Human Rights Watch, 1999) and 80 percent in Bayelsa State (Reychler, 2002). Local estimates in the riverine areas of Delta and Rivers states vary, with chiefs and youth leaders putting village-level unemployment at 95 percent in Soku (Rivers State) and 90 percent in Ogulagha (Delta State).

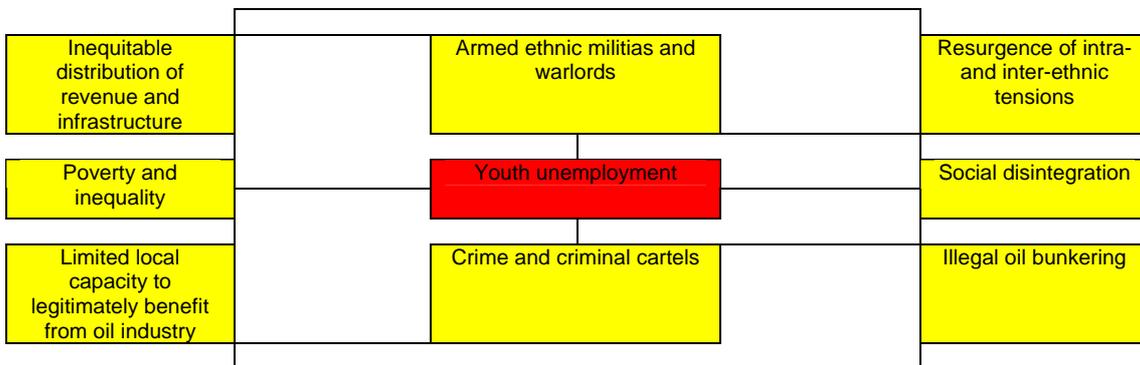
Important dimensions of youth unemployment include:

- Employment in the region’s remoter areas includes traditional occupations such as fishing and farming, as well as small-scale trading. Opportunities for engaging in these activities are limited given environmental degradation and lack of credit. When coupled with the lack of investment in the region, overall poverty, corruption, as well as the limited local capacity to benefit legitimately from oil activities the stage is set for chronic youth unemployment.



- The consequences of unemployment are numerous. Youths become involved in criminal activities (e.g. illegal oil bunkering, thuggery, kidnapping, piracy, etc.) and recruited into crime cartels and armed militias. The pool of foot-soldiers for criminal or radical political groups is large. One day's worth of illegal oil bunkering in the Niger Delta (at 100,000 barrels and USD15/b) will buy quality weapons for and sustain a group of 1,500 youths for two months.
- Youth restiveness and frustration often cited community leaders, feeds into the resurgence of intra- and inter-ethnic tensions. Prolonged exposure to criminal activities (weapons, violence, and "easy money") fuels social disintegration and creates a growing cadre of 'irretrievable' youths who are likely to become important drivers of violent conflict in years to come.

Youth unemployment is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



Beyond the impact of the oil industry on the economy ('Dutch disease') oil companies do not directly fuel youth unemployment. However, the interaction between companies and youth groups who control employment at a community level is important. Contracts that routinely contain inflated and imaginary elements, excessive numbers of workers and payment, kick-backs, etc. serves to corrupt youth. The impact of youth unemployment on oil companies comes with its consequences of crime, tensions, bunkering, etc. – as well as the future problem of irretrievable youths who will drive conflict in the Niger Delta.

Poverty and inequality

Accurate data on poverty and inequality in the Niger Delta does not exist. Estimates of the GNP per capita in the region set it below the national average of USD 260, and even lower in the riverine and coastal areas (Human Rights Watch, 1999). Poverty is primarily seen through lacking access to basic social services (health, education) and infrastructure (water, electricity, sanitation). Access to opportunities (employment, credit) is also very limited. This poverty occurs in the context of significant inequality, both in terms of the gap between rich and poor, as well as abject poverty in a resource rich region.

Three important dimensions of the phenomenon can be identified that are important from a conflict perspective:

- Poverty and inequality follows limited local capacity to legitimately benefit from the oil

**Peace-generating factor:
Significant resource base**

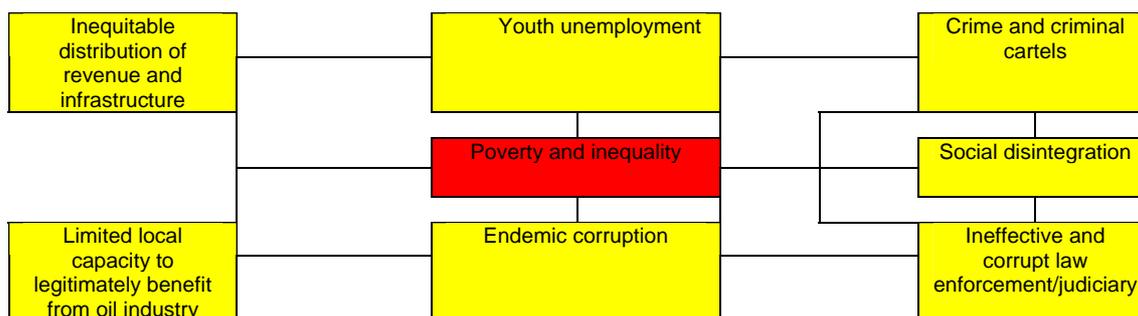
Due to the oil wealth found in the Niger Delta, Nigeria is not a poor country. As stated by Human Rights Watch (1999), "Today, the petroleum sector comprises more than 40 percent of GDP, continuing to provide more than 95 percent of exports. Estimates of Nigeria's oil reserves range from 16 billion to 22 billion barrels. Most of this oil is found in small fields in the coastal areas of the Niger Delta (according to the Ministry of Petroleum Resources, there are 159 oil fields, producing from 1,481 wells). As a result, there is a need for a developed network of pipelines between the fields, as well as for constant exploration to augment existing oil reserves". It is clear (albeit unrealistic at this stage), therefore, that the resources available can be harnessed to eradicate poverty as has been done elsewhere in other oil producing countries.



industry, as well as the legacy of neglect mentioned above (inequitable distribution of revenue and infrastructure). In terms of the latter, a number of basic observed examples related to the oil industry can be cited:

- ❖ Pipe-borne water and electricity available at the Forcados terminal – but faulty pipes and no electricity in the neighbouring Ogulagha community.
 - ❖ Drainage systems and sanitation available at the Soku Gas Plant – but flooding and water-borne diseases in Soku village next door.
 - ❖ Social infrastructure (schools, hospitals, etc.) functions in some areas where it is present (e.g. Ogulagha), but suffers from lack of human resources/equipment in others (e.g. Soku).
- Poverty and inequality causes and is also caused by high youth unemployment and endemic corruption. On the one hand, it leads to a lack of opportunities for youth and the need to generate income for survival in illicit ways. On the other hand, unemployed youth cannot generate income for their families and corruption leads to the misuse of funds needed for development and maintenance of social infrastructure.
 - The effects of poverty and inequality are clearly visible in another three areas: (a) the proneness of underpaid law enforcement to elicit bribes and be corrupted; (b) the impact on communal social fabrics of youth restiveness and lacking opportunities for people; and (c) the attraction of crime as a means for survival for people with few opportunities.

The links of poverty and inequality to the Delta-wide issues discussed above is presented in the diagram below.



As with youth unemployment, oil related activities are linked to poverty and inequality through “Dutch Disease”. Furthermore, although poverty reduction remains a key responsibility of sovereign governments, oil companies and the international community holds some responsibility for poverty and inequality with the significant failure of their development investments.

Limited local capacity to benefit legitimately from the oil industry

Aside from assistance programmes, doing business with the oil industry is a way for communities to develop themselves. However, the number and scale of obstacles that oil companies have put in place that prevent local SMEs from doing such business is significant (see Chapter 2 on the Internal Environment). The external context of poverty and corruption means that legitimate businesses simply cannot either start up or survive – and that engaging in illegal activities is actually easier.

The causes and consequences of limited local capacity to benefit from the oil industry are outlined below:

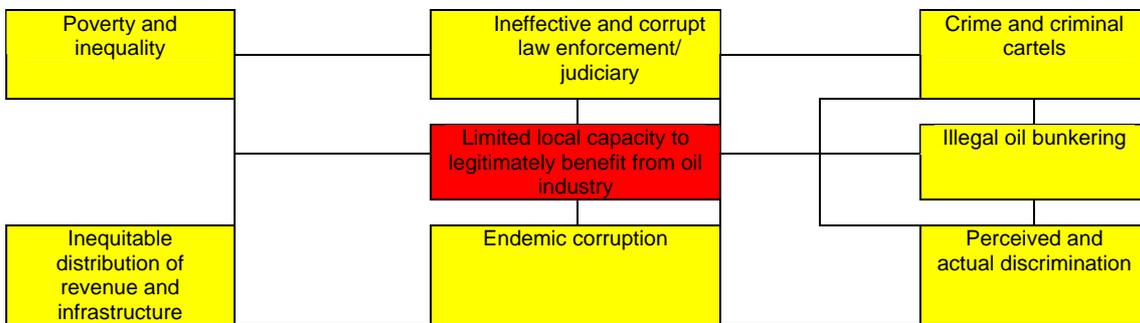
- Poor education and opportunities for skills development, as well as inequitable distribution of revenue and infrastructure are core problems that affect capacity. The human resources (skilled labour, management capacity), as well as basic infrastructure



(electricity, communications, roads, sanitation) required for certain kinds of business are frequently non-existent.

- Additional factors that militate against the development of legitimate local business initiatives is endemic corruption (particularly in the contracting process) and poor legal infrastructure needed to ensure transparent trade transactions. Compounding these is often a lack of basic know-how on how to set up a business and access the oil industry.
- Aside from the loss of an important community avenue to development, the consequences of limited capacity to benefit legitimately from the oil industry are two-fold: (a) the frustration of seeing some groups succeed in accessing business, or failing in one's own efforts feeds into perceived or actual discrimination; and (b) it becomes easier to access benefits through criminal activities and illegal oil bunkering.

The causes and consequences of limited local capacity to legitimately benefit from the oil industry are schematically presented in the diagram below.



It is important to stress that tackling the limited local capacity to engage in legitimate business is a critical entry-point for addressing corporate-community conflicts. Healthy, transparent and fair business relationships with local contractors is both possible and within the reach of the industry. However, red tape, insensitivity, and internal corruption in oil companies contribute to the limited local capacity to do legitimate business – and as a result fuel crime and frustration.

Illegal oil bunkering

“Bunkering” is a term used to describe the process of filling a ship with oil (or coal). “Illegal bunkering” as used in respect to oil is a euphemism for oil theft. Large-scale illegal oil bunkering has become significant over the last three years. The Federal government estimates that as much as 300,000 bbl/d of Nigerian crude is illegally bunkered (freighted) out of the country. However, there are strong claims that the amount stolen is considerably under-reported. In 2000, the total number of barrels stolen was 50,869,300. In 2001, the stolen oil rose to 264,322,734 barrels. The figure from January to October 2002 was 255,413,770 (*Vanguard, (Lagos), 24 December 2002*).



ILLEGAL OIL BUNKERING PROCESS, ECONOMICS, AND MANAGEMENT

Process

Given the finite number of locations where bunkering can easily be done and competition between groups involved, the illegal oil bunkering process is quite well organised.

Criminals tap into oil pipelines, mostly through a process called 'hot tapping' where they intrude on live pipelines and extract crude oil being pumped to terminals. This is mostly done at night when resources firms and most security organisations have embargoes on movement.

There are many variations on this technique; manifolds are a popular target as are well-heads and any area where a pipeline emerges from the swamp, for example at a river crossing or junction point.

In the most straightforward operation, crude is piped into river barges and transported to ships offshore for sale generally in other countries.

Some uses for crude directly by local industry have been identified and so there is a local market for crude, but this cannot utilise the vast amount stolen daily and hence the key to the operation is export.

Illegal bunkering groups need to ensure that the tapped pipelines are in constant use and protected during night hours to prevent other groups from taking over.

- Barges are sequenced well with an empty barge coming in when a full one is ready to move to offshore tankers.
- The bunkered pipe location has to be controlled by "settling" local communities and superiority of force.

In addition to controlling the bunkering location, 'passage communities' (on the route to the off-shore tankers) and the navy must be settled.

Economics

A barge costs between six and ten million Naira (USD45-75,000). The larger barges carry up to 5000 barrels.

Illegal bunkering groups allow 'scoopers' from neighbouring communities to fill up jerry-cans (as part of settling communities) for sale in the towns.

Cash, drugs and weapons are exchanged for oil.

Given that 'host communities', passage communities, and the navy have to be settled, net profits are reduced.

Management

'Foot soldiers' are employed (most often local youths) and headed by a local boss. Very few of the local bosses will know who the actual patron is. Patrons often have close relationships to government and the military.

In order to control locations, illegal bunkering groups will actively support sympathetic community leaders with cash and thugs – and oppose or kill resisting leaders.

Taking into account the available government and oil company sources, between 100 million and 250 million barrels of crude oil are stolen each year representing an income to the thieves of between USD1.5 billion and USD4 billion (averaging a black market price of USD15/b). This represents a loss to the Nigerian Government of between USD1.48 billion and USD3.72 billion at USD20/b, and USD2.5 billion and USD6.2 billion at USD30/b; and a loss to the oil producing companies of between USD113 million and USD282 million at USD20/b, and USD121 million and USD302 million at USD30/b¹.

The direct and visible impact of illegal oil bunkering includes environmental pollution and violence. Systematic reviews of local press show that violence associated with theft of oil in the Niger Delta accounts for at least 1,000 deaths per year. This figure does not take account of associated but generally unreported cases of assault, rape, etc or accidental death resulting from the process of tapping pipelines.

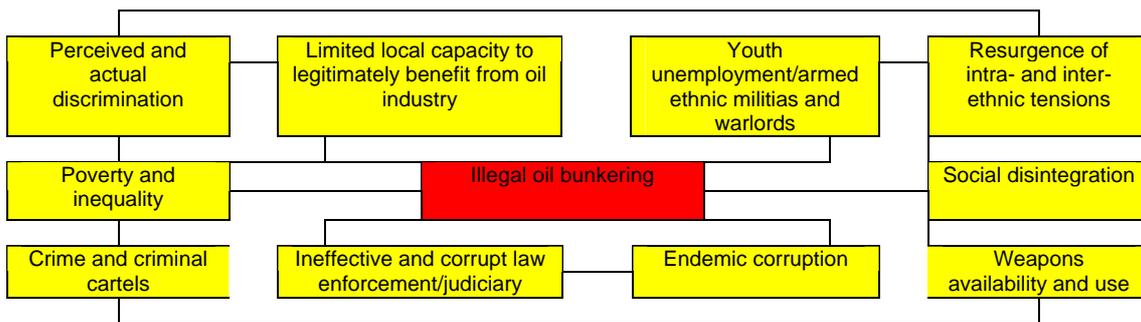
¹ At a selling price of USD20 per barrel, the Nigerian Federal Government gets (74.4%) USD14.88, costs are (20%) USD4 and the producers get (5.6%) USD1.13. At USD30/b government gets (86.2%) USD24.79, costs are (13.3%) USD4 and the producers get (4.1%) USD1.21.



Illegal oil bunkering is a multifaceted issue:

- The context of poverty and inequality, perceived and actual discrimination, lacking capacity to legitimately benefit from the oil industry, and crime and criminal cartels makes illegal oil bunkering both appealing and relatively easy through the criminal infrastructure that exists.
- For those engaged in the activity, an enabling environment is provided by: (a) the high number of unemployed youths and armed ethnic militias who know the riverine areas well; (b) ineffective and corrupt law enforcement and low conviction rates for those caught by the judiciary; (c) likely protection or patronage from senior government officials and politicians who often use it as a funding source for political campaigns; (d) ease of threatening or corrupting oil industry staff to assist in bunkering; (e) international networks (sources indicate West African (Saõ Tomé, Liberia, Senegal, Ivory Coast, The Gambia), Moroccan, Venezuelan, Lebanese, French, and Dutch linkages) that facilitate market access and financial transactions; and (e) an overall context of endemic corruption ('settling' local communities where the oil is tapped, and 'passage' communities as well as navy officials on the route to off-shore tankers).
- The consequences of illegal oil bunkering include:
 - ❖ Law enforcement officials and community leaders report that in addition to cash, drugs (cocaine) and weapons are exchanged for stolen oil. As stated by Delta State Governor James Ibori (21 August 2003), "The type of weapons available in this region is the result of [these] criminal activities, and they are provided to protect these illegal activities".
 - ❖ In order to control locations, bunkering groups will actively support lenient community leaders with cash and thugs – and oppose or kill individuals who resist their activities. Furthermore, the process of social disintegration is fuelled by youths involved in bunkering, who empowered by cash and weapons, challenge community leadership.
 - ❖ Fights over 'bunkering turf' often feed into inter-community fights, with resulting high levels of violence.

The links of illegal oil bunkering to the Delta-wide issues discussed above is presented in the diagram below.



It is important to note that illegal oil bunkering is probably the most significant accelerator of conflict in the Niger Delta. Aside from its consequences as mentioned above, the sheer amount of money and criminal networks involved means that conflicts in the region are likely to become increasingly criminalised (and therefore entrenched) and well-funded.

Most illegal bunkering operations are conducted with considerable knowledge of pipeline operations and so the involvement of former or current oil company staff is a real possibility. The impact of illegal bunkering on oil companies is not as severe (economically) as unnecessary payments to communities, contracts and other fees/salaries or through corruption. However, in the near future oil companies will experience the full effects of bunkering through increased regional violence, insecurity and ethnic strife.



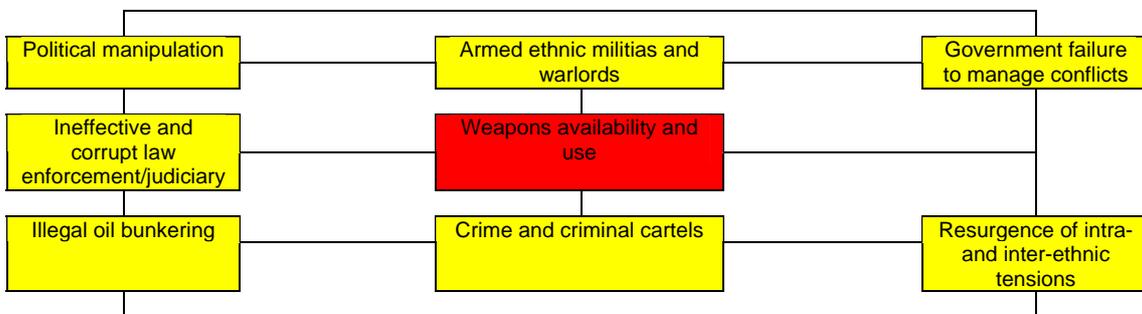
Weapons availability and use

Weapons are readily available and used in the Niger Delta. One well-placed community respondent stated, “each village will have between 20-100 AK-47s in their armouries”. The arms trade does not concern a few weapons as it does in East Timor, but thousands of former Soviet type semi automatic and automatic small arms, rocket launchers, rocket propelled grenades, heavy weapons, explosives and possibly short range missiles. NGO studies (although few in number) show that small arms in the Niger Delta include “revolvers and self-loading pistols, rifle and carabineer, sub-machine guns, assault rifles and light machine guns, Dane guns, local pistols and hand grenades” (Mohammed, no date). In addition, military and media sources indicate that RPGs and machine guns are used.

Key dimensions to weapons availability and use relate to the supply and demand aspects of the problem, as well as its consequences:

- Small arms available in the Niger Delta indicate that there is an influx of (and preference for) new weapons. However, it is also obvious that recycled weapons are widely used, but drawn largely from internal suppliers. One respondent put the cost of a new AK-47 with two magazines at approximately USD 1,700 and a 200 round machine gun at USD 7,400 – a relatively inflated price that indicates that demand is very high (presuming the source is accurately informed).
- Small arms sources include: (a) weapons captured from confrontations with or sold by the Mobile Police/Army; (b) weapons provided by political parties for electoral violence/intimidation purposes; (c) weapons provided in exchange for stolen oil by tankers off-shore; (d) weapons bought from ex-Bakassi group members and foreign/local arms dealers; (e) weapons captured or bought from Cameroonian soldiers; and (f) weapons bought with funds from members of Delta communities living outside of Nigeria (e.g. UK), or directly supplied by them.
- The incentives for carrying arms include: (a) protection in insecure areas or where the police/army is biased; (b) financial benefits from criminal activities, mercenary work, and electoral violence; (c) participation in ethnic armies or groups that protect and promote the interests of different communities; and (d) personal power, profit and self-worth increased by carrying and using weapons.
- The consequences of weapons availability are twofold: (a) the resurgence of intra- and inter-ethnic conflict with the stockpiling of weapons by communities that feel threatened; and (b) the progressive failure of government military responses to communal violence as parties to conflict become better armed and able to outgun the security forces.

Weapons availability and use is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



Some respondents stated that that funds paid by oil companies for ransom have been used by criminal groups to purchase weapons. Although it may seem likely, in the broader context of supply, any such oil company contribution is probably insignificant.



The arms, however, certainly contribute to an increase in intensity of piracy, hijacking and community conflict through providing a means for criminal bands, youth groups and communities to inflict a lot more damage to each other. The presence of these weapons in Nigeria contributes to the instability of the country, a prescient threat to communities, citizens, the resources sector, the rule of law and democratic government.

Armed ethnic militias and warlords

Whereas vigilante groups and armed ethnic militias are not new phenomena in the Niger Delta, the emergence of warlords in the region is relatively recent. A context of disempowerment and lawlessness means that an increasing number of communities are stockpiling arms and placing these stocks in the hands of individuals who they have no clear way of controlling. These individuals (or local commanders) are now growing into warlords who on occasions provoke or orchestrate community conflicts for different reasons.

Key causes, growth accelerators and consequences of armed ethnic militias and warlords are given below.

- Armed ethnic militias emerge from a context of communal deprivation, inequality across the region, and a sense of discrimination. As such, they appear to be a communal response to disempowerment. On the other hand, given government failures to manage conflicts, as well as overall lawlessness, the phenomenon is fuelled by a strong threat perception and insecurity in remote areas.
- The growth of militias and emergence of warlords is accelerated by two interlinked factors:

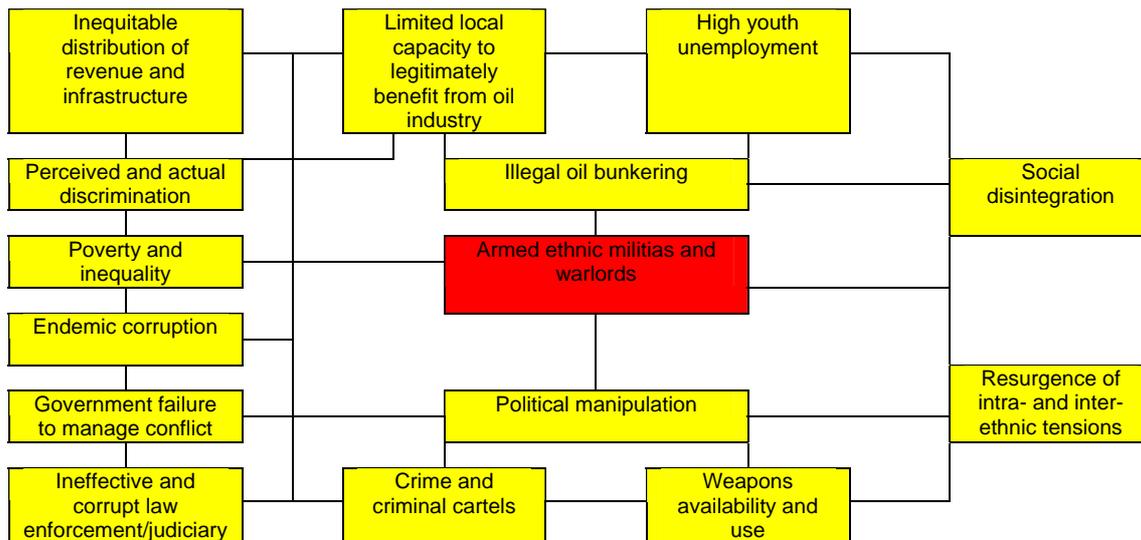
**Peace-generating factor:
Pervasive conflict fatigue**

Community leaders, youths, militia members, and even some interviewed warlords will either nostalgically reflect on times past when there was significant communal harmony, or highlight their desire to see an end to violence and insecurity. They will stress that armed struggle and conflict are unwanted 'last options' to safeguard their rights and communities.

- ❖ Community armouries are controlled by appointed local commanders. In peace time these commanders use the weapons and militia members for business purposes. Engagement in criminal activities, illegal oil bunkering, and thuggery, to mention some, generates substantial income for militia members.
 - ❖ A combination of high youth unemployment and lacking capacity to benefit legitimately from the oil industry means that participation in armed militias is an attractive option for youth in the region.
 - ❖ As more and more income is generated, local commanders acquire separate arms from what is available in the community stockpiles, giving them greater independence from community controls. It is when community controls become too weak that they become warlords. Respondents state that they will then establish their own territories and fight to protect them.
- Independence of militia commanders from community controls further fuels social disintegration. The fight over territory complicates and gives rise to tensions in inter-ethnic relations. For example, the killing of two Bille women in July 2003 by Kalabari bunkerers was seen as a Kalabari provocation against Bille.

Armed ethnic militias and warlords are linked to a number of other Delta-wide issues. These linkages are presented in the diagram below:





At times the oil companies seek or receive protection from these groups, reinforce their financial base and as a consequence enable them to buy more arms. The presence of armed ethnic militias and warlords impacts on corporate activities by making the operating environment more insecure and violent.

Ineffective and corrupt law enforcement/judiciary

The combination of poor law enforcement and a weak judiciary increases overall lawlessness in the Niger Delta and undermines government capacity to maintain peace:

- The IPCR (2002) states that, “the erosion of the [law enforcement agencies] is partly attributable to the excessive power of the military forces during the years of military rule. It is also caused by low morale, and this in turn arises from poor conditions of service and the influence of political corruption”.
- In relation to the judiciary, Human Rights Watch (1999) explains that the lack of “a properly functioning legal system which could promptly and fairly rule in cases involving compensation, pollution, or contracts” reduces the room for non-violent dispute resolution.

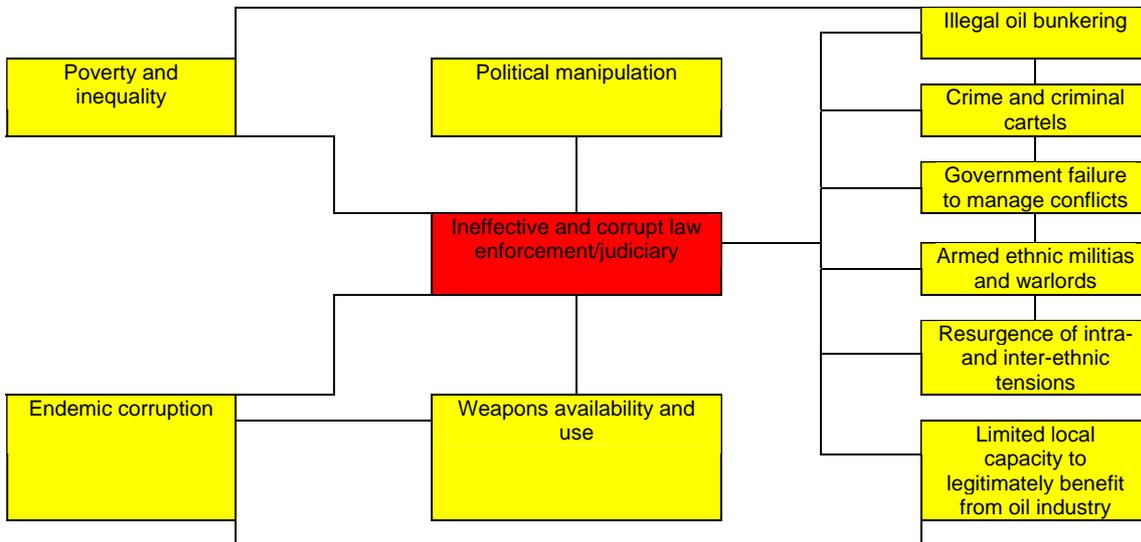
The ineffectiveness and corruption in law enforcement and the judiciary has several important dimensions:

- Generally, police officers in community-based stations, where they exist, are ineffective in reducing crime or maintaining public order. Police stations and living quarters are run down and unsanitary. Low and irregular salaries, as well as no accommodation make law enforcement agents vulnerable to enticements and bribes.
- There is little sense of pride in being a police officer in a remote locality. Officers are not seen as pillars of the community, but rather often as another person preying on the weak and exploiting opportunities. Within urban centres many police will often only perform duties as officers when required or supervised. Traffic police are an obvious example, they do little to maintain traffic flow and reduce congestion. Rather, their focus is on extorting ‘on the spot’ fines or simply harassing citizens.
- The police are poorly equipped and when supplied with equipment through corporate or government sponsorship it is poorly maintained and usually not operational when needed. In the past three years their value as a deterrent has diminished and groups involved in criminal activities ward off the armed police and conduct their business undeterred. These groups have faster and more seaworthy boats, as many or more arms and are willing to use them. Added to corruption amongst police this severely diminishes their effect as a guard or interdiction force.



- The capacity of law enforcement agents to investigate crime is weak and far too much is required of aggrieved parties, rather than arresting officers to achieve a conviction. The police at all levels are corrupted by criminal groups and politicians and so there is little pressure on officers to see investigations or arrests through to conviction. Collusion with security forces, or protection from by ‘godfathers’ (politicians) who have the power to get them released from police custody and punish effective law enforcement agents, also provides protection for the better funded criminal groups.
- However, the most frustrating part of this problem is that when simple theft is discovered and arrested, convictions are rare. As with illegal oil bunkering, the laws of arrest and evidence, as well as the behaviour of police usually results in criminals being released and no convictions secured. As a consequence, law enforcement agents tend to exercise “jungle justice” (kill or maim) when dealing with armed criminals. Instances of extra-judicial killings are not uncommonly raised.
- Corruption of law enforcement and the judiciary gives rise to a sense of deep frustration in areas of ethnic conflict. In the Bille-Ke conflict, Bille leaders saw partiality when officers did not act on the theft of Bille boats and equipment by Ke community members. The activation of local Bille militias to solve the problem was seen as the only solution.
- Defence forces are permanently deployed to the region in an attempt to reduce conflict and criminal activities. Over the past two years these forces have had an affect on crime, but at a cost of human rights violations, additional forms of corruption and further loss of confidence by the communities whom they target. It has served to undermine the credibility of government, not only in the management of conflict, but also as a guardian of peace.
- The inability of government to maintain the rule of law undermines legitimate business practices. Allegations of corruption in contracting, for example, are frequently not reported given people’s lack of confidence in the judiciary.

Inefficient and corrupt law enforcement is linked to a number of other Delta-wide issues. These linkages are presented in the diagram below.



Oil companies rely on armed police guards for convoys, boat movement and installations. As such, the Nigerian Police are a major security supporter of the oil industry. However, they are ineffective and often damaging to the issues and problems. They are largely corrupted and their ability and willingness to prosecute criminals or diminish agitation is low. Major reform of the police is required by the Government to reduce the incidents of preying on citizens and abusing human rights toward a time when the community considers that the Police will ‘protect and serve’ rather than self serve. This is an important priority as the rule of law is a corner stone for sustainable peace.



3.3. MICRO-LEVEL CONFLICTS

3.3.1. OVERVIEW AND RATIONALE

In the South-South Zone during 2002, there were over 20 conflicts from either communal, political, resource, or dethronement/succession disputes (Bassey et al., 2002). For the purposes of the PaSS, micro-level conflicts are defined as areas where the company operates that either have erupted into violence, or where there is a disruption in community-SCIN relationships, or those areas that are moving towards violence and disruption.

Below follows an overview of the conflict types and micro-level conflicts identified during the SCIN Conflict Management Capacities Workshop held on 8 September 2003.

Types	<i>Land disputes</i>	<i>Leadership tussles</i>	<i>Political conflicts</i>	<i>Resource control conflicts</i>	<i>Micro-level conflicts</i>
Causes	Land Use Act and other legislation	Corruption at local level	Neglect by the Federal government	Emphasis on benefit sharing and not wealth creation	Bonny-Finima
	Perceived or real discovery of oil	Poor leadership skills	Political manipulation of youths as thugs for electioneering purposes	Government red-tape and bureaucracy	Ijaw-Itsekiri-Urhobo
	Struggles to access benefits	Social disintegration	“Godfather phenomenon”	No information on positive impact of company activities	Twon/Brass-Okpoama
	Political manipulation	Commercialisation of ‘leadership stools’	Over-politicisation of the Niger Delta resource control issue	Unfulfilled promises and non-completion of tangible projects	Elemo-Okrika-Ogu Bolu
	Unclear definition of ownership	Politicisation of ‘leadership stools’		Benefits distribution processes	Eket-Ibene
	Compensation mechanisms	Power politics and use of violence		Social disintegration	Oleh Olomoro
	Contractual discrepancies	Emergence of warlords		Company project management procedures frustrate expectations	Nembe-Kalabari
	Defective land contracts	Youth restiveness			Bille-Ke
	Traditional land ownership issues	Legitimised youth challenges to leadership			Ijaw-Ilaje
	Social disintegration	Access to oil benefits			Ogoniland
					Ogulagha-Odimodi

The rationale for SCIN engagement in the resolution of micro-level conflicts is fourfold:

- SCIN’s personnel and assets are put at risk in localities where violence and disruptions occur;
- as these micro-conflicts often are about resource control issues, SCIN is often directly or indirectly involved;
- when the parties to a micro-conflict see strategic value in embroiling SCIN (e.g. in efforts to ‘get at’ the government) the company is affected; and
- SCIN ‘impartiality’ in micro-conflict situations leads to accusations of complicity in human rights abuses and unethical corporate behaviour.



Additional strategic justifications for tackling key micro-level conflicts include:

- they foster overall instability, insecurity and a climate that is not conducive to sustainable development and peace;
- they make the effective implementation of Delta-wide initiatives that tackle root causes of conflict difficult in key localities;
- they are often inter-linked and affect large parts and populations of the Niger Delta. The visible and immediate benefits of the PaSS will not be felt if they are not tackled; and
- resolving micro-conflicts in selected 'trend-setting' localities is likely to have a multiplier effect and unravel other communal conflicts.

Whereas it was not possible within the scope of this report to engage in a conflict analysis of all micro-level conflicts in the Niger Delta, an initial assessment was done of the Soku, Elem-Sangama and Oluasiri conflict. The findings of this exercise are given below.

Caveat Conflict analyses are sensitive exercises that usually form part of broader conflict prevention efforts. Consultations with key stakeholders raise expectations that something can be done to resolve a given conflict – and may accentuate grievances if not followed-up appropriately.

Given uncertainties about the timing of PaSS implementation – the Soku, Elem-Sangama, and Oluasiri conflict analysis exercise was reduced in its scope. Consultations were kept limited – so as not to raise expectations and create future problems for SCIN.

As a consequence, it was not possible to interview all stakeholders and visit all three communities. Therefore, the assessment provided here has certain limitations that are particularly obvious in the stakeholder analysis section – and the engenderment of the whole analysis.

3.3.2. ASSESSMENT OF THE SOKU, ELEM-SANGAMA AND OLUASIRI CONFLICTS

Overview

SCIN's stake in the Soku, Elem-Sangama and Oluasiri area is the Soku Gas Plant – and planned investment for the Soku oil rim and gas development project. The project is to be implemented in an area affected by both inter- and intra-community conflicts.

The inter-community conflict between Soku, Elem-Sangama and Oluasiri has both past and contemporary roots. The three communities were part of historical conflicts between the Kalabari (Soku and Elem-Sangama) and Nembe (Oluasiri) Kingdoms. As recent as 1992, Oluasiri fighters sacked Elem-Sangama over a dispute about access to sand for house construction. During the fighting approximately 30 people were killed on both sides.

Today, the conflict between the three communities is over who 'owns' the Soku Gas Plant – and as a consequence, who derives most benefits from SCIN. The struggle for ownership is further complicated by disputed state government boundaries between Rivers and Bayelsa, and intra-community conflicts. Root causes include SCIN benefits distribution processes, poverty and inequality, endemic corruption, and government failure to manage conflicts. The conflict is accentuated by violence and insecurity in the area, perceived SCIN partiality, political mobilisation, illegal oil bunkering, establishment of cult groups in the area, as well as high youth unemployment.

Intra-community conflicts in the area are highly dynamic and need to be monitored closely. Although full analysis has to be undertaken in each community, a brief summary analysis of the Soku intra-community conflict is provided below.



The rationale for an initial PaSS focus on the Soku, Elem-Sangama and Oluasiri conflict is as follows:

- The area is where the new SCD approach is piloted. As such, there is significant potential for synergy between PaSS and SCD efforts and an opportunity to demonstrate their combined effectiveness.
- There is a convergence of enabling criteria (qualified management, good technical ground staff, committed top management follow-up, etc.) identified as prerequisites for PaSS implementation sites.
- The micro-level conflict is entrenched but has a significant potential for resolution.
- The resolution of the micro-conflict is likely to have a positive knock-on effect for communal conflicts elsewhere.

The Soku oil rim and gas development project, as well as inter-community conflict dynamics are described below.

Soku oil rim and gas development project

Planned activities² (starting from November 2003) for the Soku oil rim and gas development project include:

- vegetation clearing;
- civil engineering activities such as piling, dredging, pipe-laying, laying of power-cables, construction works for facilities and camps, preparing access roads and water-ways; and
- drilling of oil and gas wells.

These require significant logistical arrangements, the use of land and swamp crafts, as well as a large influx of workers. The likely physical, social and economic impact involves:

- emissions, noise, and vibration from construction;
- negative effects on flora and fauna;
- soil and water quality impact from pollution;
- health implications and cultural infringements; and
- pressure on local physical and economic infrastructure.

SCIN's key assumptions in the project are four-fold:

- the three primary stakeholders are the: (a) communities; (b) government and government agencies; and (c) oil companies;
- all three stakeholder groups contribute and give up resources for the project to take place;
- all three stakeholders share an interest in the introduction and continuation of the oil and gas business in the area; and
- the primary source of conflict is benefits distribution processes.

The Soku oil rim and gas development project is also the pilot site for the new Sustainable Community Development (SCD) approach. This approach is focused on seven principles: (a) generate robust profitability; (b) deliver technical, economic, and commercial value to customers; (c) protect the environment; (d) manage resources; (e) respect and safeguard people; (f) work with stakeholders; and (g) benefit communities.

² Adapted from SCIN presentation "The Soku Oil Rim and Gas Development Project". Not dated or authored.



Soku, Elem-Sangama and Oluasiri conflict dynamics

Key conflict and peace indicators are given below for the Soku, Elem-Sangama, and Oluasiri conflict, as well as a brief description of important stakeholder groups and scenarios.

Conflict indicators

The current inter-community conflict is expressed through tensions that follow Soku denying Elem-Sangama and Oluasiri access to the gas plant.

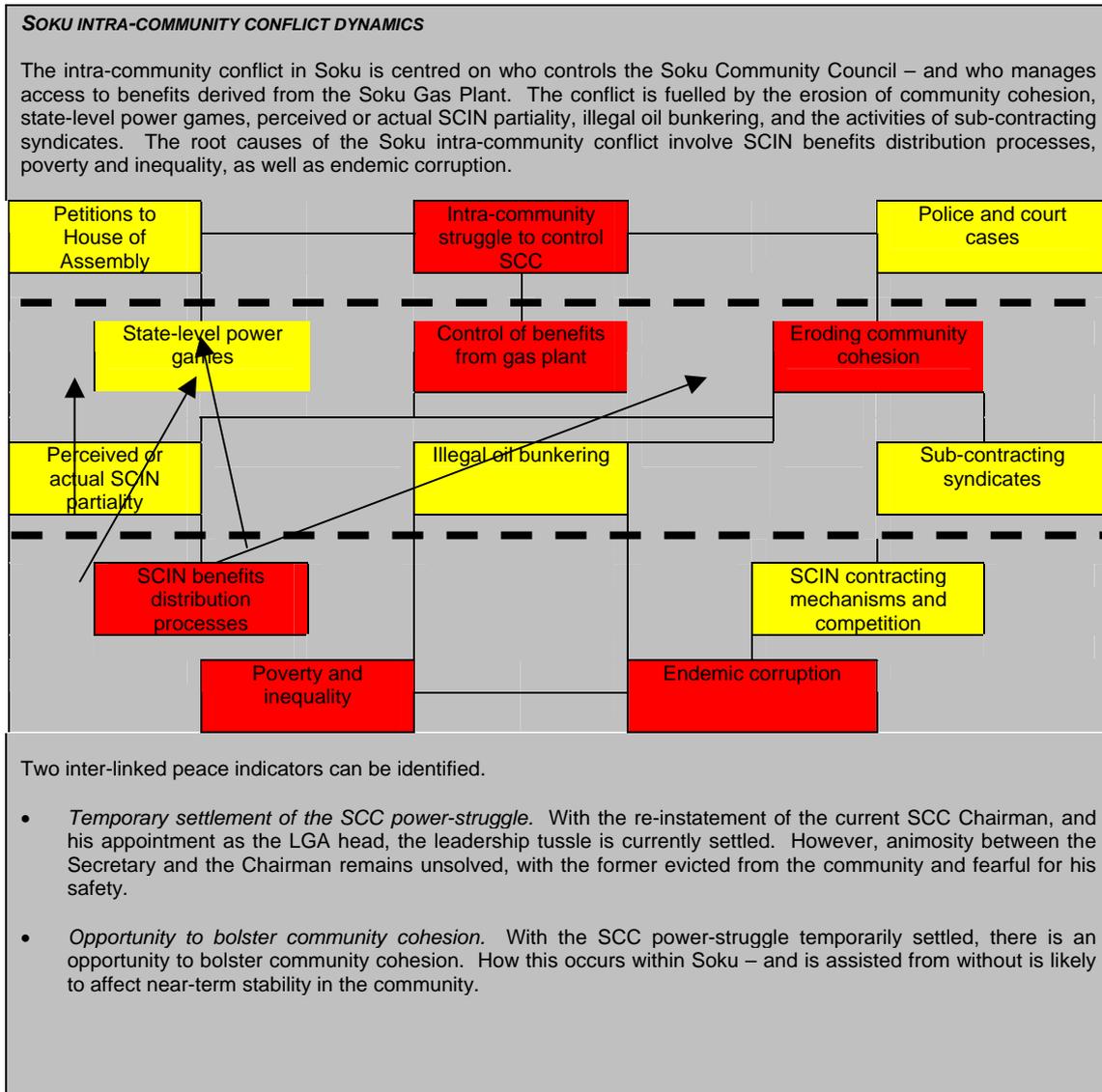
Key contextual factors that characterise the immediate conflict environment include violence and insecurity in area and power struggles in all three communities.

- Violence and insecurity in the area is largely due to cult-group activities and illegal oil bunkering. In early September 2003, 18 people were reported killed in an ambush attributed to cult groups (*Niger Delta News*, 10 September 2003). Soku community leaders report that illegal oil bunkering groups also operate in the area and are heavily armed.
- An in-depth analysis and monitoring process is required for the internal conflicts in each community. For illustration purposes, the Soku community conflict is briefly outlined below.

The denial of access by Soku to the gas plant is related to questions of “who owns it” and two boundary disputes; between the Nembe and Kalabari Kingdoms, as well as between the Rivers and Bayelsa state governments.

- The “ownership” issue is largely based on who is closest to the gas plant. Soku chiefs and observers state that Soku is closest to the gas plant, followed by Elem-Sangama and Oluasiri. They claim that the naming of the gas plant after Soku by SCIN is a confirmation of this. Oluasiri representatives say that Ijaw-Kiri, an Oluasiri settlement allegedly established in 1901 is closest. As such, they claim that the facility should be called the Oluasiri Gas Plant.
- The boundary disputes involve the following issues:
 - ❖ Oluasiri leaders refer to a Federal government inquiry (Presidential Committee of Oil Well Verification) that set the boundary between the Kalabari and Nembe Kingdoms at the Orashi River. This would mean that the area on which the Soku Gas Plant is built is owned by the Nembe.
 - ❖ Soku chiefs say that given the wars between the Kalabari and Nembe, boundaries changed over time and that currently there are no boundaries between the two kingdoms.
 - ❖ Disputes between the Rivers and Bayelsa state governments are largely focused on which state derives revenue from the gas plant. It was not possible to access information on the different claims.





Factors that impact on the ownership issue and boundary disputes are perceived SCIN partiality, political mobilisation, illegal oil bunkering, establishment of cult groups in the area, as well as high youth unemployment.

- SCIN partiality is perceived by both sides. On the one hand, Oluasiri representatives state that SCIN representatives made a mistake in naming the gas plant after Soku – and that this was due to favouritism at the time. Soku leaders accuse SCIN of partiality because the company is seen to entertain Nembe claims on the gas plant.
- All communities appear to be mobilising political support for their respective ownership claims. Independent observers state that Oluasiri community has “the political upper hand” with a representative in the Bayelsa House of Assembly.
- Sources indicate that there is significant illegal oil bunkering going on in the locality – with insecurity and environmental damage reported. In addition, representatives from Soku allege SCIN staff involvement in bunkering. These claims were not verified and may simply reflect antagonism between the current Soku leadership and gas plant staff.
- Cult groups from Port Harcourt have established themselves in the area. These groups engage in extortion and rackets (most likely oil bunkering), are well armed and have



fought with the Mobile Police. During a confrontation with the Mobile Police in August 2003, five cult group members were reportedly killed.

- Youth unemployment is high in all communities. Soku chiefs complained about a 95 percent unemployment rate, while Oluasiri representatives set the figure for their community at 97 percent. Both communities see youth restiveness as a significant problem, and as a source of 'foot-soldiers' for both cult-groups and illegal bunkerers.

The root causes of the Soku, Elem-Sangama, and Oluasiri conflict include SCIN benefits distribution processes, poverty and inequality, endemic corruption, and government failure to manage conflicts.

- SCIN benefits distribution processes have been described in Chapter 2 (Internal Environment). In Soku, for example, benefits have been meagre despite the flow station being operational since the 1960s. Observed 'completed' community development projects (pipe-borne water, drainage systems, cottage hospital) were either badly implemented (no water, faulty drainage) or ill-equipped (cottage hospital).

- Poverty in the area is significant. The quality of housing is poor, there is no fixed supply of electricity, and flooding during the rainy season coupled with limited sanitation becomes a health hazard. The high level of unemployment indicates few opportunities for people and absorption limits to traditional occupations (fishing, petty trading, etc.). Community representatives resent the fact that ten minutes boat ride away, the Soku Gas Plant is well-resourced and equipped.

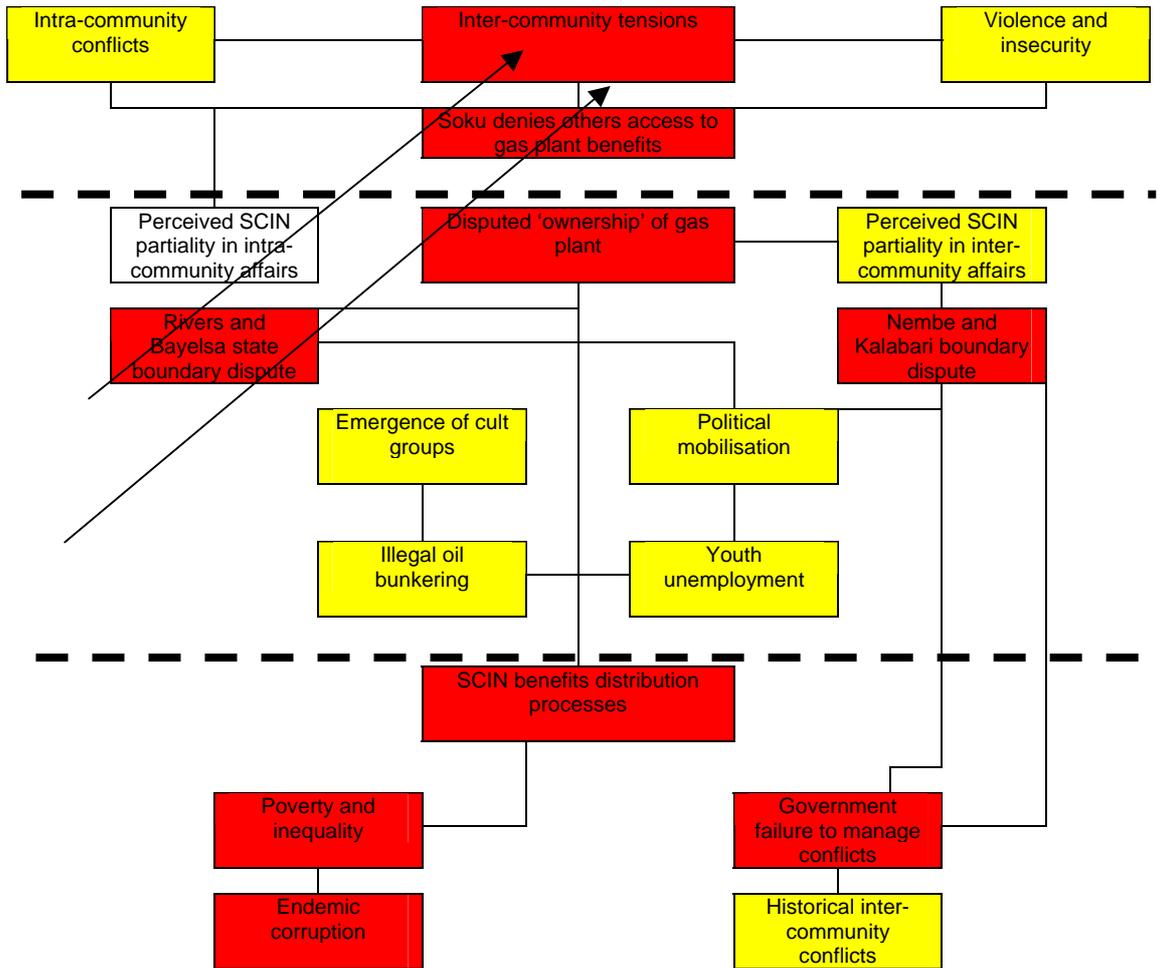


- All respondents referred to corruption as a major contributor to poverty and offered the following propositions:
 - ❖ Contractors awarded contracts through corruption deliver poorly implemented projects and leave without being held accountable.
 - ❖ Contractors will 'buy' community endorsement by bribing key community representatives.
 - ❖ SCIN staff awarding contracts are sometimes involved in kick-back schemes with their 'favourite' contractors.
 - ❖ Complicity of SCIN staff with illegal bunkerers and their joint promotion of corrupt communal factions weakens the community's ability to develop itself.
- The government's inability to settle boundary disputes, or enforce legal settlements perpetuates the conflict around the Soku Gas Plant.

Historical inter-community conflicts between the Kalabari and Nembe Kingdoms reinforce the above mentioned root causes. However, respondents interviewed did not place much emphasis on this historical antagonism.



An overview of key conflict indicators discussed above is provided in the following diagram.



Peace indicators

Although there are inter-community tensions, recent co-operation between Soku, Oluasiri, and Elem-Sangama on the Balema node P4 extension project is promising. Furthermore, community leaders from Oluasiri describe relations with Elem-Sangama as “cordial”.

- Co-operation between the three communities on the Balema node P4 extension project followed a ‘mini-PAC’ model and was described by Soku and Oluasiri representatives as constructive. It was not designed, however, to tackle the root causes of inter-community tensions. Nonetheless, the “mini-PAC” precedent remains a critical entry-point for conflict resolution.
- Although relations between Oluasiri and Elem-Sangama are seen as cordial by the former, it is more appropriate to say that it is better than the relationship between Soku and any of the other two communities.

The reasons for this inter-community co-operation and a basis for dialogue between Oluasiri and Elem-Sangama are attributable to a convergence of interests (the need to benefit from the oil industry) and perhaps an emerging recognition that peace is a pre-condition for development.

- Identified common interests include: (a) benefits from the Soku oil rim and gas development project; and (b) that benefits will be more accessible in an environment of stability.

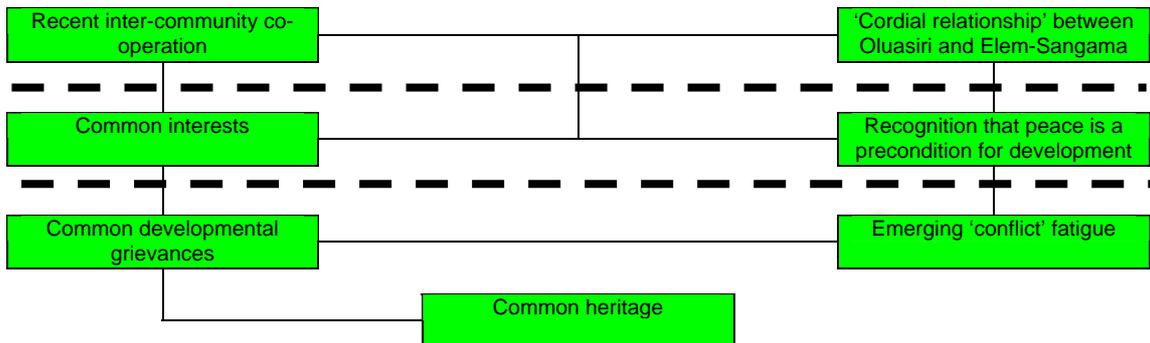


- The emerging recognition that peace is a pre-condition for development needs to be qualified. Community leaders from both Soku and Oluasiri are quick to state the conditions for peace. These include the removal of allegedly corrupt SCIN officials from the gas plant, and a 'satisfactory' agreement on benefits distribution as well as boundaries.

The potential roots of peace are three-fold: (a) common developmental grievances between Soku and Oluasiri; (b) an apparent 'conflict fatigue'; and (c) a common heritage expressed in inter-marriages between the communities.

- Observers note commonalities in the under-development of Soku and Oluasiri. From the analysis above, for example, there are similarities between the high rates of youth unemployment in both communities. Under-development, therefore, is a common grievance that could foster common interests between the two communities.
- Interviews with a range of stakeholder groups in the Niger Delta reveal a certain fatigue with violence and conflict levels. Similar sentiments are apparent with respondents from both Oluasiri and Soku – across generational and gender divides.
- All three communities have a common heritage manifested through inter-marriage between the Kalabari and the Nembe. For example, Elem-Sangama (a Kalabari enclave in the Nembe Kingdom, according to Oluasiri leaders) was founded by a Nembe man married to a Kalabari woman.

An overview of identified peace indicators discussed above is provided in the following diagram.



Stakeholders

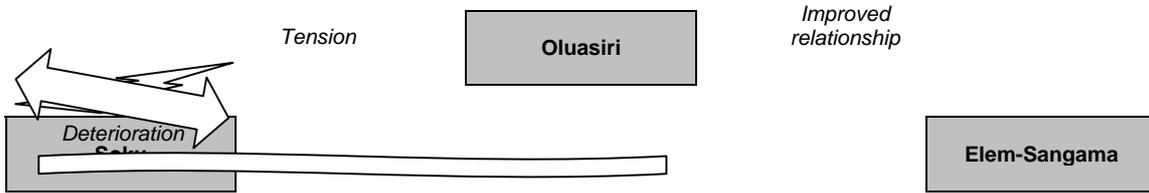
The key stakeholders in the Soku, Elem-Sangama, and Oluasiri conflict are briefly outlined below. It is important that the analysis of their interests is very much determined by intra-community conflict dynamics – that change on an almost daily basis.

At a community-level, key stakeholders include: (a) Soku Council of Chiefs and the Soku Community Council; (b) Elem-Sangama Oil and Gas Committee; and (c) Oluasiri Council of Chiefs and Oluasiri Development Union.

- The Soku Council of Chiefs and Community Council interests are now relatively aligned. Their interests are threefold: (i) maximise benefits (community development, business opportunities and employment) for Soku from the Soku Gas Plant; (ii) contain perceived or actual Nembe expansionism; and (iii) remove a particular SCIN official from the Soku Gas Plant.
- The Elem-Sangama Oil and Gas Committee interests are to maximise community development, business opportunities and employment benefits for Elem-Sangama.



- The Oluasiri Council of Chiefs and Development Union are also aligned. Their interest is to ensure benefits (community development, business opportunities and employment) for Oluasiri from the Soku Gas Plant. Towards this end they will mobilise the Bayelsa State government and work with Elem-Sangama.



At the Kingdom-level, key stakeholder include: (a) the Kalabari King; and (b) the Nembe King. It will be important to monitor their potential engagement in the conflict.

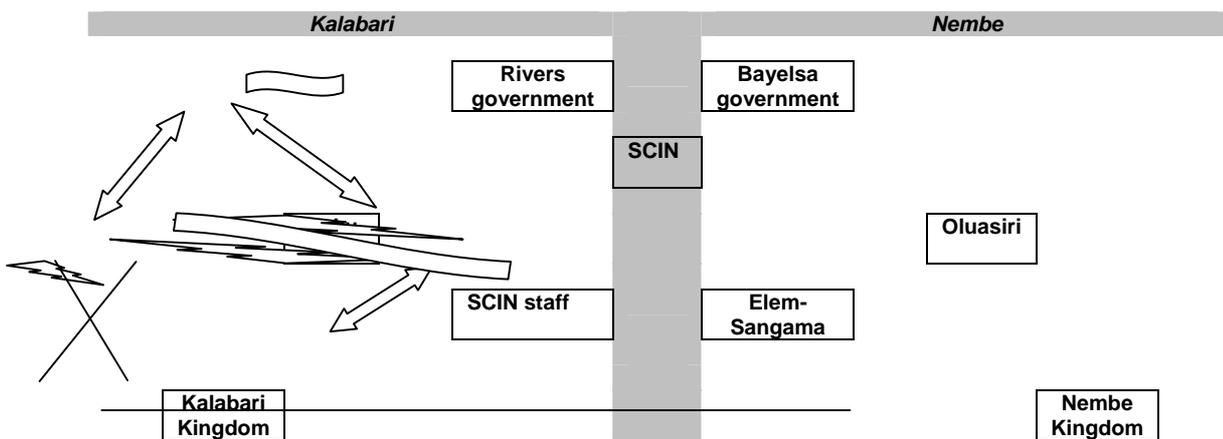
At a government level, key stakeholders include: (a) the Rivers State government; and (b) the Bayelsa State government. The Rivers State government and Bayelsa State government's interests are to maximise revenue derivation from the Soku Gas Plant. Towards this end, borders are likely to be manipulated and contested.

At a corporate level, key stakeholders include: (a) SCIN; and (b) SCIN staff.

- SCIN's stated interest is to implement the Soku oil rim and gas development project as cost-effectively as possible and in line with the new SCD approach.
- SCIN staff interests include: (i) at headquarters, to ensure smooth implementation of the Soku oil rim and gas development project; and (ii) at the gas plant, to ensure limited community disruption and safeguard investments in relationships with local stakeholders.

Criminal groups (illegal bunkerers and cultists) will seek to ensure limited negative impact on their operations and maximise opportunities (extortion, prostitution, etc.), from the Soku oil rim and gas development project. It is not known what means they have at their disposal.

The stakeholder map is portrayed in the diagram below – indicating improved relationships (double-headed arrows), deteriorating relationships (wave), tension (lightning), and unclear relationships (straight line).



Scenarios

Given rapidly changing conflict dynamics (particularly developments in intra-community conflicts) and limitations to the analysis, it is not possible here to give predictive scenarios. However, best, middle, and worst-case scenarios of a more generic nature can be drawn.



These scenarios given below are based on an analysis of trends in key indicators/factors. They include: (a) SCIN benefits distribution; (b) recent inter-community co-operation; (c) application of SCD principles in Soku; (d) intra-community conflicts; (e) boundary disputes (communal, state); (f) emergence of cult groups and illegal oil bunkering; and (g) overall project management.

The best-case scenario, *involving effective and full implementation of the SCD approach* includes the following elements:

- The 'mini-PAC' process used for the Balema node P4 extension project is expanded to cover the Soku oil rim and gas development project. The PAC model is improved and designed to: (a) constructively tackle communal boundary disputes and benefits distribution in a sustainable manner; (b) explicitly reinforce SCD principles and the "Big Rules"; and (c) bring marginalised stakeholders (e.g. women's groups) into the process.
- SCIN staff involved in the Soku oil rim and gas development project develop a detailed proposal on how to tackle the range of issues likely to be encountered during implementation. SCD moves to ensure effective staff compliance to its new approach, as well as transparency and coherence in the community interface.
- As part of the PAC process, a concerted effort is made to bolster community cohesion and internal stability in Soku, Elem-Sangama and Oluasiri. SCIN responds effectively to tackle internal corporate issues (e.g. incidents of unethical staff behaviour) that risk destabilising these communities.
- A process involving the state (Rivers and Bayelsa) and federal government is launched to find an acceptable formula for state boundaries and revenue derivation at the state level. The communal and governmental processes to resolve these issues are aligned and successful – and sustained government engagement in the Soku oil rim and gas development project follows.
- As per standard PAC procedure, community agreement is reached quickly on how to deal with criminal elements – and the role of law enforcement agencies during the implementation of the Soku oil rim and gas development project. Criminal elements are kept at bay and partly neutralised during project implementation.
- A strong monitoring and evaluation process is put into place for the Soku oil rim and gas development project – with regular review meetings to draw lessons learned and modify the SCD/PaSS approach taken. The final evaluation yields useful policy guidelines for broader SCIN application.

The middle-case scenario involves *an improved 'muddling through' situation* and includes the following elements:

- After a short delay, the 'mini-PAC' is expanded and applied to the Soku oil rim and gas development project. However, although a benefits distribution formula is found, boundary disputes are not dealt with given political sensitivities.
- The expanded PAC process does incorporate the new SCD principles and SCIN 'Big Rules' in its terms of operation. However, SCIN engagement in tackling emerging issues remains reactive and fractured – as no thought has been put beforehand into how to tackle likely challenges. Consequence management is not effectively applied and some problems emerge.
- The PAC process leads to greater community cohesion and internal stability in Soku, Elem-Sangama and Oluasiri. However, SCIN does not respond effectively to internal corporate issues that risk destabilising these communities – and this remains a source of problems throughout project implementation.



- A state and federal level process to tackle boundary issues and revenue derivation is started, but a solution is not forthcoming. The lack of state solutions reduces the sustainability of communal agreements on boundary issues.
- Although the PAC process ensures agreement on how to deal with criminal activities, criminal elements still occasionally disrupt project activities.
- A monitoring and evaluation process is put into place – but given the intensity of project activities, review meetings are irregular. Modifications to the SCD/PaSS approach are reactive. The final evaluation gives some insights into policy changes required at SCIN levels.

The worst-case scenario involves *the non-realisation of the SCD approach and 'business as usual'*. It includes the following elements:

- Progress made in the 'mini-PAC' process (Balema node P4 extension project) is lost as SCIN is either delayed in expanding the approach, or decides to implement the Soku oil rim and gas development project without third-party facilitation. Communal boundary disputes are left un-tackled – and SCIN works out deals with groups in each community.
- The new SCD approach is not realised in practice as there are no compliance mechanisms or incentives for SCIN staff/contractors to do so. No proactive thinking on how to deal with challenges, coupled with poor transparency and multiple SCIN interfaces rapidly create tensions between the three communities and the company.
- Separate deals with different groups in each community raise internal tensions in Soku, Elem-Sangama and Oluasiri – and leadership tussles follow with some loss of life.
- Boundary disputes are left unresolved and given differential deals with communal groups rumours spread about unequal treatment of one community over the others. Inter-communal tension follows, skirmishes occur and people are killed. There are occasional attacks on SCIN staff and contractors, again with some loss of life.
- Criminal elements most likely take advantage of the deterioration of security in the area. However, their actions cannot be speculated upon in this analysis.
- No monitoring and evaluation process is established for the Soku oil rim and gas development project. Consequently, no lessons are drawn for further SCD and PaSS activities.

Entry-points for conflict resolution

In order to realise the best-case scenario and avoid a worst-case situation, action on a number of areas is required. These are given briefly below and need to be part of a full strategy formulation process that involves key stakeholders.

- *Build on existing dialogue process ('mini-PAC')*. The success of the previous 'mini-PAC' has to be capitalised on as stakeholders are familiar with trust its process. It will be necessary to consider how to expand and improve the PAC process to: (a) constructively tackle communal boundary disputes and benefits distribution in a sustainable manner; (b) explicitly reinforce SCD principles and the "Big Rules"; and (c) bring marginalised stakeholders (e.g. women's groups) into the process.
- *Ensure effective consequence management, transparency and communication*. Before the project starts, SCIN has to: (a) elaborate detailed proposals on how to tackle challenges likely to emerge during project implementation; (b) put into place consequence management mechanisms and communicate these to staff; (c) establish procedures to foster transparency, equity and coherence in community relationships; and (d) devise and implement a communication strategy that ensures accountability.



- *Develop a strategy for engagement of state and federal government on Soku issues.* Such a strategy should include: (a) how the 'Big Rules' can be adopted by state authorities; and (b) how boundary and revenue derivation disputes can be tackled.
- *Strengthen SCIN capacity to proactively engage in conflict resolution.* This involves: (a) putting into place a strong monitoring and evaluation mechanism; (b) drawing in relevant expertise; and (c) devising contingency plans in the event of a deterioration in security.

3.4. STRATEGIC IMPLICATIONS

Annual casualties from fighting already place the Niger Delta in the 'high intensity conflict' category (over 1,000 fatalities a year), alongside more known cases such as Chechnya and Colombia³. The criminalisation and political economy of conflicts in the region mean that the basis for escalated, protracted and entrenched violence is rapidly being established. This not only threatens SCIN's (and the oil industry's) future ability to operate, but also Nigerian national security. From the above analysis, the following strategic implications can be drawn for the PaSS:

- A lucrative political economy of war in the region is worsening and will deeply entrench conflicts. Increasing criminalisation of the Niger Delta conflict system means that unless remedial action is swiftly taken, SCIN's (and the oil industry's) 'business horizon' in the Niger Delta will continue to contract. If current conflict trends continue uninterrupted, it would be surprising if SCIN is able to continue on-shore resource extraction in the Niger Delta beyond 2008, whilst complying with Shell Business Principles. Indeed, given the likely illegal oil bunkering links to political campaigns, the run-up to the 2007 Presidential elections may see a significantly earlier serious escalation of Niger Delta conflicts which will be difficult to dismantle, even to return to the former pre-election lower level on conflict. Some individuals argue that there is likely to be a plateau in the amount of oil that is stolen (between 8 and 10 percent of production) which represents a level low enough not to attract military intervention while still providing acceptable revenue flows to government and the oil producing corporations. Whilst such a state of homeostasis seems plausible, the large international oil companies could not continue to absorb the escalating costs associated with community demands (which if ignored often result in closure or occupation of company facilities, lack of access to exploration areas or physical threat to staff), or meet the standards of public accountability and transparency increasingly demanded by international bodies and shareholders.
- Although the relative importance of Delta-wide issues depends on the conflict context, it is possible to identify those that will contribute most to the destabilisation of the Niger Delta. They include illegal oil bunkering, endemic corruption, high youth unemployment, and social disintegration. Their individual impact has been outlined above. Together, these factors provide the funding, weapons, and foot-soldiers needed for war, as well as undermine society's ability to prevent or recover from conflict. Furthermore, oil companies both affect and are affected by each, suggesting that the industry can play an important role in their mitigation.
- A critical need emerging from current conflict dynamics is that of reconciliation. Such reconciliation needs to happen at three levels: (a) within and among communities; (b) between companies and communities; and (c) between government and communities. The form such reconciliation efforts take will be context specific and needs further investigation.
- Whereas the analysis provided here is grim, there are also factors present in the region (e.g. common heritage and conflict fatigue) that mitigate conflict and sustain a fragile stability. In addition, given that current criminalisation of conflict is a fairly 'new'

³ Based on comparative data for 2002 from the SIPRI database (see <http://www.sipri.se>).



phenomenon (e.g. large-scale bunkering started in 2000) and resilience of the Niger Delta communities, micro-level conflicts are not as entrenched as they otherwise would be.

- It is important to stress that tackling the limited local capacity to engage in legitimate business is a critical entry-point for addressing corporate-community conflicts. Healthy, transparent and fair business relationships with local contractors is both possible and within the reach of the industry.
- Micro-level conflicts are part of a complex conflict system that is issue-based, ethnic, geographic in nature and often span local and state boundaries. It is rare to find a 'self-contained' micro-level conflict that does not have implications for other communities beyond its locality. However, in this complexity there are two important common threads; resource control and social disintegration. Again this suggests that the oil industry can contribute to conflict resolution in and around their areas of operation. In addition, it is important to note that where there is conflict 'spill-over', there is also the potential for peace 'spill-over'. As such, the conflict system provides opportunities for conflict resolution to have a multiplier effect.
- The Soku, Elem-Sangama, and Oluasiri conflict shows how the oil industry is both caught and contributes through policies, practices, and corporate culture to inter- and intra-community tension. The case study also concretises where and how oil companies can make a difference. In this case, benefits distribution mechanisms and how the company relates to communities are important. The implementation of the SCD pilot in the Soku oil rim and gas development project provides a unique opportunity to demonstrate proactive and positive corporate engagement in the resolution of such conflicts.

4. CONFLICT MANAGEMENT CAPACITIES

4.1. INTRODUCTION

Conflict management capacities are defined here as initiatives, structures, and approaches to either reduce conflict or build peace. Initial findings are given below in relation to external (bilateral donor, corporate, NGO, and consultancy) and internal approaches. Understanding these capacities elucidates what a PaSS implementation process can draw on.

4.2. INTERNAL APPROACHES

The range of internal mechanisms available to SCIN for conflict management has been described in Chapter 2. As such, this section provides an overview of the strengths, weaknesses, opportunities, and threats associated to these, as well as a summary assessment.

4.2.1. OVERVIEW

Current SCIN conflict management approaches are diverse; with some are formalised mechanisms, and others used on an ad-hoc basis. A SWOT analysis of these approaches is provided in the table below.



Approach	Strengths	Weaknesses	Opportunities	Threats
Conflict Resolution Co-ordinator (CR Department)	<ul style="list-style-type: none"> Proven to be effective Readily available Provides additional venue for communities in conflict with SDPC 	<ul style="list-style-type: none"> Re-active approach Drawn in only when asked by management Little leverage to enforce solutions on staff 	<ul style="list-style-type: none"> Increases company-wide ability to address conflict Documentation of lessons learned/ best practices Can grow in effectiveness when management supports recommendations 	<ul style="list-style-type: none"> Perceived as exposing "failures" Remains isolated in the organisation
CD Projects	<ul style="list-style-type: none"> Visible/tangible on the ground Community participation 	<ul style="list-style-type: none"> Low correlation between projects and causes of conflict Partly implemented based on short term approach Heavy focus on infrastructure 	<ul style="list-style-type: none"> Provision of long term CD perspective to communities can reduce tensions Consistent benefit as opposed to activity based benefit Tool to address root causes of conflict 	<ul style="list-style-type: none"> Poorly implemented projects can cause conflict Risk of substituting government
Cash payments for appeasement	<ul style="list-style-type: none"> Easy fix Quick results 	<ul style="list-style-type: none"> Fragmentation of communities Catalyst for more violence to get access to cash 		<ul style="list-style-type: none"> Ever spiraling demands and violence No long term LTO
Use of security	<ul style="list-style-type: none"> Allows operations to continue Sometimes welcomed by communities that suffer from violence 	<ul style="list-style-type: none"> Needs to be sustained in order to be effective Can lead to counter force by community groups Little control by SCIN 		<ul style="list-style-type: none"> Sends message of distrust Can undermine LTO Sense that Shell is 'stealing' oil
Local content plan	<ul style="list-style-type: none"> Tailored to existing capacities Pro-active Addresses root causes of conflict Integrated into SCIN operations 	<ul style="list-style-type: none"> Requires timely integration into business plan 	<ul style="list-style-type: none"> Potential for long term economic spin-off effects for the community Provides opportunity for capacity building/ business development 	
Facility-community inter-dependency projects	<ul style="list-style-type: none"> Direct link between violence and benefits Visible benefits 	<ul style="list-style-type: none"> Only possible for communities that are nearby facilities Upfront expenses 	<ul style="list-style-type: none"> Spin-off economic benefits Provides an opportunity for capacity building Provides LTO 	<ul style="list-style-type: none"> Can be construed as favoritism for one community over another Expectations for maintenance, fuel etc.
"Brother-in-Law model"	<ul style="list-style-type: none"> Culturally sensitive The company is seen as "caring". Provides LTO 	<ul style="list-style-type: none"> Highly dependent on individuals Relationships are difficult to transfer Requires on-going close contacts with communities 	<ul style="list-style-type: none"> Increased understanding of communities capabilities and needs Closer contact means better dissemination possibilities 	<ul style="list-style-type: none"> May be conflicting with some policies
PAC	<ul style="list-style-type: none"> Inclusive Fosters stakeholder cohesion Enhances transparency and accountability Builds on shared agendas Delivers results 	<ul style="list-style-type: none"> Currently dependent on individuals Relationships between facilitator and stakeholders are difficult to transfer Initial costs are high 	<ul style="list-style-type: none"> Sustained economic and business development for communities Potential to transfer from project to area application Demonstrated effectiveness allows for acceptance in SCIN 	<ul style="list-style-type: none"> Sustainability is still be proven Controversy around the originator of PAC, as opposed to value of PAC
Women's Peace Groups	<ul style="list-style-type: none"> Mobilizes marginalized group Addresses various levels and types of conflict Early impact on certain SCIN-community tensions 	<ul style="list-style-type: none"> SCIN driven Impact and sustainability are yet to be proven Little follow-up, one-off approach De-linked from SCIN business 	<ul style="list-style-type: none"> Could serve as an effective early warning system 	<ul style="list-style-type: none"> Questions of sustainability without SCIN resourcing Internal SCIN resistance



4.2.1. ASSESSMENT

Key assessment conclusions from the above include:

- There is a focus on reacting to conflict rather than preventing or minimising it. For example, no conflict analysis or impact assessment takes place prior to project implementation. Operations simply start (“as if we are coming from the moon”), ‘discover’ they are part of a conflict environment and try to cope with the circumstances.
- Guidelines on conflict resolution are lacking.
- Different conflict management approaches are used in various area or project teams, departments such as land, community relations and community development, and in the various projects. The organisation leaves much of its conflict management to individual decisions.
- Although there is very little in-house formal conflict management expertise, there seems to be significant under use of the available expertise. This may in part be because many SCIN staff members think that seeking advice from internal experts exposes their “failure” to solve conflict.
- When internal expertise from the CR department is requested, it is primarily in response to company-community conflict and not to address other levels of conflict (inter or intra community). In addition, seeking advice from conflict experts is optional. There is no mechanism in place that ensures that conflicts costly to the company are addressed by in-house experts.
- The information, statistics and databases related to conflict are focused on company-community incidents only. Data is compiled on: (a) type of incidents (hostage, blockage, shut downs); (b) frequency of incidents; and (c) the stated cause of the conflict. The data is periodically analysed and trends are extracted sometimes resulting in internal policies (e.g. a Right of Way Policy). However, there is no conflict review mechanism in place after a major conflict or security incident. In addition, there is no systematic scenario planning or early warning system in place, thus reducing the scope for proactive engagement.
- The company has no database of the best practices applied by CLOs in solving or managing grievances before these led to a shutdown. “Incidents” are only qualified and put in records when they lead to work stoppage.



4.3. EXTERNAL APPROACHES

4.3.1. OVERVIEW

As part of the Baseline Report, a conflict management capacities workshop was convened on 8 September 2003. The workshop convened key external groups – and the SCIN gender unit - that were involved in efforts to tackle communal and community-corporate conflicts. In addition to the work of SCIN’s gender unit, the external initiatives reviewed included:



- USAID/Office for Transition Initiatives;
- Mobil's Finima model;
- Centre for Social Corporate Responsibility; and
- Sullivan and Sullivan Consulting.

The approaches reviewed, however, are not exhaustive. For example, the work of Pro-Natura in Akassa has not been assessed.

The table below provides an overview of external initiatives and SCIN gender work. It covers:

- the core issue(s) addressed;
- expressions of conflict;
- pre-requisites for success;
- conflict management process applied;
- principles adopted for the intervention; and
- challenges faced.

The subsequent sections draw out emerging good practice and the strategic implications for the PaSS of this work.



	USAID/OTI	Mobil – Finima Model	CSCR	Sullivan and Sullivan Consulting	SCIN Engendering Model
Core issue(s) addressed	Resource control	Land ownership and compensation	Corporate non-compliance to standards	Community-corporate disputes	Women's peace-making role
Expressions of conflict	Violent confrontations within and between communities	1. Occupation of facilities 2. Destruction of property	Unfulfilled corporate agreements/bad practice	1. Fragmented communities 2. Violence and shut-downs	-
Pre-requisites for success	1. External model adapted to the context 2. Personal credibility with community 3. Institutional credibility with community 4. Procedural credibility – transparency 5. Internal/external monitoring mechanism (benefits/lessons)	1. Previous contact with communities 2. Humane and sincere approach 3. Lawyer-based negotiations 4. Small community 5. Teach community how to deal constructively with company	1. Ensure access of communities to companies 2. Invitation to help 3. Strength of international connections to apply pressure on companies	1. Thorough understanding of context 2. Value added defined to all parties 3. Identify how communities can constructively access benefits 4. Ensure transparency	Implemented together with government and communities
Process	1. Organise workshops foster interest in problem solving 2. Raise awareness of non-violent means of problem solving 3. Workshops generate interest to use tools in own communities 4. Establish Peace Committees and assist them to tackle local problems	1. Find out who owns the land 2. Carefully document agreements 3. Compensate owners only – not third party 4. Sustain regular dialogue with community 5. Mobilise majority to tackle minority spoilers 6. Engage women to constructively mobilise youth 7. Restore and affirm traditional community leadership 8. Bring government on board 9. Build ownership of facilities through business development	1. Baseline study on trauma, conflict, environment 2. Do PRA, needs assessment, and look at governance structures 3. Within governance, look at leadership, constitution, power weaknesses 4. Set up CMCs and PMCs 5. Convene government, oil companies, communities and regulatory bodies 6. 'Wage peace through development' 7. Governance work provides for strong MoUs with companies 8. Advocacy with shareholders if company does not comply	1. Study environment/context 2. Design tri-sector partnership and identify a facilitator 3. Reaffirm values (transparency, accountability, ...) 4. Align community and company processes 5. Identify champions within sectors with integrity 6. Assemble and educate champions 7. Ensure that personal interests of champions do not conflict with objective 8. Strengthen community, government and corporate cohesion 9. Bring company/government together 10. Form a PAC with agreed ToR of community, mediator, security agencies, company, contractors and government 11. Government has to own the process, serve as a catalyst, maintain law and order 12. Communities supply local knowledge, be ready to work, isolate trouble makers 13. Company should be transparent, declare business opportunities, fund	1. Workshops with women to analyse communal conflicts and define what can be done 2. Women return to their communities and mobilise other women 3. Work-plans are developed on how to tackle conflicts in local communities 4. Establish women's peace groups at community levels 5. Move from pilot state to other states in the region

WAC SERVICES

<p>Principles</p>	<ol style="list-style-type: none"> 1. Non-adversarial approach to conflict – local solutions 2. Use traditional social sanctions 3. Design a process for community problem definition 4. Provide community members with tools for conflict resolution 5. Deal with crime as a law enforcement problem 	<ol style="list-style-type: none"> 1. Deal with crime as a law enforcement problem 2. Joint signatory accounts where land owners are multiple 3. Written agreements 	<ol style="list-style-type: none"> 1. Ensure positive social, environmental, and economic impact on communities 2. Access and dialogue between company and communities 3. Translate cash into development 4. Translate company policies into reality 	<p>Multi-sector partnership</p> <ol style="list-style-type: none"> 1. Multi-dimensional approach to conflict 2. Focus on interests and positions 3. Ensure constructive access to benefits 4. No ghost workers 5. No vigilante protection of trouble makers or violence 6. No cash payments and deals with conditions 7. Rule of law 8. Single point responsibility 9. Written agreements only 	<ol style="list-style-type: none"> 1. Peace and development are inter-related 2. Proactive identification of conflict situations
<p>Challenges</p>	<ol style="list-style-type: none"> 1. Short-term approach/training then community exposure 2. Spoilers were activated after the process ended – non-sustainable 3. Government officials were not involved 4. Peace committees did not have authority to do certain things 5. Generic model across Nigeria 6. Little 'home content' as part of the team 	<ol style="list-style-type: none"> 1. Slow up-take by other relevant departments in Mobil in building on the success of the legal process 2. On-going disagreements amongst leaders of the community – needing regular attention 3. Unco-ordinated government response to peace initiatives, suggesting the lack of a structured approach to community issues 	<p>Financial and human resource scarcity</p>	<ol style="list-style-type: none"> 1. Resistance to the facilitator's involvement 2. Power struggles to control the process 3. Short term challenges (people want cash, etc.) 4. Transparency can be difficult 5. Spoilers 6. Personalised approach 7. Focused on oil-related conflicts 	<ol style="list-style-type: none"> 1. Internal SCIN 'engineering' mindset and fluid community development 2. Discrimination and trivialisation of approach within SCIN 3. Co-ordination and integration with other SCD departments 4. Adequate funding and ability to follow up women's groups



4.3.2. EMERGING GOOD PRACTICE

Where outside support is sought for conflict resolution between communities and corporations, the use of an external third-party arbitrator/mediator is most common. For this approach emerging good practice can be identified in terms of principles and process of implementation.

Principles

Interventions to deal with community-corporate conflicts should be based on the following principles:

- Use of third-party facilitator who is seen as neutral and credible in the conflict;
- Application of complete transparency and accountability throughout;
- Engagement through a tri-sectoral (communities, government, and corporations) approach;
- Agreement on fundamentals between the sectors (e.g. crime as a law-enforcement problem, no cash-payments, no ghost workers, rule of law, etc.);
- Sustained and regular dialogue between sector representatives;
- Ensured personal, procedural, and institutional integrity/credibility for the intervention;
- Establishment of effective compliance and sanctions mechanisms;
- Ensured positive social, environmental, and economic impact on communities;
- Written and registered agreements; and
- Regular reporting of community project implementation.

Process of implementation

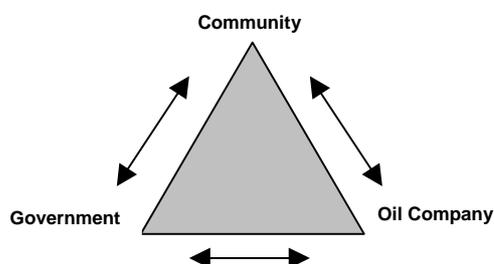
Good practice processes of implementation involve the following steps:

1. Study the context.

This involves:

- a conflict analysis (conflict and peace indicators, stakeholders, and scenarios) exercise;
- a thorough study of the communities in question (background, history, geography, demographics, and cultural structures);
- a gender analysis using gender analytical framework that examines socio-political relations and gender hierarchies in the context; and
- use of conflict timelines to look at changes in trends and actors in the conflict over time.

2. Design tri-sector partnership and identify an appropriate facilitator.



This includes:

- A stakeholder analysis (where stakeholders are defined as those groups who share an interest towards the conflict or are affected directly or indirectly) exercise that focuses on

key stakeholders for the tri-sector partnership, i.e. government, oil companies, and communities.

- Examine power relations between key stakeholders, looking at existing *positional* and *relational* power structures.
- A credible Third Party Neutral (TPN) should serve as facilitator(s) to commence communication between key stakeholders. Due to the volatile and corrupt nature of conflicts in the Niger Delta region, the role of the TPN should be reserved for persons who do not have *apparent* or *perceived* stakes in the conflict, the process or their outcomes.
- It is important that all sides of the tri-sector partnership have confidence in the ability of the facilitators. However, the success of the process should not depend on this ability.
- Facilitators should work in teams to avoid individualization of the process. These teams should consist of persons with wide experience in community organising, peace building, and development.
- Facilitator should keep key stakeholders engaged through continuous consultative sessions that focus on reflection and action cycles. Trust building is integral to the process. The facilitators must ensure that the team builds acceptance and does not take it for granted.

3. Identify champions in each sector and educate these.

To ensure sustainability, the process of implementation has to be driven internally in each sector by identified personalities who function as champions. It is imperative that these champions understand the aim of the implementations process and believe in the strategies employed. Where necessary these champions should be provided with requisite information and tools that would enable them argue more efficiently on the importance of using the strategies enumerated in the implementation process.

4. Strengthen community, government, and corporate cohesiveness.

Internal tensions and divisions that affect each sector's ability to deliver on commitments made in the tri-sector context need to be tackled for the process to be successful. These tensions may include leadership tussles within communities, turf battles in companies, etc. It is important that guiding principles in work to strengthen cohesiveness include transparency, accountability, integrity, etc. values mentioned above.

5. Engage all community stakeholders (particularly women) to raise awareness of non-violent means of problem solving – and the relationship between peace and development.

Aside from the key stakeholders, other stakeholders in the community should be involved in the implementation early in the process. TPNs would identify sub-groups existing in the community e.g. elders, youths, women etc. and design avenues through which each group can play pivotal roles in the process.

6. Establish and support women's mechanisms for effective engagement in process.

Women's groups are usually excluded during formal peace processes or community dialoguing. The TPN teams have to take targeted steps to include women's groups in building sustainable peaceful structures. These groups and associations would have to be engaged separately in the initial stages as community hierarchies and dynamics might not allow for the



kind of openness required for the process. When women's groups have been included in the process, they should be given the same attention and information should be shared in an equitable manner.

7. Establish CMCs, PMCs, or PACs with terms of reference agreed between the community, government (and security agencies), as well as the oil company (and contractors).

This includes:

- Agreeing roles and responsibilities;
- Affirmation of values (transparency and accountability);
- Agreeing compliance/sanction mechanisms;
- Fostering an effective government and corporate relationship; and
- Signing an agreed MoU.

The TPN becomes the custodian of the MoU and of the process.

8. Build community capacity for self-development and access to business opportunities with oil companies.

Whereas the CMCs, PMCs, or PACs developed through the above process are instrumental in equitably distributing benefits from oil-related activities, they are only partly effective in accessing the full benefits of oil production. As such, it is important to strengthen community capacity for self-development and access to business opportunities.

Such capacity building is highly context specific, as it depends on the priorities, skills, and composition of communities. However, some key areas can be identified:

- *Infrastructure development.* Electricity access, for example, enables the development of certain SMEs (e.g. sewing and tailoring shops).
- *Educational opportunities.* Scholarship programmes give youth access to new opportunities and perspectives.
- *Business development coaching.* Support to local entrepreneurs enables improved access to oil company business.
- *Micro-credit and credit schemes.* The provision of credit schemes is important for start-up businesses, as well as for entrepreneurs to access larger contracts.

9. Design strategies for dealing with spoilers.

The knock-on effects of the process need to be clearly mapped. It is important to understand who wins and loses from the project – as well as how losers are likely to respond. A strategy for dealing constructively with these losers (or potential spoilers) needs to be developed.

4.4. STRATEGIC IMPLICATIONS

Although there are demonstrated cases of effective conflict management in the Niger Delta, current initiatives remain limited in scope and under-resourced. SCIN's own capacity to manage conflicts is undermined by lacking co-ordination, coherence, and analysis. External efforts are fragmented, but constitute a critical building block for conflict resolution in the region.

The following strategic implications for PaSS can be drawn from the sections above:



- There is a range of demonstrated cases where the company and external groups have effectively managed and resolved conflicts. As such, there is an emerging conflict resolution capacity that can be expanded and utilised for PaSS implementation.
- The analysis of internal conflict management capacities available shows there is a significant need for SCIN to strengthen these, in terms of co-ordination, coherence, utilisation, and information management. Suggestions for internal capacity building are given in Annex C.
- An assessment of external conflict management efforts gives a range of perspectives on good practice in the field. Common principles and implementation process 'ingredients' are identifiable. These provide the basis for a systematic PaSS approach to tackling micro-level conflicts.

5. STRATEGIC PITFALLS

Understanding strategic pitfalls associated to PaSS implementation is necessary to further strengthen its chances for success. Pitfalls are given below in relation to assumptions, expectations, scenarios, and potential spoilers.

5.1. ASSUMPTIONS

The following assumptions underpin PaSS (and SCD) implementation. If these are not or may not become verifiable, they constitute important pitfalls for implementation.

SCIN has a long-term commitment to the Niger Delta

SCIN has been operational in Nigeria for over 50 years. It is assumed that the company is looking to operate on-shore in the Niger Delta for at least another 20 years.

SCIN is committed to SCD and PaSS implementation

With the establishment of the SCD Department, and the launch of a PaSS development process, it is assumed that SCIN wishes to improve and sustain the positive impact of its social investments and the operating environment.

SCIN has the 'stomach' to see SCD and PaSS implementation through

The implementation of SCD and PaSS will see similar (and perhaps greater) trials and challenges as conflict management efforts elsewhere in the world. The criminal dimension to conflicts in the Niger Delta means that initiatives that infringe on illicit "turfs" are likely to be resisted. It is assumed that SCIN is prepared to 'steer the course' in adverse situations.

SCIN puts in place the resources and policy infrastructure needed for effective SCD and PaSS implementation

The implementation of the SCD approach and PaSS requires both human and financial resources (e.g. capacity of staff, implementation budgets, etc.), as well as the policy infrastructure (e.g. early warning systems, PaSS working group, etc.) (see Annex C for a preliminary assessment of requirements). It is assumed that SCIN is prepared to put into place that which is needed to make SCD and PaSS implementation successful.

SCIN is able to ensure corporate buy-in of SCD and PaSS

Although mainstreaming new approaches in any organisation takes time, it is assumed that SCIN top management is determined to ensure corporate buy-in of both SCD and PaSS.



SCIN is able to ensure industry-wide and Government of Nigeria buy-in to SCD and PaSS

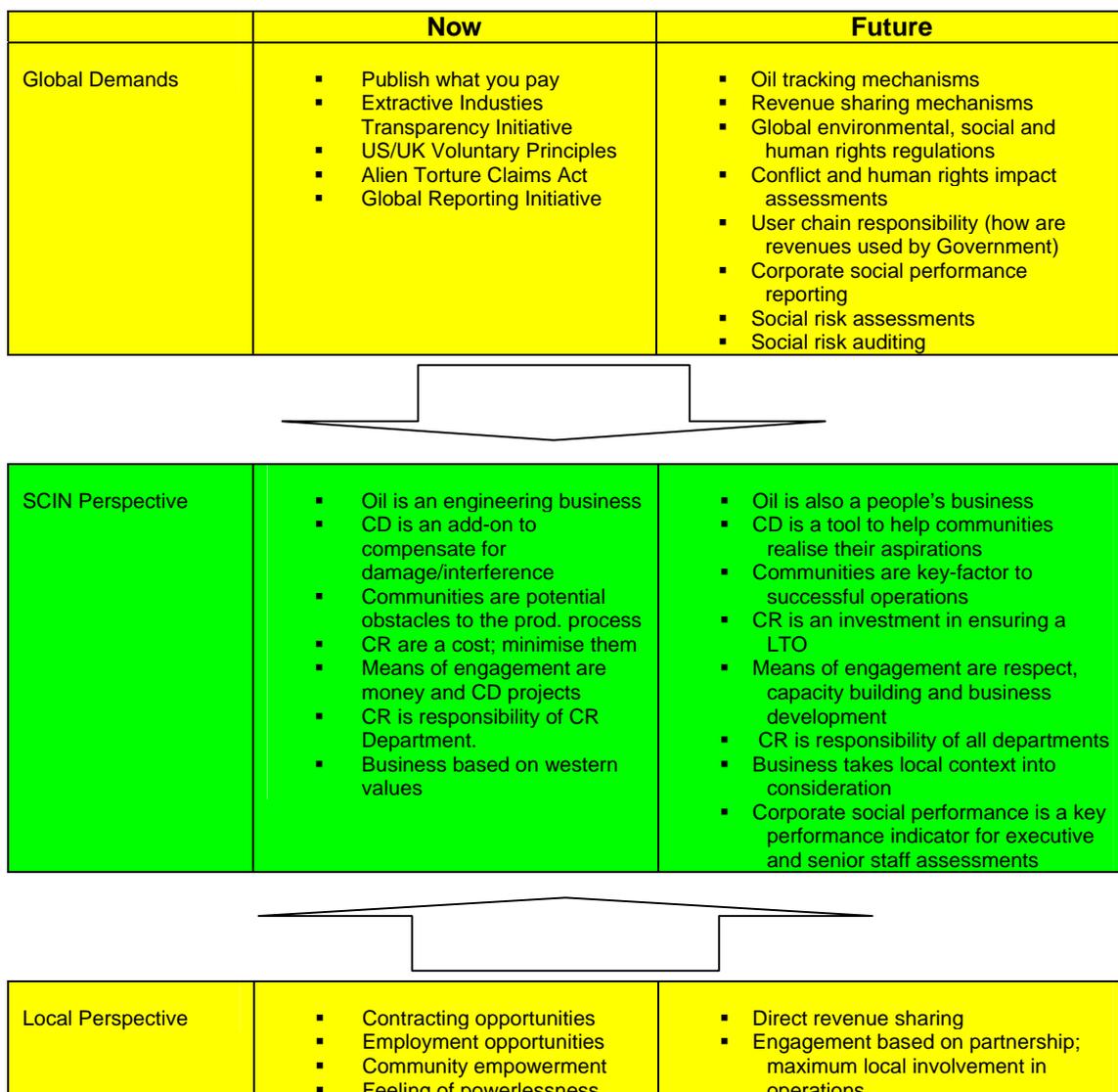
The implementation of SCD and PaSS requires buy-in and partnership with other oil companies and government at all levels (local, state, and federal). It is assumed that SCIN is prepared to allocate the necessary resources to ensure such buy-in.

SCIN is able to work in partnership with other organisations

Both the SCD and PaSS require inter-organisational co-operation. Partnerships need to be developed as well as sustained, and partner expectations managed. It is assumed that SCIN is able to do this.

5.2. EXPECTATIONS

The following picture provides some insights on how these societal demands affect the company. It also provides an assessment of how SCIN staff and outside stakeholders believe the company will have to position itself to be in line with these societal expectations. The management of these expectations determine partly the ability of PaSS implementers to tackle spoilers.



	<ul style="list-style-type: none"> ▪ Land 'stolen' by companies and the government 	<ul style="list-style-type: none"> ▪ Need for recognition and respect ▪ Democracy provides space for litigation based on well documented evidence ▪ Local communities via NGOs linked to a global advocacy network
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Based on the trends they observe, several SCIN staff dealing with communities picture a remarkably similar future scenario of the environment that SCIN will be dealing with. They predict that within the next decade communities will no longer accept that their land is virtually annexed and their livelihoods severely negatively impacted. Communities will demand to be adequately compensated and will seek enforcement through court systems.

5.3. SCENARIOS

Over the next 12 months, the following best, middle, and worst case (internal/external) scenarios can be formulated that will affect PaSS formulation and implementation.

Best case scenario

- Company-wide processes (e.g. globalisation) that support and accelerate PaSS implementation provide for localised decision-making and budgetary systems.
- PaSS is seen in the organisation as critical for company operations and starts to be considered as a shared responsibility among staff (e.g. will stand alongside HSE).
- There is an understanding in executive management that PaSS implementation requires short-term production sacrifices in some areas to ensure long-term profitability and LTO.
- Company staff feels that PaSS implementation makes their work easier and feel rewarded for constructive engagement. Senior managers are rewarded for tackling conflict-inducing practices.
- SCIN is able to bring on board key government agencies for PaSS implementation and work well with other stakeholder groups (e.g. international donors, NGOs, elites, ethnic movements).
- Communities see a genuine commitment by SCIN in the implementation of PaSS and overcome their focus on short-term gains.
- The overall conflict environment in the Niger Delta stays relatively stable, with only some (non-destabilising) outbreaks of violence (e.g. Warri).

Middle case scenario

- Company-wide processes (e.g. globalisation) are met with resistance, leading to a period of uncertainty and some constraints on localised decision-making and budgetary systems.
- The value of PaSS is seen in some parts of the organisation, but is met with scepticism by others who do not appreciate its relevance to SCIN business.
- Executive management is divided on the value of PaSS – with some feeling that short-term production sacrifices in any area preferably should be avoided.
- Unclear reward systems make only certain groups in SCIN feel inclined to constructive engagement in the PaSS initiative. Other groups feel threatened by the initiative – and



some sabotage of PaSS implementation occurs. Certain senior managers try to tackle conflict-inducing practices out of their own conviction.

- SCIN is able to bring on board some government agencies, but not all the key ones for PaSS implementation – and work with selected international donors, NGOs and elites. Some sabotage occurs that affects PaSS success.
- Elements of communities involved in the PaSS remain obstructive, but are gradually integrated into a common community position.
- The overall conflict environment in the Niger Delta worsens, with several new flash-points. These flash-points, however, do not destabilise the region.

Worst case scenario

- Company-wide processes (e.g. globalisation) are met with significant and disruptive resistance (e.g. strikes, etc.). Initial decision-making processes and budgetary systems make PaSS implementation very problematic.
- Ownership of the PaSS is limited to SCD Department. The strategy faces stiff resistance from other parts of the organisation. PaSS becomes embroiled in internal political fights over turf and is severely delayed.
- Executive management feels that PaSS implementation carries too much risk – and shelves the initiative.
- No reward for engagement and exposure of unethical practices during PaSS formulation/implementation severely threatens those who benefit from the status quo. Substantial sabotage and rumour mongering is seen. Senior managers choose battles to fight other than PaSS.
- SCIN does not engage in external lobbying and advocacy with key stakeholder groups – and PaSS is discredited and sabotaged from the outside.
- PaSS implementation is sabotaged by community elements that benefit from the status quo.
- New conflict flash-points erupt in the Niger Delta and a harsh military response follows. Parts of the region become destabilised.

Present indications are that the *most likely* scenario is a combination of the factors mentioned in each of the scenarios given above.

5.4. SPOILERS

A range of spoilers is likely to try to block or at least cripple PaSS implementation. These are divided according to “reconcilable” and “irreconcilable” spoilers. This division indicates who can be ‘won over’ – and which groups need to be dealt with through law enforcement activities.

Reconcilable spoilers

- *SCIN senior management that feels threatened by SCD and PaSS.* Both SCD and PaSS are crosscutting initiatives touching on the ‘turf’ of a range of departments and divisions. It is likely that ‘turf battles’ that are not managed will scupper both initiatives. Hence, senior management of affected ‘turf areas’ may become spoilers.



- *SCIN staff that feels their job-security is threatened by SCD and PaSS.* Both SCD and PaSS objectives signal that certain things within the company need to be done differently. This may threaten the job-security of a range of SCIN staff members that in turn may attempt to undermine both initiatives.
- *Shell International executive management fearful of short-term risks of PaSS implementation.* The PaSS objectives of “contributing to conflict resolution and sustainable peace in the Niger Delta” is ambitious and constitutes a fundamental shift in how multinationals do business in conflict areas. Such ambition, progressive thinking and its potential consequences on short-term production may unnerve Shell International executive management and possibly turn them into spoilers.
- *Elements of the Government of Nigeria feel threatened by SCD and PaSS.* If PaSS ownership within elements of the Nigerian government is not fostered, or PaSS directly goes against their interests, these parts of GoN may become spoilers.
- *Other oil companies operating in the Niger Delta feel threatened by SCIN’s SCD and PaSS approach.* As with elements of the government, other oil companies might feel threatened by SCIN’s SCD and PaSS initiative, or not buy into new ways of operating. This in turn reduces overall industry coherence and may undermine both SCD and PaSS success.
- *NGOs, CBOs, and political movements feel that SCD and PaSS are another SCIN public relations initiative.* Unless the concerns of these groups are genuinely addressed and a formula is found to engage them constructively in SCD and PaSS, they are likely to see both initiatives as ‘yet another’ public relations stunt.

Irreconcilable spoilers

- *SCIN or other oil industry staff engaged in unethical and corrupt practices.* Given the strong link between unethical and corrupt practices, and conflict, PaSS implementation will necessarily involve addressing or exposing these either directly or indirectly. As opportunities for corruption are reduced and such exposure gathers momentum, these individuals are likely to seek to scupper the PaSS.
- *Elements of the Government of Nigeria engaged in unethical and corrupt practices.* In a best case scenario, if PaSS is successful room for corruption, political manipulation, and illegal oil bunkering becomes limited. Powerful elements of government involved such practices will attempt to undermine PaSS efforts.
- *Criminal cartels would lose from effective SCD and PaSS implementation.* Powerful criminal cartels currently operating in the Niger Delta are likely to lose business from the effective implementation of SCD and PaSS. Efforts are likely to be made to frustrate the implementation of SCD and PaSS through violence and intimidation.

5.5. STRATEGIC IMPLICATIONS

SCIN cannot ignore Niger Delta conflicts or its role in exacerbating these conflicts, albeit unintentionally. The ‘do-nothing’ option is no longer available and is only taken at the compact’s peril. PaSS as an alternative, however, will fail if strategic pitfalls associated to implementation are poorly managed. The odds of success depend significantly on SCIN management commitment to the initiative. Half-hearted support and amateurish implementation of PaSS is likely to lead to significant security risks.

A number of strategic implications for PaSS can be drawn from the above sections:

- Among the assumptions, the three most critical are resource availability for PaSS implementation, commitment from executive management to both SCD and PaSS, and



the ability of the company to bring the oil industry and government on board. If these assumptions cannot be verified, or processes cannot be put in place for their realisation, PaSS is unlikely to succeed.

- PaSS alignment with current good practices and likely future expectations are critical for its success. As such, the initiative and strategies adopted have to be revisited – and resources allocated to ensure that PaSS implementers are ‘tuned in’ to developments at the local, company, and global levels.
- In the scenarios given, three issues are of primary importance for PaSS implementation: (a) decision-making and budgetary ‘space’; (b) ability to mainstream the initiative across the company (including consequence management) and rapid demonstration of value added; and (c) top-management cover. Weaknesses in any of these three areas are likely to negatively affect PaSS implementation.
- The number of spoilers pitted against the PaSS are numerous, well resourced, and dangerous. As such, PaSS implementation requires a strategy for ‘bringing over’ so called “reconcilable spoilers” – and tackling through law-enforcement means those that remain “irreconcilable”. It also means that individuals involved in PaSS implementation will require protection and contingency plans for their possible evacuation.

6. CONCLUSIONS: EMERGING STRATEGIC DIRECTIONS

A review of emerging strategic directions or principles for the PaSS is given below. These directions are in essence the ‘roadmap’ for how PaSS should be constructed, implemented and what it should address. Strategic directions are categorised in relation to: (a) conceptual issues (Annex A); (b) internal environment (Chapter 2); (c) external environment (Chapter 3); (d) conflict management capacities (Chapter 4); and (e) strategic pitfalls (Chapter 5).

6.1. CONCEPTUAL ISSUES

In terms of strategy formulation and implementation processes, this report concludes that PaSS will not be one strategy – but a series of strategies developed over time, each based on substantive research as well as facilitated processes that draw on key stakeholders and implementing partners. Incrementally, their implementation helps tackle the causes of conflict and conflicting interests, as well as strengthen peaceful dispute settlement mechanisms. To be successful and positively affect the lives of people each strategy must be fully engendered.

- The limitations of the Baseline Report mean that the ‘bird’s-eye’ perspective provided has to be coupled with more thorough issue-specific research on priority areas identified for the PaSS. As such, there will be several peace and security strategies, each based on substantive research (baseline reports) as well as facilitated processes that draw on implementing partners.
- The objective for SCIN to contribute to conflict resolution and sustainable peace means that the PaSS is to: (a) tackle the causes of conflict and address conflicting interests between groups; (b) find ways to ensure that separate interests are pursued *within* peaceful, institutionalised dispute settlement mechanisms; and (c) enhance the safety of people that are at risk.
- From a gender perspective, in order to effectively address conflict PaSS activities should include efforts to mainstream gender into all projects, teams, and initiatives. This will help ensure that differential group vulnerabilities are identified at early stages of interventions, and that **conflict interventions can be made more effective by utilising the untapped**



potential of women leaders, women's organisations, and women networks as actors for peace.

6.2. INTERNAL ENVIRONMENT

It is clear that SCIN is an integral part of the Niger Delta conflict dynamics and that its social license to operate is significantly eroding. Whereas some groups argue that SCIN consciously fuels conflict as part of a "corporate conspiracy", the SCIN-conflict links result rather from a quick-fix, reactive and divisive approach to community engagement expressed through differing areas of policy, practice and corporate culture.

- The company itself is part of the conflict dynamics and thus has multiple options to positively influence these. Addressing conflict is not only dependent on outside actors but to a significant extent within the control of the company.
- Corporate practices (more than policies) can lead to conflict. This signals that the company does not have to change the fundamentals of it of its operations (although some policies need review) but ensure that the policies and the ideas behind the policies are adhered to.
- There is not a single policy, practice or element of corporate culture that, if addressed, will alone decrease company–community and communal conflict. Rather, it is the accumulation of many (seemingly small or isolated) practices that feed into conflict. A strategy to improve corporate-community relations must address these. This means that there are numerous opportunities to make a positive difference.
- Virtually all SCIN departments have an impact, or are impacted by the context of conflict in which SCIN operates. There are opportunities for departments other than the Community Affairs Department to raise awareness of the impacts of their day-to-day activities on conflict, to take responsibility for the costs that these practices may unintentionally have, and to take steps to reduce conflict.
- Many internal practices feed into vicious cycles. Analysing these cycles more closely provide entry points for the organisation to transform a negative re-enforcing cycle into a positive one.
- The current expenditures on communities do not provide the company with a sustained LTO. There is no evidence that spending more money will lead to less conflict in the Niger Delta. If anything, there is ample evidence that providing more money to communities may even exacerbate conflict. Most causes of company-community conflicts can be addressed not by doing more things, but by doing things differently. SCIN will be able to make a significant progress in reducing conflict in the Niger Delta within the current budget framework.

6.3. EXTERNAL ENVIRONMENT

Annual casualties from fighting already place the Niger Delta in the 'high intensity conflict' category (over 1,000 fatalities a year), alongside more known cases such as Chechnya and Colombia. The criminalisation and political economy of conflicts in the region mean that the basis for escalated, protracted and entrenched violence is rapidly being established. This not only threatens SCIN's (and the oil industry's) future ability to operate, but also Nigerian national security.

- A lucrative political economy of war in the region is worsening and will deeply entrench conflicts if it is allowed to continue. Increasing criminalisation of the conflict system means that unless remedial action is swiftly taken, SCIN's 'business life-expectancy' in the region will be under threat. Considering Niger Delta conflict trends, it would be surprising if SCIN is able to continue on-shore resource extraction beyond 2008 in



keeping with Shell Business Principles. Given the likely illegal oil bunkering link to political campaigns, the run-up to the 2007 Presidential elections may see an even earlier serious escalation of Niger Delta conflicts. The deep, structural change in Niger Delta conflict in the interim is likely to mean it will be extremely difficult to return the Niger Delta to the pre-election lower level of conflict.

- Although the relative importance of Delta-wide issues depends on the conflict context, it is possible to identify those that will contribute most to the destabilisation of the Niger Delta. They include illegal oil bunkering, endemic corruption, high youth unemployment, and social disintegration. Their individual impact has been outlined above. Together, these factors provide the funding, weapons, and foot soldiers needed for war, as well as undermine society's ability to prevent or recover from conflict. Furthermore, oil companies both affect and are affected by each, suggesting that the industry can play an important role in their mitigation.
- A critical need emerging from current conflict dynamics is that of reconciliation. Such reconciliation needs to happen at three levels: (a) within and among communities; (b) between companies and communities; and (c) between government and communities. The form such reconciliation efforts take will be context specific and needs further investigation.
- Whereas the analysis provided here may seem grim, there are also factors present in the region (e.g. common heritage and conflict fatigue) that mitigate conflict and sustain a fragile stability. In addition, given that current criminalisation of conflict is a fairly 'new' phenomenon (e.g. large-scale bunkering started in 2000) and resilience of the Niger Delta communities, micro-level conflicts are not as entrenched as they otherwise would be.
- It is important to stress that tackling the limited local capacity to engage in legitimate business is a critical entry-point for addressing corporate-community conflicts. Healthy, transparent and fair business relationships with local contractors is both possible and within the reach of the industry.
- Micro-level conflicts are part of a complex conflict system that is issue-based, ethnic, and geographic in nature – and often span local and state boundaries. It is rare to find a 'self-contained' micro-level conflict that does not have implications for other communities beyond its locality. However, in this complexity there are two important common threads; resource control and social disintegration. Again this suggests that the oil industry can contribute to conflict resolution in and around their areas of operation. In addition, it is important to note that where there is conflict 'spill-over', there is also the potential for peace 'spill-over'. As such, the conflict system provides opportunities for conflict resolution to have a multiplier effect.
- The Soku, Elem-Sangama, and Oluasiri conflict shows how the oil industry is both caught and contributes through policies, practices, and corporate culture to inter- and intra-community tension. The case study also clarifies the ways oil companies can make a difference. In this case, benefits distribution mechanisms and how the company relates to communities are important. The implementation of the SCD pilot in the Soku oil rim and gas development project provides a unique opportunity to demonstrate proactive and positive corporate engagement in the resolution of such conflicts.

6.4. CONFLICT MANAGEMENT CAPACITIES

Although there are demonstrated cases of effective conflict management in the Niger Delta, current initiatives remain limited in scope and under-resourced. SCIN's own capacity to manage conflicts is undermined by lacking co-ordination, coherence, and analysis. External efforts are fragmented, but constitute a critical building block for conflict resolution in the region.



- There is a range of demonstrated cases where the company and external groups have effectively managed and resolved conflicts. As such, there is an emerging conflict resolution capacity that can be expanded and utilised for PaSS implementation.
- The analysis of internal conflict management capacities available shows there is a significant need for SCIN to strengthen these in terms of co-ordination, coherence, utilisation, and information management.
- An assessment of external conflict management efforts gives a range of perspectives on good practice in the field. Common principles and implementation process 'ingredients' are identifiable. These provide the basis for a systematic PaSS approach to tackling micro-level conflicts.

6.5. STRATEGIC PITFALLS

SCIN cannot ignore Niger Delta conflicts or its role in exacerbating these. The 'do-nothing' option is taken at SCIN's peril. PaSS is the best option to securing a sustainable peace in the Niger Delta and therein SCIN's LTO. However, PaSS will not realise its potential success if strategic pitfalls associated to implementation are poorly managed. The odds of success depend significantly on SCIN management commitment to the initiative. Half-hearted support and amateurish implementation of PaSS is likely to lead to significant security risks. The key strategic pitfalls to the successful implementation of PaSS in the Niger Delta are outlined below.

- The three most critical assumptions are resource availability/infrastructure for PaSS implementation, commitment from executive management to both SCD and PaSS, and the ability of the company to bring the oil industry/government on board. If these assumptions cannot be verified, or processes cannot be put in place for their realisation, PaSS is unlikely to succeed.
- PaSS alignment with current good practices and likely future expectations are critical for its success. As such, the initiative and strategies adopted have to be revisited – and resources allocated to ensure that PaSS implementers are 'tuned in' to developments at the local, company, and global levels.
- In the scenarios given, three issues are of primary importance for PaSS implementation: (a) decision-making and budgetary 'space'; (b) ability to mainstream the initiative across the company (including consequence management) and rapid demonstration of value added; and (c) executive management cover. Weaknesses in any of these three areas are likely to negatively affect PaSS implementation.
- The number of spoilers pitted against the PaSS are numerous, well resourced, and dangerous. As such, PaSS implementation requires a strategy for 'bringing over' so called "reconcilable spoilers" – and tackling through law-enforcement means those that remain "irreconcilable". It also means that individuals involved in PaSS implementation will require protection and contingency plans for their possible evacuation.



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ANNEXES

ANNEX A: DEFINITIONS AND GENDER PERSPECTIVES ON CONTEXT

DEFINITIONS

Three key terms are used throughout the Baseline Report, namely conflict, peace and security. Defining these is critical for conceptual clarity and coherence. The definitions given below are those seen as having most relevance to the institutional and regional context of the PaSS.

The CEG draws on two definitions of conflict identified by the West Africa Network for Peace building (2000) as the most applicable to the Niger Delta context:

- “Conflict is an escalated competition between two or more parties, each of which aims to gain advantage of some kind – power, resources, interests, needs, for example. At least one of the parties believes that the conflict is over a set of mutually incompatible goals” (Laue (1992), quoted in WANEP, 2000).
- “Conflict is a struggle over values or claims to status, power, and scarce resources, in which the aims of the conflicting parties are not only to gain the desired values but also to neutralize, injure or eliminate their rivals” (Cosser, 1968)

Peace is defined here as “durable” or sustainable peace:

“‘Lasting’, ‘positive’ or ‘just peace’ involves a high level of cooperation at the same time as awareness and pursuit of conflicting interests. Parties value their overall relationship more than specific self-interests. Separate interests are pursued *within* peaceful, institutionalised dispute settlement mechanisms; parties feel no need for military force to safeguard security against others. Co-operative, regulated conflict hinges on shared values and goals, accommodating political institutions, outlets for political expression and access to decision-making” (Lund (1997), quoted in Schmid, 2000).

Security is defined here as “human security”:

“Human security means safety of people from both violent and non-violent threats. It is a condition or state of being characterized by freedom from pervasive threats to people’s rights, safety, or even their lives...The litmus test for determining if it is useful to frame an issue in human security terms is the degree to which the safety of people is at risk” (DFAIT, 1999).

GENDER PERSPECTIVES ON CONTEXT

Applying a gender lens to the internal and external context of the PaSS provides the CEG with insight into the present and potential roles men and women play in promoting peace. The CEG developed a preliminary gender analytical framework aimed at mainstreaming gender issues and concerns into results of the Baseline Report. The underlying assumption of using a gender framework is that understanding gender relations is an essential prerequisite for any sustainable development and peace building activity. The initial engendering of the report is an essential starting point to ensure that subsequent strategies are engendered.



It is hoped that mainstreaming gender into the Baseline Report will inform designers of the PaSS on areas that might have been overlooked in previous attempts by SCIN to engage local communities. Key findings from the application of the gender analytical framework to the internal and external context of the PaSS are presented below.

Internal context

As part of the process of applying a gender lens to the Baseline Report, the CEG examined SCIN's existing internal gender structures, with the aim of linking internal policies and practices with external realities. This review revealed the following:

- There are strong gender policies within SCIN, but policy implementation is weak.
- SCIN's response to engendering its community development efforts has been the initiation of gender specific initiatives, i.e. women's programmes. These are largely standalone programmes that involve only minimal collaboration with other departments in Community Development.
- Women's initiatives in peace building have been limited to training workshops, and there is no method of gauging how women trained have contributed to peace within their communities.
- There is little collaboration between the women's peace programmes in the Eastern and Western divisions of SCIN. Each programme runs autonomous initiatives and as a result SCIN's gender policy is incoherent.
- Issues of gender are not mainstreamed in Participatory Rural Appraisals (PRAs).
- A gender lens is presently absent from all project design and implementation.
- A gender lens provides future conflict interventions with foundational understanding of the intricacies of social structures and relationships in Niger Delta communities.

GENDER-RELATED DEFINITIONS

Gender refers to the socially construed roles and responsibilities of women and men. (It)...includes the expectations held about the characteristics, aptitudes and likely behaviors of both women and men (femininity and masculinity). These roles and expectations are learned, changeable over time, and variable and between cultures.

Gender relations are simultaneous relations of cooperation, connection, mutual support, and of conflict, separation, competition, of difference and inequality. It is concerned with how power is distributed between the sexes.

Gender analysis assesses, explores and highlights the relationships of men and women in society, and the inequalities in those relationships.

Gender mainstreaming is a strategy to support the goal of gender equality. It has two general dimensions: (a) the integration of gender equality concerns into the *analyses* and *formulation* of all policies, programmes, and projects; and (b) initiatives to enable women as well as men to formulate and express their views and participate in decision making across all development issues.

External context

Communities in the Niger Delta region are mainly rural with traditional social structures. Though these structures have eroded over time, tradition and culture remain key factors that guide interaction among groups. Informed understanding of social relations in the region will guide designers of the PaSS to develop strategies that strengthen local capacities and build cohesion.

The gender analysis framework developed by the CEG was tested in two sample communities, which are "host communities" to SCIN. Findings are outlined in below:

- The hierarchies present in communities start from Chiefs/Elders, youths, Community Development Committees (CDCs)/Town Unions, etc. to women and children.
- While conflicts in the Niger Delta have led in some cases to a hierarchical exchange in position between the youths and elders, the status of women has remained constant.



- Traditional and political power and decision making is largely the preserve of men. Women's leadership is ceremonial and/or confined to women as a class.
- The causes of conflict are attributed differently by men and women but both closely associate conflict with presence of oil companies.
- There are high illiteracy rates among all groups within communities, but men are generally more educated than women.
- Men and women are local income earners and highly dependent on the presence of the oil companies. However, each group approaches this dependency differently; men from a rights based approach, women from a basic human needs standpoint.
- Men and women respond to conflict differently; analysis reveals that men are more involved in violence as a response to conflict, and women in non-violent responses, e.g. demonstrations, picketing etc.
- Women are seen as victims and not actors in conflict. Their contributions to peace building are often overlooked and/or undermined.
- Women organise and mobilise into effective groups and associations at the micro level. These groups are recognised avenues for engaging women.
- The role of women in the community is such that uncharacteristic vocal and public uprising by women on key issues draws significant attention. This is evident in the reactions to women's mass demonstrations.

STRATEGIC IMPLICATIONS

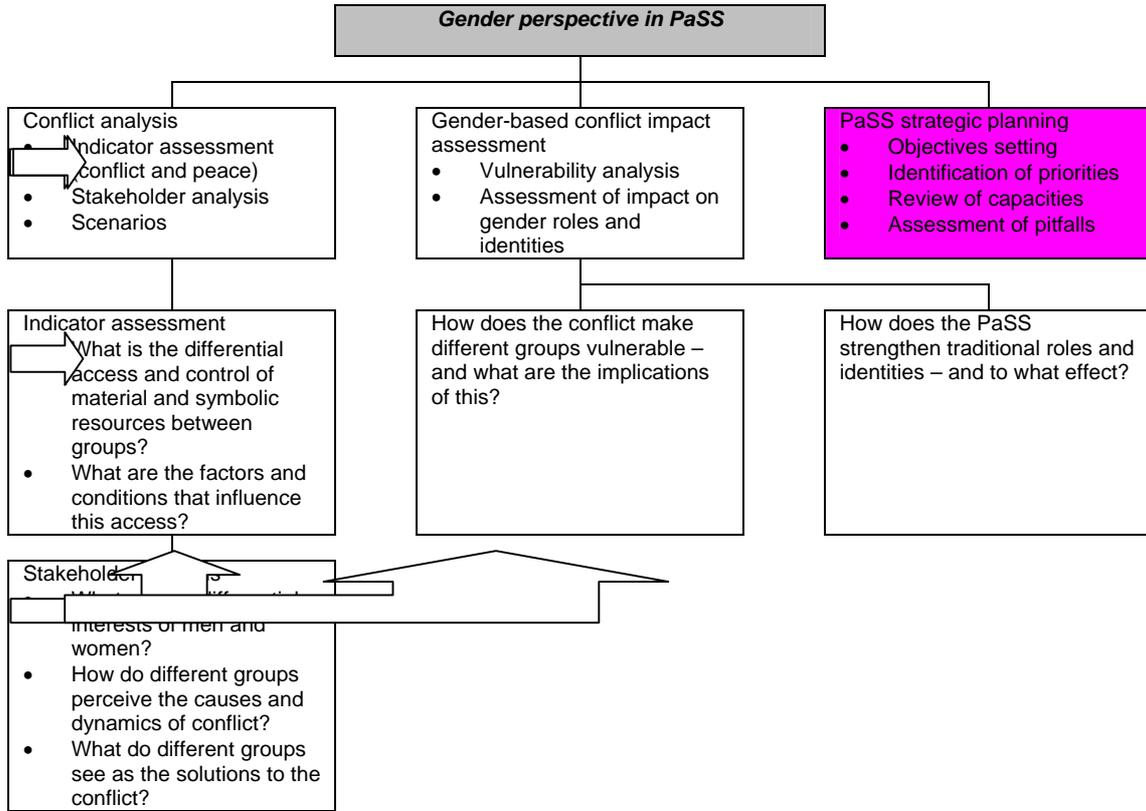
In terms of strategy formulation and implementation processes, this report concludes that PaSS will not be one strategy – but a series of strategies developed over time, each based on substantive research as well as facilitated processes that draw on key stakeholders and implementing partners. Incrementally, their implementation helps tackle the causes of conflict and conflicting interests, as well as strengthen peaceful dispute settlement mechanisms. Ultimately, PaSS will enhance human security in the Niger Delta. To be successful and positively affect the lives of people, however, each strategy has to be fully engendered.

A number of specific strategic implications can be drawn from the above sections:

- The limitations of the Baseline Report mean that the 'bird's-eye' perspective provided has to be coupled with more thorough issue-specific research on priority areas identified for the PaSS. As such, there will be several peace and security strategies, each based on substantive research (baseline reports) *as well as* facilitated processes that draw on implementing partners.
- The objective for SCIN to contribute to conflict resolution and sustainable peace means that the PaSS is to: (a) tackle the causes of conflict and address conflicting interests between groups; (b) find ways to ensure that separate interests are pursued *within* peaceful, institutionalised dispute settlement mechanisms; and (c) enhance the safety of people that are at risk.
- From a gender perspective, in order to effectively address conflict; a human dynamic, PaSS activities should include efforts to mainstream gender into all projects, teams, and initiatives. This will help ensure that differential group vulnerabilities are identified at early stages of interventions, and that **conflict interventions can be made more effective by utilising the untapped potential of women leaders, women's organisations, and women networks as actors for peace.**



The diagram below describes how a gender perspective will inform all stages of the PaSS.



ANNEX B: INTERNAL MANAGEMENT NOTES

MANAGEMENT NOTES ON THE CONFLICT-POLICIES LINK

- Land acquisition policies reward groups and individuals based on how they are different from others, not according to what they share or have in common. This makes it increasingly difficult for SCIN to implement an agenda around partnerships between communities based on a larger and shared vision for the Niger Delta.
 - ❖ Support and advocate for a yield-based compensation system that combines economic life and current market prices.
 - ❖ Shift the focus from individual landownership to a traditional one based on family ownership (as is the case in land communities) or communal ownership (as is the case in swamp communities).
- Hiring policy: Commit to achieving a certain percentage of Niger Delta staff in various management levels over a period of time. SCIN and stakeholders could agree that this commitment serves as a benchmark of positive corporate efforts to maintain a LTO.
- Oil spill policy: Do not announce the cause of an oil spill before its cause is officially determined.
- Contracting policy: SCIN bears final responsibility for all community-related matters. Contracting out work should not mean contracting out responsibilities since, ultimately, the community holds SCIN accountable for contractor behaviour.
 - ❖ Develop strict rules and regulations for contractor-community relations, and consider a violation of these strictures a breach of contract, to avoid claims from contractors due to self-induced violence against projects.
 - ❖ Make the inclusion of a local content plan in each project mandatory. This implies that large contracts are split up in smaller pieces so that they become accessible for local contractors. SCIN also provides business development support (access to financial institutions, “soft” skills and technical capacity strengthening) to local contractors to reach SCIN standards.

MANAGEMENT NOTES ON THE CONFLICT-PRACTICES LINK

Budget management

- Ensure that budget cuts do not interfere with contractual obligations in land acquisition deals.
- Disconnect the SCD budget from a short-term operations perspective aimed to satisfy immediate community requests. Instead, use an analysis of what fundamental problems need to be solved and what existing capacities can be strengthened as the basis for a community development approach.
- Take all (potential) costs of conflict and all (potential) benefits of peace into consideration in any costs-benefit analysis with regard to communities.

COSTS OF CONFLICT
<ul style="list-style-type: none"> ▪ Illegal bunkering ▪ Contractor claims (force majeure) ▪ Actual work stoppage ▪ Budgeted down-time due to community unrest ▪ Higher compensation rates for land/damage ▪ Security costs ▪ Increasingly expensive CD projects ▪ Litigation costs ▪ More CD/CR staff ▪ Insecurity makes it more difficult to attract good staff ▪ Seating money/ Homage/ Ransom/ Ghost workers ▪ Community contracts as compensation ▪ Higher staff costs (insurance/danger allowance)



Transparency

- Be transparent about how much is being paid, to whom, for what reason and based on which formula.
- Ensure transparency about all aspects of both the oil spill investigation process as well as the compensation process.
- Engage with communities in the village and in public when important decisions are taken. This means that local leaders are held accountable for the agreements they make. Community members witness the process and hear the outcomes and this increases their ownership for the process.
- Ensure that all signed documents are made public. This way, signatories are held accountable for what they sign.
- Only written agreements are valid. This needs to be clearly communicated to communities.
- Establish a transparent and widely owned communication process. This could be a combination of town hall meetings, public notice boards, taping meetings on video, radio broadcasts, periodic newsletters and other means.)
- Increased transparency does not imply that every local stakeholder has a right to know everything. Rather the point is to ensure that communities feel that SCIN has made a genuine attempt to put an end to internal corruption and to inform communities as much as possible about decisions that affect them.
- Extract lessons learned from project teams that have based their community engagement models on full transparency such as the Project Advisory Committee (PAC). Such approaches have yielded success in resolving conflicts through non-violent means and zero days lost to community unrest.

Short and long-term needs

- Consider that as part of a sustainability approach, each community project should have a fund-generating component. This would allow for the training of skills currently lacking in communities such as business development, management skills, and budgeting.
- Define “successful operations” both in the short and a long-term, and integrate the elements of this definition into the scorecard system. This implies that managers will be evaluated on *how* they reach production targets in addition to *if* they reach targets. The current reward systems are based on tasks and targets that measure output rather than impact.

Dividers and connectors

A number of areas have been identified that divide and connect both communities and communities-companies.

- Include more communities within one area in the same PRA exercise. A focus on shared interest and co-operation between and within communities to make a CD project successful will increase the likelihood of unification and decrease tensions over access to benefits between communities. The outcomes could include joint programming and pooling of community resources.
- Evaluate SCIN experiences with interdependency projects that only function if company facilities are operational. One example is the linking of gas turbines to flow stations.



Communities see a direct benefit from the company's presence and also feel the consequences of interruptions.

- Encourage programmes that foster interdependence between communities or within communities (fishing capacity in one community and fish-processing capacity in another community) and contractors from various communities can be encouraged to join efforts in obtaining contracts.

Coherence

- Provide guidance to SCIN managers on how to respond to: (a) violence; (b) oil diversion; (c) community demands; and (d) disruption of law and order. SCIN principles of these issues need to be standardised, announced, enforced and maintained.
- Follow through on a zero-tolerance approach with regard to violations of its business principles. This approach needs to be implemented across the organisation, announced prior to implementation, and consistently applied.

Rewards for constructive behaviour

- Establishing sustainable relationships with communities requires a re-interpretation of "risk" from one that only focuses on manifestations of community behaviour to a definition that also includes company practices and decisions that leave communities with few options to communicate other than through violent or obstructive behaviour.
- Establishing sustainable relationships with communities also requires a re-interpretation of engagement on a "needs" base. From one only reacting to obstructive behaviour to one that includes the "need" to prevent potential conflict issues pro-actively and to address real problems and solve them.

Quantity versus quality

There appears to be significant emphasis on quantitative performance indicators, as opposed to a more qualitative approach required for sustainable community relationships.

- Develop performance indicators that measure the ability of CLOs and CDOs to foster: (a) cordial and constructive relationships with communities; and (b) an improved community perception about SCIN. Examples of such indicators may include the number of MoUs delivered effectively and on time, number of CDCs able to produce proposals according to SCIN standards, and number of shutdowns in an area compared to other companies operating in that area.
- Report systematically on field visits or community interactions. The current absence of such practice limits the value of the Relations and Issues Management System (RIMS) and allows for perceived promises and commitments made by the company.
- Action is needed in multiple areas to rectify poor community engagement practices, including:
 - ❖ Provide guidance, training and backup to CLOs to be clear and transparent about what the company can and cannot do.
 - ❖ Ensure a process by which commitments are only made based on available budgets.
 - ❖ Create a database of all outstanding promises that have been made in the past. Verify if these promises are still valid and consequently be seen to be addressing the old promises in order to restore trust.
 - ❖ Part of a staff induction could include a module on cultural values, do's and don'ts with respect to community interaction and awareness of the Niger Delta issues.
 - ❖ Design an exit program for staff ready to retire to ensure they become SCIN ambassadors rather than SCIN saboteurs.



MANAGEMENT NOTES ON THE CORPORATE CULTURE-CONFLICT LINK

- Consider providing SCIN contracts for all CLOs and a career path to improve the state of the position and increase the stakes of the CLOs in the company (through individual performance bonuses). Furthermore, the CLO position has to be seen as a “profession” with clearly defined competencies that enjoys respect in the organisation and is able to attract high-flyers.
- Limited CLO capacity has to be addressed, with ongoing training initiatives in communication skills, negotiation skills, persuasion, dealing with resistance, etc. CLOs should also be supported to spend the majority of their time in the field on routine visits, not only in response to problems.
- It might be necessary to explore the option to recruit CLOs from the same ethnic background as the communities they are liaising with, but not from these particular communities to avoid that CLOs are too easily being subjected to community pressure. Such CLOs speak the language and are much more aware of the problems faced locally.



ANNEX C: REQUIREMENTS FOR PASS IMPLEMENTATION

In the period leading up to PaSS formulation, a number of preparatory activities and internal capacity-building initiatives need to be launched.

PREPARATORY ACTIVITIES

Decision-making and budgets

Given that initial PaSS implementation is likely to require rapid decisions and budgetary flexibility, it is important to ensure that top management allows for localised decision-making.

Ownership

PaSS and its implementation plan needs to be formulated through a facilitated process that involves key stakeholders working on the internal/external issues identified in the Baseline Report.

In parallel, an awareness-raising campaign needs to be launched to make SCIN staff more conflict sensitive.

Commitment

Senior management has to agree that for the PaSS pilot only constructive engagement methods (and by implication no use of military to disperse demonstrators, no cash payments, no promises and commitments under pressure, etc.) are applied when dealing with legitimate community grievances.

Consequence management

Consequence management systems need to be put in place to give staff involved in implementing PaSS the necessary incentives to make it successful.

Lobbying and advocacy

Given the number of spoilers that might try to undermine the PaSS, as well as the need for burden sharing with other groups, a lobbying and advocacy strategy needs to be developed. Lobbying will be required particularly in relation to the Federal government – and this exercise has to be outsourced to protect the company. Advocacy efforts in relation to other stakeholder groups will involve meetings, workshops, printed material, and website development.

Community engagement

A stakeholder analysis needs to be undertaken of the PaSS pilot communities in order to understand who will play a constructive role in the initiative, and who is likely to sabotage it. Different approaches need to be devised in order to ensure constructive community engagement in the PaSS.

CAPACITY-BUILDING REQUIREMENTS

Current internal conflict management approaches are disparate and incoherent. They are also not valued in the company, are mostly reactive (rather than proactive), and not compulsory.



Increase co-ordination between existing conflict management efforts

Conflict management efforts should be linked institutionally to one another, and to the PaSS process.

Create an enabling environment for effective conflict management

Build capacity of front-line staff. Provide training in conflict resolution and community relations for frontline staff. Also, it will be necessary to develop guidelines (e.g. how to deal with community requests, etc.) for consistent behaviour.

Create a PaS office. Internally, the PaS office should: (a) provide advice and guidance to SCIN staff (reactive and proactively based on risk assessments); (b) provide a forum for internal discussion of lessons learned during the PaSS implementation process; (c) conduct conflict analyses and risk assessments – as part of the project decision-making process to ensure that the conflict aspects of any project is factored into its design; and (d) investigate community incidents in line with the HSE approach. Externally, the office maintains links with donors, NGOs, academia, and consultants that can be helpful in implementing PaSS.

Develop impact measurement tools. These should initially include a cost-benefit analysis framework and a risk assessment methodology.

- Currently, efforts to effectively transform conflict situations (e.g. PAC in the Cawthorne Channel) are in some parts of the organisation seen as beneficial, and in others seen as too costly when measured against SCIN objectives. In order to generate further institutional buy-in to the PaSS it will be important to show savings and other benefits that follow its implementation. A cost-benefit analysis framework needs to be developed that can be applied 'before' and 'after' PaSS implementation in specific areas.
- A risk assessment methodology that quantifies/qualifies the risk of conflict in specific areas needs to be developed for the following reasons:
 - ❖ It will enable the measurement of impact of the PaSS (e.g. high risk before PaSS, low risk after).
 - ❖ It will provide insight into how SCIN assets and property are at risk, thus serving as a tool for security personnel.
 - ❖ It may be used to guide SCIN investments/projects (e.g. how to invest and when).

Develop standardised procedures for conflict resolution. Such procedures should be automatically activated when conflicts reach a certain level – and should be obligatory to follow.

Conduct a feasibility study on early warning

In order to monitor the overall impact of micro-conflicts and Delta-wide conflict indicators on Niger Delta stability, an early warning system needs to be put in place. However, given the sensitivity of early warning (seen by some as an intelligence system) a feasibility study should be undertaken prior to its establishment. The study needs to assess the following:

- SCIN intelligence information and its value for early warning.
- SCIN data management systems and how these can be used for early warning.
- SCIN information sharing mechanisms with government.
- Other available sources of information and analysis on the Niger Delta.
- The potential for partnerships in the development and management of an early warning system.

Based on the above, an appropriate approach for SCIN early warning can be designed and implemented.



Advisory support

In order to guide SCIN through the preparatory activities – and assist in meeting capacity-building requirements, an external/internal consultant (Conflict Advisor) should be recruited to work with the PaSS team who has knowledge of the field and access to expertise is required for the PaSS. For local legitimacy, this person should be Nigerian.

END

