how multinationals do business in conflict areas. Such ambition, progressive thinking and its potential consequences on short-term production may unnerve Shell International executive management and possibly turn them into spoilers.

* Elements of the Government of Nigeria feel threatened by SCD and PaSS. If PaSS ownership within elements of the Nigerian government is not fostered, or PaSS directly goes against their interests, these parts of GoN may become spoilers.

* Other oil companies operating in the Niger Delta feel threatened by SCIN's SCD and PaSS approach. As with elements of the government, other oil companies might feel threatened by SCIN's SCD and PaSS initiative, or not buy into new ways of operating. This in turn reduces overall industry coherence and may undermine both SCD and PaSS success.

* NGOs, CBOs, and political movements feel that SCD and PaSS are another SCIN public relations initiative. Unless the concerns of these groups are genuinely addressed and a formula is found to engage them constructively in SCD and PaSS, they are likely to see both initiatives as 'yet another' public relations stunt.

Irreconcilable spoilers

* SCIN or other oil industry staff engaged in unethical and corrupt practices. Given the strong link between unethical and corrupt practices, and conflict, PaSS implementation will necessarily involve addressing or exposing these either directly or indirectly. As opportunities for corruption are reduced and such exposure gathers momentum, these individuals are likely to seek to scupper the PaSS.

* Elements of the Government of Nigeria engaged in unethical and corrupt practices. In a best case scenario, if PaSS is successful room for corruption, political manipulation, and illegal oil bunkering becomes limited. Powerful elements of government involved such practices will attempt to undermine PaSS efforts.

* Criminal cartels would lose from effective SCD and PaSS implementation. Powerful criminal cartels currently operating in the Niger Delta are likely to lose business from the effective implementation of SCD and PaSS. Efforts are likely to be made to frustrate the implementation of SCD and PaSS through violence and intimidation.

5.5. STRATEGIC IMPLICATIONS

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

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

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

* PaSS alignment with current good practices and likely future expectations are critical for its success. As such, the initiative and strategies adopted have to be revisited – and resources allocated to ensure that PaSS implementers are 'tuned in' to developments at the local, company, and global levels.

* In the scenarios given, three issues are of primary importance for PaSS implementation: (a) decision-making and budgetary 'space'; (b) ability to mainstream the initiative across the company (including consequence management) and rapid demonstration of value added; and (c) top-management cover. Weaknesses in any of these three areas are likely to negatively affect PaSS implementation.

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

6.   CONCLUSIONS: EMERGING STRATEGIC DIRECTIONS

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

6.1.   CONCEPTUAL ISSUES

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

* The limitations of the Baseline Report mean that the 'bird's-eye' perspective provided has to be coupled with more thorough issue-specific research on priority areas identified for the PaSS. As such, there will be several peace and security strategies, each based on

substantive research (baseline reports) as well as facilitated processes that draw on implementing partners.

* The objective for SCIN to contribute to conflict resolution and sustainable peace means that the PaSS is to: (a) tackle the causes of conflict and address conflicting interests between groups; (b) find ways to ensure that separate interests are pursued within peaceful, institutionalised dispute settlement mechanisms; and (c) enhance the safety of people that are at risk.

* From a gender perspective, in order to effectively address conflict PaSS activities should include efforts to mainstream gender into all projects, teams, and initiatives. This will help ensure that differential group vulnerabilities are identified at early stages of interventions, and that conflict interventions can be made more effective by utilising the untapped potential of women leaders, women's organisations, and women networks as actors for peace.

6.2.   INTERNAL ENVIRONMENT

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

* The company itself is part of the conflict dynamics and thus has multiple options to positively influence these. Addressing conflict is not only dependent on outside actors but to a significant extent within the control of the company.

* Corporate practices (more than policies) can lead to conflict. This signals that the company does not have to change the fundaments of it of its operations (although some policies need review) but ensure that the policies and the ideas behind the policies are adhered to.

* There is not a single policy, practice or element of corporate culture that, if addressed, will alone decrease company–community and communal conflict. Rather, it is the accumulation of many (seemingly small or isolated) practices that feed into conflict. A strategy to improve corporate-community relations must address these. This means that there are numerous opportunities to make a positive difference.

* Virtually all SCIN departments have an impact, or are impacted by the context of conflict in which SCIN operates. There are opportunities for departments other than the Community Affairs Department to raise awareness of the impacts of their day-to-day activities on conflict, to take responsibility for the costs that these practices may unintentionally have, and to take steps to reduce conflict.

* Many internal practices feed into vicious cycles. Analysing these cycles more closely provide entry points for the organisation to transform a negative re-enforcing cycle into a positive one.

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

6.3.   EXTERNAL ENVIRONMENT

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

* A lucrative political economy of war in the region is worsening and will deeply entrench conflicts if it is allowed to continue. Increasing criminalisation of the conflict system means that unless remedial action is swiftly taken, SCIN's 'business life-expectancy' in the region will be under threat. Considering Niger Delta conflict trends, it would be surprising if SCIN is able to continue on-shore resource extraction beyond 2008 in keeping with Shell Business Principles. Given the likely illegal oil bunkering link to political campaigns, the run-up to the 2007 Presidential elections may see an even earlier serious escalation of Niger Delta conflicts. The deep, structural change in Niger Delta conflict in the interim is likely to mean it will be extremely difficult to return the Niger Delta to the pre-election lower level of conflict.

* Although the relative importance of Delta-wide issues depends on the conflict context, it is possible to identify those that will contribute most to the destabilisation of the Niger Delta. They include illegal oil bunkering, endemic corruption, high youth unemployment, and social disintegration. Their individual impact has been outlined above. Together, these factors provide the funding, weapons, and foot soldiers needed for war, as well as undermine society's ability to prevent or recover from conflict. Furthermore, oil companies both affect and are affected by each, suggesting that the industry can play an important role in their mitigation.

* A critical need emerging from current conflict dynamics is that of reconciliation. Such reconciliation needs to happen at three levels: (a) within and among communities; (b) between companies and communities; and (c) between government and communities. The form such reconciliation efforts take will be context specific and needs further investigation.

* Whereas the analysis provided here may seem grim, there are also factors present in the region (e.g. common heritage and conflict fatigue) that mitigate conflict and sustain a fragile stability. In addition, given that current criminalisation of conflict is a fairly 'new' phenomenon (e.g. large-scale bunkering started in 2000) and resilience of the Niger Delta communities, micro-level conflicts are not as entrenched as they otherwise would be.

* It is important to stress that tackling the limited local capacity to engage in legitimate business is a critical entry-point for addressing corporate-community conflicts. Healthy, transparent and fair business relationships with local contractors is both possible and within the reach of the industry.

* Micro-level conflicts are part of a complex conflict system that is issue-based, ethnic, and geographic in nature – and often span local and state boundaries. It is rare to find a 'self-contained' micro-level conflict that does not have implications for other communities beyond its locality. However, in this complexity there are two important common threads; resource control and social disintegration. Again this suggests that the oil industry can contribute to conflict resolution in and around their areas of operation. In addition, it is important to note that where there is conflict 'spill-over', there is also the potential for peace 'spill-over'. As such, the conflict system provides opportunities for conflict resolution to have a multiplier effect.

* The Soku, Elem-Sangama, and Oluasiri conflict shows how the oil industry is both caught and contributes through policies, practices, and corporate culture to inter- and intra-community tension. The case study also clarifies the ways oil companies can make a difference. In this case, benefits distribution mechanisms and how the company relates to communities are important. The implementation of the SCD pilot in the Soku oil rim and gas development project provides a unique opportunity to demonstrate proactive and positive corporate engagement in the resolution of such conflicts.

6.4. CONFLICT MANAGEMENT CAPACITIES

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

* There is a range of demonstrated cases where the company and external groups have effectively managed and resolved conflicts. As such, there is an emerging conflict resolution capacity that can be expanded and utilised for PaSS implementation.

* The analysis of internal conflict management capacities available shows there is a significant need for SCIN to strengthen these in terms of co-ordination, coherence, utilisation, and information management.

* An assessment of external conflict management efforts gives a range of perspectives on good practice in the field. Common principles and implementation process 'ingredients' are identifiable. These provide the basis for a systematic PaSS approach to tackling micro-level conflicts.

6.5. STRATEGIC PITFALLS

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

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

* PaSS alignment with current good practices and likely future expectations are critical for its success. As such, the initiative and strategies adopted have to be revisited – and resources allocated to ensure that PaSS implementers are 'tuned in' to developments at the local, company, and global levels.

* In the scenarios given, three issues are of primary importance for PaSS implementation: (a) decision-making and budgetary 'space'; (b) ability to mainstream the initiative across the company (including consequence management) and rapid demonstration of value added; and (c) executive management cover. Weaknesses in any of these three areas are likely to negatively affect PaSS implementation.

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

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ANNEXES

ANNEX A: DEFINITIONS AND GENDER PERSPECTIVES ON CONTEXT

DEFINITIONS

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

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

* "Conflict is an escalated competition between two or more parties, each of which aims to gain advantage of some kind – power, resources, interests, needs, for example. At least one of the parties believes that the conflict is over a set of mutually incompatible goals" (Laue (1992), quoted in WANEP, 2000).

* "Conflict is a struggle over values or claims to status, power, and scarce resources, in which the aims of the conflicting parties are not only to gain the desired values but also to neutralize, injure or eliminate their rivals" (Coser, 1968)

Peace is defined here as "durable" or sustainable peace:

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

Security is defined here as "human security":

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

GENDER PERSPECTIVES ON CONTEXT

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

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

Internal context

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

* There are strong gender policies within SCIN, but policy implementation is weak.

* SCIN's response to engendering its community development efforts has been the initiation of gender specific initiatives, i.e. women's programmes. These are largely standalone programmes that involve only minimal collaboration with other departments in Community Development.

* Women's initiatives in peace building have been limited to training workshops, and there is no method of gauging how women trained have contributed to peace within their communities.

* There is little collaboration between the women's peace programmes in the Eastern and Western divisions of SCIN. Each programme runs autonomous initiatives and as a result SCIN's gender policy is incoherent.

* Issues of gender are not mainstreamed in Participatory Rural Appraisals (PRAs).

* A gender lens is presently absent from all project design and implementation.

* A gender lens provides future conflict interventions with foundational understanding of the intricacies of social structures and relationships in Niger Delta communities.

External context

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

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

* The hierarchies present in communities start from Chiefs/Elders, youths, Community Development Committees (CDCs)/Town Unions, etc. to women and children.

* While conflicts in the Niger Delta have led in some cases to a hierarchical exchange in position between the youths and elders, the status of women has remained constant.

* Traditional and political power and decision making is largely the preserve of men. Women's leadership is ceremonial and/or confined to women as a class.

* The causes of conflict are attributed differently by men and women but both closely associate conflict with presence of oil companies.

* There are high illiteracy rates among all groups within communities, but men are generally more educated than women.

* Men and women are local income earners and highly dependent on the presence of the oil companies. However, each group approaches this dependency differently; men from a rights based approach, women from a basic human needs standpoint.

* Men and women respond to conflict differently; analysis reveals that men are more involved in violence as a response to conflict, and women in non-violent responses, e.g. demonstrations, picketing etc.

* Women are seen as victims and not actors in conflict. Their contributions to peace building are often overlooked and/or undermined.

* Women organise and mobilise into effective groups and associations at the micro level. These groups are recognised avenues for engaging women.

* The role of women in the community is such that uncharacteristic vocal and public uprising by women on key issues draws significant attention. This is evident in the reactions to women's mass demonstrations.

STRATEGIC IMPLICATIONS

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

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

* The limitations of the Baseline Report mean that the 'bird's-eye' perspective provided has to be coupled with more thorough issue-specific research on priority areas identified for the PaSS. As such, there will be several peace and security strategies, each based on substantive research (baseline reports) as well as facilitated processes that draw on implementing partners.

* The objective for SCIN to contribute to conflict resolution and sustainable peace means that the PaSS is to: (a) tackle the causes of conflict and address conflicting interests between groups; (b) find ways to ensure that separate interests are pursued within peaceful, institutionalised dispute settlement mechanisms; and (c) enhance the safety of people that are at risk.

* From a gender perspective, in order to effectively address conflict; a human dynamic, PaSS activities should include efforts to mainstream gender into all projects, teams, and initiatives. This will help ensure that differential group vulnerabilities are identified at early stages of interventions, and that conflict interventions can be made more effective by utilising the untapped potential of women leaders, women's organisations, and women networks as actors for peace.

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

Gender perspective in PaSS

Conflict analysis
* Indicator assessment (conflict and peace)
* Stakeholder analysis
* Scenarios

Gender-based conflict impact assessment
* Vulnerability analysis
* Assessment of impact on gender roles and identities

PaSS strategic planning
* Objectives setting
* Identification of priorities
* Review of capacities
* Assessment of pitfalls

Indicator assessment
* What is the differential access and control of material and symbolic resources between groups?
* What are the factors and conditions that influence this access?

How does the conflict make different groups vulnerable – and what are the implications of this?

How does the PaSS strengthen traditional roles and identities – and to what effect?

Stakeholder analysis
* What are the differential interests of men and women?
* How do different groups perceive the causes and dynamics of conflict?
* What do different groups see as the solutions to the conflict?

ANNEX B: INTERNAL MANAGEMENT NOTES

MANAGEMENT NOTES ON THE CONFLICT-POLICIES LINK

* Land acquisition policies reward groups and individuals based on how they are different from others, not according to what they share or have in common. This makes it increasingly difficult for SCIN to implement an agenda around partnerships between communities based on a larger and shared vision for the Niger Delta.

* Support and advocate for a yield-based compensation system that combines economic life and current market prices.
* Shift the focus from individual landownership to a traditional one based on family ownership (as is the case in land communities) or communal ownership (as is the case in swamp communities).

* Hiring policy: Commit to achieving a certain percentage of Niger Delta staff in various management levels over a period of time. SCIN and stakeholders could agree that this commitment serves as a benchmark of positive corporate efforts to maintain a LTO.

* Oil spill policy: Do not announce the cause of an oil spill before its cause is officially determined.

* Contracting policy: SCIN bears final responsibility for all community-related matters. Contracting out work should not mean contracting out responsibilities since, ultimately, the community holds SCIN accountable for contractor behaviour.

* Develop strict rules and regulations for contractor-community relations, and consider a violation of these strictures a breach of contract, to avoid claims from contractors due to self-induced violence against projects.
* Make the inclusion of a local content plan in each project mandatory. This implies that large contracts are split up in smaller pieces to that they become accessible for local contractors. SCIN also provides business development support (access to financial institutions, "soft" skills and technical capacity strengthening) to local contractors to reach SCIN standards.

MANAGEMENT NOTES ON THE CONFLICT-PRACTICES LINK

Budget management

* Ensure that budget cuts do not interfere with contractual obligations in land acquisition deals.

* Disconnect the SCD budget from a short-term operations perspective aimed to satisfy immediate community requests. Instead, use an analysis what fundamental problems need to be solved and what existing capacities can be strengthened as the basis for a community development approach.

* Take all (potential) costs of conflict and all (potential) benefits of peace into consideration in any costs-benefit analysis with regard to communities.

Transparency

* Be transparent about how much is being paid, to whom, for what reason and based on which formula.

* Ensure transparency about all aspects of both the oil spill investigation process as well as the compensation process.

* Engage with communities in the village and in public when important decisions are taken. This means that local leaders are held accountable for the agreements they make. Community members witness the process and hear the outcomes and this increases their ownership for the process.

* Ensure that all signed documents are made public. This way, signatories are held accountable for what they sign.

* Only written agreements are valid. This needs to be clearly communicated to communities.

* Establish a transparent and widely owned communication process. This could be a combination of town hall meetings, public notice boards, taping meetings on video, radio broadcasts, periodic newsletters and other means.)

* Increased transparency does not imply that every local stakeholder has a right to know everything. Rather the point is to ensure that communities feel that SCIN has made a genuine attempt to put an end to internal corruption and to inform communities as much as possible about decisions that affect them.

* Extract lessons learned from project teams that have based their community engagement models on full transparency such as the Project Advisory Committee (PAC). Such approaches have yielded success in resolving conflicts through non-violent means and zero days lost to community unrest.

Short and long-term needs

* Consider that as part of a sustainability approach, each community project should have a fund-generating component. This would allow for the training of skills currently lacking in communities such as business development, management skills, and budgeting.

* Define "successful operations" both in the short and a long-term, and integrate the elements of this definition into the scorecard system. This implies that managers will be evaluated on how they reach production targets in addition to if they reach targets. The current reward systems are based on tasks and targets that measure output rather than impact.

Dividers and connectors

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

* Include more communities within one area in the same PRA exercise. A focus on shared interest and co-operation between and within communities to make a CD project successful will increase the likelihood of unification and decrease tensions over access to benefits between communities. The outcomes could include joint programming and pooling of community resources.

* Evaluate SCIN experiences with interdependency projects that only function if company facilities are operational. One example is the linking of gas turbines to flow stations. Communities see a direct benefit from the company's presence and also feel the consequences of interruptions.

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

Coherence

* Provide guidance to SCIN managers on how to respond to: (a) violence; (b) oil diversion; (c) community demands; and (d) disruption of law and order. SCIN principles of these issues need to be standardised, announced, enforced and maintained.

* Follow through on a zero-tolerance approach with regard to violations of its business principles. This approach needs to be implemented across the organisation, announced prior to implementation, and consistently applied.

Rewards for constructive behaviour

* Establishing sustainable relationships with communities requires a re-interpretation of "risk" from one that only focuses on manifestations of community behaviour to a definition that also includes company practices and decisions that leave communities with few options to communicate other than through violent or obstructive behaviour.

* Establishing sustainable relationships with communities also requires a re-interpretation of engagement on a "needs" base. From one only reacting to obstructive behaviour to one that includes the "need" to prevent potential conflict issues pro-actively and to address real problems and solve them.

Quantity versus quality

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

* Develop performance indicators that measure the ability of CLOs and CDOs to foster: (a) cordial and constructive relationships with communities; and (b) an improved community perception about SCIN. Examples of such indicators may include the number

of MoUs delivered effectively and on time, number of CDCs able to produce proposals according to SCIN standards, and number of shutdowns in an area compared to other companies operating in that area.

* Report systematically on field visits or community interactions. The current absence of such practice limits the value of the Relations and Issues Management System (RIMS) and allows for perceived promises and commitments made by the company.

* Action is needed in multiple areas to rectify poor community engagement practices, including:

* Provide guidance, training and backup to CLOs to be clear and transparent about what the company can and cannot do.
* Ensure a process by which commitments are only made based on available budgets.
* Create a database of all outstanding promises that have been made in the past. Verify if these promises are still valid and consequently be seen to be addressing the old promises in order to restore trust.
* Part of a staff induction could include a module on cultural values, do's and don'ts with respect to community interaction and awareness of the Niger Delta issues.
* Design an exit program for staff ready to retire to ensure they become SCIN ambassadors rather than SCIN saboteurs.

MANAGEMENT NOTES ON THE CORPORATE CULTURE-CONFLICT LINK

* Consider providing SCIN contracts for all CLOs and a career path to improve the state of the position and increase the stakes of the CLOs in the company (through individual performance bonuses). Furthermore, the CLO position has to be seen as a "profession" with clearly defined competencies that enjoys respect in the organisation and is able to attract high-flyers.

* Limited CLO capacity has to be addressed, with ongoing training initiatives in communication skills, negotiation skills, persuasion, dealing with resistance, etc. CLOs should also be supported to spend the majority of their time in the field on routine visits, not only in response to problems.

* It might be necessary to explore the option to recruit CLOs from the same ethnic background as the communities they are liasing with, but not from these particular communities to avoid that CLOs are too easily being subjected to community pressure. Such CLOs speak the language and are much more aware of the problems faced locally.

ANNEX C: REQUIREMENTS FOR PASS IMPLEMENTATION

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

PREPARATORY ACTIVITIES

Decision-making and budgets

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

Ownership

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

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

Commitment

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

Consequence management

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

Lobbying and advocacy

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

Community engagement

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

CAPACITY-BUILDING REQUIREMENTS

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

Increase co-ordination between existing conflict management efforts

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

Create an enabling environment for effective conflict management

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

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

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

* Currently, efforts to effectively transform conflict situations (e.g. PAC in the Cawthorne Channel) are in some parts of the organisation seen as beneficial, and in others seen as too costly when measured against SCIN objectives. In order to generate further institutional buy-in to the PaSS it will be important to show savings and other benefits that follow its implementation. A cost-benefit analysis framework needs to be developed that can be applied 'before' and 'after' PaSS implementation in specific areas.

* A risk assessment methodology that quantifies/qualifies the risk of conflict in specific areas needs to be developed for the following reasons:

* It will enable the measurement of impact of the PaSS (e.g. high risk before PaSS, low risk after).
* It will provide insight into how SCIN assets and property are at risk, thus serving as a tool for security personnel.
* It may be used to guide SCIN investments/projects (e.g. how to invest and when).

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

Conduct a feasibility study on early warning

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

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

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

Advisory support

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

END
1 At a selling price of USD20 per barrel, the Nigerian Federal Government gets (74.4%) USD14.88, costs are (20%) USD4 and the producers get (5.6%) USD1.13. At USD30/b government gets (86.2%) USD24.79, costs are (13.3%) USD4 and the producers get (4.1%) USD1.21.
2 Adapted from SCIN presentation "The Soku Oil Rim and Gas Development Project". Not dated or authored.
3 Based on comparative data for 2002 from the SIPRI database (see http://www.sipri.se). Peace and Security in the Niger Delta: Conflict Expert Group Baseline Report, December 2003

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