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# Revenue transparency to mitigate the resource curse in the Niger Delta?

Potential  
and reality of NEITI

Occasional Paper  
June 2010



# Occasional Paper V

## Revenue transparency to mitigate the resource curse in the Niger Delta?

### Potential and reality of NEITI

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June 2010

The responsibility for contents and views expressed in this *Occasional Paper* lies entirely with the author

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## List of Acronyms and Abbreviations

		OAGF	Office of the Accountant General of the Federation
Bpd	Barrels per day	PPT	Petroleum Profit Tax
CBN	Central Bank of Nigeria	SPDC	Shell Petroleum Development Company
DD&R	Disarmament, Demobilization & Reintegration	WB	The World Bank Group
DPR	Department of Petroleum Resources		
EFCC	Economic and Financial Crimes Commission		
EU	European Union		
FIRS	Federal Inland Revenue Service		
GDP	Gross Domestic Product		
GMoU	Global Memorandum of Understanding		
EITI	Extractive Industries Transparency Initiative		
JTF	Joint Task Force		
IFI	International Financial Institutions		
IOC	International Oil Company		
IMF	International Monetary Fund		
LGA	Local Government Area		
MEND	Movement for the Emancipation of the Niger Delta		
NDPVF	Niger Delta People's Volunteer Force		
NEITI	Nigeria Extractive Industries Transparency Initiative		
NGO	Non-governmental Organization		
NNPC	Nigeria National Petroleum Company		
NSWG	National Stakeholder Working Group		

## Executive Summary

Peace in the Niger Delta, following the implementation of the amnesty for militants in October 2009, is very fragile. This period of fragile peace is the right time to consider how some of the problems surrounding oil extraction in the Niger Delta can be addressed. Arguably, the violent conflict in the Niger Delta is a result of accumulated grievances related to the resource curse. As the international Extractive Industries Transparency Initiative (EITI) is purported by many as a means to overcome such resource curse, this paper investigates the extent to which its Nigerian version, the Nigeria Extractive Industries Transparency Initiative (NEITI) can mitigate the resource curse in the Niger Delta.

The resource curse in the Niger Delta is constituted by factors relating to the Nigerian state, the production side and oil-financed armed conflict. The Nigerian state shows clear signs of what Terry L. Karl identified as 'petro-states' that have a centralizing tendency that simultaneously weakens their authority. In Nigeria, this is experienced as a paradox of centralized federalism. With the military rule after 1966, the management of the Nigerian oil sector became more and more concentrated in the federal government. At the same time, the Nigerian 'petro-state' (commercial oil exploitation starting in 1956) was inserted into a multi-ethnic federal state with an institutional structure that favored the three majority groups (particularly the Northern region). The resulting constant proliferation of new sub-national state units undermined government effectiveness in terms of its developmental outcomes. The oil being produced in an ethnic minority area that has marginal influence on the national level, combined with a lack of transparency in the governance of the oil sector, people in the

Niger Delta feel excluded from the process of decision-making and deprived of their livelihoods.

On the production side, host communities in the Niger Delta have faced manifold problems resulting from oil exploitation, including environmental destruction, land ownership disputes, loss of livelihoods and inadequate compensation, due to a lack of oversight by the state over the multinational oil companies' operations. In trying to appease disgruntled social groups in the Niger Delta, oil companies have handed out payouts to villages leaders and violent youth groups with as much opacity as the federal government managed its oil revenues. The resulting suspicion and violence undermine recent efforts of the international oil companies at improving community relations via community development projects and common Memoranda of Understanding.

Regarding the financing of violent conflict, the illegal trade in stolen oil has not triggered violence in the region but has helped perpetuating it. Violence was triggered by the reluctant response to legitimate complaints by both the Nigerian government and oil companies; the mobilization of youth groups as protection agencies; and the arming of local thugs for election purposes, associated with the introduction of democracy in 1999. The war economy, based on bunkered oil, benefits militants and those parts of the economic, political and military elite who collaborate with them. It thus further undermines efforts at transparency in the management of the oil and gas sector.

The analysis shows that a lack of transparency and accountability was partly responsible for the negative consequences of oil extraction in the Niger Delta. Hence, revenue transparency initiatives have a certain, albeit limited, potential to mitigate the resource curse in the Niger Delta. The Nigeria Extractive Industries Transparency Initiative (NEITI), launched in 2004, produced two important audits reports in 2006 and 2009

that documented an appalling lack of government oversight over production volumes and oil companies' calculation of payments. The publication of revenue figures may help the Niger Delta people to hold the government accountable for its spending decisions. However, there are limitations to realize NEITI's potential to contribute to greater popular participation in decision-making and to enhanced accountability of the government and oil companies, arising from NEITI's design and the context of a 'petro-state':

Several areas for improvement are not covered by NEITI in practice: The expenditure side, state and local government budgets that receive increasing volumes of oil revenues, and company payouts to community leaders. NEITI's institutional set-up that weakly represents civil society has only marginally increased political participation of the Niger Delta people. Still, as a side-effect, through donor aid, it helped NGOs from the Niger Delta to mobilize around issues of budget transparency in their respective states.

Moreover, NEITI's impact is clearly limited by its political context. Mere transparency may not lead to greater government accountability if the precondition of free and fair democratic elections is not given. Being in fact a government institution, NEITI is subject to the dynamics of a 'petro-state' - a lack of institutionalization, a tendency to personalized rule and politics of patronage. Within the confines of the Nigerian state, NEITI does not seem able to generally improve government and oil company accountability as it is dependent on other Nigerian political and judicial institutions to have an impact. NEITI itself is not the driver of change, but other political forces, such as the group of Nigerian reformers, Nigerian NGOs under the umbrella of Publish What You Pay, and the "international community" (EITI, the audit consultancy firms, international donors), are agents of change.

While being a worst-case scenario, the production-site grievances relating to land ownership and environmental destruction in the Niger Delta are found in many other onshore oil-producing or mining areas in developing countries. The political dynamics of 'petro-states' can represent obstacles that can hardly be overcome by external intervention. If external ambitions such as EITI meet with a group of local reformers, this can represent a temporary opportunity. Given the inherently weak state structures in terms of effectiveness, accountability and transparency in many oil-rich developing countries, the EU should combine attempts to increase transparency in the revenue management of these countries with efforts to hold EU-based companies legally accountable for their operations abroad. The EU even has a responsibility to do so, for European investors in the extractive industries of developing countries are implicated in the political dynamics of these 'petro-states'.

## Introduction

In October 2009, most of the militant leaders of the Movement for the Emancipation of the Niger Delta (MEND) accepted the amnesty offered earlier that year by then Nigerian President Ya'ardua. They had taken up arms to struggle for what they framed as "resource control" of the Niger Delta people with respect to the proceeds from oil extraction in the region. Peace in the Delta is still very fragile, with factions of MEND having already lifted the indefinite cease-fire that it had proclaimed at the end of October 2009. The prolonged illness and eventual death of President Ya'ardua in early May 2010 further complicated the implementation of the amnesty and ensuing DD&R program. The inauguration of Vice-President Goodluck Jonathan from the Niger Delta region as the 14th President of Nigeria on 6 May 2010 has changed the political parameters for the handling of the Niger Delta crisis. This period of fragile peace is the right time to consider

how some of the problems surrounding oil extraction in the Niger Delta can be addressed.

Arguably, the violent conflict in the Niger Delta is a result of accumulated grievances related to the resource curse. The conflict is a complex struggle for equitable management of oil revenues and for a responsive manner of oil exploitation that minimizes environmental degradation. The Extractive Industries Transparency Initiative (EITI) is often cited by policymakers and advisors as an important element of resource governance in developing countries, as a means of overcoming the resource curse (Oxfam, 2009).<sup>1</sup> This is based on the assumption that the resource curse is caused by a lack of good governance: “With good governance the exploitation of these resources can generate large revenues to foster growth and reduce poverty. However, when governance is weak, it may result in poverty, corruption, and conflict” ([www.eitransparency.org/eiti/summary](http://www.eitransparency.org/eiti/summary)). The stated goal of EITI is therefore “to strengthen governance by improving transparency and accountability in the extractives sector” (*ibid.*). The international initiative seeks to do so by bringing together governments, mineral companies and citizens and by publishing company payments and government revenues in the producing countries.

The Nigeria Extractive Industries Transparency Initiative (NEITI) was introduced in 2004 and created high expectations among the international community, for it produced a comprehensive audit report and went beyond the requirements of the international initiative. As the NEITI has been hailed and promoted by the international community, Nigeria can serve as an interesting test case for inquiring to what extent revenue

transparency can actually contribute to greater accountability and whether, in consequence, the resource curse can be mitigated. The paper is therefore guided by the question: To what extent can the Nigeria Extractive Industries Transparency Initiative mitigate the resource curse in the Niger Delta?

In order to assess this question, it is necessary in the first place to clarify whether a lack of transparency and accountability is actually part of the problem in the Niger Delta. The author therefore analyzes what constituted the resource curse in the case of the Niger Delta; the factors leading to the various negative consequences of oil exploitation in Nigeria, which degenerated into violent conflict. She argues that transparency may help address some of the grievances of the Niger Delta people, but that NEITI’s potential to mitigate the resource curse in the Niger Delta is limited, because its contribution to increasing general government and oil company accountability is restrained by its scope and political context.

EITI is an internationally-driven initiative which—despite its tripartite character—crucially relies on the state institutions of the participating countries for its implementation due to its focus on state revenues. What is at stake when analyzing the potential impact of the Extractive Industries Transparency Initiative are therefore the possibilities of external intervention for improving the effects of extractive industries in producing countries—while relying on the state institutions of the latter.

The paper begins with a discussion of the possible negative consequences of oil exploitation in developing countries, often referred to as resource curse, introducing the analytical framework of the ‘petro-state’ (Section 1). In order to assess the relevance of revenue transparency for addressing problems in the Niger Delta, the author then investigates the extent to which the negative consequences of oil exploitation were due to a lack of transparency and accountability.

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1 The EU Commission, for example, refers to its support of the EITI in its efforts at international cooperation under the first pillar. “Access to raw materials on world markets at undistorted conditions” of its proposed EU “Raw Materials Initiative” (Commission of the European Communities, 2008).

For that purpose, Section 2 analyzes what constituted the resource curse in the case of the Niger Delta, applying the analytical framework. It examines different dimensions of the resource curse—the question of revenue distribution between the federal government and the Niger Delta constituencies (2.1), production-side dynamics (2.2), and a war economy funded through illegal oil bunkering (2.3). Based on this analysis, the third section assesses the potential of NEITI to alleviate some of the grievances emanating from oil extraction in the Niger Delta in more concrete terms. In specific, it investigates NEITI's contribution to more popular participation in decision-making. After a presentation of NEITI (3.1), the author delineates the limitations to its impact, which emanate from its scope (3.2) as well as its embeddedness within Nigeria's political system (3.3).

This paper, which is published in collaboration with Fatal Transactions, is primarily addressed to European policymakers, but also to researchers, NGOs, companies and the interested public seeking to make the people in producing countries benefit from extractive industries' activities. The paper is embedded in a larger research project, aimed at understanding the link between natural resources and conflict, for many resource-rich countries experience violent conflicts instead of attaining development goals. It is a qualitative research exercise that seeks to analyze the mechanisms that may link natural resources to conflict and to assess policy options for the countries concerned. The country studies include Côte d'Ivoire, Chad, and Nigeria.

It is based on interviews conducted in Nigeria that were combined with a desk study. The interviews were held in Abuja and Lagos over a period of two weeks in October and November 2009, while a desk study before and after the field trip covered relevant academic literature, NGO and newspaper reports, and official documents. The author conducted 27 semi-structured interviews with

representatives from government, NGOs, research institutes, oil companies and international organizations (see Annex 2: Methods).

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### Box 1: Fatal Transactions

Fatal Transactions is an international campaign that strives for a just and fair exploitation of Africa's natural resources. It was launched in October 1999 by a consortium of European civil society organizations to increase public awareness on the funding of rebel armies across Africa through the trade in so-called 'conflict' or 'blood' diamonds. Fatal Transactions was part of the negotiations on the Kimberley Process Certification Scheme, which tries to impede such trade. Members of Fatal Transactions conduct an advocacy and public awareness campaign in Europe in order to stop natural resources from fueling conflict and to improve resource governance in post-conflict countries.

Further information about events and publications can be found at its international website [www.fataltransactions.org](http://www.fataltransactions.org) and [www.fataltransactions.de](http://www.fataltransactions.de) (German website).



## 1. Analytical framework: The 'petro-state'

As this paper attempts to clarify to what extent the Nigeria Extractive Industries Transparency Initiative is able to mitigate the resource curse, it is essential to recall what the resource curse is all about. The term resource curse was introduced by Richard Auty in 1993, referring to a situation in which wealth from natural resources hinders economic growth and social development instead of promoting it. The dimension of violent conflict was added by Collier and Hoeffler (Hoeffler and Collier, 1998 and 2000) with a quantitative study, which found that countries dependent on primary commodities experienced more violent conflict than others<sup>2</sup> (Kaldor et al., 2007, p. 11). While there is evidence that oil dependence and violent conflict are correlated (Kaldor et al., 2007, p. 12), there was much criticism of arguments which suggested a direct causal link between the two. It is argued here that the relationship between the two is not that straightforward, and that the context of oil exploitation matters—including the way the resource exploitation is governed (Basedau, 2005; Basedau and Lacher, 2006; Guesnet et al., 2009b). For example, there are obviously different ways in which revenues from oil extraction can be managed and distributed and how the compensation for expropriated land and environmental damages is handled.

Nevertheless, the arguments brought forward by Terry Lynn Karl in her book *The Paradox of plenty* (1997) can help understand what makes the governance of oil exploitation in developing countries so complex and fraught with difficulties. In her book, Terry Lynn Karl posits that there are some common conditions that make very different oil exporting countries suffer the same fate of

2 It must be noted that the study also showed that beyond a certain level of exports, the export dependence reduced the risk of civil war.

economic deterioration and political decay.<sup>3</sup> This is also of great interest to the various (African) countries such as Chad and Ghana, which have only of late been exploiting oil on a bigger scale or begun to do so, but might become proper 'petro-states' in the future. Like them, Nigeria used to be an agricultural economy, deriving its fiscal revenues mainly from agriculture and mining.

The 'paradox of plenty' starts from the idea that it matters which economic sector a state relies on most, i.e. whether a state relies on agriculture, foreign aid, or taxes from extractives because different sources of revenue have an impact on a state's institutional development (Karl, 1997, p. 13). Roughly spoken, as developing countries derive their revenues more from external (foreign trade) than internal (their citizens) sources, they have not developed the kind of highly institutionalized bureaucracies that exist in Europe.<sup>4</sup> The reliance of many developing countries on external revenues is related to the fact that they were not borne out of some internally-generated necessity, but were imposed by European colonial powers (Karl, 1997, pp. 58–64). Certain common features distinguish oil exporters from exporters of other primary goods (Kaldor, 2007; Karl, 1997, p. 47):

- Oil exporters are much more dependent on oil revenues than other primary-commodity exporters are on, for example, cash crops;
- Exploitation of oil generates very high rents due to the organization of the international petroleum market and the

3 For a constructive critique see, for example, Basedau and Lacher, 2006.

4 For further reading on the origin of European 'modern' nation-states see the discussion among scholars of Historical Sociology, namely between neo-Weberian theorists such as Theda Skocpol, Michael Mann (1984), Peter Evans, John M. Hobson (1998) and Charles Tilly (1985) and neo-Marxist scholars such as David Harvey, Hannes Lacher (2007), Benno Teschke (2003), Alex Callinicos (2007) and Ellen Meiksins Wood (1991, 2002).

special status of oil as a strategic resource;

- Oil extraction is highly capital-intensive and therefore often foreign-dominated;
- Oil extraction generates very little employment: only between one and two percent of the workforce are usually employed in the oil sector; this produces a 'labor aristocracy' and underemployment among the unskilled workforce.

'Petro-states' are confronted with some common conditions weakening their overall capacity, which can be defined as the "sum total of a state's material ability to control, extract, and allocate resources as well as its symbolic ability to create, implement and enforce collective decisions" (Karl, 1997, pp. 45–47; Soares de Oliveira, 2007, pp. 33–36). These conditions are:

**A difficult economic environment.** Internationally, policymakers are confronted with sharply rising and falling petroleum prices. Lavish state budgets and public debts can become unmanageable in times of a slump in oil prices. Domestically, the ability of the state to tap resources from oil tends to hinder production because the foreign exchange and the appreciated national currency allow them to import instead. In addition, the few oil workers do not represent large enough a consumer market to create a strong consumption effect. This detrimental effect on productive sectors other than the extractive enclave is often referred to as 'Dutch Disease'.

**Hindrance of reforms.** The sheer size of the amassed rents can hinder change in oil policies. Also, those who gain from a *status quo* by accessing oil revenues, namely public officials and oil companies, become defenders of oil extraction.

**Rentier and distributive state.** Political authority rests on the capacity of the state to extract rents from the international arena, less so from internal taxes, and to distribute revenues internally via political patronage to ensure consent. Patronage is similar to

corruption, the misuse of public offices for private enrichment, but distinguished from it by its political nature. It is important to stress in the context of this paper that the politics of patronage are characterized by a lack of transparency in fiscal affairs, which favors corruption.

This rentier character of the state creates an "inextricable link between power and plenty" (Karl, 1997, p. 15): the high petroleum rents that accrue to the state tend to expand the state's jurisdiction, i.e. its sphere of influence, for the management of the oil industry offers ample opportunities for the accumulation of financial benefits. Combined with low government capacity, this tendency of the state weakens its authority. The state, not the private sector, becomes the center of oil-related accumulation. Through the state, elites have access to foreign exchange, import licenses, state contracts, privatized state property and the like (de Oliveira, 2007, p. 129).<sup>5</sup> However, this refers to domestic rent-seekers only—foreign private companies are actually able to gain high rents from the private oil business.

According to the 'petro-state' model, it is thus mainly the nature of the state that explains the resource curse, in contrast to explanatory frameworks that stress international links or behavioral attitudes of individual rulers. As the fiscal dependence on oil exports predominantly determines the nature of the state, revenue transparency is, on the one hand, central to mitigating the

5 This is not only true for petro-states, but for most African countries, as scholars such as Jean-Francois Bayart (1993) or Bruce Berman (1998) would contend. As African states lack a sizeable class of autonomous entrepreneurs, the state rather than the private economy is the primary object of rent-seeking. An indication of this are the close ties to the political elite of successful Nigerian entrepreneurs. Examples in Nigeria include: Wale Tinubu, the CEO of Oando, a major oil products distribution company, whose uncle was a former governor of Lagos state; Aliko Dangote who had a close relationship with former President O. Obasanjo and is Chairman and CEO of Dangote Group, which also trades in petroleum products (Lawal, 2009, p. 58).

resource curse and, on the other, difficult to achieve given the political dynamics following from this fiscal dependence. Political patronage ensures that office-holders have no interest in fiscal transparency, for this would limit their possibilities of enrichment and of ensuring political consent. For transparency initiatives to have an impact they would therefore have to be independent from these political dynamics or the political dynamics of the 'petro-state' would have to prove amenable to change.

This analysis will show what constituted the resource curse in the Niger Delta. For analytical clarity, it is useful to distinguish three interrelated dimensions of the resource curse:

**Mismanagement of resource revenues by the state.** This dimension addresses the question how revenues from the extraction of natural resources are managed and spent by the state. Corruption, inequitable distribution of revenues between political constituencies and little spending on development can generate conflict. At stake here is the responsibility of the producing state.

**Production-side dynamics.** These refer to the relation between private companies and local communities that is often tainted by issues such as the compensation for expropriated land and environmental damage, hiring practices and other socio-economic changes brought about by the onset of extraction activities.

**Resource-financed violent conflict.** Yet another dimension opens up if armed groups such as rebels or militias are able to control natural resource revenues in the course of violent conflict. Where this is the case, political power might still be the ultimate aim of an armed group, but resource-exploitation during an ongoing conflict provides the necessary financial means to import goods such as arms, ammunition, food and fuel, while also providing financial incentives for the fighters. Natural resources thus become

part of a war economy (Guesnet et al., 2009a, p. 5; Brzoska and Paes, 2007, pp. 13-16). This adds an additional layer of obstacles to overcoming the resource curse: the interests of various players in enrichment through illicit trade in natural resources.

In the following, the author will explore whether or not a lack of transparency and accountability was responsible for the resource curse and analyze chances of success for improving accountability through the Nigeria Extractive Industries Transparency Initiative (NEITI), using the analytical framework of the 'petro-state'.

## 2. Factors constituting the resource curse in the Niger Delta

This section analyzes the factors that have led to the various negative consequences of oil extraction in the Niger Delta<sup>6</sup>, using the above-mentioned distinction between different dimensions of the resource curse—mismanagement of oil revenues, production-side dynamics, and a resource-financed war economy. The paper does not attempt to give a comprehensive account of conflicts around oil extraction in the Niger Delta and their historical background but tries to draw out the prospects and limitations for transparency initiatives.<sup>7</sup>

The first dimension is mostly concerned with the responsibility of the Nigerian state. The author analyzes whether the characteristics of a 'petro-state' account for the problems encountered in the context of revenue distribution (2.1). The second dimension addresses the responsibility of international oil companies (IOC) that operate in the Niger Delta (2.2). As to the third dimension, the analysis will show how grievances resulting

6 For some basic information on the Niger Delta see Annex 1.

7 For a more detailed account of the Niger Delta conflict and some historical back-ground, please refer to Maier. 2001; Guichaoua, 2009, pp. 9–50.

from problems around revenue distribution and production-side dynamics degenerated into violence and how the oil-financed war economy works to perpetuate the resource curse (2.3).

## 2.1 Struggles over oil revenues within the Nigerian state

After the government of Nigeria, the companies are the worst thing we have in Nigeria. I place them after the government, because the government is in a position to say: 'Hey, this is the policies! You must operate in this line!' Shell may not have shot or tightened the noose around Ken Saro Wiwa's neck, but they had to use the government of Nigeria to do that. That is why I still blame the government. (...) We need people in the government who can stand up to say: 'Hey! This is the laws of our country! This is how you operate. (...)'. It can happen (Interview with Celestine Akpobari, 5 November 2009, Lagos).<sup>8</sup>

Many people in the Niger Delta are confronted with abject poverty and destruction in the midst of plenty that goes to company and government coffers without producing significant development in the region (see Annex 1 and Box 4). In this section, the responsibility of the Nigerian state for the resource curse and the state's institutional dynamics, which explain the negative consequences of oil extraction in the Niger Delta, are being discussed.

Five different but interlinked factors will be examined in turn: the centralization of the management of oil extraction; a flawed federal structure; weak state authority; lack

of transparency and the continued undemocratic management of oil resources since 1999.

### 2.1.1 Centralization of the management of oil production

Applying the above analytical framework of a 'petro-state' to Nigeria, it is easily apparent from the laws which govern petroleum production that state jurisdiction has effectively expanded over time:<sup>9</sup> the Nigerian state has acquired a dominant role in the ownership and management of the oil industry. The 1969 Petroleum Act, enacted by the military government in the course of war and still valid today, places the complete ownership over oil resources in the federal government, and so does the Nigerian Constitution under its Section 44(3) (Omeje, 2005, p. 326; Ebeku, 2001). The federal government also has the so-called power of 'eminent domain' (the power to seize property and land for public use), which it used without consultation of the population who lived there, claiming oil operations were serving the public interest (Ebeku, 2001).

Moreover, oil-producing communities are in a disadvantaged position as concerns legal entitlements to compensation for their land. The Land Use Act (LUA) of 1978 (again under military rule) has removed the ownership of land from individual Nigerians to the state: "All land (...) is vested in the military governor of the state and such land shall be in trust and administered for the benefit of all Nigerians" (Section 1 of the LUA).<sup>10</sup>

Before 1978, the communities concerned were paid annual land rents (Ebeku, 2001). Communities are only entitled to compen-

<sup>8</sup> All quotes are direct transcripts from the interviews, without reformulation of the local slang. Celestine Akpobari is Program Officer at Social Action and Founder of Ogoni Solidarity Forum (OSF). Social Action is an NGO operating in the Niger Delta to monitor the human rights consequences of oil exploitation.

<sup>9</sup> The main laws governing oil extraction in Nigeria are the Constitution of the Federal Republic of Nigeria (1999), the Petroleum Act (1969), the Oil Pipelines Act (1956) and the Land Use Act (1978).

<sup>10</sup> Until then, the ownership of land was controversial. In some court rulings it was argued that the land cannot be owned by the state if it is not first divested from the original owners, the Nigerian people (Ebeku, 2001).

sation as 'holders' and 'occupiers' of land, under the Minerals Act or the Petroleum Act. Section 77 of the Minerals Act sets as compensation rates "such sums as may be a fair and reasonable compensation for (...) disturbance of *surface rights* (...) and for damage done to the *surface of land* (...), any *crops, economic trees, buildings* (...) removed or destroyed." Moreover, disputes over the quantum of compensation are to be settled administratively and not by courts (Section 47(2) of LUA).

### Box 2: Oil production in Nigeria

#### The oil production chain

The different stages of the production chain of Nigerian oil are referred to as upstream and downstream sectors. The upstream sector comprises exploration, field development, production and marketing of crude oil. The greatest part is onshore production, but offshore production is increasing. The downstream sector includes refining, marketing and distribution of refined petroleum products and retailing.

#### Production volumes

Nigeria is the seventh largest producer in the world and the largest in Africa. Its current reserves amount to about 35 billion barrels (in 2004).

Daily production of crude oil lies slightly above two million barrels (90 million tons per year). Average daily production increased from 2.1 million barrels in 2000 to 2.6 million in 2005, falling to 2.2 million in 2008 (BP, 2009, p. 10).

There are 240 producing fields from 600 wells (drilled wells: 5,284).

#### Contribution of the Niger Delta region

Oil and gas resources exported from the region generate 40 percent of Nigerian GDP; crude oil sales account for 79.5 percent of total federal government revenues, 90-95 percent of export revenues, and 97 percent of foreign exchange (between 2000 and 2004).

#### Government revenues

From 1999 to 2004 the government received revenues worth US \$95 billion.

Sales of government's equity crude amounted to US \$62.8 billion.

Revenues from direct taxes (Petroleum Profit Tax, PPT) were US \$19 billion; income from tax royalties was US \$10.5 billion.

Other income: Signature bonuses: US \$485 million; gas flare penalty.

From the US \$95 billion in gross revenues, the government kept US \$77 billion in net flows after the deduction of government investment flows to the joint ventures (US \$ 18.2 billion).

Besides the government's ownership of oil resources and land, three additional, related features make the Nigerian state a major player in the Nigerian "oil complex":

- the national petroleum company NNPC,
- the security apparatuses of the state,
- fiscal centralization (Watts, 2004, p. 60).

Over time, the state's equity stake in total oil production increased to over 50 percent. The nationalized **Nigeria National Petroleum Company** (NNPC) operates on behalf of the state and cooperates with the oil majors who are granted concessions. Following the 2000 Memorandum of Understanding (MoU) between government and oil companies, the Nigerian state takes over 70 percent of the total oil revenues from the joint venture operations (equity stake plus taxes, rents and royalties) (Omeje, 2005, p. 326; see Box 2).

**The security apparatuses of the state** protect costly investments and are to ensure that the oil operations continue uninterrupted. Especially during the period of military rule, they have come to be known for the crushing of any kind of protests by the local population against the negative impacts of oil operations (Manby, 1999, pp. 20-23;

Luckham, 2007, p. 62; Okonta, 2007, p. 4). Unfortunately, while the repressive character of the political regime has receded with the transition to civilian rule in 1999, security forces sometimes still serve to intimidate protesters who demand, for example, the cleaning-up of oil spills. This is often done in collaboration with oil companies (Social

Action, 2009a). Not only in the Niger Delta but also in other regions did extrajudicial killings by the police force or the military continue, e.g. most recently in the central Nigerian city of Jos to crush the Islamist group Boko Haram in November 2008 (HRW, 2002, 2009). One of the oil majors, Chevron, for its part contends that it only uses unarmed youths from the

community to monitor the pipelines.<sup>11</sup> When confronted with that statement, a social activist from the Niger Delta replied in consternation: "They [the oil companies] use armed soldiers, the JTF [Joint Task Force].<sup>12</sup> But they don't work alone. There are some that work for them (...). Government and oil companies are partners in crime. (...) As much as possible they employ the use of force to intimidate people."<sup>13</sup>

Nigeria also developed a very pronounced **fiscal centralism**—despite its federal character

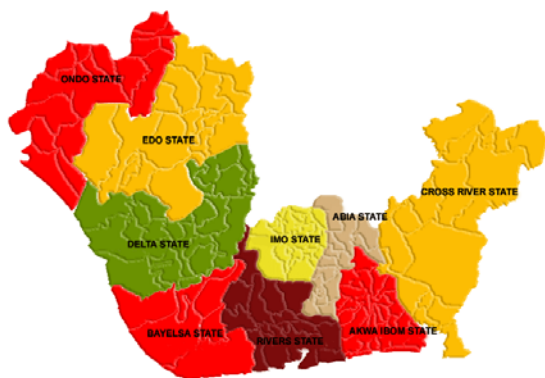
with 36 states—which mostly ensures that every state is represented in the federal government, but does not imply regional autonomy (Heinemann-Grüder, 2009, pp. 40–46). Between 1980 and 2002, the financial

Figure 1: Political map of Nigeria



Source: www.wikipedia.org; Note: Administratively, the Niger Delta is constituted of the following states: Delta, Bayelsa, Rivers, Ondo, Edo, Imo, Abia, Akwa Ibom, and Cross-River.

Figure 2: The Niger Delta states



Source: http://www.nddc.gov.ng

11 Interview with Managers of Chevron, Lagos, Nigeria, 2 November 2009.  
 12 The Joint Task Force, composed of troops of the army, navy, air force and the mobile police, was instituted in 2004 to more effectively quell violence and stop oil bunkering in the Niger Delta.  
 13 Interview with Celestine Akpobari, Program Officer at Social Action and Founder of Ogoni Solidarity Forum (OSF), Lagos, Nigeria, 5 November 2009.

contributions of the federal government to state budgets averaged 67 percent, reaching 86 percent at one point in time (Guichaoua, 2009, pp. 26–29). Hence, the states are highly dependent on central government fiscal allocations, which, in turn, consist to a large extent of revenues from oil. Oil and gas exported from the Delta region account for about 80 percent of total federal government revenues (Technical Committee, 2008, p. 102). They are then allocated to the different states according to certain criteria.<sup>14</sup> While the fiscal principle of ‘derivation’ ensured that the federation returned to each state the revenues that it itself generated, the military regimes during the 1970s and 1980s have eroded this federal character of fiscal allocation. The percentage of derivation was cut back from 50 percent of the Federation Account allocation to 30 percent in 1970 at the height of the Biafran civil war,<sup>15</sup> and then to a mere 1.5 percent in 1984, to be increased to the 13 percent at the time of writing by the first elected civilian President Obasanjo (Guichaoua, 2009, p. 28; Ibeanu and Robin Luckham, 2007, p. 60).

### *2.1.2 A flawed federal structure of a multi-ethnic state*

The expansion of the state’s jurisdiction was mainly felt in the period of military dictatorship (1966–1999). Interestingly, the centralization of oil revenues in the federal government was accompanied by a proliferation of sub-national administrative structures that continues until today. These

14 The revenues are currently divided in the following way (FY 2007): Statutory allocations to states (20%), local governments (15%) based on the criteria of equality, population and land mass; share of federal government (39%), and ‘derivation’ money allocated to the oil-producing states based on their oil production volumes (9%)(Guichaoua, 2009, p. 30).

15 The Biafra War (1967–1970) began with the attempted secession of the Igbo-dominated South-East region from the Nigerian Federation. Control over oil resources found in the region was one of many aspects of this war. It left more than one million dead (Guichaoua, 2009, p. 20).

dynamics cannot be comprehended in the explanatory framework of a ‘petro-state’ but can only be understood in the context of a struggle for oil revenues in a multi-ethnic society: oil production was “inserted into an already deeply ethnic policy” (Watts, 2004, p. 73; cf. Anugwom, 2005).

Nigeria is regionally and ethnically divided—a legacy of pre-colonial and colonial political divisions. The Yoruba-dominated southwest was early placed under firm control of the British in the 19th century, while the southeast, ethnically dominated by the Igbo, was subjected to indirect rule, just like the northern former Sokoto Caliphate<sup>16</sup>, dominated by Muslim ethnic group of Hausa-Fulani. The (still British) Lyttleton Constitution of 1954 grouped these three regions together in a federal structure, each with considerable autonomy (Guichaoua, 2009, pp. 21–25). This institutional structure that favored the three main ethnic groups (Hausa-Fulani, Yoruba, Igbo) has characterized Nigerian politics even after independence. Its tripartite character ignored the multiplicity and fluidity of ethnicity in the Nigerian territory and created a “federal imbalance”, with the northern region comprising three-quarters of its territory (Suberu, 2001, p. 4).

The proliferation of sub-national administrative units set in towards the end of the Biafra War, when Colonel Gowon replaced the former regions with twelve states to undermine further secessionist efforts (Ibeanu and Luckham, 2007, p. 60).<sup>17</sup> Nigerian oil politics became a “state-making machine” to claim oil revenues, for which ethnicity was a political tool (Watts, 2004, pp. 72–73). This sometimes led to violent confrontations between ethnic groups over supremacy in new Local Government Areas (LGAs) (Anugwom, 2005,

16 Founded in the late 1700s, it was one of the most powerful empires in Sub-Saharan Africa prior to European conquest and colonization. The Fulani rulers had conquered former Hausa states.

17 Thereby, the oil-bearing communities of the Niger Delta (today’s South-South region) were separated from the Igbo-dominated southeast (today’s South-East region).

p. 94).<sup>18</sup> The current debate over 'resource control' advanced by Ijaw militants in the Niger Delta is thus the product of indigenous claims-making against the federal state.

### 2.1.3 *Weak state authority*

This apparent paradox of centralized federalism is not so much a contradiction as it might seem at first sight: the continuous fragmentation and recreation of sub-national units reinforced the concentration of economic and political power in the center (Suberu, 2001, p. 15). At the same time, the centralized federalism seems to hold the key for understanding two related features of 'petro-states': weak state authority and lack of institutionalization, as identified by Karl (1997, cf. Section 1).

Financially dependent on the federal government and constantly recreated, the states and LGAs did not develop financial responsibility and institutional effectiveness. Moreover, regional representativeness partly undermines meritocratic placement in the bureaucracy (Suberu, 2001, p. 127). The constant recreation of sub-national state units also explains the lack of administrative institutionalization (Karl, 1997, p. 63): As there is little routinization, state actors constantly redefine the way in which the system would operate. The outcome of it is known as 'the Nigerian factor'—"a euphemism for bungling every good policy" as a local newspaper describes it (*This Day*, 8 December 2009).<sup>19</sup> That is why one development plan or special fund for the Niger Delta follows the other, but none has been properly implemented so far (see Box 4). The Technical Committee set up

in 2008 to develop recommendations on how to solve the Niger Delta crisis commented on this issue: "The terrain is littered with the output of several committees (...) all of which have been barely implemented. Frustration with this cyclical situation led stakeholders from the Region (...) to reject the idea of another summit on the Region" (2008, p. 2; p. 130). Thus, the expansion of the state's jurisdiction concomitantly weakened the state's authority. The fiscal centralization of oil revenues in a federal state provoked the constant recreation of sub-national state units, undermining administrative institutionalization and developmental effectiveness, and hence, the government's credibility.

### 2.1.4 *Lack of transparency due to patrimonial concepts of rule*

There are some indications that the fiscal centralism of the Nigerian state also helped perpetuating "traditional concepts of authority as the personal patrimony of rulers" (Karl, 1997, p. 62). Asked by the author about who signed oil exploitation contracts, the reaction of an expert in the Nigerian oil industry is telling in that respect. He first laughed out loud, then answered:

The way in which that happens, that is very, very political, you know. The Ministry [of Petroleum] is—in terms of who is establishing it—given the power of giving these licenses, but of course we know that you don't just give out licenses if the president or some of those big men doesn't say so. That is a very, very political decision, and often, it is not transparent. There has been some effort to bring in some transparency, beginning from 2005 with the open bidding process but (...) there are a number of things that show that this is actually not a transparent process.<sup>20</sup>

18 Equally, the violent clashes between Ijaw and Itsekiri in Warri, Delta State, in 1997–1999 followed the creation of new LGAs and led to the deaths of 100 people. Since then, there has not been a crisis of that magnitude (Institute for Peace and Conflict Resolution, 2008, pp. 182–84).

19 Another consequence of the limited capacity of policy implementation is the very low score of budget implementation in Nigeria. By December 2009, for example, less than 50 percent of the projects contained in the 2009 budget were implemented (*Vanguard*, 10 December 2009).

20 Interview with Dayo Olaide, Coordinator West Africa Resource Watch at the Open Society Institute for West Africa (OSIWA), Abuja, Nigeria, 28 October 2009.



#### Box 4: Development institutions in the Niger Delta

##### **The Niger Delta Development Commission (NDDC)**

Created in 2000, it replaced the former OMPADEC (Oil Mineral Petroleum Development Agency Commission) and its purpose is to develop basic infrastructure. The NDDC is funded through contributions from the Federation Account (Naira 80 billion in 2008), the states and oil companies (Pöyry, 2008, p. 36). It was under-funded from 2001–2007 due to inadequate funds forthcoming from oil companies and the federal government.

The management of the NDDC is subjected to political dynamics: “The leadership is determined by government and there is a serious problem of patronage. (...) For example, in Rivers State, the President appoints the managing director and the board of the NDDC, but the governor of the state nominates states representatives both on the board and in key structures. Now this managing director and the board are political appointees, their accountability is to the people who appointed them. So the governor of the states and the politicians—members of the ruling party—have the leverage to say: ‘O, you have to give me a contract!’ (...) So it is not that the NDDC does not do anything, but if it was more independent it would work better, both in funding and project implementation”.<sup>1</sup>

The performance of NDDC is debated. Some interviewees were cautiously optimistic about its work, stating that compared to OMPADEC, it had achieved some progress in terms of development projects such as building schools, water schemes, and roads—despite the problems of political patronage and corruption (Interviews with Boniface Dumpe (CSCR), Adewale Enoch (HBS), Innocent Adjenughure (CAAT); cf. ANEEJ, 2006, pp. 23–27).

##### **The Niger Delta Regional Development Master Plan**

A Niger Delta Master Plan was developed by NDDC and consultants, including GTZ International Services, and launched in March 2007. It provides a comprehensive blueprint for the development of the Niger Delta states, which the NDDC is supposed to implement. Although the makers of the Master Plan stress that they actively involved the Niger Delta communities, many interviewees from the communities were disappointed with their lack of ownership.

##### **The Ministry of the Niger Delta (MoND)**

The Ministry of the Niger Delta, created by the Ya’ardua administration in 2008, claims that it is not guided by the Niger Delta Master Plan but that it follows a new blueprint. With the duplication of leading documents, the mandates of NDDC and the MoND are not clearly separated, comments Nnamdi Obasi from the International Crisis Group.

*Sources:* ANEEJ, 2006; Pöyry, 2008; [www.nddc.gov.ng/](http://www.nddc.gov.ng/); Interviews with Boniface Dumpe (CSCR), Adewale Enoch (HBS), Innocent Adjenughure (CAAT), Nnamdi Obasi (ICG), Bridget Osakwe (WANEP), Abiola Akiyode-Afolabi (WARDC).

<sup>1</sup> Interview with Boniface Dumpe, Director of the Center for Social and Corporate Responsibility (CSCR), Lagos, Nigeria, 2 November 2009. The CSCR is an NGO that operates in the Niger Delta and monitors the compliance of oil companies’ operations on the ground with their stated social and environmental standards in order to report back to the companies’ shareholders.

This serves to illustrate how all decision-making power relating to oil business is concentrated in the president and his advisors.

Until the late President Ya’ardu named Rilwamu Lukman Minister of Petroleum in December 2008,<sup>21</sup> the president of Nigeria

used to perform this task, as did Ya’ardua’s predecessor Olusegun Obasanjo. Hence, while the international financial institutions (IFI) had a major influence in designing the privatization of Nigeria’s energy sector, the final implementation of these policies still

<sup>21</sup> The incumbent President Dr. Jonathan Goodluck, instituted after President Umaru Musa Ya’ardua’s

death in early May 2010, named Ms. Diezani Allison-Madueke, a former executive of Shell’s Nigerian unit, the new Petroleum Minister.

depends on the Nigerian president: shortly before leaving office in May 2007, Obasanjo sold the Kaduna and Port Harcourt national oil refineries below their value to a consortium close to him, the Bluestar Oil Service Limited, as if they were his (Baker, 2008; Vines, 2009, p. 14).

Related to that are politics of patronage (see Box 4) and a lack of transparency in fiscal affairs. Rampant corruption of political elites increased the fury of Niger Delta people who saw the oil funds generated from their region being channeled to foreign bank accounts by corrupt leaders (Opurum-Briggs, 2009). Some of the public funds embezzled by former military ruler Sani Abacha were returned by Swiss Banks in 2005 (US \$458 million), but many more foreign bank accounts still harbor Nigerian oil money. Apart from the official oil revenues, bribes paid by international companies involve also enormous sums that can be very attractive to state officials. The Halliburton Case revealed that the US company Halliburton and its former subsidiary Kellogg Brown & Root (KBR) had paid US \$180 million to officials between 1994 and 2002 to secure a construction contract for the liquefied natural gas plant in Bonny Island in Niger Delta (Garuba, 2009). The anti-corruption efforts of the Nigerian government, which started under first civilian President Obasanjo and subsided under his successor Ya'ardua, seem to gather ground under newly inaugurated President Jonathan (see Section 3.2.2).

### *2.1.5 Continued undemocratic management of oil resources after 1999*

The transition to democratic rule in 1999 has not fundamentally improved mechanisms of accountability and popular participation in decision-making. Domestic stakeholders still struggle to have their stake in the enormous oil revenues concentrated in the state (Omeje, 2006b, pp. 5–8). The states and their governors have become an important

political entity to deal with, being provided with 13 percent of derivation funds that involve huge sums of money. Both the governors and the LGAs are now elected. These dynamics have created an attitude to political office in Nigeria, which a Nigerian researcher describes very drastically: “We had 49 candidates of the same party [the ruling PDP] at the governorship elections in Anambra State. Why this rush to political offices—to serve selflessly? No. Because the state is the richest point in society, it is endowed with enormous resources and the governance of these resources is not transparently done (...). So electoral positions, office, becomes like an investment, it's not a service to the people.”<sup>22</sup>

Practices of political patronage continue uninterrupted: the local government councils are elected, but often with the help of some powerful member of the ruling PDP. This political protector consequently expects to be awarded contracts or to have the development projects executed in his village of origin. Extracts from interviews testify this: “You mean patronage by the federal government?”

“Yes, but also on the state and the local government level. They will abandon areas that will not vote for them. To punish.”

“They know who did not vote for them?”

“Yes, the results are there!”<sup>23</sup> The same holds true for the Niger Delta Development Commission (NDDC) and its performance (see Box 4). The elected political representatives have very little contact with the people and only engage with them in periods of election campaigning.<sup>24</sup> Therefore problems at the national level are

22 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, Nigeria, 28 October 2009.

23 Interview with Pastor Innocent Adjenughure, Campaign Against Arms Trade (CAAT), National Coordinator, Abuja, Nigeria, 5 November 2009. CAAT, an NGO based in the Niger Delta, tries to liaise with armed militants to reduce the arms flow in the region.

24 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, 28 October 2009.

reproduced on the state- as well as the local level in the Niger Delta (Heinemann- Grüder, 2009, p. 42). Infrastructure development is as much a problem of state and local governments, for they are charged with such functions at their respective administrative level.<sup>25</sup> Bayelsa State in the Niger Delta was allocated Naira 435.9 billion (€1.9 billion) in revenues between 1999 and 2007 alone, which is more money than four northern states—Bauchi, Gombe, Ademawa and Taiaba—received altogether (Pöyry, 2008, p. 37). Still, there are states with comparatively less revenues that have a comparatively better road network, health facilities, and public schools than Bayelsa State. According to a political scientist, this is “a problem of governance.”<sup>26</sup>

In conclusion, the fiscal centralization and weak government effectiveness of the Nigerian state, as part of the ‘petro-state’ framework, account for the very slow progress in social and economic infrastructure development, one of the major grievances in the Niger Delta. As the management of the oil sector used to be concentrated in the federal government, there was hardly any popular participation in deciding if, how, and by whom the oil is extracted. Politics of patronage and a lack of transparency in fiscal affairs made people in the Niger Delta feel even more excluded from decision-making processes in their region. The multi-ethnic structure of the state was a contextual factor shaping the Nigerian ‘petro-state’, which was in turn formed by the politics of oil that provided incentives to create ever-new sub-national state units. The fact that the oil was produced in an ethnic minority area with marginal influence on the national level added to their perception of exclusion. Thus, the high expectations of the Niger Delta people to benefit from the oil wealth are constantly frustrated.

25 Interview with Dr. John Emeka Akude, Cologne, Germany, 9 September 2009.

26 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, Nigeria, 28 October 2009.

## 2.2 Harmful practices of oil companies

I went to a community that is called Oporoza. It is the headquarters of 20 communities in Gbaramatu Kingdom of the Ijaw people. (...) Our visit was on 19 to 23 October 2009 (...). In that community, we couldn't get fish to buy, and their major source of income is fishing; that is their source of livelihood. The whole water is polluted because they say they had spillage. You see oil everywhere in the water. How was the oil spillage handled? No one is handling anything. All you see is oil in the water. The oil killed their fish, so there's no fish. (...) And they say you cannot farm because the water that is flowing around is salty water. You don't have potable water. (...) They drink their dirty water, another brown water that they drink. They think that the brown one is better than the salt one, and the salt one has the spillage on it, so people don't go near it.<sup>27</sup>

While the analytical framework of the ‘petro-state’ situates the causes for the resource curse<sup>28</sup> in the state structures of producing countries, many scholars have identified the international oil companies as representing the dominant part in a “hegemonic alliance” between the Nigerian government and oil companies (Omeje, 2005, p. 323).

On the one hand, this claim is substantiated by the fact that in Nigeria, the oil majors Shell, Mobil, Elf, Chevron, and Agip dominate the actual business of oil exploration, extraction and marketing abroad (Ibeanu and Luckham, 2007, p. 72; see Box 5). On the other, other scholars point out that the government's share of oil revenues was raised significantly due to the indigenization policy that started in the 1970s (Omeje, 2005, p. 323).

27 Extract from an interview with Bridget Osakwe, WANEP, Lagos, Nigeria, 4 November 2009. The West Africa Network for Peacebuilding (WANEP) supports local peacebuilding initiatives in the Niger Delta and monitored the humanitarian impact of the 2009 fighting in the Niger Delta.

28 For a definition of the resource curse see Section 1.

What is clear, however, is that both sides have a high stake in the current *status quo* of the Nigerian 'petro-state' in which they are the primary recipients of the oil revenues. Similarly, they are both a party to the conflict. The 2003 confidential WAC report, an internal study commissioned by Shell, confirmed this without any doubt when it stated that Shell "has become an integral part of the Niger Delta conflict system" (WAC Global Services, 2003, p. 8).

have termed this the 'social license to operate'. A 2003 internal Shell report delineates clearly how Shell risks losing its 'social license to operate' as its operations engender conflicts among Niger Delta communities (WAC Report, 2003). Issues at stake are compensation, environmental destruction, the distribution of payments from oil companies among community members and little employment, which will be detailed below.

### Box 5: Operators of the Nigerian oil industry

#### Major oil companies

The Nigeria National Petroleum Corporation (NNPC): The NNPC is the state-owned oil company. Its investment division (NAPIMS) supervises and manages government investment in the joint ventures. Its marketing department (COMD) manages the sale of government equity crude.

International Oil Companies (IOC): Shell Petroleum Development Company SPDC ('Shell'), Mobil Producing Nigeria Unlimited ('Mobil'), Elf Petroleum Nigeria Limited ('Elf'), Chevron Nigeria Limited ('Chevron'), and Nigerian Agip Oil Company Limited ('Agip'). The largest joint venture is operated by Shell and produces nearly 50 percent of Nigeria's crude oil.

#### The nature of production contracts

95 percent of the production contracts are joint ventures (JV) between NNPC and IOCs, with one IOC functioning as the sole operator of the JV. The production volume is distributed among the JV partners. NNPC owns 55 percent equity in JV with Shell plus 60 percent in Chevron-Texaco, Exxon Mobil, Agip and TotalFinaElf JV. The Nigerian government thus receives 55–60 percent of the crude oil, in kind or in cash.

Production-sharing agreements have recently gained some prominence. Within such a contract (PSC), the contractors pay for all exploration, development and operating costs. The host government will repay the contractors' costs once production commences from a percentage of production in each accounting period.

**Sources:** Federal Republic of Nigeria, 2004, pp. 72–76.

Therefore, this section analyzes the resource curse on the production side, where international oil companies as the operators of the production joint ventures are the major players besides the state-held Nigeria National Petroleum Corporation (NNPC). In Nigeria, on-shore oil extraction is significant. While the oil companies negotiate territorial concessions and royalty payments with the federal government, they still have to deal with the communities who live in these areas and who often consider themselves to be the rightful owners of the land—oil companies

### 2.2.1 Meager compensation

As laid out above (2.1), the legal entitlements of oil-producing communities to compensation for the land they occupy are very limited. In practice, compensation for land acquisition and damages caused by oil spills is set by the Oil Producer's Trade Section (OPTS), the association of oil-producing companies operating in Nigeria, based on government compensation rates (Amnesty International, 2009a, p. 71; Manby, 1999, pp. 68–74). This amounts to a self-regulation

of the oil companies, as the government rates mainly follow the recommendations of OPTS.<sup>29</sup> The fatal consequences from this are depicted by the World Bank in its economic language: “The compensation rates create a market failure because the opportunity cost of lost indigenous production is not included in the operational costs, such that oil companies consume excessive land and cause excessive environmental damage” (World Bank, 1995, quoted in: Amnesty International, 2009a). While agreeing with the outcome, the author disagrees with the World Bank’s diagnosis: if perpetrators can decide on the fines to impose on themselves, this is a failure of government (Akpan, n.d., p. 7). The Nigerian government blatantly fails to fulfill its regulatory and oversight functions (see Section 3.2: NEITI).

As a result of all this, communities receive very little in compensation. Oil companies offer communities insufficient amounts of compensation money for their houses destroyed by pipelines that criss-cross villages above the ground, one-off payments for trees and crops that they can no longer

## 2.2.2 Environmental concerns

Compensation for environmental damages arising out of oil operations is even harder to get because neglect by the company, for e.g. causing an oil spill, has to be proven. Moreover, compensation is equally only paid for trees and plants that generate economic income and not for long-term damages or damage to health (AI, 2009a, p. 73).<sup>30</sup> There are no independently monitored and uncontested oil spill figures, for the data collected by the Department of Petroleum Resources is mainly based on company reports. UNDP recorded more than 6,800 spills between 1976 and 2001, totaling three million barrels of lost oil (AI, 2009a, p. 15). SPDC blames 85 percent of the oil spills on sabotage, while there are no independent means to verify these claims (ECCR, 2010, p. 23). Ordinary people hardly have the means to engage in sabotage of pipelines: “Tapping of the pipelines is not really possible. What they do if there is a spill from faulty equipment—we had several occasions where oil has come out as a result of this over-aged, faulty equipment—so if that

Table 1: Oil industry compensation rates (for selected crops)

	Maximum amount per hectare of crop (in US \$)	Maximum amount per crop stand (in US \$), as alternative
Maize	58.84	-
Yam	369.23	0.31
Cassava	136	-
Mango	-	7.69
Banana	-	2.36

**Source:** Oil Products Trade Section (OPTS), Lagos Chamber of Commerce and Industry (1997) (in: Akpan, n.d., p. 6)

harvest or for oil spillages that destroy farmland or fishing grounds (see Table 1). People refusing to accept the offered amount are sometimes put under pressure until they bow to the offer (ECCR, 2010, p. 35).

30 A promising sign is the recent court case, brought against Shell by four Nigerian victims of Shell oil spills, in conjunction with Friends of the Earth Netherlands, in December 2009 in the court at The Hague, the Netherlands. This is the first-ever law suit against a Dutch company before a Dutch court for damages done abroad. The court ruled that it has jurisdiction over Shell’s Nigerian subsidiary SPDC ([remembersarowiwa.org; <http://www.upstreamonline.com/live/article202423.ece>](http://www.upstreamonline.com/live/article202423.ece)).

29 Interview with Reverend Kevin O’Hara, founder of CSCR, Lagos, Nigeria, 3 November 2009.

happens, the people can go there and get to fetch it and try to widen the hole to make it flow out faster.”<sup>31</sup> While intentional sabotage to get money for the clean-up in collaboration with Shell employees is certainly a problem (WAC Report, 2003), this cannot be an excuse for Shell’s own failures. Many of the pipelines have not been renewed for decades. Moreover, contractors of oil companies are under pressure to deliver services at minimal costs, which negatively affects the maintenance of oil installations (Frynas, 2000, p. 179).

Another enormous problem is that more than 80 percent of the gas associated to oil extraction in Nigeria continues to be flared, contrary to practices of the oil industry in other parts of the world (Pöyry, 2008, p. 40).<sup>32</sup> The resulting huge flames are not only a great health risk to the local population (respiratory problems, 24 hours of daylight, etc.) but also a major world-wide source of CO<sub>2</sub> emissions (about 70 million metric tons per year). Oil companies were not transparent about the amount of gas flared, as even the government regulator DPR deplored (Social Action, 2009b, p. 9; 17–19; also refer to Box 6 below). The target set by the federal government to end gas flaring—continuously postponed since 2003—is obviously subordinated to its oil production target of three million barrel per day (bpd). So far, gas export projects such as the West

African Gas Pipeline Project (WAGP) promoted by the World Bank have not held their promise to use associated gas.<sup>33</sup> It is therefore imperative that any future foreign direct investment in the Nigerian gas sector effectively use this associated gas, e.g. the E.ON Ruhrgas AG that has shown interest in investing (*Nigerian-German Business Quarterly*, 2009).

### 2.2.3 Little employment

Another issue that social activists from the Niger Delta often raise is insufficient employment of local people by the oil companies. For one, this is due to the characteristic of ‘petro-states’: the oil industry creates very few jobs. Most regular male employees are not found in the extractive sector, but in the sectors of administration (31%) and education (23%) (Federal Republic of Nigeria, 2005, p. 62). In addition, a relatively small percentage of the local population is employed in higher positions compared to expatriates, which is perceived as unfair. The resulting rancor is exemplified in an article of the Nigerian newspaper *This Day*: “The practice had been to place a ceiling beyond which no Nigerian can rise, all in the name of technical expertise. (...) In fact, the so-called expatriates have often mystified their said technical skill when they ‘import’ even base technicians and put on them the label of technical expatriates, for jobs many Nigerians are qualified for.” (8 December 2009).

31 Interview with Celestine Akpobari, Program Officer at Social Action and Founder of Ogoni Solidarity Forum (OSF), Lagos, 5 November 2009.

32 Gas flaring has been illegal since 1984, but the criteria in the laws for the Minister of Petroleum to grant exemptions are quite loose. That is why oil companies prefer to pay the meagre fines than to invest in more expensive technology to re-inject the gas into the soil or to use it for local gas production. In November 2005, the Nigerian Federal High Court in Benin City ruled that gas flaring is illegal, ordering Shell to stop gas flaring in the concerned community by April 2007 (Social Action, 2009b).

33 The West African Gas Pipeline Project (WAGP) runs from Nigeria through Benin, Togo, and Ghana. A recent report by the World Bank’s independent Inspection Panel has acknowledged serious flaws in the building of the multi-country pipeline, including compensation for land of just 10 percent of the established value of the land. Moreover, impacts of pipelines in the Niger Delta communities are not even considered, because the Escravos-Lagos pipeline that connects the WAGP to the Niger Delta had been built beforehand (Oilwatch, 2009; cf. FOEI, 2006).

### 2.2.4 Opacity—The price for the ‘social license to operate’

The pronounced dissatisfaction among communities conjured up by the practices described above poses a continual threat to oil production. In consequence, oil companies developed various strategies to achieve what they call a ‘social license to operate’ (see Peel, 2005) from the communities to operate nevertheless. Among these are community development projects, scholarship programs and informal payouts to community leaders or to armed youths.<sup>34</sup>

The oil companies have implemented community development projects as part of their corporate social responsibility (CSR) policy, which used to be mainly conceived by company officers (WAC Report, 2003). Development projects have been planned in a top-down manner by both the government and oil companies, and thus, lacks ownership by the local people: “The only project [in the community] was a library that was built by private initiative and commission and declared open by the government. In a community that does not have access to education—of course, how can the library be put to good use?”<sup>35</sup> This example is typical of the insufficient involvement of the concerned population raised by several of the interviewees.

The WAC report on Shell practices with regard to informal payouts shows that these payouts are given only in response to real or perceived threats to oil extraction facilities, and not to legitimate and peaceful complaints by communities (WAC Report, 2003, pp. 20–22). Due to the informal nature of these payments, it is difficult to discern who the oil companies pay money to and how much they pay:

My quarrel is: if you [oil companies] are giving money to the communities—why do you keep quiet? Every now and then the people are fighting, are killing, and all we hear is silence. We really need to know who is giving what. How much money are you giving to the people in the Niger Delta? Whom are you giving the money? There are people who are benefiting from the process. It is the people who are handed over the money on behalf of their communities.<sup>36</sup>

The payments have been made to traditional community leaders on behalf of their communities. This creates several problems: as the oil companies finally determine who they accept as the rightful leader, they are often accused of ‘divide and rule’ tactic—as favoring one family at the expense of other families in the village (Social Action, 2009a, pp. 22–23). As there is no transparency in the payment process, the chiefs on the other hand are not accountable to their communities:

“The oil company gave food items for Christmas. One cup of rice per family! (...) The communities don’t know how much is due to them, the total amount is unknown, so everyone takes its share. Some of the leaders reportedly sell scholarships to other communities whereas the communities who are supposed to benefit from such schemes don’t know about the scholarships.”<sup>37</sup>

Another fundamental problem is the definition of the oil-bearing community that benefits from the company payments. In addition to long-standing quarrels between communities about the rightful ownership of land, oil executives investigated land claims in a careless manner (WAC Report, 2003, pp. 15–16; Okonta, 2007). This often led to inter- and intra- communal quarrels and fighting about land ownership and borders between allegedly ‘indigenous’ and ‘settler’ groups or between neighboring communities

34 For a comprehensive analysis of the strategies of the different international oil companies in Nigeria, see Omeje. 2006b.

35 Interview with Bridget Osakwe, WANEP, Lagos, 4 November 2009.

36 Interview with Dickson Orji, President of WAANSA Nigeria (West African Small Arms Network), Abuja, 26 October 2009.

37 Interview with Bridget Osakwe, WANEP, Lagos, 4 November 2009.

(Frynas, 2000, pp. 170–177; Ibeanu and Luckham, 2007, p. 63; Institute for Peace and Conflict Resolution, 2008, pp. 182–184). There were instances of inter-ethnic fighting when community development projects seemed to favor one ethnic group over the other. Yet another problem arose when oil companies started to arm local thugs for the protection of their pipelines, thus distancing themselves from the Nigerian military after the transition to constitutional rule in 1999 (WAC Report, 2003; Okonta, 2007; Hazen and Horner, 2007, p. 26).

Community members in turn developed various strategies to acquire oil-based benefits from IOCs (Ikelegbe, 2005, pp. 216–220). Traditional rulers used youth protests to blackmail oil companies—sometimes helped by disloyal oil company employees. The youth groups increasingly resorted to violence, such as the occupation and shutting down of flow stations. In instances when they turned too violent, they were provided ‘stand by’ payments by companies, such as Shell, to keep calm, and hence were turned into a “protection company” for the oil company (Watts, 2004, pp. 62–64). Alternatively, local chiefs used youth groups to shield themselves from internal opposition, building up factions. As a consequence, the politics of oil has weakened traditional authority and has often replaced it by the rule of violence among competing armed groups. This pattern can be observed in many communities in the Niger Delta.

In recent years, some efforts have been made by oil companies, together with NGOs, to improve the way community development projects are implemented. Oil companies now sign Memoranda of Understanding (MoU) with the communities to ensure more community ownership. Latest developments are the “Global Memoranda of Understanding” (GMoU) introduced by Chevron, which group several villages into one cluster representing a specific ethnic group. In each cluster there is an elected council who decides upon the

projects and coordinates project implementation.<sup>38</sup> This new process has created some level of transparency because people from one village or ethnic group can see what is spent and done in other villages, possibly decreasing the level of mutual distrust. However, there is still a widespread feeling that the process is top-down: some find that Chevron still dominates the regional councils, while others suspect that the local representatives are not elected but merely local big men who force themselves into the councils (GMOU Participatory Stakeholder Evaluation, 2008).

To sum up, international oil companies in the Niger Delta have oftentimes not followed international standards regarding environmental protection and adequate compensation for oil-producing communities for lost economic plants and for health problems related to oil spills and gas flaring. They have operated in the Niger Delta with a similar opacity as did the federal government in the management of its oil revenues. Similarly, their approach to community relations was as much top-down as that of the government. This opacity contributed to deepening distrust of the Niger Delta communities towards oil companies and aggravated conflicts between Niger Delta communities around entitlements to compensation and to benefits from the oil industry (development projects, payouts, etc). At this point, it is important to refer back to the responsibility of the Nigerian state that clearly failed to fulfill its oversight function: the accrued interests from oil revenues and the various means of enrichment seem to have impeded a greater responsiveness to the needs of the Niger Delta population. This indicates a collusion between parts of the Nigerian state and the oil companies, to the detriment of the Niger Delta communities. In the area of community development projects by the international oil companies, the situation is

38 Interview Dennis Flemming, Chevron Nigeria, Community Engagement Advisor, Lagos, 2 November 2009.



slightly improving. Under the GMoU, no money is channeled directly to individual community leaders. While it has to be noted that issues of compensation are not settled under these MoU (GMoU Participatory Stakeholder Evaluation, 2008), the front lines seem to soften, as the recent statement of a Niger Delta social activist after the acceptance of the amnesty suggests: “We have resisted contact with them [the oil companies] but we are changing our position” (Opurum-Briggs, 2009).

## 2.3 Oil-financed violent conflict

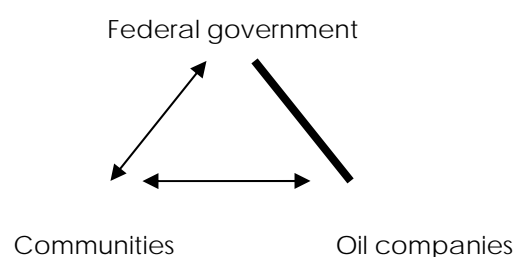
I met Henry Okah [MEND leader] on the 3rd of February 2003 at the residence of a mutual friend who introduced him to me as an Ijaw man who deals in arms. I placed my orders for 6.8 million Naira worth of firearms and paid him cash on the spot in advance of the delivery. (...) When I met him on the day of the delivery of the arms at the designated point, Henry Okah asked me if I was engaged in bunkering or a recipient of government patronage to be so committed to the struggle. I told him no to either and made specific reference to my support of bunkering since the oil was our but was opposed to the environmental impact it had as a side effect to the actions of bunkering (Asari Dokubo, 2007).<sup>39</sup>

The above analysis of factors constituting the resource curse revealed major fault lines of oil-related conflict in the Niger Delta: conflicts around revenue distribution between the federal government and Niger Delta communities, and conflicts generated in the producing regions between oil companies and communities and even between communities. The major actors in the conflict included the Nigerian government, oil companies, and Niger Delta communities (see Figure 3 below).

<sup>39</sup> Asari Dokubo was the leader of the NDPVF, one of the most organized and deadly armed groups in Rivers State. He was allegedly supported by former Rivers State governor Peter Odili and briefly president of the Ijaw Youth Council (IYC). The NDPVF later became part of MEND (Florquin and Berman, 2005).

When conflict between these three actors turned violent at the end of the 1990s, a new dimension—oil-financed violent conflict—was added to the resource curse. The struggles have led to many deaths, large-scale population displacements and the destruction of whole villages. Since 1999, the estimated annual fatalities in the Niger Delta

Figure 3: Triangle of main actors in the Niger Delta conflict



**Note:** The arrows indicate that there is a tension between the actors, the thick line pointing to an alliance between government and oil companies. This does not mean that there are no conflicts among communities or between federal and state government institutions, but it serves to demonstrate the major actors and fault lines between them.

have continued to exceed 500 and can be considered a “low intensity” armed conflict (Ibeanu and Luckham, 2007, p. 63).<sup>40</sup> The proliferation of a high number of (sometimes ethnicity-based) armed militias, vigilant groups and ‘cults’ (political syndicates), and rivalry among those account for a large number of killings, kidnappings of oil workers and racketeering for protection money (Ibeanu and Luckham, 2007, p. 85; Florquin and Berman, 2005, pp. 19–26).<sup>41</sup> In 2007, people interviewed in Rivers State named 1) local armed groups, 2) politicians and

<sup>40</sup> The numbers listed by the Stockholm Peace Research Institute (535 battle-related deaths in 2004) do only account for fighting that involved the state military. As much of the violence in the Niger Delta is inter-communal, there is hardly any reliable data on annual fatalities and the numbers are contested (Mähler, 2010, pp. 11–13).

<sup>41</sup> A compilation of attacks on oil facilities between 2006 and 2008 can be found in the Report of the Technical Committee on the Niger Delta (Technical Committee, 2008, pp. 116–18).

3) military and police as the most feared social group (Hazen and Horner, 2007, p. 67).

In 2005, several of the armed militias united under the roof of the Movement for the Emancipation of the Niger Delta (MEND) and openly challenged the federal government, demanding “resource control”, i.e. the management of a major part of the oil revenues directly by themselves instead of a centralized management by the federal government. They distinguish themselves from the other vigilant groups and ‘cults’ in that they pursue political goals. Some ‘cults’ and vigilant groups are however also part of MEND or loosely connected to different militia groups within MEND.

### *2.3.1 Elections as drivers of violence*

The grievances deplored by the current militants under the lead of MEND are described in Sections 2.1 and 2.2. These grievances alone, however, cannot explain this massive turn to violence in the region. How did the mainly peaceful protests of the 1990s degenerate into violence? Some triggering factors are already mentioned in the preceding section: mobilization of youth groups as protection agencies; reluctant response to legitimate complaints by the Nigerian government and oil companies; suppression by force or payouts to violent groups instead.

In addition, high hopes were placed in the transition to ‘democracy’, but subsequently shattered (see 2.1). In this context, violence around governorship elections represented a new source of income for some Niger Delta youths and a new step on the descent into generalized violence in the Niger Delta (Ibeanu and Luckham, 2007, p. 70; pp. 81–90; Hazen and Horner, 2007, pp. 59–66). (Would-be) governors armed youth groups to help them win elections, promising them a material compensation in case they won the seat (Florquin and Berman, 2005, p. 25; HRW, 2008). As to the unemployed youth,

the electioneering campaign period is the period where they can extract from them [the politicians] whatever they can extract from them because once they get to the office, all the promises vanish into thin air. (...) So these young men begin to have a stake: ‘Our candidates must win! So that we get these things!’ So they go out to use all means to intimidate to get their candidate elected: including snatching ballot boxes, firing guns at electoral poll stations to scare away those who vote for potential opposition candidates.(...) So the basis for the development of militant tendency is in the process of the electioneering campaigns.<sup>42</sup>

The militants turned to the profitable theft and illegal trading of oil (‘bunkering’), when they were dumped by politicians after elections.<sup>43</sup>

### *2.3.2 Oil bunkering: The criminalization of the movement*

The profitable theft and illegal trading of refined and crude oil, so-called ‘bunkering’<sup>44</sup>, had started much earlier and was dominated by people from outside the Niger Delta who used militants as their henchmen. By now, crude oil is bunkered on a large scale and with a sophisticated industry which uses advanced technology to tap crude. The stolen oil is sold very cheaply to Europe, Asia, North America and even other countries in Africa. While not the only country involved in this illegal trade, the Ukraine was mentioned several times in the interviews for being implicated in the ‘arms-for-oil’ deals: the militants collect arms on the high sea off the Niger Delta coast to protect their oil bunkering routes and receive the means to buy these weapons through proceeds from bunkered oil. The amount of stolen crude oil

42 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, 28 October 2009.

43 Informal conversation with Prince Joseph Ettela Harry, “Godfather” of some MEND militias, Abuja, Nigeria, 6 November 2009.

44 The term ‘bunkering’ is used in Nigeria to designate the theft of oil more generally, while as a nautical term, it is usually defined as the taking onboard of bunker fuel.

is difficult to assess, but estimates range from 70,000 to 500,000 bpd; the high-end of the range representing one-fifth to one-fourth of Nigeria's total oil production, worth US \$3.5 to US \$25 million daily (at US \$50 per barrel) (Ikelegbe, 2005, pp. 221–25; Shaxson, 2009, p. 35).

Being equipped with arms and increasingly sophisticated weaponry, militants started to control the oil bunkering routes. MEND started building solid military bases, such as Camp 5 located in Gbaramatu Kingdom in Warri South in Delta State, under the central command of Government Ekpemupolo, alias Tompolo (Smith, 2009). The government instituted a Joint Task Force (JTF), composed of troops of the army, navy, air force and the mobile police in 2004 to quell the violence and stop oil bunkering (Ikelegbe, 2005, pp. 223–25). The Joint Task Force has been frequently criticized for its excessive use of violence when attacking armed groups, often injuring or killing people who merely stood by (AI, 2009c).<sup>45</sup> The following statement, however, suggests that large-scale oil theft has possibly happened in collaboration with parts of the military, political and economic elites:

Oil companies are part of it. The army generals are part of it. Government functionaries are part of it. They are all involved. It is not a business for common people, because the vessels that they use, they are not bicycles, they are huge equipment. (...) The bunkerers, the generals, the thieves (...) they reach an agreement with oil company officials who say: 'Ok, so and so quantity will be attributed to you, this is your quota.'<sup>46</sup>

45 For example, in August 2007, the JTF intervened in a clash between two rival militia groups in Port Harcourt, Rivers State, using helicopters and machine guns and killing at least 32 gang members, members of the security forces and bystanders. The extent of the preceding gang violence is not to be neglected either (AI, 2009c; HRW, 2008).

46 Interview with Celestine Akpobari, Social Action and OSF, Lagos, 5 November 2009. This is not a singular statement, but one of several very similar ones by different interviewees, also referring to

This collaboration seems credible given the advantages many actors in the Niger Delta drew from the seemingly ungovernable situation and general confusion that resulted from the attacks on oil installations and kidnappings of oil workers and other rich people. For one, politicians who had lost elections, for example, could use militias to cover their losses from campaigns through oil bunkering business. The confusion also widened avenues of diversion of state funds because a great part of the public expenses was earmarked for security whereas "only a tiny fraction really goes to security".<sup>47</sup> It was also convenient for the governors of the Niger Delta because the state of emergency increased their political weight on a national level.<sup>48</sup>

Oil companies are not under government scrutiny either (see also Section 3). The following figures show the drastic impact of oil bunkering on official production volumes which rapidly and drastically declined from a peak in April 2009 at 2.2 million bpd to 2 million bpd by July, fluctuating between 800,000 and 1 million in August, to inch towards 2.1 million already by the end of October 2009, after the acceptance of the amnesty (Agbo, 2009, p. 20), just as it had done at earlier heights of violence. This implied a concurrent reduction in royalties the oil companies had to pay, while avenues of illegal sale of oil remained open—as long as extractive operations continued.<sup>49</sup> It is not sufficiently clear from the interviews whether the agreements with oil company officials were actually beneficial to the oil companies or merely forced upon them by military might.

evidence seen by members of the Technical Committee on the Niger Delta set up in 2008.

47 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, 28 October 2009.

48 Interview with Dickson Orji, WAANSA, Abuja, 26 October 2009.

49 Shell declared 87 incidents of oil theft in 2008, and that it had to shut down all operations in the western delta from early 2006 until the end of 2007. 133 SPDC employees and contractors were kidnapped and five of them were killed in the period 2006–2008 (Shell, 2009).

Then international buyers of bunkered oil mentioned above have benefited from the cheaply available petroleum, and finally, the militants themselves had ample opportunities to enrich themselves.

In consequence, militants did not attack oil installations and the military randomly and chose its means carefully, which created an environment of collusion between the militants and parts of the military, as one observer notes:

You only had some of the problems when there was disagreement, (...) like the recent problem at Gbaramatu<sup>50</sup>, it was because of a change of leadership of JTF. The new leadership wanted to be greedy and the deal that was supposed to be for the militants—that very vessel that was supposed to go to militants—they wanted to take it. (...) When the boys saw this, they quarreled: 'Why are top military officers escorting our own vessel? They can't take that, that was not the agreement!' There was exchange of fire where the eight senior officers [of JTF] were killed. (...) Otherwise they eat together. This [Camp 5] is a camp where the vice-president has visited, where the governor of Delta State goes all the time.<sup>51</sup>

After this incident, the Joint Task Force started an offensive on 13 May 2009. It stormed MEND's Camp 5 and conducted land and air strikes on communities across the Warri south and southwestern local government areas where it suspected the presence of militias (AI, 2009c; Smith, 2009). The escalation of violence on both sides seems to have come to a point where the costs became too high to bear for both: the suffering of civilians in the Niger Delta (Opurum-Briggs, 2009) and the financial costs for the government (which estimated the costs of the crisis at well over eight billion Naira (about €37 million) daily (Fasan, 2009).

50 In May 2009, the Joint Task Force started an offensive in the Gbaramtu Kingdom area of the Niger Delta; see following paragraph.

51 Interview with Celestine Akpobari, Social Action and OSF, Lagos, 5 November 2009.

At the same time, the incentives to end the fighting were very high: the government wanted the oil revenues to rise again while the amnesty offered the militants a convenient opportunity to spend their illicitly acquired fortunes legally:

When you earn money legally you have more peace than when you obtain money illegally. When you can make it legally, no police is after you, no government is after you: you are at peace, you can do what you want with the money. So that's why most of them are willing to accept the amnesty. I've spoken with a lot of them. They are all back in the cities.<sup>52</sup>

Hence, one after the other, the MEND leaders finally accepted the amnesty in September/October 2009, proclaiming an indefinite cease-fire on 25 October 2009. Many interviewees stressed that the Niger Delta youth will take up their arms again, if it turns out that the government merely aimed at a quick stabilization of the region without keeping their promises regarding improved income opportunities and livelihoods more generally. In concrete terms, Ya'ardua promised two billion Naira (about €9.2 million) for immediate construction projects in the Delta through NDDC, and a 10 percent equity stake in the oil joint ventures by Niger Delta communities, potentially providing hundred of millions of dollars each year to the latter (Agbo, 2009).

The reintegration into civic life of former combatants will also prove decisive in that regard. The demobilization and disarmament (DD) of the militias by the Nigerian military was more successful than some skeptic donors had expected, who had been excluded from this process.<sup>53</sup> 15,000 handed

52 Interview with Pastor Innocent Adjenughure, Campaign Against Arms Trade (CAAT), National Coordinator, Abuja, 5 November 2009.

53 Anonymous informant in Abuja; Cf. Akande, Laolu. 2009. "We're not part of the amnesty deal, says UN", *Guardian*, 25 October 2009. Available at: <[http://www.ngrguardiannews.com/news/article01/indexn2\\_html?pdate=251009&ptitle=We're%20Not%20Part%20Of%20Amnesty%20Deal,%20Says%20UN](http://www.ngrguardiannews.com/news/article01/indexn2_html?pdate=251009&ptitle=We're%20Not%20Part%20Of%20Amnesty%20Deal,%20Says%20UN)>.

in their weapons (among them possibly many non-combatants). The demobilized militants, however, are in the dark as to what kind of program will help them find their way into a life after fighting in the creeks.

The fragility of the amnesty and cease-fire deal was revealed when MEND claimed two attacks on crude oil pipelines operated by Shell and Chevron in Rivers and Delta State on 19 December 2009 and early January 2010 respectively, stating that “a situation where the future of the Niger Delta is tied to the health and well being of one man is unacceptable” (Amanze-Nwachuku, 2010). This highlights the general problems of governance, where policy implementation depends so much on the president.<sup>54</sup>

To sum up, the repressive reaction of the Nigerian state towards legitimate complaints of the Niger Delta population, along with the opaque behavior of oil companies in paying out community leaders and youth groups, have hindered the non-violent resolution of oil-related conflicts. Election-related violence and the arming of youth groups have further contributed to the escalation of violence. A lack of transparency in the management of the oil industry has provided a useful cover for oil bunkering activities, which were enlarged in scale with the emergence of armed militant groups after 2000. The descent into violence has added additional obstacles to mitigate the resource curse: there are various interests linked to the illicit oil bunkering activities, which provide the militants with the means to procure weapons and to possibly continue their fighting. As the exact amount of stolen oil is unknown, transparency in production and revenue figures is even more difficult to achieve.

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54 At least, in December 2009, the federal government set up a Presidential Committee on the Modalities for the Involvement of Host Communities in the Ownership of Petroleum Assets in Nigeria (*This Day*, 17 December 2009).

## 2.4 Assessment: Transparency and the ‘petro-state’

This section has shown that a centralized, opaque management of the oil industry by the federal government, accompanied by ineffective and unaccountable government institutions and a lack of oversight over the industry were responsible for the increasing frustration of large parts of the Niger Delta population. The Niger Delta communities need to receive a fairer share of the benefits from the oil industry that are still mainly shared among the governments (federal and state) and the oil companies. Those who reap financial rewards—village leaders and militant groups—increasingly do so by means of violence. The oil-financed war economy further undermines efforts at transparency in the management of the oil and gas sector.

A lack of transparency and accountability in the management of the Nigerian oil industry is thus partly responsible for the resource curse, which makes the NEITI a relevant endeavor. But many issues at stake go beyond issues of transparency, such as the struggle over entitlements of benefits from oil production in a multi-ethnic state or the threat of basic livelihoods by oil installations.

While the explanatory framework of the ‘petro-state’ can account for the centralized and opaque management of the oil sector, the negative consequences of oil extraction cannot be reduced to the dynamics of a ‘petro-state’. The specific multi-ethnic character of the state with an ethnically biased federal structure decisively shaped the perceptions of stakeholders in the Niger Delta, as is seen in the very strong anti-north rhetoric of some Ijaw militants. At the same time, ethnic claims-making was also influenced by the politics of oil, for it became an important means of accessing a share of the state oil revenues. In addition, it is not only state behavior but also the behavior of the international oil companies that turned oil production into a curse for many Niger Delta citizens. Moreover, the centralization of

revenue management was reversed with the transition to democratic rule in 1999 when the oil-producing states came to receive 13 percent of the federal oil revenues.

The fact that the centralization of revenue management was reversed with the transition to democratic rule in 1999 means that the political dynamics of a 'petro-state' are not irreversible but are open to change. This points to the potential of the Nigeria Extractive Industries Transparency Initiative (NEITI) to increase transparency in the extractive industry and accountability of the Nigerian state. At the same time, the relevance of oil company behavior in producing the resource curse shows that a regulation of their behavior other than by the Nigerian state may be necessary to achieve meaningful change. Therefore home-country governments of these IOCs need to start holding their companies accountable for their actions abroad.

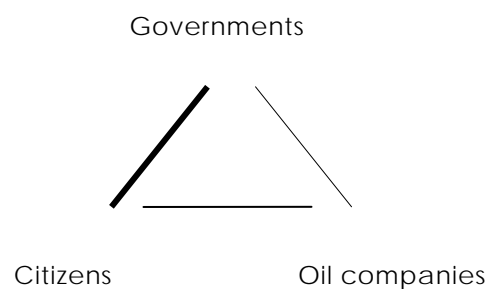
### 3. The potential of transparency in the Nigerian oil and gas sector

This section examines the potential of the Nigeria Extractive Industries Transparency Initiative (NEITI) to mitigate the resource curse in Nigeria. To make a difference, NEITI would have to improve both government and oil company accountability towards the Niger Delta citizens. Whether NEITI will be able to do so will depend on its scope and its political autonomy, for it would need to overcome some of the characteristics of a 'petro-state', such as low institutionalization and effectiveness. This paper seeks to delineate more clearly the limits arising from NEITI's design (3.2.1) and the political context of a 'petro-state' (3.2.2).

### 3.1 NEITI: What it contains and what it revealed

The Nigeria Extractive Industries Transparency Initiative (NEITI) was constituted under former President Obasanjo in 2004, legally backed by the NEITI Act of 2007. It became a flagship of the International Extractive Industries Transparency Initiative (EITI) because its scope went beyond the requirements of this global initiative that had been launched in 2002 by UK Prime Minister, Tony Blair (Shaxson, 2009, pp. 1–8).<sup>55</sup> EITI is sought to be a tripartite process involving mineral companies, civil society representing the citizens, and governments. Hence, in principle, it represents the triangle of major actors in the Niger Delta conflict. With the power relations within this triangle being skewed towards the federal government and the oil companies, an important contribution of NEITI would thus be to endow the Niger Delta people with more power to vie for a fairer share of the benefits from oil. NEITI can only do so if civil society has a strong voice within the process and if civil society is able to represent the voice of the Niger Delta peoples.

Figure 4: Set-up of actors within EITI



**Note:** The lines connecting the actors are not illustrated as arrows (representing conflict) because EITI is based on the principle of consensus, trying to avoid confrontation between the actors. The thick line between governments and citizens represents the core relationship within EITI.

EITI seeks to increase transparency of government revenues from oil and minerals extraction by comparing what mineral companies claim to pay to governments and what governments have recorded as revenues from companies. Information about

<sup>55</sup> See [www.eitransparency.org](http://www.eitransparency.org).

government revenues is seen as a means of increasing government accountability towards their citizens, making the government–citizen relationship the core of the EITI set-up (Shaxson, 2009, p. 8).

#### Box 6: Regulatory and oversight institutions of the Nigerian oil and gas industry

The **Ministry of Petroleum** and its **Department of Petroleum Resources** (DPR): This governmental agency has the overall responsibility for regulating and supervising the industry. It also monitors and collects royalty liabilities, and compiles production data.

The **Nigerian National Petroleum Corporation** (NNPC): While its main regulatory powers were outsourced to the DPR, the NNPC still holds some regulatory and oversight functions. It is implicated in contract negotiations, approvals of pre-qualifications for licenses, and consults the Ministry of Petroleum on industry legislation.

Both DPR and NNPC have so far acted on instructions from the Presidency (Vines et al., 2009, p. 14). That means that operative and oversight functions are not yet clearly separated in the Nigerian oil industry and the oversight institutions are not politically independent. NNPC is at the same time operator and regulator.

**Federal Internal Revenue Service** (FIRS): FIRS is responsible for assessing and collecting the Petroleum Profit Tax (PPT) and other direct taxes.

**Office of Accountant General of Federation** (OAGF): The accountant to the federal government manages the government's accounts with the central bank.

**Central Bank of Nigeria** (CBN): CBN is the depository for royalties, PPT and other direct taxes from the industry.

**NEITI** is not an official supervisory institution but has an additional watchdog function that is recognized by the state.

*Sources:* NEITI, n.d.; Shaxson, 2009; Vines et al., 2009 ; <<http://www.woodmacresearch.com/>>.

NEITI goes beyond the global EITI requirements in that it is backed by law<sup>56</sup>, which not only makes the disclosure requirements mandatory for oil companies and non-compliance a legal offence, but also requires that oil company payments be published on a company-by-company basis and not in an aggregated format.<sup>57</sup> From its

56 Another EITI candidate country, which has enacted an EITI law is Liberia.

57 ExxonMobil accepted this as an exception, while usually not allowing for the disaggregation of data in its world-wide operations (Shaxson, 2009, p. 13).

onset, it aimed at a value-for-money (VFM) audit that would put the costs claimed by oil companies under scrutiny.<sup>58</sup> This would go much further than global EITI, which only compares cash payments of companies

without investigating the basis on which these payments were set in the first place (ibid., p. 33). Moreover, NEITI is often hailed for including transparency in public expenditure and in federal allocations to state and local governments (No. 3.j NEITI Act of 2007).

The publication of federal allocations to state and local constituencies however was not initiated by NEITI but by the Finance Minister Ngozi Okonjo-Iweala who published the allocations to state and local governments on the Ministry's website from 2004 on (Shaxson, 2009, p. 14). With regard to expenditure, the NEITI law names "transparency and accountability by governments in the

application of resources" merely as an objective of NEITI, without conferring upon NEITI any related precise function (No. 2.d NEITI Act of 2007). The interviewees involved in NEITI confirmed that its activities did not comprise expenditures and will not do so in the near future. Thus, in practice, NEITI does not play any role in either public expenditure or federal allocations to state and local governments.

58 The costs incurred by companies reduce the revenues paid to government by lowering company profits.

Due to the federal character of the Nigerian constitution, NEITI is restricted to the federal government level and not able to monitor at the state and local levels (Shaxson, 2009, p. 38). The explanatory note at the beginning of the NEITI Act confines its scope to the “accountability in the reporting and disclosure by all extractive industry companies of revenue due to or paid to the federal government” (NEITI Act, 2007).

### *3.1.1 Results of the audit reports*

In order to be accepted as compliant under EITI standards, EITI member countries need to produce audit reports by an independent consultancy firm and then go through a validation process.<sup>59</sup> NEITI has so far commissioned the British Hart Group to compile two audit reports: the first one covering the period 1999–2004 was published in November 2006; the second one covering the financial year 2005 was released in November 2009.

The 1999–2004 audit report documented that the Central Bank of Nigeria (CBN), which hosts the revenues on behalf of government, was unable to find receipts in its accounts for nine payments declared by companies (US \$8.8 million). Two receipts of CBN, on the other hand, were not found in companies’ records (US \$1.8 million) (Hart Group, 2006b, p. 8). A similar pattern can be observed in the 2005 audit report (Hart Group, 2009, pp. 5–11)<sup>60</sup>. As the deviations listed in the

audit reports are minimal, they are much less telling than the processes establishing these numbers. This concerns both the way the payments due by companies were calculated and the way NEITI reconciled the numbers (payments and revenues).

Both audit reports (1999–2004 and 2005) documented a glaring lack of government oversight over oil companies’ declarations of payments. As oil companies self-assess their royalties and petroleum profit taxes (PPT), the latter are possibly underpaid (Hart Group, 2006b, p. 6). The DPR and FIRS do not have the capability to check whether the computed amounts of royalties and profit taxes respectively are correct. That is why both audit reports stated that “the regime amounted to unregulated self-assessment” (Hart Group, 2008, p. 18). The FIRS does in fact ignore the exact allowances conceded to companies in the production contracts that can be deducted from the profit tax, because it does not even have access to the contracts. The only regulatory institution that knows these contract provisions is the NNPC, and the President’s circle.<sup>61</sup> Moreover, it has so far been impossible for the government oversight institutions to control the physical flows, i.e. the production volumes, on the basis of which the companies make their declarations of payment.

The question: Who meters the oil and at what point of the oil flows? is highly relevant at that point (see Box 7). The government itself has no metering capacity, but has to rely on the oil companies for that. The World Bank consultant on NEITI confirmed: “Basically, what you can say is that before NEITI, there was no way to determine the accuracy of production figures because DPR didn’t have

59 All EITI candidate countries were meant to be validated by March 2010, but as most candidate countries had not produced the needed validation reports, most of them were granted an extension by the EITI Board in April 2010 to finalize their validation process. Nigeria was given until 9 September 2010 to submit the final validation report.

60 A 2010 EITI publication claims that the 2005 NEITI financial report documented “financial discrepancies and outstanding payments totaling over US \$5 billion (EITI, 2010, p. 9). However, adding up the under- and over-reported figures, the discrepancies are much smaller: companies reported US \$240 million more in paid petroleum profits tax than the CBN, but at the same time the CBN had reported US \$320

million more in paid royalty (Hart Group, 2009, p. 8). Large amounts were owed to the government by the national oil company NNPC for payments of domestic crude (Hart Group, 2008, p.13).

61 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009; Interview with Dayo Olaide, OSIWA, Abuja, 28 October 2009.



that capability nor was it autonomous enough to carry out its mandate.”<sup>62</sup> Both NEITI audits showed that the information on crude oil was unreliable, comparing production statements by DPR and producers (NEITI, n.d., p. 6). What is taken as the basis for calculating company payments is actually the volume of exported oil, not the volume of produced oil.<sup>63</sup> The crude, which is lost on its way from the oil well to the export terminals is not factored in at all. This aspect, however, is crucial, as the diverted volumes of crude finance the violent conflict in the Niger Delta. The question is why the DPR had

never before asked the companies to provide a gross liquids mass balance, which would capture the lost volumes (see Box 7) (NEITI, n.d., p. 5).

NEITI has recently contracted a consultant to do a metering study, which is looking into various measurement systems.<sup>64</sup> Apart from the processes around establishing company payments, the reconciliation of the deviating numbers by NEITI is an interesting point to note. The deviation between company payments and government revenues finally mentioned in the audit report (US \$16 million) is much less than an amount

### Box 7: Metering production volumes

The flow of crude oil can be measured at three stages:

- a) the wellheads;
- b) the flow stations
- c) the export terminals.

When oil is extracted at the wellheads, it is still mixed with water and dissolved gas, which is often flared in Nigeria. The oil mixture is channeled to flow stations, where the oil is partly dewatered. It is then transported to the export terminals, where the rest of the water is separated. Meters are installed by companies at the flow stations, a few wellheads, and at platforms. Shell stated in an interview that information on production flows per well is reported to the DPR: “Production per well on a monthly basis is reported to government. If you don’t do that, how do you calculate royalties? How do you know what each state is entitled to?”<sup>1</sup> This information was never laid open to the NEITI auditors, and other sources said that any information that is provided before the metering level (at the flow station), is not accurate, because the oil is still mixed with water.

Therefore “a lot of capacity-building, especially at metering, is needed. The relevant agencies need to be empowered to enhance their capacity to do metering. (...) The Nigerian government, whether NNPC, the DPR or the FIRS, needs to pay a lot of attention there, for it is used for calculating the royalties and taxes.”<sup>1</sup>

A gross liquids mass balance would capture all the flows in the different parts of the stream from wellhead to export terminal, quantifying the leakages, shrinkages, theft, etc. There are no clear guidelines in Nigeria on how to do such a mass balance and most companies merely report what they export—the net oil balance.

The oil can be stolen at any of the flow levels, even at the terminals. While most oil companies suggest that they cannot assess the amounts stolen, one company reported that a sudden and big fall in flows can clearly be attributed to theft (NEITI, n.d., p. 21; Shaxson, 2009, p. 35–36). Hence, in principle, it should be possible to assess the amount of stolen oil.

**Sources:** NEITI, n.d., pp. 17–21; Shaxson, 2009; Interviews with Amanda Lumun Feese (World Bank), Basil Omiyi (Shell and NEITI), Dayo Olaide (OSIWA), NEITI Secretariat.

62 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009.

63 Interview with NEITI Secretariat, Abuja, 29 October 2009.

64 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009.

identified earlier by the Hart Group (US \$232 million). The US \$16 million represent merely 0.02 percent of the total US \$95.5 billion cash flows to government over the six-year period (Shaxson, 2009, p. 31; NEITI, n.d., p. 12). Omiyi describes this informal process of reconciliation:

Initially we struggled with the numbers because data was still sort of different in different government departments, creating the impression that there was something wrong, but in the end, after the reconciliation, I think the figures match very, very well. (...) I'm really proud of those achievements.<sup>65</sup>

The reconciliation exercise is problematic for its lack of transparency: "When there was a gap established in the audit report, these companies go back to the FIRS and then work together. So the FIRS brings the data, the companies bring the data, and then they reconcile the figures."<sup>66</sup> As this seems to be done according to habitual procedures behind closed doors, on the initiative of the President (Shaxson, 2009, p. 31), there is still room for collusion between oil companies and government institutions. The audit reports thus document once more the power of the oil companies and the lack of government capacity and political will to regulate and control their action—one reason for the Niger Delta conflict. NEITI can be credited for having documented these well-known problems: "Even before NEITI, everybody already knew what the issues were. A committee [the Oil and Gas Sector Implementation Committee OGIC] that produced the [Petroleum Industry] Bill addressed those issues. It is such a good thing that this is what NEITI's audits revealed and that it brought evidence".<sup>67</sup> The question is whether NEITI is able to increase government and oil company

accountability towards the Niger Delta citizens. The next sections will seek an answer to this.

### 3.2 Limitations to increasing accountability in a 'petro-state'

The preceding section documented that the causes for the resource curse in the Niger Delta go far beyond issues of transparency. Nevertheless, a lack of transparency was of relevance in making revenue distribution such a contentious issue, in sowing distrust towards oil companies and among oil-producing communities, and in organizing oil bunkering on such a large scale. A lack of popular participation was also noted to be part of the problem, as decision-making on oil extraction was highly centralized and development projects were implemented top-down without meaningfully involving the local population. The section on the criminalization of the conflict highlighted how situations of generalized violence and confusion further undermine transparency—transparency in company statements of production volumes, transparency in public expenses. The current peace process may therefore represent an opportunity to make the influence of NEITI be felt. If some progress is made in measuring production volumes in the Niger Delta, this would represent an important step in fencing oil bunkering activities.

NEITI has certainly laid the basis for increasing government and oil company accountability by exposing the amount of revenues the federal government received and the way oil companies report on their production volumes. Via the audit reports, it has collected and published detailed information on oil revenues for the first time, and stirred some public discussion on the topic. The NEITI Secretariat even believes that it has instilled some trust and openness among the major actors in the oil

65 Interview with Basil Omiyi, Shell and NEITI, Abuja, 27 October 2009.

66 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009.

67 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009.

industry—including the non-governmental organizations (NGOs).<sup>68</sup> Knowing the exact numbers of company payments may better equip the Niger Delta people to hold the federal government as well as the state and local governments accountable. At least, they are informed about the extent of the total wealth that is created in the entire Niger Delta. It will be of use to them, for they can now base their claims, e.g. for adequate compensation, on documented and officially recognized figures. Therefore, NEITI has some potential to contribute to achieving greater accountability of the government and the IOC.

### *3.2.1. Limitations arising from NEITI's scope*

Still, there are clear limitations to NEITI's contribution, which arise from its design. As NEITI does not publish the production volumes per wellhead, the Niger Delta communities still do not know how much oil was pumped from their community area. They can only approximately deduct these amounts from the distribution by the federal government of the 13 percent derivation money among the oil-producing states. This leaves them in a difficult situation when trying to establish whether the amounts of oil company compensation or government allocations are adequate. It is also doubtful that revenue transparency as such is able to increase accountability of the government toward the Niger Delta citizens. The Niger Delta people have long experienced that the biggest part of oil revenues goes to the federal government and that they hardly benefit from government spending of these revenues. The much-needed accountability in public spending is not addressed by NEITI. Moreover, as long as Nigerian politicians are not fairly voted into office but get there through political patronage, it will be very difficult to increase their

accountability by mere transparency.

The practical limitations of NEITI's impact are also apparent when looking at the company operations on the ground. The accountability of oil companies is only marginally increased through NEITI. As the EITI is not concerned with what the government and its citizens ought to receive, but with whether the established cash payments by companies are duly made, some civil society groups from the Niger Delta already expressed a certain disappointment with NEITI (Shaxson, 2009, p. 19). An interview conducted by Shaxson is telling in that regard: "Did you get the impression that early NEITI progress was partially driven by a sense within government and civil society that the oil companies were ripping off Nigeria, and that the audit would 'bust' them? 'I heard a couple times that this motive died off after the audit failed to do this' " (2009, p. 19). If NEITI finally goes ahead with a value-for-money audit and helps addressing the issue of production measurement, this will go a long way into a greater accountability of companies towards the Niger Delta people (see Section 2.2).

Company payouts to community leaders, which would represent a possible avenue for improvement, are clearly beyond NEITI's scope, which only deals with company payments to the state. The management of official oil revenues by communities could only become an issue for NEITI, if President Ya'ardua's promise becomes true that oil-bearing communities will have a 10 percent equity stake in the oil joint ventures. Similar to the management of oil funds on a federal level, transparency and accountability mechanisms would have to be found on a local level.

Another difficulty in practice is that the discussion about oil revenue transparency is largely confined to elite circles. Apart from the publications on its website, NEITI has organized road shows throughout the

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<sup>68</sup> Interview with NEITI Secretariat, Abuja, 29 October 2009.

country during which the audit reports are disseminated and discussed at public meetings. Yet, the NEITI Secretariat could not tell in an interview how the population had reacted, stating that NEITI merely financed the road shows and some NGOs actually organized them. It felt that an impact analysis should be made. Other informants noticed that NEITI did not disseminate the audit results widely enough and in an appropriate format that could reach the wider population, e.g. via radio or in a local vernacular. A lot more effort in this direction would therefore be needed to reach ordinary people in the Niger Delta: "Ordinary people hardly bother about revenue, how much goes to the state, how much is spent, etc. This is a very sophisticated question for rural people living in the creeks. What they are asking for is: daily livelihoods."<sup>69</sup>

An important area for improving governance is actually the state and local governments that receive increasing volumes of oil revenues. As NEITI is confined to the federal state level, its impact is minimal in that area. The discussions on transparency opened up by NEITI on the national level have nevertheless had some positive impact on the state and local level. At the NEITI road shows, for example, representatives of state and local governments participated in the debate on revenue management. Transparency issues were brought high on the political agenda. "At a point in time, it was more like: 'Let's talk about the extractive industry, about transparency issues around' ".<sup>70</sup> Moreover, the financial support from international donors for NEITI is extended to other projects and actors concerned with budget transparency. The NEITI Secretariat is supported by a multi-donor-trust fund; World

Bank and DFID provide consultancy services. The governor of Bayelsa State, who has launched his own Bayelsa Expenditure and Income Transparency Initiative (BEITI) is supported by the Revenue Watch Institute.<sup>71</sup> As civil society is supposed to play a vital role in the EITI process, there is a whole range of Nigerian NGOs that receive support from international agencies, such as the Revenue Watch Institute, Oxfam, USAID, ActionAid, German political foundations, etc.

Several of these NGOs have created a Niger Delta Citizens and Budget Platform to monitor budgets of the state and local governments (Niger Delta Citizens and Budget Platform, 2009). The difficulties they met in accessing information on state budgets underline the importance of their efforts. Another related initiative, the Public Eye Project, has managed to install expenditure monitoring commissions in the three oil-rich states Ondo, Edo, and Delta backed by a law, which prescribes that 50 percent of the state oil revenues are spent on infrastructure projects only (ANEEJ, 2008).<sup>72</sup> Some interviewees were skeptical about the political strength of most of these NGOs, arguing that they were mainly interested in 'eating and surviving'. Nevertheless, the various initiatives are a sign that some Niger Delta populations are already mobilizing themselves and are becoming increasingly conscious of their rights: "The level of awareness of Nigerians to

69 Interview with Dr. Etham Mijah, National Defense Academy Kaduna, Abuja, 28 October 2009.

70 Interview with Ms. Abiola Akiyode-Afolabi, Executive Director of Women Advocates Research and Documentation Center (WARDC), Lagos, Nigeria, 3 November 2009. WARDC does research and advocacy work on the role of women in conflict resolution in the Niger Delta.

71 The initiative is not concerned with the extractive industry but with transparency in all fiscal matters. It clearly alludes to NEITI in name and organizational structure, e.g. the Multi-Stakeholder Working Group (BSWG), but is not directly related to NEITI in reality. Therefore attention needs to be paid to what will be done in substance. See also: Bayelsa Expenditure and Income Transparency Initiative (BEITI). n.d. "Report of the Journey-so-Far."

72 Interview with Agbojo Adewale Enoch, Heinrich Böll Foundation Nigeria, Program Manager Governance, Lagos, Nigeria, 3 November 2009. The Commissions are called Ondo State Oil Mineral Producing Areas Development Commission (OSOPADEC) and Edo State Oil and Gas Producing Areas Development Commission (EDOGPADEC). A law was passed in Edo State in May 2007, and EDOGPADEC was established in July 2007. The NGO ANEEJ critically monitors its work.

fight corruption now is far higher than it used to. I know it, due to the capacity-building. The level of change that you're seeing is drastic."<sup>73</sup>

Almost all NGOs mentioned are members of the Nigerian Publish What You Pay (PWYP) coalition, a coalition lobbying for transparency in the extractive industry. From the interviews, the author gleaned the impression that this coalition possessed some political strength and had acquired valuable expertise of the extractive industries. Its former national coordinator, Reverend David Ugolor, must have been an engaged leader, who confronted established interests. Lately, the coalition has fallen somewhat into disrepute,

and has lost most of its donor funding, which reveals the downsides of donor-dependence. The new leadership is currently regaining its strength by reassembling the existing members (see Box 8).

To the discredit of NEITI, the PWYP coalition has little influence within NEITI itself. The governance structure of NEITI allows for very little representation of civil society groups. The civil society representatives in the National Stakeholder Working Group (NSWG) which functions as the board of NEITI are appointed by the President and do not have the necessary expertise of the extractive industry. Contact between these civil society representatives and the PWYP coalition hardly exists, so that a Steering Committee of civil society members was formed to enhance communication between them.<sup>74</sup> Out of the 15 members of the NSWG, only three come from civil society groups. The quorum for decision-making is eight (NEITI Act 10). Hence, apart from the representative of the South-South Zone who happens to be a civil society activist, the Niger Delta communities are only weakly represented within NEITI. Moreover, the NEITI Secretariat clearly sees itself as a government institution.<sup>75</sup> Its staff

#### Box 8: The Publish What You Pay (PWYP) Coalition in Nigeria

The Publish What You Pay (PWYP) Coalition in Nigeria is part of the international "Publish What You Pay" campaign. PWYP started in the late 1990s, seeking transparency in the extractive sector through mineral companies publishing the revenues they pay to states. It demanded mandatory measures for companies, such as adapted stock exchange listing requirements and accounting standards. Currently, it deals with transparency in production contracts. EITI responded to these claims from civil society with a voluntary, collaborative approach bringing civil society, mineral companies and governments together.

"Unfortunately, PWYP has a problem now. Before, we challenge authorities, we go there, we made impact, we had enough funding."

"I heard rumors there was some embezzlement of funds?"

"The truth is, some people are interested in painting PWYP as if there is problem so that the donors will not fund PWYP but rather fund their proper organizations. No allegation of fraud has been proved against any member of PWYP to date, no! (...) Donors now fund individual NGOs who have destroyed PWYP. (...) PWYP is our eye in Nigeria on issues of transparency in the extractive sector. We [PWYP] ensured the passage of NEITI Act, Public Procurement Act and contributed towards the passage of Fiscal Responsibility Act which was driven by WARDC. I was part of it; we signed petitions and all the rest. (...)"

"So is that why NEITI is now dragging its feet?"

"(...) Because the watchdog has been made toothless! The real watchdog is PWYP. It [NEITI] cannot even bark or bite."<sup>1</sup>

**Sources:** Shaxson, 2009; [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)

73 Interview with Innocent Adjenughure, CAAT, Abuja, 5 November 2009; Interview with Agbojo Adewale Enoch, Heinrich Böll Foundation Nigeria, Program Manager Governance, Lagos, 3 November 2009.

74 Telephone interview with Faith Nwadishi, National Coordinator of PWYP Nigeria, 7 November 2009.

75 Interview with NEITI Secretariat, Abuja, 29 October 2009.

are civil servants, appointed by the government.

It is also not evident that the collusion between government and oil companies is challenged through NEITI.<sup>76</sup> The dominance of the government seems to hamper NEITI's drive of action, as is seen in a quarrel between the Executive Secretary, a civil servant, and the Chair, a professor and civil activist (former chair of Transparency International Nigeria).

To sum up, NEITI has only marginally changed the power relations within the triangle of government, citizens and corporations in favor of an empowerment of the Niger Delta people. NEITI itself has hardly increased their political participation, but it laid some basis for it by facilitating a wider discussion on revenue transparency. If it pushes through with a value-for-money audit and achieves some progress in verifying the measurement of production volumes, it will enhance oil company accountability and will provide a basis for fencing oil bunkering activities. Also, as a side-effect, through donor aid, it helped NGOs from the Niger Delta to mobilize around issues of budget transparency in their respective states.

### *3.2.2. Limitations arising from NEITI's political context*

NEITI, being in fact a government institution, is clearly embedded in a political context, which further limits its impact. It is subject to the same dynamics of a 'petro-state' that were introduced in Section 1—the lack of institutionalization, the tendency to personalized rule and the politics of patronage: "Right now, NEITI is seen as an extended bureaucracy. (...) It simply has a National Stakeholder Working Group and the Secretariat that is made up of civil servants who are being deployed from various

ministries, and mostly the deployment is actually based on politics, nepotism, favoritism and all of that."<sup>77</sup>

NEITI was instituted in a period of reform in Nigeria aiming at transparency and accountability in the public sector and at privatization of the economy, especially in the years 2003–2006. It was underwritten by a team of officials around Obasanjo and the International Financial Institutions (IFI).<sup>78</sup> Part of the reforms was a new Economic and Financial Crimes Commission (EFCC), which pursued financial misappropriations. This context provided the necessary political drive, which has pushed NEITI that far (Shaxson, 2009, pp. 9–20).

Former President Obasanjo's backing for these reforms was crucial. One of his main motivations seems to have been his wish to be an international donor darling; he wanted Nigeria to be seen as the economic powerhouse in Africa (Shaxson, 2009, p. 15). Hence, NEITI was born out of international pressures radiating from the EITI and a group of Nigerian reformers. The reform initiative was driven from above and outside—much less from internal pressures from below (ibid. pp. 15–18).

As these reform efforts have lost considerable drive following the change of government in 2007, so has the pace of NEITI's work—a sign of the lacking institutionalization (see Section 2.1.3). The achievements of reform in Nigeria were difficult to sustain after the few persons sustaining them had left, such as the Head of EFCC, Nuhu Ribadu. He was ousted just weeks after the former Delta State Governor

<sup>77</sup> Interview with Dayo Olaide, OSIWA, Abuja, 28 October 2009.

<sup>78</sup> The team consisted of the Finance Minister Ngozi Okonjo-Iweala, Oby Ezekwesili, one of the founders of Transparency International Nigeria, Charles Soludo as Central Bank Governor, Nuhu Ribadu, Chairman of the new Economic and Financial Crimes Commission (EFCC), Bright Okogu, Special Advisor to the Finance Minister 2004–2007, and Nasir El-Rufai, former Director-general of the Nigerian privatization agency, Minister of the Federal Capital Territory (Shaxson, 2009, pp. 9–20).

<sup>76</sup> One member of the technical team at the Secretariat is said to be a close friend of Shell's Nigeria country chair.

James Ibori was arrested in December 2007 on charges of corruption and money laundering by the EFCC (*VOA News*, 12 December 2007; *Agence France-Presse*, 29 December 2007).<sup>79</sup>

positions with their entourage, new governments tend to mistrust the institutions created by their predecessors, and thus aim to create their own institutions with their own loyal people. In addition, the late President Ya'ardua came to power with little political

### Box 9: The new Petroleum Industry Bill (PIB)

The Petroleum Industry Bill is the first major reform in the oil sector that has been undertaken in Nigeria since oil exploitation started, joining together about 16 past laws into one piece of legislation. It is currently before the National Assembly. The reform is intended to strengthen regulation and to transform the national oil company NNPC into a viable commercial entity, NNPC Limited, able to invest internationally. In the first years, Nigerian government ownership is planned, with a number of shares then sold on the Nigerian stock exchange. The previous joint ventures will become incorporated entities. It is important for the government to decide whether it wishes to exercise public control via the board of those corporations or via the regulatory bodies.

The regulators are to be given the appropriate autonomy and funding to perform their functions. Several interviewees stressed that NEITI's efforts to improve the processes of the regulators in supervising the industry had fed into these aspects of the Bill. Moreover, NEITI has contributed requirements on transparency of revenue and cost data that extend to the disclosure of contract provisions- at least to all regulatory institutions. NEITI was part of an inter-agency group including NNPC, DPR and FIRS that submitted a second version to the Bill to parliament.

The oil majors oppose parts of the Bill on grounds of high fiscal burdens (85 percent of company profits) that would threaten the viability of their investments. Another controversial provision is the one on the relinquishment of acreages, which have partly been held by oil companies since the 1950s. Those not used for over 30 years need to revert to the government, which can re-allocate them through an open bidding process.

"I say that we are not sure what we will have as final result because there is a whole lot of lobbying going on.(...) Recently, the news broke out that a number of the members of parliament were taken to Ghana by the IOCs (Shell, Chevron, ExxonMobil). They were hiding under the pretext that they were doing a retreat. Again, there has been an outcry from the members of the National Assembly that even the NNPC is also busy lobbying them."<sup>1</sup>

Civil society organizations have produced a written statement on the Bill and held community stakeholder meetings in November 2009.

**Sources:** Heller, 2009; Interviews with Dayo Olaide (OSIWA), Dauda Garuba (RWI), Basil Omiyi (Shell), Amanda Lumun

Patronage politics and a personalized rule may also account for the slow-down of NEITI's and EFCC's political clout. As political leaders try to fill administrative and political

ambition and physically weakened by an illness, and was therefore considered less able to confront established interests that had been under attack by institutions such as the Economic and Financial Crimes Commission (EFCC) and NEITI. The inauguration of President Jonathan in early May 2010 may have set, once again, the

<sup>79</sup> At the time of publishing, there are signs that forces of reform are regaining strength under new President Goodluck Jonathan, e.g. the renewed efforts by the EFCC to bring James Ibori before the courts and the return to Nigeria from exile of Nuhu Ribadu on 4 June 2010.

parameters in favor of reform. Also NEITI may have a more lasting impact on general transparency in the management of the oil industry if a new Petroleum Industry Bill—currently being discussed in the Nigerian parliament—gets adopted. NEITI has actively contributed to a draft of the Bill by including requirements on transparency of revenue and cost data (see Box 9).

NEITI seems to be as much subjected to the personalized rule as any other government institution in Nigeria. Even the implementation of NEITI depends on the President's will: some domestic oil companies would refuse to comply with NEITI's requirements, until a phone call from the President's office would rein them in.<sup>80</sup> NEITI will therefore hardly be able to overcome the political patronage that engulfs Nigeria's political system. Nigeria's rating on the global Corruption Perceptions Index by Transparency International (TI) worsened in 2009, dropping from 121 to 130th position out of 180 countries, after having moved up 27 places in 2008. The Index measures the perceived levels of public-sector corruption (Akosile, 2009; Idonor, 2009).<sup>81</sup> Similarly, the low effectiveness of state institutions in Nigeria, which is characteristic of 'petro-states', obviously also diminishes NEITI's impact. Since the publication of the first audit report in 2006, which recommended an overhaul and harmonization of the various regulatory institutions' procedures (so-called "remediation"), little has happened in that regard.<sup>82</sup> Moreover, the capacity of the NEITI Secretariat is not yet sufficient:

NEITI at the moment is understaffed. They almost completed the staff recruiting process. (...) For it to function effectively, it was established by the

NEITI Act 2007. The present government didn't appoint the board until last year [2008]. So once the board and the executives of the Secretariat were appointed, they then began to staff the Secretariat. But first, they needed a salary structure. The Act is very ambitious. (...) Now there are two people in the technical department. These numbers are not enough to perform its role.<sup>83</sup>

The political context also has repercussions on NEITI's ability to enforce compliance of oil companies with the legal requirements of information disclosure (NEITI Act of 2007, No. 16). Several interviewees brought up the topic of compliance without explicitly being asked. Some NGOs felt that NEITI should do more to enforce compliance while other interviewees agreed that NEITI has no right to pursue offenders, but has to rely on the Nigerian judiciary or the EFCC to do so. This is a crucial issue because NEITI can only reduce corruption by international companies (bribing officials to reduce actual payments) if compliance is enforced.

To sum up, NEITI itself has not significantly increased government and oil company accountability, but has laid some basis for that. Within the confines of the Nigerian state, NEITI has difficulties to make its impact felt as it has to rely on other Nigerian political and judicial institutions to do so. It does, however, have important side-effects: NGO activities in the Niger Delta as well as the Bayelsa government transparency initiative represent one step towards greater effectiveness in government spending. NEITI itself is not the driver of change, but other political forces, such as the group of Nigerian reformers (see footnote 81), Nigerian NGOs under the umbrella of PWYP are agents of change, and the 'international community' (EITI, the auditors, international donors).

80 Interview with an anonymous informant in Abuja.

81 It is important at the same time to remember whose perception is taken as the standard measure for this Corruption Index: it is mainly Western businessmen and bureaucrats who are interviewed in these surveys.

82 Interview with Amanda Lumun Feese, World Bank, EITI Consultant, Abuja, 28 October 2009.

83 Ibid.



## Conclusion

In this paper, the author looked into the extent to which the Nigeria Extractive Industries Transparency Initiative (NEITI) can mitigate the effects of the resource curse in the Niger Delta. It first assessed whether a lack of transparency and accountability were responsible for problems surrounding oil exploitation by analyzing the factors that constituted the resource curse in the Delta. The analysis found that relevant factors were a centralized, opaque management of the oil industry by the federal government, accompanied by ineffective and unaccountable government institutions and a lack of oversight of the industry, all characteristics of 'petro-states'. A lack of transparency and accountability further contributed to the frustration of many Niger Delta citizens. Hence, EITI has a certain, albeit limited, potential to mitigate the resource curse in the Niger Delta.

Not all the suffering in the Niger Delta, however, can be explained merely by the opaque management of the oil revenues by the Nigerian state. The multi-ethnic and flawed federal character of the state is a clear heritage from the pre-oil era, which was then shaped by the politics of oil that provided incentives to ethnicity-based claims-making against the state. Lacking oversight of the industry went along with problems on the production-side: the destruction of livelihoods through oil extraction, disputes over questions of land ownership and compensation, and the very limited capacity of the oil industry to employ people, also contributed to the resource curse. This means that change should not be solely brought about in state institutions but also by other actors, such as oil companies.

The author then investigated, in more concrete terms, the potential of NEITI to contribute to greater popular participation in decision-making and to enhanced accountability of the government and oil companies towards the Niger Delta citizens.

There are limitations in NEITI's potential arising from its design and the 'petro-state' context. The potential of NEITI to enhance accountability of the government and oil companies is marginal, as its representation of the Niger Delta people is very weak and company payouts to community leaders are not covered. But, through its public debates and its publication of the oil revenues NEITI may help to hold the government more accountable—although it does neither address the financial transfers to local and state governments nor federal expenditure. The financial support of international donors to NGOs in the Niger Delta, as a side effect of the international and national debate on transparency in the extractives sector, may also confer a greater political weight on the Niger Delta communities. NEITI's own capacity as well as its impact on general government accountability is limited, for it is a government institution and subject to the same political dynamics as other public institutions in 'petro-states'. Moreover, as long as Nigerian politicians are not fairly voted into office but get there primarily through political patronage, it will be difficult to increase their accountability by mere transparency.

The limitations of NEITI were considered here in relation to the Niger Delta's problems. While being a worst-case scenario, grievances on the production-side relating to land ownership and environmental destruction are found in many other onshore oil-producing or mining areas in developing countries. Countries with mainly offshore oil exploitation may not experience the production-site conflicts related to the onshore drilling of oil in the Niger Delta but they will still encounter similar challenges in terms of government oversight over company operations and accountability mechanisms for the citizenry. While using Karl's analytical framework of a 'petro-state' to analyze NEITI's limitations, the paper does not want to suggest that any attempt at reform in a 'petro-state' is futile from the beginning. However, there are some

limitations, such as weak institutionalization, which can hardly be overcome by international transparency initiatives.

To address the challenges emanating from natural resource extraction, some considerations with respect to policy priorities by the international community follow from this. For one, donor agencies should increase their support for civil society pressure groups and at the same time assist them in improving their financial management. Given the inherently weak state structures in terms of effectiveness, accountability and transparency and the lack of political will in many oil-rich developing countries, Western governments, including the European Union, should combine attempts to increase transparency in such countries' revenue management with efforts to hold EU-based companies legally accountable for their operations abroad. So far, the European Union does not require international companies which operate in Nigeria to abide by European legal and social standards. If Western countries committed themselves to EITI, they would increase pressure on their mineral companies to comply with EITI requirements. More importantly, mandatory rules for EU-based companies operating abroad would help avoid some problems African governments are faced with now when trying to regulate international investors, such as requirements to disclose payments or standards for production measurement. The proposed transparency law of the United States that enshrines disclosure regulations for companies which are listed on stock exchanges in OECD countries could serve as an example for this. Another rule would be a mandatory country-by-country reporting of multinational companies to avoid transfer mispricing within multinational companies. Export credit accreditation should be based on certain transparency, social and environmental standards. Moreover, transparency in production contracts, which was not included by NEITI and therefore neglected in

this paper, may serve to empower the communities living in areas of mineral resource extraction to have their say on the conditions of these operations.

The involvement of international companies in the cycle of conflict and corruption in oil-producing countries means that the responsibility lies not only with the Nigerian state, but also with the international oil companies, and consequently their home country governments to hold them legally accountable for their actions abroad.

## Annex 1: Socio-economic data on the Niger Delta

### Population

According to the 2006 population census, there are 31.2 million inhabitants (out of 145 million Nigerians).

Territory: about 112,000 km<sup>2</sup> (out of 924,000 km<sup>2</sup> of Nigerian territory).

Population density: 279 pp/km<sup>2</sup> (national average: 157 pp/ km<sup>2</sup>), but with strong variations between different states in the region.

Ethnicity: 40 different ethnic groups (most numerous: Ijaw), speaking 250 languages and dialects.

Settlements: village character; 94 percent of settlements of fewer than 5,000 inhabitants.

Age groups: 62 percent under the age of 30.

### Geography

Geopolitical region: South-South.

Core states: Rivers, Delta, and Bayelsa states: roughly 40 percent of oil production comes from Rivers state, about 15 percent from Bayelsa and Delta states each (STRATFOR, 2009).

Vegetation: predominantly freshwater swamp forest with occasional small salt marshes, and mangrove forests.

### Economic activity

Oil and gas resources exported from the region generate 40 percent of Nigerian GDP; crude oil sales account for 79.5 percent of total federal government revenues, 90–95 percent of export revenues and 97 percent of foreign exchange (between 2000 and 2004).

Over 1,500 communities host oil or gas facilities.

The majority of the people are subsistence farmers or fishers. In the upland areas, however, there are many oil palms and rubber plantations.

Unemployment rates in some Niger Delta states are much higher than the national average of five percent: Akwa Ibom (18.2%), Rivers (19.1%), Cross River (16.6%) (Federal Republic of Nigeria, 2004, pp. 62–63); youth unemployment rates: 87 percent (Technical Committee, 2008, p. 102).

### Social indicators

Poverty: 70 percent on or below poverty line (equivalent to nationwide percentage).

Transportation infrastructure: inadequate; riverine areas difficult to access.

Housing: Over 70 percent of all households consist of eight occupants; 30 percent live in two rooms, 40 percent in a single room; only 30 percent of the households supplied with electricity and water.

Health: 20 percent child mortality rate; 80 percent of all reported diseases are water-related (Federal Republic of Nigeria, 2004, p. 88).

*Source:* Technical Committee, 2008, p. 102; Federal Republic of Nigeria, 2004, Chapter 1; <<http://www.nigerianstat.gov.ng/>>.

## Annex 2: Methods and list of interviews

The methods used for this paper combined a desk study with interviews of experts conducted in Nigeria in October and November 2009. The desk study (before and after the field trip) covered relevant academic literature, NGO and newspaper reports as well as official documents. It served to contextualize and double-check the information gathered in the interviews. The field trip was also used to gain access to information that was not available via the Internet or German libraries, such as official documents (for example 2009 NEITI reports) and publications of Nigerian civil society initiatives.

The interviews were intended to provide an update of current developments in the workings of the Nigerian oil industry, the Nigeria Extractive Industries Transparency Initiative (NEITI), and the implementation of the amnesty program, and to gather information regarding the research question. For that purpose, the author conducted 27 semi-structured interviews with representatives from government, NGOs, research institutes, oil companies and international agencies that are listed below. The interviews were held over a period of two weeks in October and November 2009 in the cities of Abuja and Lagos where most of the Nigerian and foreign government and NGOs are located. As the security situation in the Niger Delta was still very volatile when field research was planned, the author could not travel the Niger Delta region but tried to get a first-hand account of the problem of oil extraction from the Niger Delta communities by interviewing NGOs that are either based in the Niger Delta or have regular missions there. The author was able to meet representatives of these NGOs in Abuja and Lagos. Selection criteria for the interviews with NGOs were thus a first-hand knowledge of the Niger Delta region and/ or direct contact to the militants and expertise in the

workings of the Nigerian oil industry, issues of transparency in the extractives sector or conflict resolution.

Interview partners were identified through existing contacts that were nurtured during previous field visits of BICC. Further contacts were established through the Stakeholder Democracy Network (SDN), a human rights organization that is based in London and Port Harcourt. Government institutions are somewhat underrepresented because several attempts at establishing contact were not successful. The interviews with international (aid) agencies were meant to fill this gap by providing some insight into the mode of cooperation with Nigerian state institutions and the possibilities for reform.

Interviews were recorded, when interview partners agreed so and subsequently transcribed. They lasted sixty to ninety minutes on average. Most of the interviewees were very open and responsive to discussing the issues raised; NGOs and researchers in particular apparently felt some urgency to talk about the problems of oil extraction and resulting conflicts. Among the oil companies, the openness to talk varied according to the issue: there was a great willingness to talk about NEITI and community development projects, while they were less forthcoming when compensation and land rights were concerned.

## List of interviewees

Name of Interviewee	Organization	Date and Place
Auwal Musa Rafsanjani	Civil Society Legislative Advocacy Centre (CISLAC), Executive Director. CISLAC advocates and trains members of parliament on issues of anti-corruption and transparency in the extractives sector. Member of PWYP.	26 October 2009 Abuja, Nigeria
Dickson Orji	WAANSA/NANSA (Small Arms Network), President. NGO that has monitored compliance with the 2004 disarmament program in the Niger Delta. Member of PWYP.	26 October, Abuja
Ray Kirkland	USAID, Director.	26 October, Abuja
Sebastian Sperling	FES (Friedrich-Ebert Foundation) Nigeria (German political foundation), Security Policy Project West Africa	27 October, Abuja
Basil Omiyi	Country Chair of Shell Companies in Nigeria and Member of the NEITI National Stakeholder Working Group (NSWG).	27 October, Abuja
Christina Jöckle	German Embassy; Economic Affairs Division.	27 October, Abuja
Nana Odoi	GTZ (German development cooperation)-Peace and Security Program to ECOWAS.	28 October, Abuja
Dayo Olaide	Open Society Institute for West Africa (OSIWA), Coordinator West Africa Resource Watch.	28 October, Abuja
Dauda Garuba	Revenue Watch Institute (RWI), Nigeria Program Coordinator. RWI lends support to the Bayelsa Expenditure and Income Transparency Initiative (BEITI) in Bayelsa State, Niger Delta.	28 October, Abuja
	Nigeria Extractive Industries Transparency (NEITI) Secretariat.	28 October, Abuja
Amanda 'Lumun Feese	World Bank, NEITI advisor.	28 October, Abuja
Dr. Etham Mijah	Defense Academy Kaduna, Researcher.	28 October, Abuja
Dr. Abiodun Onapide	UNDP, Peace and Development Advisor.	29 October, Abuja
Inemo Samiama	Stakeholder Democracy Network (SDN), Country Director Nigeria. The SDN works directly with Niger Delta communities to effectively monitor and lobby for the fulfillment of their social and environmental rights.	30 October, Lagos
Dennis Flemming	Chevron Nigeria, Community Engagement Advisor.	2 November, Lagos

Name of Interviewee	Organization	Date and Place
Boniface Dumpe	Center for Social and Corporate Responsibility (CSCR), Director. The CSCR is an NGO that operates in the Niger Delta and monitors the compliance of oil companies' operations on the ground with their stated social and environmental standards in order to report back to the companies' shareholders.	2 November, Lagos
Father Kevin O'Hara	Center for Social and Corporate Responsibility (CSCR), Founder of CSCR.	3 November, Lagos
Ms. Abiola Akiyode-Afolabi	Women Advocates Research and Documentation Center (WARDC), Executive Director. WARDC does research and advocacy work on the role of women in conflict resolution in the Niger Delta. Member of PWYP.	3 November, Lagos
Bridget Osakwe	West Africa Network for Peacebuilding (WANEP), Program Manager, Women in Peacebuilding. The West Africa Network for Peacebuilding (WANEP) supports local peace building initiatives in the Niger Delta and monitored the humanitarian impact of the 2009 fighting in the Niger Delta.	3 November, Lagos
Agbojo Adewale Enoch	HBS (Heinrich Böll Foundation) Nigeria, Program Manager Governance.	3 November, Lagos
Dr. Nick Idoko	Africa Network for Peace and Justice (ANPeJ), Director. ANPeJ is a conflict resolution NGO that also works in the Niger Delta.	4 November, Lagos
Celestine Akpobari	Social Action Nigeria, Program Officer; Founder of Ogoni Solidarity Forum (OSF). Social Action is an NGO operating in the Niger Delta to monitor the human rights consequences of oil exploitation.	5 November, Lagos
Pastor Innocent Adjenughure	Campaign Against Arms Trade (CAAT) Network, Warri, Nigeria, National Coordinator. CAAT is an NGO based in the Niger Delta that tries to liaise with armed militants to reduce the arms flow in the region.	5 November, Abuja
	Nigeria Extractive Industries Transparency (NEITI) Secretariat.	6 November, Abuja
Paul Andrews	Institute for Peace and Conflict Resolution, Researcher.	6 November, Abuja
Dr. Timothy Okon	NNPC, Group General Manager of Corporate Planning and Strategy Division.	6 November, Abuja
Faith Nwadishi	National Coordinator of Publish What You Pay (PWYP) Nigeria.	Phone interview, November
Nnamdi Obasi	International Crisis Group (ICG) Nigeria.	Phone interview, November

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## Facilitating Peace and Development through Research, Advisory services, Training

**A**s an independent, non-profit organization BICC (Bonn International Center for Conversion) is dedicated to promoting and facilitating peace and development.

### Our task

BICC seeks to assist in preventing violent conflict and hence contribute to their constructive transformation.

While disarmament frees resources, which can be employed in the fight against poverty, conversion allows for a targeted, best possible reuse of these resources.

### Our work

**Peace and development:** BICC offers advisory services on demobilization and reintegration (DD&R). It evaluates demobilization and reintegration processes as well as peacebuilding tools, studies the role of the security sector, researches on the nexus between development and peace as well as early warning systems for crises.

**Arms—global trends, exports and control:** BICC analyzes global trends in defense expenditures, armed forces personnel and militarization. It reveals interrelationships between arms exports, development aid and human rights and lobbies for global arms control.

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**Base Conversion:** BICC has carried out research on base conversion for 15 years—not only in Germany but worldwide.

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**Applied research** (research papers, background and evaluation studies, impact analysis, indicator development, data collection and analysis as well as project assistance and implementation).

**Advisory services** (Background analyses, policy recommendations, expert workshops).

**Capacity-building** through the elaboration of concepts and modules for education and training.

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