

CORPORATE ENGAGEMENT PROGRAM

Field Visit Report

Operator: Total E&P Nigeria (TEPNG)
Nigeria

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Dost Bardouille-Crema
Ben Miller
Michael Temilade

This document was developed as part of a collaborative learning program directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

These documents do not represent a final product of the program. While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any program have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

PREFACE

The Corporate Engagement Program (CEP) is a collaborative effort involving multinational corporations that operate in emerging markets or areas of socio-political tensions, instability or conflict. Its purpose is to help corporate managers better understand the impacts of corporate operations on local people and societies. From this understanding and analysis, CEP works with companies, governments, and civil society to develop practical management approaches to address local challenges and to ensure that companies establish productive and positive relations with local communities. CEP is one of the five projects of CDA Collaborative Learning Projects, a non-profit organization based in Cambridge, Massachusetts, USA.

In the spirit of collaborative learning, CEP has engaged with Total over ten years, visiting Total operations in Myanmar, Sudan, Mauritania, Uganda and previously to the Total's affiliate Elf Petroleum Nigeria Limited (EPNL). Against this background, Dost Bardouille-Crema, CEP Director, and Ben Miller, CEP Associate Director, visited Nigeria from 9th – 20th September 2013. The CEP team was accompanied by a Nigerian independent consultant, Michael Temilade.

In this Report, the Introduction explains our approach to the visit. Section II presents the background context, both at the national level and within the oil rich region of the Niger Delta. Section III presents observations and findings with regards to the Total E&P Nigeria (TEPNG) project and Section IV analyzes how the on-going presence and operations of the affiliate in this context affect local and national social and economic welfare. Section V presents actionable options for moving towards improved sustainable development and Section VI draws the report to conclusion in light of the observations and findings detailed throughout the report.

We invite comments and feedback on the observations laid out in this Report. In all of CEP's work, we seek to establish partnerships among groups with different approaches, with the ultimate objective of improving the lives of people who live in the regions where companies operate. The purpose of this Report is to contribute to broader discussions within the company, and between the company and external stakeholders, regarding options for positive corporate engagement in the Nigerian context. All CEP Reports of these site visits are available on CDA's web site.

I. INTRODUCTION

The purpose of this trip, as with all CEP field visits, was to examine and report on the interaction between corporate operations and the lives of people in areas of operations. Specifically, the objective of this visit is to assess the success and challenges of TEPNG in its relationship with its stakeholders and communities, including 1) assess the nature and quality of TEPNG's engagement with its local stakeholders in light of the extensive, and on-going community relations and sustainable development programs underway within the affiliate, and 2) the extent to which and opportunities for integrating local communities within the supply chain of the company. The previous CDA report from a visit to Nigeria conducted in 2004 has been used as a baseline to identify the changes that have occurred in the relationship between TEPNG and the communities and identify its evolution.

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 change. The CEP team merely served as an independent channel ("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.

In advance of the visit to Nigeria, the CEP team held meetings with several international researchers with experience in Niger Delta oil issues. In Nigeria, the team met with stakeholders in Abuja, Port Harcourt and TEPNG's Oil Mining Lease (OML) 58 operations and surrounding areas. In Abuja, Port Harcourt and on site at OML 58, the CEP team spoke with staff from various departments within the affiliate, TEPNG business partners, and TEPNG's NGO development partners. In addition, the team met with representatives of the government ministries of Energy and Community Affairs, Local Government Authorities (LGAs), energy-sector corporate foundations, governmental and non-governmental Niger Delta development agencies, academicians, politicians and religious leaders. In the area of OML 58 the team met representatives and members of the 16 communities reached through OML 58's community affairs and sustainable development programs. The team met representatives of "Oil and Gas Producing Families" who have leased land to TEPNG and "Oil Producing Communities" in which TEPNG has installed operational equipment, as well as non-oil producing families and non-oil producing communities. The focus of this visit was to look at the relationship between TEPNG and the Egi Clan, the largest clan in OML 58, but to be inclusive, the team also met with members of the four other clans in the area. Among the Egi clan, the team met the Egi King and Council of Chiefs, Egi Clan Associations representing various interest groups

inclusive of women, youths, and landlords, as well as community contractors and locals in the villages in the area of OML 58 operations.

As in previous visits, the CEP team introduced themselves to members of communities as independent from TEPNG and made clear that they were visiting at the invitation of the company to observe the possible impacts of oil operations on local communities, to learn from experiences with other oil companies operating in the area and to solicit ideas from local stakeholders regarding company approaches to local communities in the context of field operations. However, for security reasons, the team was not able to travel independent of TEPNG, as security protocol dictated that the team traveled at all times in TEPNG vehicles and with a Nigerian police escort. The team was not able to visit communities in the near-by operational areas of peer companies, as security protocol would have required a visit by the police in advance of the CEP team and thus undermine the intent of the visit.

II. BACKGROUND CONTEXT: NIGERIA AND THE NIGER DELTA

Following independence in 1960, Nigeria has been ruled by a series of military and civilian governments, all mostly unresponsive and unaccountable to the country's citizens and in particular the needs of the oil producing region. Since 1999 the country has been governed according to the fourth republican constitution. In spite of increased political stability substantial governance challenges still remain, such as lack of transparency, continued corruption, and multiple ministries which make setting and managing national policy difficult.

A long legacy of leaders using political power to pillage national coffers and resources for personal gain has conditioned a sense of apathy and powerlessness among the citizenry, and corruption remains a paramount challenge at every level of society. Despite Nigeria's continued status as one of the 20 largest exporters of crude oil in the world, the people of the Niger Delta are — in statistical terms — worse off today than they were several decades ago. Today, some 31 million people live in the Niger Delta; 70% of them in extreme poverty. With central and local government providing little in the way of social services – education, health, housing and infrastructure – Nigerians have learned to expect to provide for themselves and their families without help from the state. Development professionals in the region note “Nobody has security...there is no confidence or trust in the long term view.”

There are notable changes since CDA's last visit in 2004:

- While corruption and violence continue to be a mainstay in people's pursuit of their political and financial interests, there do exist some positive examples of good governance. The Current Finance Minister of Nigeria, Dr. Ngozi Okonjoliwela, pushes for increased transparency by publishing all payments made to Local Government Areas (LGAs) in the national newspaper.
- The Niger Delta region has seen a decrease in militancy and armed militant movements. When in 2003 the western area of the Niger Delta descended into a violent inter-ethnic conflict, fueled in part by increasing competition over oil rights and benefits, the government deployed a Joint Task Force and increased military presence to combat the militants and address an increasingly unstable security situation. The conflict ultimately led to a decrease in militancy and culminated in a May 2009 incursion by government troops into the delta's creeks, leaving thousands displaced. Insecurity persists, primarily in the form of politicized violence at the hands of youth “cultist” groups, kidnappings and community-based oil bunkering - vandalism of oil pipelines and oil theft.
- An amnesty for militants in the delta region was initiated by President Umaru Yar'Adua in July 2009 following regular outbreaks of violence from 2006-2009. The government's amnesty programme whereby militants in the Niger delta are to be disarmed and rehabilitated with a stipend, job training and a micro-credit loan, has been linked to reduced violence in the delta.

The amnesty process is looked upon with ambivalence, however, as it has succumbed to the common challenge of disarmament, demobilization, rehabilitation and reintegration (DDRR) campaigns which focus more on "dd" than they do on "rr". As little has been done in the way of reconciliation, many locals feel that militants have been given a “free pass”, and militants find themselves with limited job opportunities.

- The dire socio-economic situation in the Delta continues, with crime, lawlessness, and poverty on the increase in Port Harcourt – the de facto capital of the Delta region. This has fueled substantial mistrust of leaders, government, and oil companies, and has heightened expectations that local communities have of foreign oil companies as the only viable source of employment, economic development, and support. Expectations far surpass what companies can provide.
- Local, state and federal government efforts to provide socio-economic development in the region have been uneven, and have failed to meet expectations or achieve substantial improvement in living conditions. The Niger Delta Development Commission (NDDC) is tasked with oil revenue management and coordination for all nine states of the Niger Delta. The NDDC, which receives 3% of the capital budget of all international oil companies (IOCs) for the development and planning of infrastructure and human development in the region, is currently undergoing a restructuring due to President Goodluck Johnathan’s frustration with its lack of progress.
- A long history of marginalization and patronage in the region has conditioned locals towards pursuing short-term benefits. There is limited appetite for long term development planning that is by nature gradual and largely focused on intangibles such as building capacity and good governance techniques, rather than infrastructure. In the words of one government agency representative, “all communities want is immediate projects...they do not realize they have a stake in their own development, partly because they have never been engaged or involved – by government or others – in the process”. While companies are increasingly focused on creating sustainable development outcomes, they are widely perceived as succumbing to the pressures of immediate community demands for benefits as a way to maintain peaceful relations with stakeholder communities, thus reinforcing communities’ short-term thinking.
- Various types of development agencies have taken root within the region. The Foundation for Partnership Initiatives in the Niger Delta (PIND) and the River State Sustainable Development Agency (RSSDA) both take a public/private partnership approach of wedding development agency know-how and private sector funds to develop the Niger Delta and move towards meeting the MDGs. Agencies such as these take a multi-stakeholder approach to addressing what they see as the four primary social and economic challenges in the Delta:
 - Unemployment
 - Conflict
 - Lack of capacity

- Weak governance
- TEPNG divested from OML 57 due to shut downs resulting from the 2003 militant attacks and ethnic violence, Chevron has walked away from undeveloped blocks, and Royal-Dutch Shell currently plans to further reduce its presence in the Niger Delta due to repeated shut downs, attacks, pipeline sabotage, and oil theft. The prospect that IOCs like Total E&P Nigeria may one day completely cease to operate in the region has become a very real concern for local people.
- There is a continued trend within the region to move towards “global” memoranda of understanding (GMOUs), in which companies negotiate collective agreements with government and clusters of communities impacted by the company’s onshore operations, rather than with a large number communities and groups individually. While still relatively new – less than 10 years – companies, such as Chevron Nigeria Limited¹, are finding that the process of negotiating and implementing these mechanisms has helped to transform relationships between the company and surrounding stakeholder communities, leading to better outcomes for residents and the company alike, and reducing social investment expenditures by up to two thirds.

III. TEPNG OPERATIONS AT OML 58

TEPNG is in a joint venture in OML 58 with the federal government of Nigeria, which owns a majority stake in the operations. The OML 58 footprint is in Rivers State and consists of 16 communities and five clans: Egi, Ikwere, Igburu, Uzumini, and Ekpeye. Seven of the communities are “oil producing” communities and thus have some amount of oil infrastructure on their land. The Egi Clan is by far the most significant for EPNL, as 70% of EPNL operations take place in “Egi-land”. Of the four other clans, only two have oil-producing communities.²

In 2007, looking to improve the sustainability of their community development efforts, TEPNG re-designed its sustainable development strategy (SD). TEPNG has established a long-term vision (10-30 years) of how SD will bring greater development impacts and economic opportunity to the area, even beyond the timeframe of Total E&P Nigeria’s presence. The decision to take a new approach to the SD strategy stems from the company’s realization that, despite large investments of money and manpower, there was a very low return on investment in the form of improvement in social wellbeing of the community and in TEPNG’s relationship with the community. TEPNG saw that communities lacked development and capacity to be able to lead their own development. TEPNG continued to have difficulty in finding qualified local labour to fill positions. With this in mind, Total asked CDA to look at TEPNG’s community affairs and sustainable development programs,

¹ Hobben, Kovick, Plumb, and Wright. *Corporate and Community Engagement in the Niger Delta: Lessons Learned from Chevron Nigeria Limited’s GMOU Process*. 2012.

² For additional information on the Egi Clan and traditional characteristics of OML 58 see CDA Field Visit Report, Operator: Elf Petroleum Nigeria Limited (EPNL), Nigeria, June 30-July 13, 2004. www.cdacollaborative.org.

primarily with the Egi clan and oil producing families, to assess and develop options for building a more successful SD strategy.

Within this context, the CEP team notes that stakeholders' comments and attitudes towards TEPNG were generally consistent across all stakeholder groups. First and foremost, the CEP field team was consistently welcomed by both TEPNG staff as well as local stakeholders and communities during the visit. People were candid, welcoming and eager to speak with the CEP team and suggested that more dialogue along these lines would be a good investment of time.

- TEPNG is considered to be a relatively positive example of the oil industry in the region. The company's efforts to engage broadly, maintain a responsive, open-door policy, and strive for a sustainable development strategy that works causes some to say they are the "darling of the industry" in the Niger Delta.
- 2012 was a tumultuous year for the TEPNG operations, due to gas eruptions in the OML 58 area and regional flooding in the fall. Local stakeholders consider that TEPNG handled both issues well, quickly mobilizing to ensure the safety of both its own operations and of local people, responding to emergency needs, communicating with locals throughout the process, and in the case of the eruptions, moving into a negotiation process to compensate for people's losses from the incident. There was little to no community outrage during and following the eruptions. A cadre of community youth willing to help in securing the eruption areas, the refusal of community members to allow access to international media to the eruptions sites, and government representatives stepping in to help explain the situation to community members are indications that communities value TEPNG's presence in their area and that the community affairs department (CA) maintains good relationships with communities and stakeholders.
- In spite of improved security in the region, security and safety of TEPNG staff continue to be serious concerns. Local pressure groups often threaten violence, and at times act on the threat. Security and the threat of kidnapping poses one of the principle challenges for front line staff within the CA and SD departments, and pose a challenge to TEPNG's ability to engage communities broadly. Since the height of militancy in the region, TEPNG has changed its security policy to one in which staff are no longer spend leisure time in Port Harcourt or OML 58 communities, and instead are transported between the camps, TEPNG office, and operations sites in convoys escorted by mobile police vehicles and troops. The use of mobile police to escort staff and visitors is understood by communities as a necessary safety measure because there are at times certain individuals or groups that will try to make trouble in pursuit of their own personal interests. At the same time, foreign TEPNG personnel now rarely have contact with locals outside of office and camp settings.
- Kidnapping of foreign TEPNG staff has reportedly reduced. Kidnapping of local staff from the region and community leaders is more common. There is a widely held belief that certain leaders

are receiving large sums of money from TEPNG, and this may be one factor driving kidnapping within the OML 58 area.

- The CEP visit identified challenges to reaching a sustainable development goal, leaving behind a positive legacy, and reducing the level of insecurity and constant threat levels. These stem from:
 - Issues related to how TEPNG engages with local stakeholders on a daily basis: whom EPNL engages with in the community, how the day-to-day community engagement takes place, and when and where this engagement takes place;
 - Issues related to distribution and access to benefits: lack of transparency regarding benefits made available to the community, a community governance structure that contains no formal mechanisms to ensure accountability of leadership, and a lack of monitoring and evaluation of benefits distribution on the part of the company.
 - Issues related to TEPNG internal management: recognition of the role and value of CA and SD, alignment of strategy and activities between Abuja-based managers and field-based CA and SD teams, communication and synergy between departments, and coordination of programs, investments, and contracting.

OML 58 Communities

- TEPNG manages its relationship with communities in Egi Land through the Egi People's Assembly (EPA). The EPA is the signatory of one of two MoUs that TEPNG holds with Egi stakeholders and sees itself as the pivotal entity within Egi Land that drives progress and ensures that local communities are developing. Having positioned itself as the central platform for negotiation between Egi communities and TEPNG, the EPA bears responsibility for the distribution of negotiated benefits, and all conflict resolution and negotiation of additional agreements. The Assembly includes representatives from each of the major interest groups within Egi land, although it is unclear the extent to which members such as the representative from the Egi Women Welfare Association have a voice in the affairs of the EPA.
- Similar, smaller bodies exist to represent narrower interest groups within Egi Land and TEPNG's impact area – Egi Women Welfare Association (EWWA), Egi Youth Federation (EYF), Oil and Gas Producing Families Association, the Oil and Gas landlords from which TEPNG leases land for its operations, and the OML 58 Consultative Committee which includes all five clans within the operations area. These groups act as structures of decision making, power, and influence in the communities. A representative from each group sits on the EPA Executive Committee. Because most decisions are made by consensus among the male family heads, it is not uncommon to have only a few community elites representing varying interests within different groups; in most cases influenced by external, political interest in control over resources and opportunities in Egi land. Community Development Committees – elected local government bodies that have the responsibility for setting community development agendas –

are also operational within the area and serve as a community-specific interface between TEPNG and the government.

- In contrast to other areas in the Niger Delta, the traditional clan system in OLM 58 is still intact, and community members defer to the authority vested in the clan structure. Within the Egi clan, authority within the community resides at three levels: the eldest male represents his family and may also hold the title of Chief; the “Ama Ala”, or council of elders of each community, made up of family heads; and the “Ochi Oha,” or paramount ruler of each community. The structure is headed by the king of the Egi, or “Eze Egi”. TEPNG engages the clan structure to pay respects and recognize its legitimacy, but with the legacy of oil in the region, the authority vested in this structure is challenged by other bodies that claim to represent different sub-groups within the community and thus assert their own authority in pursuit of control over benefits.

Egi Clan Memorandum of Understanding

- TEPNG reduced thirteen MoUs to two MoUs in 2007 in an effort to streamline its community agreements, coordinate the distribution of benefits more equitably across the communities, and thus reduce tensions between communities about the sharing of benefits. In Egi culture, the family that “owns” the land where assets are based has the exclusive right to benefits arising out of the land. For this reason, the Egi Oil and Gas Landlord Families and Communities hold their own MoU with TEPNG, separate from the general MoU with the entire Egi clan.
- MoU governance structure: The primary responsibility for identifying, developing and implementing community development projects rests with the EPA. The Community Development Committee, in collaboration with other associations, is involved in nominating and prioritizing community-based projects. There are two committees that run parallel to the Assembly, intended to oversee various aspects of managing MoU implementation. The Steering Committee is responsible for providing oversight of the MoU implementation and apportioning projects and the Implementation Committee is responsible for practical and technical aspects of implementing projects.
- It is noted that the EPA did not yet exist when TEPNG began the revised “global MoU” process in 2006/2007. Members of the EPA Executive Committee were elected by the communities and TEPNG encouraged their formation so it could negotiate a smaller number of agreements with more broadly representative bodies and offer more substantial development funding through a single, coordinated body.
- Most community leaders and members deem the contents of the current MoU to be good, as it is perceived to include provisions for all of the communities to benefit. In practice, however, implementation of the MoU has proven problematic, as benefits that are meant to be channelled through the MoU do not always reach the intended beneficiary. For example, while 20% of

scholarships are set aside for women and girls, it is unclear what percentage are actually accessible by them and how it should be managed. While EWWA expected that the 20% of scholarships would be handed over to them to distribute, the scholarships are instead being proportioned based on O&G families. With the male family head of each family deciding the best use of the scholarship they might receive, it is not documented the percentage that actually go to girls.

- Many community members feel that the EPA is not transparent enough or sufficiently representative of their interests. Even with the current governance structure, many community association leaders claim that little has been done to inform stakeholders broadly about the contents of the MoU, or to involve technical experts to help build capacity and translate the MoU agreement into reality. They feel leaders continue to seek immediate personal enrichment rather than develop approaches for supporting a longer-term strategy that is aligned with the contents of the MoUs. “Total E&P Nigeria has good relations, it is the best oil company in the region”, but...“the company isn’t engaging the right people, so when they distribute benefits it goes to the wrong people”. They complain of a breakdown in communication, which increases their suspicion of the negotiations that take place between TEPNG and the EPA Executive Committee. Most meetings with EPA leadership take place in Port Harcourt, 2 hours by road from the OML 58 communities, which limits the ability of others to attend meetings and for the outcomes to be shared at a local level in the community.
- There is a history in the Niger Delta of individuals using government and company funds as sources of patronage for personal advancement. The governance structure of the MoU process is aimed at addressing this issue, but most associations and communities are still wrestling with this challenge, which manifests itself in concerns about how development projects, contracts and scholarships are awarded and monitored. Meanwhile, locals say that they see that after several years in an executive position, committee members manage to acquire big houses and significant personal wealth. Community members and leaders alike believe this is a governance issue that has its locus in the community itself, and is a problem that is pervasive in Nigerian society more broadly. It is not uncommon, across Nigeria, for office-holders in government and elsewhere to become benefit captors; by democratic standards, they may rightfully belong in their positions but they often use them to collect as much as they can during their leadership term. One TEPNG field staff commented that “while current MoU structure has been established to serve the interests of all [within this context] it has become self-serving”.
- At the same time, the Executive Committee complains that, while they are responsible for ensuring that the MoU helps to achieve key development milestones, not even they receive sufficient monitoring feedback and data, such as the number of Egi people employed by TEPNG. While the list of benefits in the MoU is known, there seems to be a lack of understanding and communication on implementation of the MoU. For instance, the EPA

executive committee claims it is not aware of the criteria that TEPNG sets for locals to access job opportunities.

- The general discontent regarding lack of communication and effective implementation of the MoU is, in part, driving a proliferation of interest groups within the community. Those who feel they do not receive their fair share of MoU benefits understand that claiming to represent the interests of a subgroup with unique needs is a potentially lucrative tactic. Their awareness of TEPNG's need for stability and the plausibility of stoppages, roadblocks, and violent demonstrations, as well as the need for asserting the importance of the sub-group, enables them to position themselves as the lynch pin for ensuring peace between TEPNG and that sub-group. As a result, during meetings with various interest group representatives, TEPNG staff are often confronted with a range of implied and explicit threats of unrest. Yet even though interest groups continue to emerge, there are some sections of the population, particularly elderly or widowed women that lack representation.

TEPNG Community Affairs and Sustainable Development

- Local community members exhibit genuine appreciation of TEPNG. There have been no operational shutdowns due to community unrest or social issues in over seven years, and theft of TEPNG's resources tends to involve the cutting and removal of non-operational pipes. In contrast, oil bunkering in Shell's and Agip's operational areas, not far from TEPNG, is reported to be continually on the rise.
- Since 2009, TEPNG has implemented several new policies designed to increase local engagement centered on dialogue and relationship building.
 - *An open door policy* at TEPNG offices, including Tuesday and Thursday walk-in visitor days at the compound in Ogbogu devoted to community relations.
 - *No cash payments* for work. Instead, all contracts are handled through a purchase order system to reduce possible corruption.
 - *No work, no pay* for those who have not completed their contracts.
 - *No school, no scholarship* for those who receive scholarships but do not attend school.
- **The Community Affairs department** manages day-to-day community interactions and the MoUs and works diligently to be able to interface as broadly across the community as possible. CA meets with Consultative Committees and implementation committees, holds stakeholder forums, meets community members at the office on visitor days, and is the first line of contact for the grievance mechanism. The department produces partnership magazines, holds town hall meetings – some in which projects are discussed and some that revolve around dialogue, and makes use of the traditional town crier system within the community to spread messages.

- **The sustainable development department** deals with long term issues affecting the community related to development and capacity building. The current MoU contains parts of the SD program that the SD team is tasked with designing and implementing. With the new MoU, the SD budget has doubled to provide for skills development, industrial training and scholarship programs, health services, infrastructure development, microcredit schemes, and electricity extension. The main thrust of the SD strategy is to contribute to economic development and diversification with other industries in the area in order to reduce dependency on TEPNG's presence. TEPNG's construction of a blown film factory is one such example in which the company facilitated the community to find an external, Taiwanese, partner to develop a new industry.

- Locals are open to the idea of a long-term view of partnering with TEPNG towards sustainable development, as they have come to recognize that the oil industry in Nigeria is finite and can only absorb a small number of employees at any given time. Most community leaders, aware of the extent of TEPNG's social investments over time, are also frustrated by the lack of discernible development outcomes to date. "If you look at the comparison of sustainable development money from TEPNG and the reality on the ground; they are completely different". To start, they say the company should bring in experienced development professionals to perform a "needs-assessment" or PRA along with the community. What is missing, they say, is a clear strategy that is communicated and planned with the entire community, based on objectives over 10, 20, 30 years periods.

- Community members also complain of a lack of communication and engagement on the part of TEPNG. While TEPNG holds visitors days twice a week, it is common that the majority of visitors come, often repeatedly, to seek purchase orders and contracts. Community liaison officers spend time in the community, but many feel that their presence does not translate into broad engagement among all community members or greater understanding on the part of communities of what takes place between TEPNG and community leadership. An elderly lady in the community said she had no knowledge of TEPNG's operational or community development activities – despite the fact that the conversation took place just a few meters from the construction of a TEPNG-supported project to install culverts along the main road through the village. She was, however, very well-informed about the impetus and actions of many youth during the last community unrest many years before. She said that unrest was driven by the need to be obstructionist and threatening in order to get the company's attention.

- Local non-governmental organizations (NGOs) also complain of the difficulty in engaging TEPNG as a representative of the community or regarding development partnership opportunities. Having engagement with other IOCs in the region, some NGO representatives wish for more opportunities for dialogue, information sharing, and updates on TEPNG's SD strategy and how that might fit into existing development plans being advanced by other actors in the region. Some NGOs report that community members have asked the NGO to act as

interlocutors between them and the company, one specific example about receiving scholarships, but NGO couldn't get access or receive feedback from TEPNG.

- The skills acquisition and scholarship program, as contained in the MoU, is a good one that makes provisions for increasing the capacity of the work force and involvement of women. In practice, however, many scholarships do not reach their intended beneficiaries, unfairly benefit some families more than others, or are sold off by recipients to others for a profit. In the case of skills training courses, some students often receive their stipends, do not attend courses, and sell off the small business “starter kits” given at completion. Others sell their places in the training courses to interested parties. TEPNG’s “no school, no pay” policy is meant to curb this problem, but there often is not enough manpower to track every student, and it is very difficult to identify attendance records that have been falsified. At the same time, community members state that they do not know the selection criteria, who is included for consideration on scholarship selection lists, nor how the scholarships get awarded. What they see is that some people receive scholarships and training courses and don't make use of them.
- In spite of TEPNG’s investment in skills training programs, there continues to be a lack of sufficient capacity in the community to participate in the company’s supply chain. A seeming lack of communication on the criteria for qualifying for jobs means that while TEPNG is unable to source local qualified candidates in spite of deliberate efforts to identify them, locals perceive that the company intentionally overlooks them, even as it continues to hire new people on a regular basis. This increases tension between TEPNG and EPA leadership, as the company continues to build a backlog based on its commitment to hiring a specified number of locals. At the same time, TEPNG experiences cases in which they are not able to take on qualified candidates about to graduate because they have to wait until human resources announces open positions.
- In 2011 TEPNG started the Small and Medium Enterprise-Development Network (SME-DN) to encourage the establishment and growth of SMEs in the region. TEPNG brought in the Paris-based European Institute for Cooperation and Development (IECD), experts in SME and micro-credit development, to design and run the program. The program is housed within a government-built structure, not on TEPNG’s own grounds. To date the program has trained over 200 micro-enterprises, with about 95 women among the group, in economics, management and technical skills.
- Most notable is that, while participants are keenly aware that SME-DN is a TEPNG instituted and backed program, beneficiaries speak of their past successes and future plans without referring to the company or expressing a need for any kind of handouts from the company. The program has yet to start a micro-credit scheme, but many graduates of the program continue to return to SME-DN for continuing business education and skills development. SME-DN and TEPNG plan to initiate a micro-credit fund to help local entrepreneurs start and expand

businesses. TEPNG wants to ensure that all funding is funneled through a commercial micro-credit enterprise, so as to remove the company from the funding equation and ensure that beneficiaries feel a commitment to re-pay their loans.

- TEPNG currently provides a fund for community maintenance projects in which locals propose and perform the contract through the company's purchase order system. The system is meant to ensure that communities receive small contracts to address immediate needs, such as adding culverts and drainage to roads, and provides immediate money-making opportunities for community-based contractors. The system even extends to small projects performed on TEPNG's grounds, such as building sidewalks and cutting grass. The challenge in the implementation of the system is that there is no coordinated tracking of purchase orders, the identity of contractors, or the projects performed. Community members complain that TEPNG pays for projects without evaluating their quality upon completion and often awards new projects to contractors who do not finish work required under previous contracts. TEPNG staff recognize that they lack a system for tracking and organization of contracts.
- This system leads to a proliferation of requests for contracts that places an extreme burden on TEPNG's "front-line" staff. During CEP's visit, staff in a range of departments, from CA to operations, had on their desks stacks of purchase order requests from contractors proposing small maintenance jobs. Many of these proposals are presented on letterhead of small enterprises that have been started up expressly for the purpose of the particular purchase order request.
- Community members state that they do not see sufficient monitoring by TEPNG of projects. They would expect that if someone is contracted to do a job, they would have to demonstrate at the end the job has been completed to a certain standard of quality. Rather, communities are filled with signs of unfinished projects, substantiating their claim that projects are paid for without ensuring proper completion. These indicators lead some community members to wonder about the involvement of TEPNG staff in this practice, making them question the possibility that a sustainable development strategy will in fact bring long term benefits.
- While a grievance mechanism (GM) procedure does exist on paper, it is not widely used in practice. It is unclear how the GM is accessed but any complaints received through the grievance mechanism go directly to Port Harcourt, presumably to the CA department. Currently, it is more common that locals will present their concerns in the form of requests for work needed in the community or petitions for compensation. In effect, the community small-projects maintenance fund is being used to compensate community members for perceived infringements. Even legitimate grievances that the community might have are, in effect, communicated in the form of purchase order requests.
- Internally, there is a lack of coordination between and within departments about tracking and implementation of contracting projects that contributes to the perception of a lack of

transparency in relation to these projects. Some TEPNG staff assume that the lack of transparency and the absence of a tracking system continues because some inside the company may prefer to keep the local contracting opaque. The absence of a single department that coordinates community-related matter means that the drilling department or Upgrade Project may use a different set of criteria for hiring and paying labourers than the CA department. The lack of uniformity between departments informs the behaviour of communities as well, who receive mixed messages regarding the criteria for availing themselves of employment opportunities. While the community affairs team attends daily production meetings at site and weekly joint venture meetings in Port Harcourt, there remains a clear lack of understanding of what CA and SD accomplish and what it means for other departments. Staff in CA and SD departments feel that operations teams tend to value their work and justify their budget only when social crises occur.

IV. TEPNG OPERATIONS IN OML 58 – AN OBSERVATIONAL ANALYSIS

While the Niger Delta is one of the most challenging operating contexts in the world, some of the factors that drive widespread antagonism, mistrust, and violent action in the region are common to many fragile and conflict-affected regions. A company operating in environments such as these may intend to remain neutral in relation to local or national social and political issues, but its actions play into people's contests, rivalries, and struggles to make ends meet or get ahead. While TEPNG goes to great pains to not be politically involved, its mere presence – its social investments, engagement techniques, employment opportunities, and operational impacts – will shape the company's relationship with various stakeholders and the dynamics among them. Local constituencies are unlikely to be indifferent to how the company's actions affect them³. They perceive and judge the company based on how they experience the impact of business activities on their lives.

The Niger Delta, more specifically, is a cash society, where money and political power can be stronger motivations than family, clan, or community. TEPNG is not responsible for solving the corruption, and lack of governance, transparency, and accountability in the Delta, however, they do expect TEPNG to find ways to ensure good governance of its own investments. In this respect, while TEPNG's activities may be neutral and well intentioned, those activities within the context of the Niger Delta are not. Thus, to work towards sustainable development impacts, TEPNG will need to find creative ways to institute a system in which locals can hold each other accountable in order to ensure that benefits such as education scholarships, infrastructure projects, are reaching their intended beneficiaries and .

Over the course of the visit, CEP heard from many locals, inclusive of community leaders, that indicated that even though they were aware of the benefits contained in the community MoU, they were not aware who was receiving them. Out of necessity, TEPNG deals with community leaders as

³ B. Ganson (ed.) (2013). *Management in Complex Environments: Questions for Leaders*. Stockholm: International Council of Swedish Industry.

it cannot negotiate with over 40,000 people, but the widely-held belief is that community leaders may be obstructionist and self-serving in their dealings with the company. “The problem is not in adequacy of benefits, the problem is in distribution of benefits”. Without checks and balances holding those leaders accountable, such as engaging and communicating across all stakeholders, the leaders’ position is strengthened in such a way that allows self-interests to run rampant. This indicates that fundamental issues still persist in the way TEPNG engages broadly across local stakeholders. Notably, the increasing influence and prestige of the EPA over time has in turn led to increased pressure by individuals looking to be part of the EPA leadership, in some instances for personal gain.

Although a great deal of funds goes into community development, there are as yet few development results to show for it. SD funds often end up enriching only community leaders. 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. The community’s sense of ownership for such projects is, generally speaking, low and does not yield the company the credit or social license to operate that it hopes for. For example, scholarships and skills acquisition programs are controlled by and delivered to a select few who often waste the opportunity. As a result, when TEPNG puts out a request for welders, they are unable to find local welders that qualify. Locals see certain people enriching themselves at the expense of others and that there is a disconnect between TEPNG’s development plans and the impact in practice.

Operationally, purchase order contracts end up being the cornerstone of community engagement. Most contracts are obtained during visitor days, when, as a consequence, locals swarm the office. Despite often being turned down the first time, they come back repeatedly and many eventually get contracts. Evidence has shown that the administration of purchase orders is largely based on individual decision making rather than based on company policy. These purchase orders become the de facto complaints procedure, used as a response to community demands or threats. This action perpetuates an ad-hoc, reactive, short term, and unsustainable approach and contradicts TEPNG’s sustainability message. While company staff often complain that locals always ask for more, the way in which TEPNG manages contracts incentivizes this behavior. Within TEPNG, lack of coordination and monitoring or systematic application of a policy governing the allocation of contracts mean that, if a person keeps asking in different ways, there is a good chance that TEPNG will eventually bend.

In addition, it increases the threat of insecurity. The CA and SD teams have good relationships with locals and are able to maintain community contacts that act as a first line of intelligence and security for the teams. Yet the company continues to be pressured and threatened by people representing a range of interests – associations, youth, contractors, would-be contractors, landlords. Staff often point to external factors as the cause of company-community tensions, but the approach to dealing with stakeholders encourages them to continue to apply a certain amount of pressure, through

threats, disturbances, and, at times violence. Their motive is not to permanently shut down operations, but rather to keep receiving benefits in ways that suit their individual, short-term interests. When the company's response to threats of negative or violent behaviour is to increase homage payments, sitting allowances and perks such as lodging in hotels in Port Harcourt when meeting runs late, it creates incentives for further threats/pressure.

A certain amount of implicit and explicit threat from leaders is predicated on the idea that they are the lynch pins for securing peace. While there has been recent relative stability in the company-community relationship, a durable peace is, as of yet, unproven. It is understandable that TEPNG perceives the committee structure to be the only way to manage negotiations with a large population as well as the need to not be seen to be meddling in the affairs of the community. At the same time, as long as TEPNG knowingly invests large sums of money and human resources into the community without impacting intended beneficiaries, the community will continue to see the company as intentionally supporting benefit captors.

Many of the issues the Niger Delta are pre-existing issues beyond TEPNG's control, and locals recognize them as issues internal to the community. But while TEPNG is not responsible for failings in community governance, locals ultimately blame the company for the negative consequences of its investments, and TEPNG thus becomes the object of community dissatisfaction. From a local perspective, investment in sustainable community development funds requires TEPNG to ensure proper management and accountability. Failing to do so is willfully having a negative impact.

Transparency

Many stakeholders note that the risks of corruption can and should be controlled, at least partially, through enhanced communication and transparency. While maintaining constructive relations and negotiations with the community leadership structure, TEPNG can also ensure that proactive engagement is happening across the community and that information is passing vertically from association leadership to its constituents. There exists a fear that greater transparency can increase expectations and thus fuel community unrest. It may provoke resistance to put in place a more a transparent structure that ensures broad awareness and involvement of communities and generates a sense of community ownership and buy-in. Some who currently have access to the company may feel that if the company deals more directly with the wider community, they will lose their ability to control information and therefore resources. In this respect, the effort will require a great deal of proactive information sharing, partly to get out ahead of negative rumors that some might use to sway the community against TEPNG. Yet without it, community members will not be able to hold their own leaders to account or to lend their support and ownership for the success of community-based projects.

TEPNG also needs to think about how to incentivize a sense of community, and of community action, and reduce incentives for individualistic gain at the expense of the community. For

programming such as scholarship and skills acquisition, increasing transparency in the process of selection and allocation allows the community to decide among themselves the correct ratio and balanced distribution. That way, if anyone complains, it is a complaint against the community's own leadership, rather than the company. TEPNG's responsibility in this case is to make sure that the information and the discussion is public.

Lands and Claims

While the land acquisition process can often prove to be a contentious one for companies dealing with communities, TEPNG staff have implemented a few techniques to ensure that potential disputes are uncovered and addressed early on and that all parties come to agreement in a transparent manner. Local lands are mostly owned by families, with lots being sub-divided as the number of male family members grows. As a foreign company, TEPNG staff ensure that the onus of determining land rights remains with the community. TEPNG staff inquire after and gather all entities that might have an interest in the land or bordering lands to discuss the matter together, ensuring that all have received the same information and that among themselves, all affected parties share the same understanding of boundaries and rights. If the company were to deal solely with the Ochi Oha, the compensation paid on behalf of the land owners might not secure the company's access.

With these current issues at the fore, there is no indication that developing new industries and increasing skills and education will reduce the pressure that TEPNG feels to continually provide benefits. Rather, the dynamics of the current relationship suggests that even with increased economic prosperity, the community will continue to have strong incentives to seek short term personal gains from the company.

While most locals are keen to have new industry developed within the community, there remains little incentive for them to lend necessary support to make sure that projects get off the ground and succeed. With the prevalence of purchase orders, it is difficult to incentivize even skilled youth to invest effort in a community project without a personal contract. After years of short-term and immediate gains, there is an expectation that new industries should be set up and fully established for the community. With continued opportunities for immediate pay outs through contracts, there is still no incentive to invest time in developing new industry. A change in the system of providing spot contracts, homage payments, sitting allowances, etc., will likely need to take place in order for people to begin to think in terms of longer-term opportunities. Perhaps the only credible way to motivate people to think beyond oil is the "threat" that one day TEPNG will divest completely because the operations are no longer commercial.

V. OPTIONS

TEPNG invests substantially in community affairs and sustainable development programs. Locals recognize the good intentions and effort on the part of the company. However, in spite of having built goodwill within the community, it still struggles to move its development efforts towards more sustainable outcomes. Following are various options to address current challenges in community engagement, gaps between the SD strategy and outcomes on the ground, and the threat of recurrent instability. A change in policy or practice based on these options may be met with resistance on the part of certain community members. It will be important to think about sequencing and a rollout process of improved accountability structures and communication systems. Discussions will likely need to begin with the EPA executive committee, leadership of various associations, and internal TEPNG staff, prior to rollout within the community, to make them aware of and involved in the process of improved engagement and sustainability measures. Preparing people for the eventuality of change - even those within TEPNG – may require the support of independent development and conflict management experts.

Key Principles for improving sustainability of development efforts:

- *Address capacity gaps:* The MoU places substantial responsibility on leaders to be able to manage a portfolio of community development projects and most leadership lacks sufficient capacity to successfully fulfill the responsibilities envisioned for them in implementation of the current MoU. Engaging development experts to provide added technical capacity and training to community leaders and MoU committees can help to address issues such as inadequate communication with constituents.
- *Increase accountability:* Accountability has been lacking both in the company/community relationship and among community leaders accountable to the communities they are intended to represent. Institute a governance structure that increases accountability among community leaders.
- *Increase transparency:* The current management of the MoU lacks sufficient transparency to enable communities to hold their leaders to account. Share information and institute mechanisms that require community leaders to share and discuss agreements with their communities for review and feedback. Increasing transparency and communication removes the burden from TEPNG to supervise the disbursement of benefits and allows community members to become their own intra-community watchdog.
- *Broad engagement:* Community engagement should be broad, inclusive, early and pro-active, ongoing, predictable, and a vehicle to ensure that the company's concept of dialogue and development correspond with those of local communities' perspectives and expectations.
- *Partnership and ownership:* Development projects delivered to the community require the involvement across the community. Often, agreements made with individual leaders, who may not be accountable to their communities create projects not really "owned" by the community. TEPNG and communities should be partners in socio-economic development projects, each with clearly defined roles as well as involvement of other partners, such as NGOs and donors. A

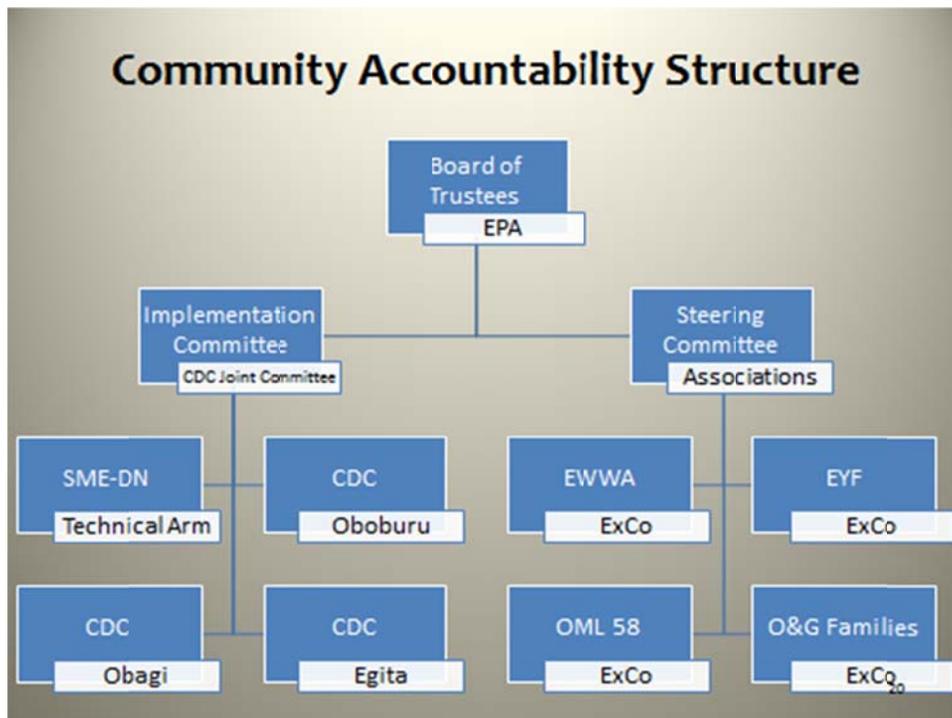
shift towards community-led social investment (with company funding) should also be based on assessment of community-identified needs.

Community Accountability Structures
<ul style="list-style-type: none"> ✓ Enhance current governance model in order to increase accountability and effective implementation of the MoU (fig. 1). Demonstrate continued respect for the role of the EPA executive committee by recognizing their formal role as Board of Trustees of the Egi Clan MoU. At the same time, broaden MoU participation and oversight to include participation by interest groups representative of the entire community. Include each association in the steering committee to ensure oversight in allocating benefits. As Community Development Committees represent the development plans of each community on behalf of the government, involve them in the implementation of the MoU via the implementation committee. Include the technical capacity of SME-DN or other development experts to increase the capacity of community leaders in implementation.
<ul style="list-style-type: none"> ✓ Ensure regular implementation and report back meetings take place among and between the respective committees and board of trustees of the MoU.
<ul style="list-style-type: none"> ✓ Hold regular MoU implementation meetings in public spaces within the area of OML 58. Currently, most meetings take place in Port Harcourt or the locally-based Titi-Ikpe Hotel in Obite. Instead, hold at least quarterly or bi-annual meetings at Live Camp or a specified community, which are locations frequented by and welcoming to community members.
<ul style="list-style-type: none"> ✓ As the Community Development Committees are the established development committees for each individual community and is made up of a representative from each family, work with the CDCs for community-based meetings and planning.
<ul style="list-style-type: none"> ✓ Publicly announce the qualification criteria used for determining scholarships and training stipends, the list of proposed candidates put forth by the EPA and MoU governance model, and the list of scholarship winners. In this way, the community itself is responsible for ensuring proper distribution of benefits and plays a role in monitoring recipients' accountability to make use of the scholarship. It also incentivizes a sense of community in making use of its development funds rather than incentivizing individuals' sense of "getting away with TEPNG's money".
<ul style="list-style-type: none"> ✓ Seek out technical assistance from development professionals experienced in community organizing and empowerment. Take a multi-stakeholder approach to furthering development goals by engaging other actors with relevant experience. This may include representatives successful in instituting a community governance model with Chevron Nigeria Limited, River State Sustainable Development Agency, and international multi-lateral agencies such as the World Bank or UN Development Programme (UNDP).
<ul style="list-style-type: none"> ✓ Institute a participatory stakeholder evaluation on a regular basis (annual or bi-annual) to collect credible feedback on how community residents and other stakeholders are experiencing the MoU. The design and implementation of a participatory evaluation would include the participation of representatives from the communities, local NGOs, the

government and TEPNG.

- ✓ Institute a “community maintenance fund” to manage and coordinate the current process of giving purchase orders for small community contracts. The fund would be managed by the new MoU governance structure, with oversight from TEPNG CA department. Review of contract proposals, disbursement of funds, and monitoring of work would be an order of business during the regular MoU implementation and report back meetings. Provide some capacity and support to maintenance fund managers. Also ensure that all contracts and winning bids are publicly announced, so that community members are aware of current projects being supported by TEPNG and the entities responsible for delivering said projects. Reduce the flow of purchase order requests coming into the office on visitors’ days in order to focus that time on quality engagement and information sharing.

Figure 1. Egi Clan MoU Governance Model



Consistent and Broad Community Engagement

- ✓ Local communities appreciate TEPNG’s sense of accountability regarding operational impacts. Continue to demonstrate that the company is accountable for its operational impacts by communicating well in advance regarding upcoming activities such as gas flares and being immediately responsive when incidents occur.
- ✓ Increase broad, consistent community engagement rather than interfacing only with

<p>community leadership. Developing an engagement plan that is both straightforward and inclusive is key to managing company/community relationships. In the Nigerian context, this means engaging laterally across leadership of all associations and committees and engaging vertically by increasing access to information at all levels of the community.</p> <ul style="list-style-type: none"> ○ Hold meetings with the EPA and MoU governance model in the community, at least twice yearly, so anyone can attend. ○ Ensure consistent communication on operational activities as well as SD activities. ○ Organize periodic and regular information sessions (perhaps 4 times per year) in each community that are open to the public. Such meetings would focus on information sharing, dialogue and progress on SD strategy, no negotiations should take place nor could any promises be made.
<ul style="list-style-type: none"> ✓ Ensure transparency of information. Increase locations in which to access information, particularly on benefits such as employment, contracts, social projects, procedures and other decisions that affect people’s lives. <ul style="list-style-type: none"> ○ Stand firm on commitments. Send a consistent message and deliver what the company promises, rather than being seen to eventually bend on previously negotiated matters. ○ Post information on public bulletin boards in each community; use central locations where town criers already announce information. Make public criteria and eligibility for scholarships, as well as recipients of contracts, scholarships, stipends, and projects. Decide, with the community, whether to make public the sums of money being awarded for various benefits. ○ Make use of town criers to publicize meetings and public postings. ○ Hold regular community meetings.
<ul style="list-style-type: none"> ✓ 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 community leaders and community members.
<ul style="list-style-type: none"> ✓ Safeguard the open door policy for providing a space for discussion, lodging complaints, and answering questions. where people can ask for, and obtain information about company policies and practices. Take the purchase order contracting process out of the visitors’ days.
<ul style="list-style-type: none"> ✓ Increase the number of community liaison officers (CLOs). An investment in communication and information sharing that supports community-wide programs can, over time, decrease extra funds spent on individual demands. Ensure sufficient CLOs for accompanying contractors, MoU implementation, and general community “roving”. Hire female CLOs to ensure broad engagement.
<ul style="list-style-type: none"> ✓ Ensure a community feedback mechanism that reaches beyond the “regular” interlocutors and leaders. Bolster the grievance mechanism and roll it out within the community, ensuring that community members have a variety of ways to register complaints and concerns.
<ul style="list-style-type: none"> ✓ Leverage TEPNG’s position in country to develop an “energy industry forum” around the socio-economic aspects of operations. Based on the relevance of its international experience and positive reputation in Nigeria, TEPNG might convene and provide leadership on the agenda for an industry forum of all the energy companies now in the Niger Delta to discuss

issues of common concern. If TEPNG were able to facilitate a forum that supports information and experience sharing, it could provide important benefits in terms of improving stability and development in other parts of the Delta. Experience sharing on constructive benefit systems can help TEPNG to ensure its social investments are reaching their intended beneficiaries, give the company space to share on the success of projects such as the SME-DN, and create collective action with which to work with the government on good governance measures.

Strategic SD Strategy	
✓	<p>Dependency on TEPNG needs to be decreased in order to increase sustainability of programming. The current mindset within the community is that community projects are largely oil-dependent and thus locals do not have a vision of sustainable development beyond TEPNG funds.</p> <p>Work with 3rd party development actors to build capacity among community leaders who are managing community projects and empower key community members to become more involved in the process. Working with development experts should not replace TEPNG’s regular engagement with communities, but will help to transfer skills and drive a partnership mentality.</p> <p>External SD professionals can also assist TEPNG in honing its overall development strategy to be more effective, proactive, community based, transparent and tied to a multi-year approach to addressing development needs and goals.</p>
✓	<p>Consider initiating a development foundation responsible for managing the SD strategy, using part of the development envelope to pay for development experts to work alongside TEPNG and the community. Integrate the existing SD department within the foundation and ensure continued coordination with the CA department. 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.</p>
✓	<p>While working with international development experts, such as IECD, brings expertise and cross-learning from other contexts, the involvement of credible Nigerian development experts can increase acceptance by locals. The New Nigeria Foundation’s experience in company/community relationships, the Africa Centre for Corporate Responsibility (ACCR), or the River State Sustainable Development Agency may all be able to bring expertise in development approaches in the Nigerian context and can act as a neutral facilitator in the development partnership with the company and community.</p>
✓	<p>Each project should have a clear plan for skills transfer, infrastructure maintenance and a clear exit strategy for handing off the project to the community. A partnership approach and clear detailed process set out in advance of implementation will increase the success of diversification projects such as the float glass project.</p>
✓	<p>Base SD efforts on a genuine “needs-assessment” or PRA to ensure SD is meeting development needs and to reinforce the notion to community members that the company is interested in serving the interests of the whole community, and not only that of influential</p>

<p>community members. Using an assessment that incorporates development and health indicators can serve to address community concerns regarding environmental health impacts of oil operations in their vicinity.</p>
<p>✓ Set clear development milestones for SD based on participatory needs and development assessment. This will provide baseline information with which to evaluate whether projects, like the scholarship and skills acquisition scheme have moved development forward and translated into increased participation in the supply chain.</p>
<p>✓ 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.</p>
<p>✓ Expand on the already successful SME-DN program.</p> <ul style="list-style-type: none"> ○ Expand program to include a training program for contractors, in which they are trained in finance and revenue management and other technical skills. Announce the new program and give contractors a set grace period by which time they need to have successfully completed the course in order to be included in eligible contractor rosters for TEPNG contracts and for community maintenance projects. ○ Embed the skills acquisition program into the SME-DN program and house it at the same location, providing graduates with a small incubator space rather than to assume that they will find their footing in the open market.
<p>✓ Focus on “employability”, for both TEPNG and other industries, within the scholarships and skills acquisition programs.</p> <ul style="list-style-type: none"> ○ Increase efforts to systematically follow-up and mentor scholarship students in order to increase the link between scholarship program and employment opportunities. ○ Shift to apprenticeship programs instead of contracting. Contracting is a shorter-term, ad-hoc solution, whereas supporting locals in developing enterprise has more sustained outcomes. ○ Give starter packs for skills acquisition program in public ceremonies, both to increase awareness and importance of the program as well as to continue transparency regarding who receives benefits.
<p>✓ No free services. Work at a regional level with other development actors to find ways to make services such as electricity more self-sustained.</p>
<p>✓ No new infrastructure. Turn the SD focus towards making use of existing infrastructure, such as the women’s center, which falls out of use and quickly goes into disrepair.</p>

<p>Internal Management Systems</p>
<p>✓ Improve coordination regarding matters that have community implications among corporate communication, community affairs, stakeholder engagement, sustainable development, and conflict and dispute resolution mechanisms. Address the lack of synergy and coordination between departments and within departments by increasing formal communication channels</p>

and consultation between other departments and CA and SD departments.
<ul style="list-style-type: none"> ✓ Coordinate contracting and labour. Currently there is no single department that is accountable for community-related hiring. Both the CA department as well as the Operations Department bear some designated responsibilities for contracting and hiring of labour. Designate one coordinating team or department responsible for communicating, hiring, and managing labour.
<ul style="list-style-type: none"> ✓ Develop a contractor database with which to manage all current and previous purchase orders, and includes monitoring and evaluation of contractor performance.
<ul style="list-style-type: none"> ✓ Increase professionalization of SD and CA departments by providing for training on engagement techniques, conflict resolution, and development approaches as well as support from a development expert to assist in further development of a strategic SD strategy.
<ul style="list-style-type: none"> ✓ Increase awareness of the efforts of the CA and SD departments, including recognition from other departments' management for the difficult circumstances under which they operate. Bolster the department as a professional and technical aspect of operations, through an internal incentives and awards system. <p>Considering holding an annual TEPNG CSR conference with the participation of all departments and external actors whom are involved in community-interfacing activities. The event could include:</p> <ul style="list-style-type: none"> ○ Recognition and awards for “bright stars” coming out of the scholarship, skills acquisition, and SME-DN programs ○ Socio-economic seminars for staff ○ Experience sharing with other departments ○ EPA and MoU governance model - report back on implementation of the MoU and strides made in SD strategy ○ Contractors “best practice” awards

VI. CONCLUSION

While there is no absolute solution to operating in complex regions such as Nigeria wrought with governance issues, there are opportunities for Total E&P Nigeria to leverage the goodwill it has garnered to create a space of good governance in its own sphere of influence. There are signals of a commitment both from the company as well as from local stakeholders to work towards a genuine, constructive and positive long-term relationship.

The greatest stride TEPNG can make towards development is to find ways to promote unity rather than competition among communities through its community engagement and social investment activities. The CEP visit has helped to elucidate options for ensuring that sustainability goals for development of the region do not get disrupted by individual interests. 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. Although day-to-day operational challenges often make it difficult to focus on the larger term strategy, there is a great deal of expertise and intelligence in the departments that can feed into a more effective strategy. To develop a considered and cautious approach to shifting towards a development mindset, it will be necessary to push both staff and communities towards increased transparency, better accountability, and genuine, broad partnership. Without instituting those principles, TEPNG risks that its good intentions and the considerable resources allocated are spent on programs that cannot succeed without the company's presence. With those principles in place, TEPNG can successfully work towards a legacy of improved stability, development and wellbeing in the region of its operations.