COLLABORATIVE LEARNING PROJECTS

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

Operator: Elf Petroleum Nigeria Limited (EPNL)

Nigeria

June 30 – July 13, 2004

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PREFACE

The Corporate Engagement Project (CEP) is a collaborative effort involving multinational corporations that operate in areas of socio-political tension or conflict. Its purpose is to help corporate managers better understand the impacts of corporate activities on the context in which they work.

In all our visits, we make observations and listen to stories we hear from staff, local communities, politicians, contractors and many other stakeholders. After crosschecking the accuracy and consistency of the feedback we obtain, we analyze its content and provide this to company management in a way that aims to be practical and constructive. Hence, in many ways this report is not "our" report. Rather, it reflects the opinions of those company staff and local stakeholders that we spoke with and who were willing to share their observations and who provided suggestions for chance. The CEP team merely served as an independent venue ("porte parole") for these stakeholders to express their opinions freely and to analyze the overlap, or discrepancies, between the various opinions. In the cases where the CEP team made its own observations, the intention is always to be factually correct. As well, these observations should serve the purpose of contributing to improved stakeholder relations.

Against this background Akachukwu Nwankpo, Principal Consultant of Sullivan and Sullivan Consulting in Port Harcourt, and Luc Zandvliet, Project Director of CEP, visited the operations of Elf Petroleum Nigeria Limited (hereafter mentioned as EPNL) in Nigeria from June 30 – July 13, 2004.

After the introduction (Chapter I), in which we explain our approach, the report is divided into four parts. The first section reports on general observations (Chapter II) followed by a brief introduction to the social and political background in the area of Total's operation (Chapter III). The major part of the report takes a problem solving approach by analyzing the issues within the control of EPNL that have an impact on the company's relationship with local communities (Chapter IV) which is a first step in determining indicators of success (Chapter V) and the options available to the company to reach this objective (Chapter VI). Chapter VII consists of the conclusion.

We invite feedback on the observations laid out in this report. In all of CEP's efforts, we work to establish partnerships between groups with different agendas with the ultimate objective of increasing the positive impact that companies have, or can have, on the quality of life of people where they operate.

It is noted that the observations as laid out in this report are a snapshot of the situation in OML 58 in August 2004. EPNL's emphasis on establishing and maintaining strong stakeholder relations (of which participation in the Corporate Engagement Project is an example) have continued, and even increased, after the CEP visit. Hence, some of the observations described in this report may no longer be accurate at the time of publication.

I. INTRODUCTION

The visit to Elf Petroleum Nigeria Limited (EPNL) in the Niger Delta sought to address one main question posed by EPNL management: Why is it that the good intentions and the considerable resources allocated to establishing cordial relations with local communities and other stakeholders have not yielded the positive results the company had hoped for?

During an initial briefing with EPNL's senior management in Lagos, it was decided to focus efforts on the land area where EPNL is currently operational, named Oil Mining Lease 58 (hereafter referred to as OML 58) where the company is working in several communities and where company-community tensions are, as a result, more apparent.

In Port Harcourt and on site at OML 58, the CEP team spoke with over 30 staff from 18 different departments in the organization. In addition, during our visits to OML 58 we spoke with over 70 community representatives including traditional leaders, youth groups, women's groups, landlords, people referred to as the elite, politicians, local contractors and others that are part of subgroups in society. In order to be as inclusive as possible, the CEP team spoke both with representatives of the largest clan in OML 58 (the Egi clan) and with non-Egi clans. We also spoke with both "oil-producing" communities and families (who derive the most direct benefits from EPNL's presence), and "non oil-producing" communities, and non oil-producing families within oil-producing communities.

For comparison, we looked at how EPNL operates in riverine areas where the company has no operational activities in the village but only off-shore activities. In the villages that would most likely be affected in case of an oil spill, the company supports a Pro Natura International (PNI), an NGO. PNI's project in Iko town (associated with Unit operations in OML 99/70) was visited. Visits with government officials (LGA officials on a local level and the NDDC on a regional level) and with other oil companies (NAOC) also took place to gain additional perspectives.

II. GENERAL OBSERVATIONS/EXECUTIVE SUMMARY:

Ø The importance to the CEP visit given by the EPNL Managing Director was much appreciated by both EPNL staff as well as community representatives. Communities believe that the company tries to do the right thing but express concern with regard to individual staff behavior. We did not speak with anybody who wanted the company to leave.

Ø The CEP team encountered a consistent determination among EPNL Nigeria's senior management to strengthen their relationship with local stakeholders. The unconditional invitation to the Corporate Engagement Project to conduct an assessment is only one example of this commitment towards "getting it right".

Ø On the ground, the external context includes ingredients such as a history perceived as "buying peace", a perceived favoring of some groups over others by EPNL, rapidly increasing community expectations, and oil politics. Applications of these dynamics are insufficiently understood by EPNL partly because the company works in many respects in a social and political intelligence vacuum. At the same time, the company, by definition, affects, and is affected, by this political process as the company deals with community groups that are, themselves, involved in the political process. The engagement strategy that worked in the past is no longer adequate to meet increasingly coordinated and coherent community demands.

Ø While several EPNL staff seek an explanation for company–community tensions outside the company (unemployment, lack of Government services), several operational policies and practices – unintentionally – exacerbate, feed into, or create conflict. In addition, internal organizational issues

negatively reflect on external stakeholder engagement. Since it is within the control of the EPNL to influence these aspects, it is, therefore, possible for EPNL to impact stakeholder relations positively.

Ø The CEP visit identified ten issues that contribute to tensions between EPNL and local stakeholders. These can be organized into three broad categories:
   A. Issues related to how EPNL engages with local stakeholders on a daily basis:
      1. With whom EPNL engages in the community,
      2. How the day-to-day community engagement take place,
      3. When and where this engagement takes place.
   B. Issues related to getting access to benefits:
      4. Contracting issues,
      5. Employment opportunities,
      6. Access to social services through "Sustainable Development" projects.
   C. Issues related to internal management that have external impacts:
      7. Sustainable Development as a concept,
      8. Internal and external consequence management,
      9. Synergy between departments,
      10. Internal conflict management capacities.

Ø Externally, partly based on historic factors, company-community engagement evolves around:
   § Favoring certain groups over others;
   § Cash-transfers (e.g. through work orders) as a tool for conflict management
   § Working with people or groups that may lack representative legitimacy
   § A focus on oil-producing families, thus creating "haves" and "have nots"

Ø This has created a mindset both in the community as well as in the company that has two main components:
   § First, that providing money is the main tool for community engagement; CRO's feel they have no reason to visit a community without the ability to provide cash,
   § Second, it encourages a short–term perspective on both sides. The lack of providing a long-term perspective to communities combined with a corporate decision making process based on reaching short-term production targets feeds into a communal grab-it-while-you-can approach.

Ø The result of this approach is that:
   § Many community members express their desire to have a more "neighborly relationship" where the company is seen as closer to the community.
   § Only those groups that obstruct operations (or threaten to) are "compensated". Communities observe that vocal or violent behavior, not peaceful behavior is rewarded.
   § Groups increasingly form factions since they see their interests not being represented by their "leaders" and they recognize that forming smaller groups yields more company benefits.

Ø Operationally, handing out various types of contracts are the de facto cornerstones of the community relations program. This approach is admittedly ad-hoc, re-active, short term, and not sustainable, while the administration of this policy is largely based on individual decision making rather than based on company policy.

Ø Sustainable development projects are largely in response to demands from groups in communities (not based on PRAs or needs-assessments), largely focus on infrastructure (rather than also on institution building) and are not systematically monitored. Ownership for such projects is, generally speaking, low and does not yield the company the credit or social license to operate it anticipates.

Ø Internal tension between departments, lack of transparency and the absence of a single department or person that is responsible for community related matter leads to allegations, undermining of community efforts and distrust between departments. Describing these internal issues is relevant provided they have external consequences and fuel company-community conflict.

Ø Establishing a clear vision with regard to community relations supported by a strategy, guidelines and protocols that are agreed upon both by the concerned departments as well as by external stakeholders is a first step towards establishing a positive, long term and constructive relationship between the company and its stakeholders. This implies a systematic sustainable development approach (partly contracted out to a specialized NGO) aimed at providing "maximum benefits to local people."

Ø It is proposed that EPNL establish a cross-departmental working group to address the observations mentioned in this report and to design a roadmap towards a more inclusive, transparent and empowering stakeholder engagement approach. Various opportunities exist to enhance the legitimacy of the still functioning traditional authorities as well as local government officials.

III. INTRODUCTION TO THE SOCIAL AND POLITICAL SITUATION IN OML 58

In order to put the report in a larger perspective, following is a brief introduction both on the traditional characteristics of the communities residing in EPNL's area of operation. This is followed by discussing some of the most relevant aspects on the local oil-politics in the community.

Traditional characteristics of OML 58:

Ø The OML 58 area consists of 5 clans. The Egi Clan is by far most significant for EPNL as 70% of EPNL operations take place in "Egi-land." Egi sets the tone for how other clans relate to EPNL. Of the four other clans, only two have oil-producing communities.

Ø The Egi clan consists of 17 communities of which 7 are "producing" communities.

Ø Each community has four groups: elders, women, youth and the elites. The majority of the "elites" reside in main towns such as Port Harcourt.

Ø Egi is part of the Ogbah kingdom and thus must operate within the context of the larger Ogbah interests. Traditionally, authority within the community lies on three levels; the family level which is under the oldest man in the family (who may also be a chief); the community level which begins with the council of the elders of the various families called the "Ama-ala" and culminates in the paramount ruler of the community called the "Ochi-Oha"; the clan is headed by the king or clan head (the Eze of Egi).

Ø The Egi decision-making is, traditionally, consensus based. The decision-making power within society occurs at the family level, whereas community meetings serve to reconcile differences between family perspectives. Communal decisions are made through negotiations between family delegations that have received "delegated powers" (NOT representative powers) from their family elders.

Ø The "clan" is not linked to the community decision making structure and is largely based on historical and loosely defined alliances. Hence the power base of the traditional or clan head ("Eze Egi") is conditioned by such alliances, which may change from time to time.

Ø Modern trends have introduced Community Development Committees (CDCs) and Youth organizations as units of decision making, power, and influence in the communities. This is plays out in the Egi communities, as well as at the clan level. These bodies are mostly dominated by the community elites and who in most cases are influenced by other factors outside the community (e.g. political considerations).

Ø   In Egi culture, the family that "owns" the land where assets are based has the exclusive right to benefits arising out of the land. Neighboring communities or families cannot object to, interfere with, or try to obtain a share of the benefits without deferring to the landlords. The distribution of such accruing benefits is at the discretion of the family but is traditionally expected to be done with proper care, taking into consideration the interests of the rest of the community members.

Background on the "oil-politics" that takes place within the community

The presence of oil in Egi land has brought a fundamental distortion of the traditional way the communities relate to themselves by splitting the community into two broad lines, which currently is impacting drastically on the traditional lines of social relations in Egi land.

Ø   Against their cultural pattern of defining communities along kinship lines, Egi communities are now defining communities as oil-producing and non oil-producing communities. Similarly, families are distinguished as oil producing and non-oil producing families. Rights and benefits coming from oil are also shared along the same lines with oil producing communities and families contending for more than their non-producing neighbors.

Ø   There is also a proliferation of "pseudo-institutions". They may have begun as modern institutions for the advancement of community interests, but they have become systems developed by influential individuals or groups of individuals. Because they are driven by personalities and personality cults, these institutions become platforms for the pursuit of personal interests or particular group agendas that are not defined by the collective consultation of the community. Prominent among these pseudo-institutions is the Egi Youth Federation (EYF) which poses as the umbrella youth organization on the Clan level that, technically, represents all 17 community youth groups, both oil-producing and non oil-producing. Others are the Egi Peoples Forum (EPF); Egi Women Welfare Association (EWWA); Oil and Gas Producing Families Association.

Ø   These institutions appear to dominate the communities in the clan and have usurped the functions of more legitimate institutions such as the Egi Council of Chiefs; the Ochi-oha and the Ama-ala, Community Youth organizations, and Community Development Committees of the various communities, and the OML 58 consultative committee (a joint institution set up between EPNL and the communities in the OML 58 prospect). Ongoing competition between these legitimate institutions and the pseudo institutions has created an atmosphere of confusion and disorder in the communities.

Ø   The practice of some EPNL staff of picking and choosing between these institutions at different times makes each agreement reached with any group vulnerable to attack and rejection by the next group. This is best exemplified by an ongoing battle over the MOU signed between EPNL and the Egi communities, which now is being contested by the Oil and Gas producing families association. This situation led to the shut down and blockade of the facilities of EPNL during our visit. When these crises erupt, influential politicians from the clan move in to apply "band aids" to the wounds without addressing the substantive issues behind the breakdown of vital links.

IV. ISSUES LINKED TO COMMUNITY AND COMPANY COMMUNITY-CONFLICT

One main goal of our visit with EPNL was to determine why the good intentions of EPNL and the resources allocated to community issues is not yielding the positive relationship with local stakeholders or license to operate the company had hoped for.

We asked both community as well as company members about their perceptions about themselves and each other. The most frequently mentioned elements were:

Communities state that the root causes of conflict with the company are related to:

    a. Access to contracts and employment opportunities.
    b. Lack of transparency about company policies and practices.
    c. Unsatisfactory social services provided by the Government or by EPNL.
    d. An engagement approach perceived to be based on favoring some groups over other groups at different times.
    e. Distance between the company and local stakeholders, which is seen as "not caring."

When they speak about their own communities, community members state:
    a. Their traditional leaders are greedy, ignorant and selfish.
    b. Leaders charged to represent group interests, in particular EYF and the Oil and Gas Producing Families Association, fall short on expectations.
    c. Interference by politicians in community matters occurs through intimidation (some politicians back the EYF) or sometimes through peace building efforts.
    d. Landlord families are overbearing.
    e. Tension between oil-producing communities and non oil-producing communities.

Company members speak about the community as:
    a. Disorganized; "Who is the community?"
    b. Fragmented. A constant proliferation of interest groups.
    c. Representatives are driven by personal interests rather than by community interests.
    d. Unable to deliver on commitments.
    e. Focused on the short-term.
    f. Always demanding more.
    g. Using EPNL as a proxy-target to obtain benefits in the absence of Government.

When they speak about their own company in relation to communities, staff state:
    a. The company is operations focused rather than community focused.
    b. Other departments see the Community Affairs Department as isolated and inefficient.
    c. There is a lack of synergy between departments and within departments due to a) blocked, or lack of, flow of information; and b) no consultation between departments about matters that have community implications.
    d. It is not clear who in the organization is accountable for community issues.

These perceptions, reinforced by our analysis of interviews with community analysts, NGOs, and others, lead us to conclude that the following ten issues contribute to tensions between EPNL and local stakeholders. These can be organized into three broad categories.

A. Issues related to how EPNL engages with local stakeholders on a daily basis:
    1. With whom EPNL engages in the community,
    2. How the day-to-day community engagement take place,
    3. When and where this engagement takes place.

B. Issues related to getting access to benefits:
    4. Contracting Issues,
    5. Employment opportunities,
    6. Access to social services through "Sustainable Development" projects.

C. Issues related to internal management that have external impacts:
    7. Sustainable Development as a concept,
    8. Internal and external consequence management,
    9. Synergy between departments,
    10. Internal conflict management capacities.

Common to each of these categories is the fact that the company has a direct impact on these issues. Thus, it is within Total's control to address each of these areas and to transform them from having a negative impact to having a positive impact on stakeholder relations.

The next chapter will discuss each of the problem areas in more detail and explain how they impact stakeholder relations.

A. Day-to-day stakeholder engagement; with whom, how and when?

A first step towards improved stakeholder relations is to analyze how, where and why things go wrong. This chapter discusses the main causes that affect and are affected by EPNL operations. Each section is divided into observations, consequences, and options for change.

Many EPNL staff seek an explanation for company–community tensions outside the company. They assume 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. Many companies consider the Niger Delta as one of the most difficult working environments for these reasons. However, as discussed in this report numerous day-to-day policies and practices can – unintentionally – exacerbate, feed into, or create conflict. The following three practices indicate that any company has more control over its working environment than generally assumed.

1. With whom does stakeholder engagement take place (community representation)?

Observations with regards to EPNL's behavior

Ø   In reaction to the proliferation of groups and sub-groups recognized in this society, EPNL limits the number of groups it recognizes to represent "the community." At the family level it deals with the oil-producing families through "contact persons." This contact person needs to have the blessing of the head of family.

Ø   During our discussions with the traditional rulers of Egi, they consistently mentioned that EPNL is not consistently dealing with such rulers, could show more respectful behavior when such leaders visit the EPNL offices and is undermining the authority of traditional rulers by legitimizing "the wrong leaders." For example, the Ochi-Oha's were not a signatory to the Egi MoU.

Ø   Although recognized culturally as the rightful owner of land, and the traditional base for decision-making, the landlord families were not explicitly represented in the MoU (only as a witness).

Ø   Contacts of the company with the Egi Youth Federation (EYF) creates a counterbalance to the power of landlord families, and more specifically to their family or community youth groups. This is partly by capitalizing on EYF's power, which is based on a standing force of 100 "security boys."

Ø   The Egi Youth Federation, which has organized the different MoU's, has been understood by EPNL to represent clan interests. However, the executive board of the EYF (as well as of the landlord association) is elected on individual title (each candidate has their own campaign) rather than being brought forward by the community to represent its interests on a Clan level. Therefore, the legitimacy of the EYF and the landlord association is a "functional legitimacy" (in terms of being able to "deliver" benefits to those they claim to represent) rather than a "representative legitimacy" based on support from the communities. Both groups largely base their legitimacy on support from politicians (who may use such groups for their own political purposes) and from companies such as EPNL.

	Clan level	Community level	Family level
Rooted in the	Eze-Egi (paramount ruler)	CDC Executive Council of Ochi-Oha's	Ama-alas (head of family)

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social fabric		Community Youth Group Community Women Group	Contact person for EPNL
Self-established representatives	Egi Peoples Forum Egi Woman Association Egi Youth Federation Oil and Gas Prod. Family Association		

Ø EPNL provides the EYF legitimacy through various means:
   a. By inviting them to "witness" important discussions with other community groups. EYF is generally called in to assist EPNL in dissolving community protest or flow station blockage. In general "witness" functions are accompanied by payments for providing these services.
   b. By allowing them to negotiate on behalf of others and allowing them to sign the MoU with the Egi clan as representatives of the Egi youth.

Ø EPNL has agreed to a formula for sharing employment opportunities in oil-producing communities; 45% for landlord families on whose land opportunities arise, 17% for the youth of that particular community, 30% for all other Egi youth (to be determined by the Egi Youth Federation) and 8% at the discretion of EPNL.

Job distribution formula	Possible beneficiaries
Landlord family (45%)	1. Oil-producing family youth
Oil-producing Community youth (17%)	1. Oil-producing family youth 2. Non oil-producing family youth in producing communities
Egi youth (30%)	1. Oil-producing family youth 2. Non oil-producing family youth in producing communities 3. Youth from non oil-producing communities
EPNL determined (8%)	

The exact definition of who gets what is not clear; theoretically youth from oil-producing communities could claim at least 92% of all available jobs. This is where tension rises between the different youth groups: oil-producing family youth, non oil-producing family youth (both in oil-producing and in non oil-producing communities) and the EYF.

Ø The EYF is currently seen by community youth groups, landlord families and company staff alike as "only thinking about the interests of the executive members". The organization is accused of selling "the EYF share" of job opportunities to contractors that want to bring in their own staff (instead of giving them to local Egi youth), of not representing the interests of non oil-producing communities, and of blocking access for youth to enter the EPNL system. During our visit, it became clear that the community youth groups (present in each of the 17 Egi communities) are unhappy with the benefits they receive from the Egi Youth Federation, which theoretically should represent their interests. They have established a Council of Community Youth that consists of representatives of all 17 communities, challenging the authority of the EYF.

Consequences

Ø By legitimizing self-appointed groups on a clan level (e.g. EYF and the landlord association) EPNL has –unintentionally- weakened the traditional and representative power structure at the community level. Hence the confusion within the company as to who "represents" the community.

Ø Legitimization by EPNL of self-appointed pressure groups has now led to the establishment of the council of CDC's and the council of community youth representatives (as mentioned above), who each see this as a way to access company benefits.

Ø EPNL's policies feed into an increasingly politicized process that is more and more difficult to understand. For example, the community dynamics of a blockage during our visit were not anticipated nor understood. This leads to EPNL reacting to symptoms rather than addressing root causes. At the same time, it appears that the community has begun to coordinate its efforts to maximize extracting benefits from EPNL.

Ø In practice, the EYF is used to:
   a. Select youth for employment.
   b. Be the community spokesperson.
   c. Be the *de facto* community force in quelling other interest groups.

Some EPNL staff are concerned that the power granted by EPNL to EYF strengthens their position to demand payments and contracts for civil work.

Ø Based on legitimizing a selected group of individuals, the company has created a class of the haves and the have nots:

The "Haves"	The "Have Nots"
Ø Egi	Ø The non-Egi
Ø Youth	Ø Traditional authorities
Ø Oil-producing families	Ø Non oil-producing families in oil producing communities
Ø Oil-producing communities	Ø Non oil-producing communities

Schisms between such groups leads to tension which, ultimately, leads to negative impacts on the company, as well as in the community.

Options

Ø Request all families, through a letter, to re-affirm that the Oil and Gas producing Families Association is representing the interests of the Landlord families.

Ø Alternatively, discuss with the families about the establishment of a Council of Family contact persons, who are directly appointed by the families themselves.

Ø Work to restore the authority of the Eze-Egi (as the clan head he needs to be informed about the decisions taken in his kingdom).

Ø Work to re-establish the authority of the Ochi-Ohas on a community level and that of the Ama-alas in their position as family heads.

NOTE: *Inevitably, when companies operate in a certain context, they become part of that context. Decisions or impacts can be either positive or negative, but, in a context of social or political tension such as Nigeria, never neutral. By definition, EPNL is politically involved; working with the EYF has political consequences, as does working with the Eze-Egi or other leaders. Therefore, the clause in EPNL's Code of Conduct about non-political involvement should be interpreted to as "being involved with political actors in a manner that does not constitute political interfering."*

A main aspect of understanding why communities who have received many material benefits may still hold grievances against the company is by recognizing the importance of the relationship aspects of engagement. Communities say the company is "distant" from them and speak about their desire to "have a neighborly relationship" with the company. The key to how a company operates is not only *what* it does but also *how* it operates.

Ø Currently, various kinds of contracts are the *de facto* cornerstone for community relations. This is partly formalized by calling the CRO officer on site the "field contract coordinator."

Ø Work orders for small-scale contracts are used as the preferred tool to respond to community demands or threats. To their credit, the CRO Department in Obagi recognizes that this is not a sustainable situation—but that it is the best available tool EPNL has to "make things work" pending implementation of effective sustainable development projects.

Ø Payment for "services" and other forms of cash transfer are widely practiced. No standards for such payments exist. EPNL staff negotiates payments that need to be paid prior to starting a job by contractors to community groups such as a) families, b) the EYF, c) community youth groups, d) clan elders, and e) clan women. In addition, a variety of community groups in all oil-producing communities receive monthly maintenance fees to up keep their offices. These donations are provided based on the understanding that interest groups cannot block EPNL assets without first speaking with the company.

Ø The use of MOPOL to escort staff sends a number of "implicit" messages to the community that widen the gap between the company and the community:
  a. New cars and the availability of good logistics for the MOPOL sends the message to the community that EPNL is more concerned about the protection of its own assets and staff rather than also being concerned about security for the community. Recent support (housing) for regular police in the village is seen as a positive development in this respect.
  b. Using MOPOL for escort in the community sends the message that the community is seen as a "risk" and cannot be trusted.

Consequences

Ø The assumption among CROs that relationships with communities can only be established "if money is involved" signals an obstacle towards genuine relationship building.

Ø Since the strategy towards implementing a no-cash policy is not clear, such practices continue to exist, especially since such measures, according to middle management, "are effective in achieving our short-term production targets".

Ø Communities see the company as "distant" and not genuinely caring about community concerns.

Options

Ø Set standards and guidelines that deal with the issue of cash payments. Since community groups are now used to these cash payments, they consider that these are their "right." Therefore, ending this practice needs to be replaced by something else. EPNL will need to demonstrate that the alternative is even more attractive to those currently receiving cash. This could be sustainable contracting opportunities, respect, reestablishment of traditional leadership, etc. Once a policy has been decided upon, it needs to be clearly articulated and endorsed by EPNL's MD so that contractors and CLOs can use this declaration as a "tool" in their stakeholder engagement efforts.
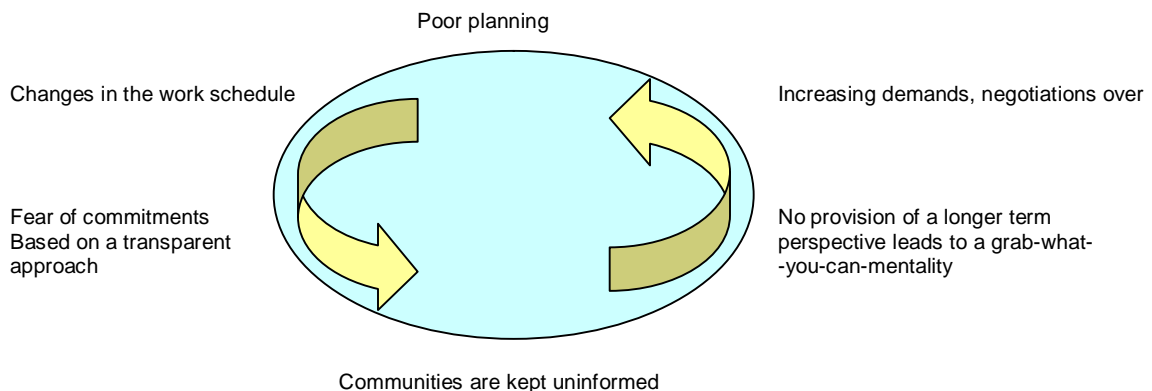
Ø Develop a sustainable and comprehensive stakeholder engagement strategy that replaces the current ad-hoc approach. This needs to be a concerted effort of various departments (HRM, contracting, CA/SD, security) and is aimed at providing maximum benefits to local people. This approach will be further examined in chapter VI.

Ø Develop guidelines for MOPOL involvement (or not), which balances the need for protection/security with the need to demonstrate EPNL's desire to maintain a close relationship with communities. For example, during the CEP visit we asked the MOPOL to dress in civilian clothing or to stay on site during our visits to the village.

3. When and where does community engagement take place?

Some company staff speak about their perception that the community only wants short-term material gains that benefit few people. The following observations may provide some explanation:

Ø CR officers in PHC visit the field infrequently and usually respond to issues on a "needs-only" basis. This "need" is often a negative event. As a result, the company rewards negative behavior.

Ø Community members complain that there is a lack of a systematic venue to lodge complaints, questions or grievances. Communities say they get limited response to letters or questions. Others state that is it not clear to them whom to approach to discuss particular issues and that, despite office hours, CROs are described as "not reachable."

Ø The day-to-day community interface on site fall under the Operations department, not community interests. Hence, the interests of non oil-producing communities in OML 58 are not really considered.

Ø Short-term budget horizons means that communities do not know how they can benefit from EPNL's presence in the future. This leads to a focus on getting short-term gains (e.g. through the MoU).

Ø Unclear planning processes make it difficult for EPNL staff to be fully transparent to communities about future plans. Being transparent is seen as risky as it may raise expectations, and force the company to renegotiate with the community when plans change.

Poor planning leading to lack of transparency

Poor planning

Changes in the work schedule

Increasing demands, negotiations over

Fear of commitments
Based on a transparent
approach

No provision of a longer term
perspective leads to a grab-what-
-you-can-mentality

Communities are kept uninformed

Ø MoU negotiations are mainly oriented towards quantifying, and limiting the demands from communities. This approach reinforces the perception in the community that EPNL does not really care about the community.

Consequences

Ø Parties only meet when something is at stake. This implies that engagement most of the time takes place in a sphere of negotiation where parties are sitting on opposite sides of the table. Conditioning the relationship around negotiations leaves no opportunities to sit "side by side" and to discuss issues of mutual interest.

Ø With regard to community issues; the company seems to operate in a reactive mode. CR staff say they are constantly under pressure from different community groups and that they do not have time to engage with communities around issues other than urgent matters.

Ø Because they did not create trouble and are "non oil-producing", some communities less than 10 minutes drive from Obagi have not seen an EPNL representative since 2002. To them, this makes the efforts of EPNL "be part of the community" sound ambiguous.

Ø Since the company responds to negative or violent behavior, such behavior will continue.

Options

Ø Organize periodic and regular information sessions (perhaps 4 times per year) in each community that take place in the community and are open to the public. Such meetings would focus on information sharing only; no negotiations should take place nor could any promises be made.

Ø Alternatively, EPNL could consider establishing a "transparency office" where people could ask for, and obtain, information about company policies and practices.

Ø Community members state that it would be much appreciated if senior managers would visit the field (including the non-oil producing communities) and, thus, demonstrate a genuine interest in community issues.

Ø Being transparent about future plans does not always come with commitments. Part of being transparent with a community includes explaining when, and why, things do not go as planned. It also includes that both the company and the affected stakeholders determine beforehand the procedure for what to do in such a case.

Ø Base community efforts on a genuine "needs-assessment" or PRA to reinforces the notion to community members that the company is interested in serving the interests of the whole community, and not only that of influential community members.

Ø Determine with the community what their long-term visions and aspirations are. What is their definition of "success" and determine what the company needs to demonstrate for the community to know that EPNL "cares".

Ø Consider participating in cultural events, festivities, sports events or other informal settings where company and community staff can engage with each other in a setting other than on opposite sides of the negotiation table.

Ø Establish a communication protocol so that people know their comments are "heard." Currently, the CA offices are spending much of their time in receiving communities that simply want to be heard. Some other companies put all letters into a centralized and computerized database. This database is managed by one person/department who then distributes letters to the "responsible" department, including contractors. They also signal that department when a response is required and are in a position to reprimand people that violate this agreed upon procedure.

Ø Ensure that community engagement around important issues or decisions take place in the community itself and not only in the company offices in Port Harcourt. This would narrow the "distance" between EPNL and the community that community members are speaking about.

B. Issues related to getting access to benefits; contracts, employment and social services

Provided the Niger Delta context, employment and contracting opportunities are few. Hence, the pressure on EPNL to deliver maximum local benefits to local people is intense. Correctly or not, communities perceive that EPNL has made little efforts to ensure 1) contracting opportunities for local contractors; 2) employment for OML 58 people and 3) appropriate social services through SD projects. Issues around these three types of benefits are a constant source of agitation, complaints and obstructive community behavior.

4. Contracting issues

Observations

Ø Local contracts provide sources of income for many people in the communities where EPNL operates. Over 720 people receive a salary through surveillance and maintenance contracts awarded to the families (not individuals) that own the land where assets are located. To spread the wealth, EPNL requests the family to nominate different people each year.

Ø Over 1000 individual persons (not families) receive monthly or quarterly public maintenance contracts. These contracts are given out at the discretion of the CRO office on site.

Ø In addition, according to EPNL staff, some 2000-4000 people are awarded with ad-hoc contracts or "spot-jobs" worth less that 500,000 Naira. The same office that pays such contractors gives out these contracts.

Ø Community contractors claim that EPNL spot-jobs:
   a. Lack uniform and transparent standards (contractors get paid differently for the same job).
   b. Are not advertised and are randomly given out at EPNL's discretion.

Ø With regard to contracts worth under 2 million Naira (USD $ 15,000), the initiation of the contract, establishing the bill of content, selecting which companies are on the bidding list, and paying the contractor is all concentrated within the Operations department and falls outside the oversight of the contracting department or the cost control department.

Ø Contracts over 2 million Naira are given to contractors that are on a list of eligible contractors or "standing contractors". OML 58 contractors compete with any other contractor for jobs taking place in OML 58. EPNL policy implies that any contractor from the community that is not on the standing contractor's list does not have access to contracts over 2 million Naira for the next 2-3 years.

Ø So far, there has been no systematic grading of the presence, abilities and capabilities of contractors from the OML 58 area. Hence, for larger contracts, it is up to individuals in the CRO Department in Obagi to suggest local contractors for the bidding list. Since there is no explicit community content policy, such well-intended efforts can easily be mistaken as "putting friends on the bidding list."

Ø Although the CEP team was unable to obtain exact figures, the contracting/ procurement volume for OML related activities by contractors based in OML 58 is between 1-10%.

Ø EPNL has an active "local content" plan in place. However, "local" is defined as "Nigerian." There is no pro-active "community content" policy in place. It is up to individuals to recognize that the place of delivery is in OML 58 and, thus, that a local supplier can be approached. The CR Department on site also attempts to spread benefits by splitting up larger contracts up into smaller pieces, or to encourage youth to register their company and bid for contracts. Again, this is more depending on the insights by specific individuals rather than guided by a company policy.

Ø Many community contractors complain they receive contracts based on so called "work orders" or "stop-contracts" that are worth between 50-100,000 Naira (USD $ 350-700). Contractors complain that such contracts are too small too make a living or to save money for future investments.

Ø Local people see no venue, individual or department to appeal or complain about perceived errors or perceived bias against them.

Consequences

Ø The lack of transparency about contracting opportunities, requirements and standards has led to allegations of corruption within the company. Whether such allegations are true or not is, from a conflict perspective, no longer relevant. The rumors are so persistent, true or not, that perception has now become a reality EPNL has to deal with.

Ø Since there is a lack of transparency and clarity about the requirements and standards EPNL expects from contractors as well as no pro-active community content; local people insist they get all the contracts for OML 58, even if it is clear they are not qualified to perform the job.

Ø Community contracting is *de facto* still a community affairs project, rather than assisting community contractors in making the jump to becoming professional suppliers or contractors.

Options/Recommendations

Ø Consider developing an explicit policy to provide maximum contracting opportunities for community people. For example, EPNL could commit itself to setting a future target: "in 2015, x% of the contracting volume is implemented through community contractors."

Ø Such a public statement needs to be accompanied with systematic and pro-active "community content" strategies to increase this number of community contractors. For example, through business development schemes, mentoring, and/or explicit guidance on how to meet EPNL standards and how to enter the system. Such an approach would take community contracting out of the philanthropic sphere and would regard communities as empowered partners rather than "noisemakers" that need to be compensated. It would also capitalize on the good intentions of, for example, the procurement office that is, "ready to provide community suppliers with a premium if we know they are serious."

Ø This process could fall under the responsibility of a "community content officer" based in Port Harcourt who has a facilitating role, not a decision-making role. Apart from training and providing guidance to community contractors, such an officer would also develop a systematic approach that ensures that all contracts or part of the contracts that can be implemented by community contractors are provided to community contractors. Some other companies operating in the Niger Delta have good experiences with this approach (no days down due to community issues).

Ø Classify local contractors so that their abilities/capabilities are systematically analyzed.

Ø Ensure a contracting policy and procedure (regardless the value of the contract) that is transparent and involves persons that have at least two different reporting channels.

Ø Provide transparency/ make sure that people know in advance what contracts are available to provide community contractors with a longer-term perspective.

Ø Agree on the contracting policy and procedure with local communities.

5. Employment Opportunities

Findings/Observations

Ø Although the CEP team was not able to obtain exact figures, it appears that a very low percentage of employees are from the Niger Delta ("less than 10%"). Naturally, the percentage of employees from the OML 58 area is even less.

Ø There is currently no systematic program or policy that pro-actively attempts to increase the number of OML 58 staff in the organization. Programs such as Challenge 2007 and the Institute of Petroleum Studies (IPS) insufficiently or not reach the Niger Delta or OML 58 people (there were no candidates from OML 58 for the IPS).

Ø The HRM Department has deliberately recruited a number of community members to demonstrate it wants to be transparent. It also has hired an expatriate recruitment manager to avoid the perception of bias.

Ø Unclear relationships between the HRM Department and the CA Department over procedural and logistical issues spill over to, and cause grievances, in the community:
   a. The CA Department, not the HRM Department, has direct communication with communities about employment opportunities. This leads to allegations between these departments about favoritisms, exclusion and recycling of candidates.
   b. Community members complain that invitations for tests or interview are sent to them too late or to the wrong address, despite a HRM policy to avoid this. It is unclear to HRM why letters are not delivered to the community by DHL (as happens to non-community applicants) so that letters can be tracked.
   c. The test results based on which candidates are invited for an interview (or not) are not public. Since candidates have no objective manner to verify if their rejection is justified, this leads to allegations of EPNL staff being "anti-Egi."

Ø The skill development program for community youth has, according to the CA Department, a 60% success rate in youth setting up business after the course. Community members explain that some youth sell their "starter pack" sometimes because the vocation does not match the content (welding in a village without electricity).

Ø It is unknown how many recipients of scholarships end up working for the company.

Consequences

Ø Whereas the HRM Department exclaims, "If local communities only knew how badly we try to provide them access to the system", local communities perceive a deliberate EPNL policy to "keep Egi people out." Doing the right thing is not sufficient; rather also *being seen as doing the right* things determines how local communities perceive EPNL.

Ø Tension between the CA and the HRM Department is known in the community and reinforces the perception that "EPNL staff is against us."

Options/Recommendations

The HRM and the CA Department themselves had some good ideas to address the current community grievances with regards to the recruitment process:

Ø Develop an explicit policy to provide maximum employment opportunities for community people. For example, EPNL could commit itself to setting a future target; "in 2015, x% of EPNL staff and x people in management positions are from the operating areas." Such a public statement need to be accompanies with a strategy to achieve this objective, for example through expansion of the Institutional Training program, presentations at schools in OML 58, after school tutoring support and a

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pre-employment mentoring program that helps local people increase their chances to have access to EPNL employment, either within or outside the organization.

Ø The HRM Department suggested having a periodic and public "Recruitment Forum" in the community. Such a forum could be held every 3 or 4 months and would serve several purposes:
   a. Provision of information about upcoming employment opportunities.
   b. Review/ explanation of test result to applicants.
   c. A unified CA-SD/HRM team would present EPNL as a coherent organization.
   d. A pro-active approach would send a powerful message to the community that the company "cares" about the community.

Ø Agree *with the community* on a procedure that demonstrates EPNL's genuine efforts to be "fair." For example, invite a community representative to be present during the selection tests and even during the marking of the tests. This would demonstrate transparency, counter allegations of bias and re-establishing trust in EPNL's recruitment process. Alternatively develop a mechanism by which test results can be made public (e.g. by erasing names of other candidates).

Ø Consider making greater and systematic efforts to connect the scholarship program to employment opportunities. Currently there is no systematic follow up or mentoring of scholarship students.

Ø Agip categorizes youth in different "vulnerability groups" and designs a specific strategy for each group. For example, Agip observes that not each group is ready to receive "skill development" and may need "craft-development" such as learning how to mix cement for brick building.

6. Access to social services through sustainable development projects

Due to the lack of Government services, EPNL has felt compelled to provide water, roads, electricity and other services to OML 58. Still, the substantial efforts of the company to provide such services through "SD projects" do not always yield gratitude among communities. The following observations discuss why this may be the case.

Observations

Ø Most SD projects are defined in terms of infrastructure (electricity, schools, water). Other projects include scholarships and an emerging micro-credit program. There is currently no project that has a focus on institution building or business development. Although EPNL staff acknowledge this is most needed from a sustainability perspective, they feel they have no influence over how to do this.

Ø SD project implementation is based on the projects that are negotiated between the company and the community and described in the MoU. In addition, a representative of each of the various interest groups in OML 58 (elders, women, youth, families, etc.) can forward a proposal to the CA Department in Port Harcourt. Such projects are awarded based on 1) if such a project makes sense according to the CA Department and 2) the budget available.

Ø SD Projects are largely "contract driven" and not "community driven." Community members state that local contractors –typically belonging to the "elite"- or the local CDC chairman are a driving force behind which type of project proposal is forwarded by the community to EPNL. This explains the emphasis on infrastructure projects.

Ø No "needs-assessment" or PRA process takes place. A "PRA-like" exercise conducted by a consultant agency in 2001 was, most CA staff and community members agree, a "shopping-list-exercise" focused on the elite. There is also no feedback mechanism that ensures that the proposed projects represent the wishes of the larger population.

Ø Internally, there is a perceived lack of transparency in regards to how the SD Division implements its SD projects. For example, road construction is being contracted to the logistics and construction

Department. Most other infrastructure projects are being surveyed, designed, calculated, and contracted out under guidance of SD engineers and outside the view of the rest of the organization. For example, the contracting Department is de-linked from the planning, supervision, standard setting and monitoring processes. Lack of transparency about these processes lead to concerns within the organization as well as from communities about unethical practices and substandard quality of work.

Ø The CD budget is annual. The final budget for SD activities is sometimes only known in the second quarter of that same year. For example, in July 2004 the CA Department does not know (and thus is not able to convey to communities) its planning for 2005.

Consequences

Ø Low ownership for SD projects among local citizens. Most people the CEP team spoke with stated, "EPNL gives us these useless projects that fall out of the sky and we never asked for."

Ø A poor return on investment as SD projects do not provide EPNL with the license to operate (LTO) it hopes for. For example, some people stated, "EPNL is doing nothing for us" while, upon further questioning they acknowledged that EPNL provided "electricity, clean water and schools." The real message was that EPNL did not provide anything communities felt they asked for. It was not so much what EPNL provided as much as dissatisfaction over how it was provided.

Ø Sustainable development is re-active to demands of subgroups rather than pro-actively planned based on larger community needs. Short-term budget horizons prevent providing communities with a longer-term perspective (feeding into a focus on obtaining short term gains).

Ø Reinforcement of the notion that only the elites or other community "representatives" can obtain benefits from EPNL since they know how to work the system.

Ø Staff and communities agree that there is a need for the CA Department to demonstrate that sustainable development actually takes place, either in terms of infrastructure, capacity strengthening, business development, institutions building or otherwise.

Options

Ø Acknowledge that sustainable development in the Niger Delta context is a "profession" much like drilling or seismic activities, rather than a philanthropic effort or as an "add-on" to the technical aspects of the operation. A production loss in OML 58 due to community unrest demonstrates the value of maintaining a social license to operate. Many of the concerns expressed by EPNL staff as well as by "recipients" of SD project could be addressed by leaving SD activities to (external) SD professionals and be based on a proactive, community based, transparent and multi-year approach.

Ø Systematically monitor project implementation and follow up on the success of SD infrastructure projects. As part of this monitoring, establish a contract performance record on local contractors.

Ø A visit to Iko Town where some offshore activity related projects were executed demonstrated the success of the community-based approach Pro Natura International developed over the past decade. After slightly more than one year since the program started, it has managed to achieve a change in mindset among local communities. Despite a history with oil companies (SPDC) and admittedly having had a focus on short-term gains, several youth now see that the PNI facilitated program "tries to do good things for us." Most importantly, the program has managed to buy time among community members to demonstrate its added value in terms of producing "tangible" output (a bridge, computer training, internet café, reliable power supply).

Ø Contracting parts of the sustainable development program out to a specialized agency would also increase the level of transparency as to how funds are being spent.

Pro Natura International Project (visited in Iko town, Akwa-Ibom State)

- § Project established based on self-interest of community members.
- § Community approach that is able to facilitate multiple groups and subgroups based on interests and background.
- § A focus on institutional capacity strengthening (leadership, long term planning, consensus building) parallel to showing "visible" results.
- § Groups determine their own projects based on PRA and design creative approaches "to make it work."
- § Bottom-up approach based on the reality that the project budget is known, finite, cannot be expanded and thus, that choices need to be made.
- § As a result, grass-roots people feel empowered and start holding their own leadership accountable.
- § A community based NGO (with community trustees and auditors) implements projects. PNI serves as the facilitator and process guarantor.
- § A focus away from "host" communities to "whole" communities defined by clan or local government area.
- § Focus on sustainability after 7-10 years based on obtaining funding from institutional donors, community elites and (in Iko's case) the local Government.
- § Communities learn from the best practices and challenges from other communities in the Niger Delta.

C. Internal organizational issues; Sustainable Development as a concept, consequence management, synergy and internal conflict management capacity.

In addition to the manner in which EPNL deals with communities on a daily basis there are a number of internal processes and dynamics that can have negative impacts on the external context of operations. These issues, which are mostly management issues, are *indirectly* related to company–community issues but have a *direct* impact on how the company operates and is being perceived:

7. Observations with regard to SD as a concept

Earlier we discussed issues with regard to the implementation of SD projects. Following are observations about the acceptance and understanding of SD as a concept within the organization. This partly explains why current SD efforts have not yet yielded their full potential.

Ø Most people both within the organization as well as in the community find it difficult to explain the difference between Community Relations (CR), Community Affairs (CA) and Sustainable Development (SD).

Ø Staff use different and widely varying definitions of "Sustainable Development". TheTotal Group definition of Sustainable Development is generally unknown.

Ø An EPNL SD definition, vision, policy, guidelines, standards and procedures are still under development.

Ø Sustainable Development is generally understood as:
  a. *A result rather than a process.* Agreeing on the long-term "needs" of the community should be considered as one of the results of sustainable development, not the beginning.
  b. *A future objective rather than linked to today's actions.* There is little acknowledgement that changing day-to-day practices such as unspecified payments or recognizing positive leadership are at the core of a sustainable development approach.

c. *Programs rather than (also) a change in mindset.*
d. *An economic rather than also socio-political activity.* SD is still largely geared to improving the economic conditions of the community rather than to also focus on leadership, community coherence, and institution building. This focus on infrastructure focus is reflected in the various Memorandums of Understanding (MoUs) the company has signed with clans.

Ø Many EPNL staff still question the commitment of the company to SD. They wish to see more commitment from senior management for "doing the right thing" as opposed to "making operations work." Several people state, "I am getting paid for solving a problem and for finding solutions, if that can be done through a negotiated settlement, even if this is against the company policy, I will be congratulated."

Ø Staff on site want more recognition from senior management for the difficult circumstances under which they operate.

Consequences

Ø Staff still consider SD as an initiative driven by Total's headquarters in Paris that is "difficult" to understand and implement in a context where the local economy is currently largely oil-dependent; many people simply do not see how to give meaning to SD.

Ø The focus on sustainable development as a main answer to conflict, in combination with the existence of a "Sustainable Development Division" reinforces the notion that the SD Division is the "owner" of community conflict and undermines creating a shared responsibility of all department and everyone.

Options/Recommendation

Ø Establish one single EPNL definition of "sustainable development". Develop a strategy or approach that clearly articulates why SD is everybody's responsibility. Disseminate and explain (possibly through the weekly bulletin) ways how SD is "made practical" on a day-to-day basis.

Ø Establish a long-term vision (10-20 years) of how EPNL wants to be seen in the community and how it wants to see the community. Agree upon this vision with the community.

Ø Develop tools, guidelines, procedures, standards and policies that are agreed upon and enforced.

Ø Consider integrating stakeholder relations, or SD elements, into the EPNL reward system. Other companies in Nigeria are currently considering this.

8. Internal and external consequence management; "drawing the line"

Company members and outsiders signal opportunities for EPNL management to be more clear in setting standards and in drawing a line. This is the case in regards to communities (externally) as well as with regards to the internal corporate culture (internally).

External Observations

Ø Despite an agreement that aggrieved groups first speak with EPNL before they behave in obstructive manners, groups like the EYF say that obstructive behavior "pays off" and that "EPNL does not do anything to us." Youth groups say they know that MOPOL has received instructions from EPNL not to behave aggressively.

Ø In the absence of clear, explicitly stated, and enforced ground rules, communities have adapted a strategy to tie community relations issues (grievances) to criminal behavior. Since EPNL does not consistently separate *motives* from *behavior* it allows this blurring to continue.

Ø There are instances where, apparently, the families that conduct surveillance on "their" part of a pipeline have caught people stealing oil and handed them over to the police. As EPNL did not proceed with a request to pursue the case (since EPNL's assets were violated) such criminals were released, much to the dismay of the families.

Ø On the other side, during our visit EPNL decided to close down operations as Union members did not allow some staff to work. Based on safety concerns, EPNL clearly demonstrated it was able, and willing, to "draw the line."

Internal Observations

Ø With regard to the community, EPNL operates without clear standards or a planned schedule to reach agreed upon goals. According to some staff, "For those that want to do bad stuff, it is best to keep a sense of chaos. For example, that allows you to have single-point contractors under the excuse that a job needs to be done quickly and that only certain contractors can be trusted."

Ø The company leaves many decisions up to individuals rather than basing them on policy. On the positive side, this provides many people with the opportunity to do what they think is best provided certain circumstances. On the other side, some senior staff signal that the individual decision making power is accompanied by the absence of checks and balances, leaving the organization vulnerable to (allegations of) questionable practices.

Ø The invitation to re-open MoU negotiations with the Egi oil and gas producing landlord association leads to frustrations between departments. Some see this as an example of how the company lets itself be pushed around by new groups and organizations.

Ø There reportedly is a genuine fear among some company staff to be a witness in a criminal case, fearing retribution.

Consequences

Ø The perceived lack of "drawing the line" among EPNL management leads to frustration among EPNL staff, for example, unacceptable behavior by local youth is tolerated.

Ø Rather than addressing an issue, not drawing the line means accommodating the wishes of an increasing number of stakeholder groups and further proliferation of society. For example, Agip states that as long as a community is in disarray due to internal conflict and, as a result, community projects cannot be finalized, it will not renew a MoU with any group.

Ø There are rumors that some staff may have an interest in a conflict situation as it typically requires a negotiated "financial solution" which can be "profitable" to some people. True or not, the perception that such an approach exists negatively affects motivation of company staff

Options

Ø Determine, clearly articulate, disseminate, and enforce the "rules of the game" in stakeholder relations.

Ø Distinguish criminal behavior from addressing grievances and design separate strategies for dealing with these.

Ø Design strategies and set standards that address the origins of grievances rather than to repeatedly accommodate manifestations though financial transactions that are based on negotiation.

Several Total policies and practices leave the communities with few other options than to behave in an obstructive or violent manner:

    a. No systematic Total response to letters or non-violent expressions, immediate response to treats and closedowns.
    b. Contracts to community contractors can lead to intergroup fights between community contractors over who gets the contract.
    c. The more troublesome of forceful communities, groups or individuals are, the better their leverage to request payment, work orders or contracts.
    d. The absence of a long-term vision provided by Total to the community in combination with short-term budgets means that communities take a grab-it-while-you-can approach.
    e. Since a conflict situation releases money within the system is provides those that control cash with an incentive by having a conflict situation. True or not, this has led to the community perception that "Total is not serious" and that some Total staff benefit from conflict.
    f. Legitimization of the Landlord Association leads to conflict between the landlords (loyal to the Association) and their community, who feel the loyalty of the families should be with the community.

9. Synergy issues within the organization impacts company community relations

Dynamics between departments as well as the company's own internal dynamics, operational policies, and practices, (recruitment, operations, contracting, security, etc.) can also feed into, or exacerbate, conflict.

Observations

Ø There is no single department that is accountable for community relations. Both the Community Affairs Department as well as the Operations Department bear some designated responsibilities. Day-to-day interaction with communities in OML takes place through the Operations Community Relation Officers (CRO) and NOT the Community Affairs CROs based in Port Harcourt.

Ø The role of the PHC CROs is unclear to the community. They visit the field infrequently, feel marginalized within the organization and acknowledge their limited capacity to "deliver" due to:
    a. Limited budgets. CROs explain that their spending limit (10,000 Naira) pales next to the 1million Naira spending limit of de facto CROs on site (reporting to the Operations Department).
    b. Access to logistics. Some CRO in Port Harcourt have no desks. Computers are stocked in boxes. CROs explain they have no cars available to them and have to request transport each time they visit a community.
    c. Lack of a professional background, training or career opportunities. CROs feel they are not provided the tools to conduct the front-line work they are expected to conduct.
    d. Lack of "commitment power." In addition, they feel their recommendations are frequently overruled by their superiors without due information why this is the case.

Ø Some staff in other departments view the CA Department as isolated, non-transparent and inefficient.

Ø EPNL has no uniform position and strategy that is shared by all relevant stakeholders. For example, the site manager was not involved in the process of negotiating the MoU with the Egi people (whereas he has first line responsibility in dealing with its consequences), some departments were reluctant to attend pre-negotiation meetings whereas other departments are seen as unilaterally re-opening negotiations that were deemed final.

Ø There is a perceived culture of non-transparency and lack of coordination. For example, key documents such as the MoU are not freely available to all concerned departments. Departments that need to be involved in the execution of the programs as laid out in the MoU (HRM, Contracting

Department, etc.) can not plan activities they were not aware of. This leads to a delay of MoU project implementation.

Ø Delays in payment of contractors (sometime up to 9 months) leads to frustration in the community. Especially when contractors have to borrow money against high interest rates, delay in payment cuts into their profit.

Consequences

Ø Departmental and personal interests occasionally override shared and, thus, EPNL's interests.

Ø EPNL staff that are responsible for community agitation are not being held accountable for their actions. CR Departments in Obagi (Operations) and PHC (Comm. Affairs) are in a constant fire-fighting mode. Since there is no feedback loop to those responsible (often from other departments), the same issues keep coming up over and over and little learning takes place within the organization.

Ø Reactive and costly response due to delays on commitments that are deemed "unimportant" to the company.

Options

Ø Establish single point responsibility in the organization of who is responsible for (what aspects of) community relations.

Ø Consider reviewing the job description of CROs and, based on higher expectations, empower CROs with commitment power (not spending power) and, more importantly, training to execute their mandate.

Ø A new job description also implies that "the person needs to fit the job." Considering the CRO position as a profession implies that only the best people can get the job. If current staff apply for such positions, it will require a shift in mindset. For example, some CRO's still define community engagement in monetary terms, not in relationship terms!

10. Observations with regard to internal conflict management capacity

Ø There is a measurable decrease in conflict-related incidents. This implies that CA efforts or the manner in which the Operations Department manages conflict on a day-to-day base are yielding short-term results.

Ø Community related incidents are generated by the site-manager through Incident Notification Forms and distributed to various departments (but NOT standard to the CA Department).

Ø Internally, monitoring of incidents takes place at different places in the organization, largely based on individual interests. There is no centralized database of community related incidents. Some departments have their own database, others have none.

Ø The best independent "early warning" system in place is through a network established by security advisors on site. However, this network is geographically limited (e.g. it does not include the players in Port Harcourt) and the advisors lack decision-making power.

Consequences

Ø EPNL risks working in an increasingly complex context with regards to local community dynamics and wider oil politics, which is difficult to fully understand. This leads to a focus on reacting to conflict rather than to preventing or avoiding conflict.

Ø The Operations Department is under constant pressure to avoid or prevent a negative turn of events without getting much recognition for their (often very skilful) efforts to manage the situation.

Options/ Recommendations

Ø Establish a conflict center of expertise the organization. This office should:
   a. Provide advice and guidance to EPNL staff (reactive and proactively based on risk assessments);
   b. Provide a forum for internal discussion of lessons learning;
   c. Conduct conflict analyses and risk assessments – as part of the project decision-making process to ensure that the conflict aspects of any project are factored into its design;
   d. Investigate community incidents similar to how safety incidents are investigated;
   e. Conduct ongoing context analysis Analyze trends, develop responses that systematically address root causes, and develop strategies and scenarios that are agreed upon with concerned departments.
   f. Externally, the office maintains links with donors, NGOs, academia, and consultants that can support the organization.

Ø Develop standardized procedures for conflict resolution. Such procedures should be automatically activated when conflicts reach a certain level, have the buy-in of all concerned departments and should be obligatory to follow.

Ø Establish a database of the best practices applied by CLOs and others in solving or managing grievances before these lead to a shut down.

Ø 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 behavior.

V. INDICATORS OF SUCCESS

A first step in determining how the some of the current negative aspects of company-community relations can be transformed into positive aspects, and how current positive aspects can be reinforced is by determining what an "ideal" situation would look like. In that respect the CEP team asked several people for their definition of success which included:

o A disruption free environment for the company and timely commitments for the community.
o A vision, process and strategy that is mutually developed and agreed upon both by the company and the communities.
o Ensuring that the cultural rights of the land owning families are respected (a "fair" share) while maintaining the interests of the community and the clan through negotiated benefit delivery and distribution process.
o Social and political stability in the communities with whom EPNL works. This should materialize for example in genuine community representation and based on the determination of the communities to take more responsibility to determine their own future.
o Pro-actively consultative and participatory approach by EPNL rather than reactively waiting until the community comes to the company.
o A functioning grassroots communication and feedback system between the community and EPNL senior management. Communities should *feel* informed and that they benefit from EPNL's presence.
o Focus on achieving shared interests based on acknowledgement of a long-term partnership.
o Awareness within the organization of social and political changes in the community that allows the company to anticipate and respond to changes in a timely and positive fashion.
o Transparent and verifiable procedures that include standards, checks and balances.

- o Clarity on who, in the organization, is held accountable for delivering constructive and sustainable relations with local stakeholders.
- o Involvement of government structures (both on a local and a regional level; commissioner of the police, NDDC, Assistant Secretary of State) rather than politicians.
- o Both internally and externally, rewards and punishments should be clear and implemented.

Opportunities

The CEP visit identified several opportunities that demonstrate that there is a genuine willingness among the overwhelming majority of stakeholders to work towards a sustainable and constructive relationship:

Ø The CEP visit was consistently welcomed by both EPNL staff as well as community representatives. The importance to this visit given by the EPNL MD was much appreciated. Several community leaders urged us to "thank EPNL" for this effort.

Ø Communities believe that the company tries to do the right thing. The main skepticism is with regards to individual staff behavior. We did not speak with anybody who wanted the company to leave.

Ø The community is genuinely seeking solutions to their own problems. For example, they have managed to be better organized and address internal differences.

Ø There is a desire both within EPNL as well as within the community to have consultation with partners on the other side. Both sides simply do not know how.

Ø EPNL back up institutions (such as OPI, Challenge 2007, scholarship schemes, skill development, statistics, etc.) are in place but need to be taken out of the philanthropic atmosphere and reviewed through a return on investment lens.

Ø There are various best practices deployed throughout the organization. Synchronizing such practices and implementing these in a more coherent and systematic manner provides large opportunities for improvement.

Ø There is appreciation on all sides for increased transparency and accountability of the organization.

Ø Both company and community have a desire for a sustainable approach. Although various groups have slightly differing definitions, what they have in common is that most people (even the youth groups) understand SD as being different from EPNL's current approach.

Ø All people we spoke with expressed a desire for single point responsibility for community affairs within the company.

Ø Contrary to other areas in the Niger Delta, the traditional system in OLM 58 is still in place however weakened. Especially in times of crisis, the community falls back on their old system. Recognizing the opportunities for legitimizing and reinforcing the traditional structures provides opportunities that are currently missed.

Ø Unlike some other areas in the Niger Delta the community has not sought the assistance of international advocacy NGOs. Rather they have managed to establish their own groups. This signals that community groups feel they can handle their own relationship with EPNL.

Ø Apparently, some influential politicians recognize the good efforts of EPNL. In one public meeting a respected individual stated to the community, "You can only benefit if you allow EPNL to do their job".

VI. NEXT STEPS

The above mentioned opportunities signal a commitment both from the company as well as from local stakeholders to work towards a genuine, constructive and positive long-term relationship. Management options for adapting existing practices have been mentioned throughout the report. To verify these recommendations and, where deemed appropriate, to implement them, a comprehensive effort is needed to address some of the more fundamental issues that contribute to company-community tensions.

It is proposed that EPNL establish a cross-departmental working group to address some of the observations mentioned in this report. It appears unlikely that the current workload of staff provides for the opportunity to make the senior staff within the organization available. Hence EPNL could consider recruiting an external facilitator for a period (for example for three months) who initiates, coordinates, and gets agreement on a number of issues among departments *and* with the communities.

Process:

Ø   The aims of the working groups is to establish a company–community vision accompanied by a series of strategies, guidelines, standards and procedures that are shared, and enforced, across the company and agreed upon by "the community" as being the appropriate measures to address the root causes of the current tensions between the company and the community.

Ø   The internal working group can be made up of senior managers from various departments (Auditing, HRM, Contracting, Operations, HSE, CA) that have expressed the commitment to improve company-community relations.

Ø   This working group meets on a weekly basis for, say, 2-3 hours, with the facilitator to review and agree on progress.

Ø   The facilitator reports directly to the Managing Director.

Ø   Ongoing communication and feedback takes place between the working group and "representative" community representatives. When appropriate, such community engagement takes place in the community.

Objectives:

Ø   Develop a company–community vision that is shared, and agreed upon, with the community.

Ø   A strategy – according to SMART criteria – towards materializing this vision including standards against which progress can be measured.

Ø   Establish a transparent community engagement procedure of how (what, where, when, with whom and why) EPNL wishes to engage with the community on a daily basis. Inherently, this process will determine approaches with regard to:
   o   Cash payments
   o   Community representations
   o   Transparency on company policies and practices

Ø   A focus on generating maximum benefits for local people
   o   Target setting with regards to community content (both contracting as well as employment)
   o   A "community content" focus

Ø   SD based on a community determined "needs" definition and implemented through SD specialists

- o Inevitably, this implies a focus on institutional capacity building
- o It also requires a long-term financial commitment from the organization rather than a year-by- year approach.

Ø Develop a strategy for strengthening and legitimizing government institutions such as the local government or the CDC. For example, communities consistently indicated they considered the CDCs as the "real authorities" that are respected by all subgroups and represent modernization. Apart from making some regular contribution for the upkeep of their offices, EPNL's engagement approach has de facto marginalized the CDCs (e.g. EPNL has no Government Relations officer). Thus, it misses an opportunity to strengthen and legitimize a unifying force in the community.

Ø Agreement on internal lines of communication in the organization
- o One department/individual that is responsible for relations with local stakeholders
- o Synergy and communication between departments
- o Jointly agreed upon and enforceable principles and guidelines

Ø Establish regular and public opportunities to share information on employment, contracts, social projects, procedures and other decisions that affect people's lives. Ensure a community feedback mechanism beyond the "regular" interlocutors.

Ø Centralize and strengthen internal conflict management capacities (analysis, early warning, external contacts, expertise and capacity to provide services to the asset teams).

VII. CONCLUSION

The CEP visit was largely conducted to find answers to EPNL's question why its good intentions and the considerable resources allocated to establishing cordial relations with local communities and other stakeholders do not yield the positive results the company had hoped for. The visit observed that tension between the company and its local stakeholders have both internal and external root causes. This implies that fixing some of the identified issues will have a positive impact on stakeholder relations. Although not all the options discussed in this report are easy or swiftly implemented, they are within the control of the company to adopt.

There is a general acknowledgement among local stakeholders that EPNL is trying to make an effort to have a positive impact on its working environment. However, local communities expect to see a concerted company effort towards providing benefits (mostly through employment and contracting opportunities) for OML 58 people. The commitment of EPNL senior management to "get it right" in combination with the fact that the majority of the people in the communities where EPNL works look to the company to provide them with a "hook" top a better future, positions the company well to secure a sustainable social license to operate.