

RESOURCE-BASED CONFLICTS: CHALLENGES OF OIL
EXTRACTION IN NIGERIA

A PAPER BY

MR. LEO ATAKPU
DEPUTY EXECUTIVE DIRECTOR,
AFRICAN NETWORK FOR ENVIRONMENT AND ECONOMIC
JUSTICE (ANEEJ),
BENIN CITY, NIGERIA

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1.1 INTRODUCTION

Nigeria is Africa's most populous, resource rich country with a population of 131,859,731¹. It is made up of over 250 ethnic groups and checkered in the past by incessant political instability, bad governance, inadequate infrastructure and macro-economic mismanagement.

It has a Gross Domestic Product (GDP) at current prices standing at \$46.5 billion and currently undergoing massive reform programmes tailored after neo-liberalism.

Much of Nigeria's GDP is driven by oil production, which accounts for 40 percent of its GDP. Prospecting of oil started around 1903 but was discovered in commercial quantity in Oloibiri, in present day Bayelsa State in 1956. First crude oil export from Nigeria was in February 17, 1958.

The country currently exports about 2.7 million barrels of high quality crude oil per day to the international market.

Nigeria has about 36 billion barrels of crude oil reserve and 19.2 billion cubic metres of natural gas. It is estimated that the country has realized about \$600 billion since 1956 from oil and gas².

Besides, there are large deposits of tin, gold, talc, gemstone, kaolin, iron, bentonite and barite.

Sadly, despite the huge revenue from oil, Nigeria is ranked as one of the poorest countries in the World. The 2005 UNDP Human Development Report ranked Nigeria 158 out of 177 poorest countries of the world. Again, 70 per cent of Nigerians are classified as living in absolute poverty of less than \$1 per day. Infant mortality and maternal death rates are alarming and is currently the 3rd highest

¹ Recent Census figure released by the National Population Commission of Nigeria

² Africa Development bank (ADB) Annual Report (2005)

HIV/AIDS infection after India and South Africa. Much more, there is massive illiteracy and unemployment rates.

The implication of all these is a clear manifestation of the resource curse phenomenon across the Nigerian landscape. It follows therefore that it is only through a judicious utilization of oil revenues that the benefits of abundant oil resources can be spread to the population. In other words, a judicious utilization of oil revenues ensures that natural oil resources are turned into a 'blessing'. Otherwise, the negative externalities usually associated with oil production will turn it into a 'curse' to the economy.

1.2 THE NIGER DELTA

Niger Delta is the bedrock of Nigeria's crude oil production. All the nine states of the Niger Delta are oil bearing with Bayelsa, Delta and Rivers accounting for 75 per cent of oil production. Since the Nigerian civil war, ownership of crude oil resources has been vested in the federal government³ rather than in the state or community where it is located. It is thus only through intergovernmental financial transfers from federal to states and local governments that the oil revenue may be transferred to the population. It is against this background that the peculiar profile of the Niger Delta region is worthy of attention. This paper will look at how oil resources has led to underdevelopment of Nigeria and bred conflict in the oil-rich Niger Delta. It will also look at the various interests in the region and initiatives to change the situation.

2.1 HISTORICAL BACKGROUND OF NIGER DELTA

The River Niger empties into the Atlantic ocean passing through Nigeria. The area regarded as the Niger Delta is the fan-shaped area at the southern part of the country through which the River Niger empties into the Atlantic ocean. This area covers about 6,000 square kilometers and it is "the third largest wetland in the world and the

³ Land Use Act (1978) takes all land from the people and vests the ownership on government.

largest in Africa". It is an area populated by over 25 million people from about nine oil-producing states and 186 local government councils.

The area described as the Niger Delta is the area of Nigeria that lies between the estuaries of the Benin River to the West and Cross River to the East of the River Niger itself.

The Niger Delta stretches about 4.35 kilometers (270 miles) along the Atlantic Coast. It covers over 20,000 square kilometers. It ranks among the world's largest wetlands and definitely, the largest in Africa.

The region is criss-crossed by a web of creeks that link together the main rivers of Benin, Bonny, Brass, Cross, Forcados, Kwa-Ibo, Nun, and other rivulets and streams (all estuaries of the Great River Niger). Its mangrove forest covers about 20,000 square kilometers with high biodiversity species of flora and fauna. The land is endowed with human and natural resources. It "flows with milk and honey".

This justifies why the Niger Delta, since the 15th Century, has been pivotal in the socio-economic and political development of Europe, the Americas, the continent of Africa and, of course, Nigeria.

The Niger Delta was one of the major centers of trans-atlantic slave trade beginning right from when the Europeans came to the area and started carting away young African men and women and hauling them through the Atlantic Ocean.

After the abolition of the slave trade, the next area of concentration was trade in palm oil. Again, the Niger Delta was, as during the slave trade, a hub of British trade in palm oil.

By the turn of the 19th Century, the activities of the British had become a systematic debasement of the Niger Deltans. The British

has taken over control of government, commerce and religion in the Niger Delta.

The Niger Delta area of Nigeria could be rightly referred to as the oil and natural gas capital of Nigeria, where most of the petroleum and natural gas in Nigeria are currently exploited. Oil and natural gas production in Nigeria account for about 95 percent of the country's foreign exchange earning, and generates about 80 percent of total national revenue.

During the colonial days in Nigeria, the authorities recognized and practiced the derivation principles in revenue allocations. For instances, in 1946, the Phillipson Commission recommended that 50 percent of the revenue be retained by the region where such revenue was generated. 15 percent of the revenue went to the central government, while 35 percent was shared among all the other regions including the revenue-generating region. Even after independence in 1960, the 1964 Binn Commission still recommended 50 percent to the region where the revenue was generated.

Until the Nigerian civil war, revenues generated from each region attracted a 50 percent derivation for the revenue-generating region. The 1960 and 1963 Constitutions accounted for rapid development and healthy competition among the regions from 1960 to 1966. The Northern region produced cotton, hides and skin, and groundnut that led to the famous groundnut pyramid. The Eastern region produced palm oil and petroleum. The Western region and Midwest region produced cocoa, rubber, timber, palm oil and petroleum.

The famous groundnut pyramid of the Northern Nigeria and the cocoa beans from Western Nigeria, all commanded a 50 percent derivation.

With the decline of the groundnut and cocoa trade and the increasing potential for the crude oil in the Niger Delta, General Yakubu Gowon, the then military Head of States reduced derivation to 30 percent.

This he achieved by repealing **Section 140 (6) of the 1963 Constitution** dealing with payment of derivation of oil proceeds from the continental shelf to the region by promulgating **decree No 9 of 1971**. This greatly reduced the derivation or compensation paid to the oil bearing or producing states by the Federal Government of Nigeria from the proceeds of petroleum products. This singular legislation removed 20 percent from the 50 percent derivation guaranteed under the 1963 Constitution. The said **offshore oil Revenues decree No 9 of 1971**, vested all offshore Oil Revenue and the Ownership of the Territorial Waters and the continental shelf in the Federal Military Government.

The reduction in derivation fund continued at the hand of General Olusegun Obasanjo when he took over the government as the military Head of State following the demise of General Murtala Mohammed. In 1977, the Obasanjo administration, through a Technical Committee on Revenue Allocation headed by Late Professor Abovade, reduced the states share on derivation to 25 percent and in 1978 he enacted the contentious Land Use Act of 1978, basically taking over community lands and turned to government ownership.

The Shehu Shagari civilian administration in 1981, further reduced derivation to 5 percent. Later, General Mohammadu Buhari pegged it at 1.5 percent in 1984. It took the coming of General Ibrahim Babangida to raise it up to 3 percent.

It is important to note that none of all these people changing the derivation formula are from the Niger Delta. Apart from Olusegun Obasanjo from the West, others are from the North that enjoyed the 50 percent derivation from the groundnut pyramid before oil began to dominate Nigerian export trade.

Since the downward spiral of derivation allocations, the oil-producing states of the Niger Delta have been agitating for increase in allocation to enable them fight poverty, improve the environment massively

degraded by hydrocarbon extraction, and for general socio-economic, and infrastructural development.

The discovery and exploitation of hydrocarbon have caused enormous problems in the region as the citizens suffer human rights abuse and environmental degradation from the hands of development companies and the governments that support their activities because of the enormous economic rent accruing to it.

Efforts to get the oil companies and government to address the seething anger of the people of Niger Delta have subsequently met with failures as such efforts are not far reaching and are merely palliative in nature. Thus, the efforts are just addressing the symptoms of the problems, not the disease that caused the problems.

In actuality the remote causes of youths' restiveness dates back to the period when Nigeria began to reap oil wealth from the Niger Delta without making enough efforts to carry the people of Niger Delta along.

So, this is the departure point from which this presentation begins to trace the problems of youths' restiveness ravaging the Niger Delta that had potentially led to kidnapping of oil companies employees for ransom, vandalism on oil installations, increased cases of oil bunkering, proliferation of arms and ammunitions, and wanton maiming, youthful deaths and annihilation of village communities.

The Niger Delta area is the home of the Okrikas, the Ijaws, the Kalabaris, the Efiks, the Ibibios, the Urhobos, the Ukwuanis, and the Itsekiris etc. Until the Niger Delta became a British Protectorate, there existed various sovereign states in the Niger Delta made up of different ethnic groups. Each ethnic group was independent of the other with its system of government indigenous to it. These sovereign states at one point to another were either making wars with each other or making alliances on equal terms. They also traded with each

other. They enjoyed exclusive rights over the waters in their areas. They used the rivers and the sea for their economic advancement - fishing, trading and as a means of transportation. This position existed throughout the land now known as Niger Delta.

However, all these separate city-states and the inhabitants were soon to become landless peasants in the land they had occupied for over 60,000 years. Joy and happiness disappeared in the Niger Delta as agony, despondence, fear and uneasiness became the reigning monarchs in the area, thus creating some unfortunate problems that continue to make life in the communities difficult if not totally impossible.

The Niger people of Delta aspired for economic development, better job opportunities, better and improved standard of living, better education, good medical facilities, good schools, good roads, and uninterrupted power supply, among others.

2.2 CONFLICT IN NIGER DELTA

The Niger Delta has today become very notorious for many reasons among which are environmental pollution, human rights abuses and youth restiveness, to mention a few. The youths' restiveness ravaging the Niger Delta today, which is the focal point of this paper did not start with the Nigerian Civil War of 1967 - 1970. Neither did it start with the Nigerian Independence of October 1, 1960. It also did not start with the discovery of Oil and Gas in 1956 at Oloibiri, however, it escalated with the discovery and development of oil and gas in the Niger Delta.

Life for the Niger Delta youths is bitter, cruel, and sadistic and laced with a deep sense of frustration. The labour force in the millions is in chaos - hunger, poverty and diseases are rampant. The Niger Delta is in flames and the result is catastrophic. The youths of the Niger Delta have fallen into the deepest abyss of despair, sorrow, self pity,

anguish, hopelessness, fear, anger, shock, and finally into the state of defiance. This has led to restiveness.

It is documented that the earliest recorded violent protest in the Niger Delta against oil companies occurred in 1966, when Isaac Adaka Boro, disillusioned at the level of environmental assault and economic injustice and criminal neglect of oil-producing Ijaw communities, destroyed Shell oil pipelines and installations. "A former student Activist and Policeman, he proclaimed an independent 'Niger Peoples' Republic' on February 4, 1966 with its own flag and emergency constitution".

With his 150-man volunteer service, he blow up two Shell oil pipelines, sacked police stations and engaged the police in a gun battle. Boro himself, along with his lieutenants in the names of Nottingham Dick and Samuel Owonanu were tried for treason and sentenced to death, but the Nigerian civil war broke out before they were to be executed. Instead of execution, the trio were conscripted into the Nigerian army where Isaac Adaka Boro met his death.

The oil companies acting in tandem with the government with their repressive machinery did not folded their arms. Yenagoa and much of the crises-torn oil-rich communities in the Niger Delta are no strangers to repression and brutal killings. The Rivers State Internal Security Force, created in response to the Ogoni crises, the Army, Navy, Mobile Police, Regular Police Force, armed supernumerary Police recruited and trained by the Nigerian Police Force but paid by the Oil Companies as well as armed private security guards are used to repress local residents of oil-producing states in the Niger Delta. Apart from using the armed forces to maintain peace in the Niger Delta, the Nigerian government uses the oil pipeline Act of 1956, the Petroleum Act of 1969 and the Land Use Act of 1978, the Treason and Treasonable offences Decree of 1993 to intimidate and harass the Niger Deltans.

Equally, the oil companies have instigated these impoverished communities that have lived peacefully together through the ages to turn against one another with sophisticated weapons. The communities have engaged each other in a "mutually assured destruction (MAD)".

In this vein, a lot of local communities in the Niger Delta have been sacked. Fire has consumed thousands of innocent people in the course of instigated communal conflicts. Life has become caustic at best since the coming of the oil companies who have wrought pains, massive destruction and death of unqualified magnitude on the Niger Deltans.

And there has been an orgy of killings and maiming in the oil-rich but pitiably poverty stricken Niger Delta. The event of September 9 and 11, 1999, in which about 100 soldiers deployed from Elele Barracks and joined hands with the police saw to the destruction of the Black Market area of Yenagoa. They had their marching orders to shoot on-sight. The combined team of police and soldiers went from house-to-house in search of people to arrest.

Anyone found running was shot-on-sight. People who jumped into the river to escape were sprayed with bullets. "A group of soldiers and police in violation of the Law they swore to protect, "the life and properties of Nigerian citizens", jumped into three speed-boats, cornered the young boys who were trying to swim to safety, to avoid the venomous assault and sprayed them with bullets.

If there is any environmental damage in Britain, the USA, France or Royal Netherland for instance, resulting from the activities of the oil and gas companies whether they are directly or indirectly linked to such pollution, they must pay compensation in their own country. But when there is environmental pollution in the Niger Delta compensation are hardly paid to the affected communities. Instead, the communities are blamed for causing such pollutions through vandalism of oil installations.

To illustrate my point, it is pertinent, we take a look at the following case studies to see how double standard is applied when responding to environmental pollution in the West in comparison with the Niger Delta. In this regard therefore, we should take a look at the Exxon Valdez oil tanker accident at Prince William Sound Alaska 1989, and the Torry Canyon oil tanker accident in England in 1967, and compare them with the 1998 hydrocarbon pollution at Nembe and the 1999 oil spill at Oleh in the Niger Delta.

THE EXXON VALDEZ

On March 23, 1989, the 987 foot (300,838 meter) oil tanker loaded with 53,094,510 gallons (1,264,155 barrels) of North slope crude oil bound for Long Beach, California, ran aground at Blight Reef, rupturing eight of its 11 cargo tanks and spewing about 11 million gallons of crude oil into Prince William Sound. The American people reacted with anger at this development.

Investigations revealed that the accident resulted from negligence on the part of the ship captain who was said to have been drunk hours before embarking on the journey to Long Beach, California.

The oil spill stretched for about 3,800km. No human lives were lost as a direct result of the disaster, though four deaths were associated with clean up activities. However, the spill caused monumental damage to both the environment and fishes and wild life of the Bay. Tourism was equally affected. The economic damage that resulted from this accident was astronomical. Fishermen and women lost their means of livelihood.

Exxon had to spend \$2 billion in its Alaskan clean-up operations and was subsequently ordered to pay \$287 million in damage to about 14,000 commercial fishermen and landowners. The US District Court awarded another \$5 billion in punitive damage against Exxon.

The U.S. government imposed unlimited liability on tanker operators within its coastal water. Also the International Maritime Organisation ruled that new tankers built after 1993 should be double hulled, and the industry began to sponsor extensive research into new clean-up techniques. After six years of the incident the U.S. Geological Survey reported that the spill has no further residual effect on the affected area. This is as a result of the effective clean-up exercise carried out in and around the areas of the oil spill.

THE TORREY CANYON

On the morning of March 18, 1967, the T/V Torrey Canyon ran aground on Pollard Rock on Seven stones Reef off Lands End in England due to the master's negligence. The entire cargo of approximately 860,000 barrels of crude oil was released into the sea or burned during the next 12 days.

The result was the pollution of the English Channel, North-Coast of France even to Spain among others. The Royal Naval Ships responded to this accident and within four hours the Naval Ships were en route to the accident scene.

Response Command Post was established at Plymouth. Both the Royal Air Force and Royal Navy provided early warning system for oil movement. A panel of expert scientists was assembled to consider scientific problems involved with the clean-up exercise.

The Royal Navy bombed the oil tanker or what remained of it on March 28 - 30. A Navy helicopter dropped napalm, sodium chlorate, and aviation fuel to fuel the fire. An estimated 25,000 birds died as a result of the Torrey Canyon accident. Thousands of oiled birds were picked up for treatment but the survival rate was said to be about one percent. Here in Europe, the government and oil companies respond to oil spills and environmental pollution with the speed faster than that of light. But in the Niger Delta the reverse is the case.

THE NEMBE POLLUTION⁴

On October 25, 1998, a major environmental pollution occurred in Shell facilities at Santa Barbara flow station in the Nembe Local Government Area of Bayelsa State, leaving the environment devastated and the community helpless. The spill occurred at the flow station of Shell's Ibikene Harry Kiri Pipeline 1 in the heart of fishing grounds.

Field investigations revealed that the pollution occurred when a high pressure pipeline burst, spraying crude oil into the creek and its environs over two consecutive days - October 25 and 26 before a Shell official from the Odioma Flow Station visited the scene. It took the company another 24 hours to locate the source of the blowout and dam the flow, by which time a significant stretch of the river was covered with a thick layer of crude oil. Much of the aquatic life was destroyed, affecting about 50 fishing settlements as far as Kala in Rivers State.

On October 28, 1998 another set of Shell officials visited the site and told the villagers to refrain from lighting fires, even for cooking, for fear of an explosion. They promised to send torches but they never arrived. As a result, the indigenes were consigned to a life of darkness and starvation. Neither relief materials nor alternative sources of food were sent to the people.

An initial estimate of oil spill was 1,500 barrels. Shell claimed that the spill occurred on October 27, 1998. However, there was a general belief that the October 27, 1998 date was the day a second such spill occurred. A conservative estimate showed that this second spill discharged about 5,000 barrels of crude oil. Furthermore, the company did not shut down its entire facilities in the area to reduce the impact of the spill but instead blamed the spill on sabotage. As it had done in the earlier cases.

⁴ This case study is extracted from "Blood Trail – Repression and Resistance in the Nigeria Delta", Published by the Civil Liberty Organisation (CLO), 2002 pgs 65-66.

SHELL POLLUTION IN OLEH⁵

Oleh is farming and fishing community of 160,000 in Isoko South Local Government Area of Delta State. In 1991, an underground pipe at the Oleh/Olomoro oil field was punctured in the process of drilling, spilling a large quantity of crude oil. Shell admitted that the spill was not due to sabotage but refused to pay compensation for the extensive damage caused to the environment. Oil continued to flow unabated for months before Shell sent a team to clean it up.

In July 1995, there was a gas explosion at the same oil field as a result of a faulty pipe. The ensuing fire engulfed the adjoining bush, burning down valuable trees, including palm trees, raffia palm, plantain, rubber and other economic trees. Further environmental damage occurred in December 1998 when crude oil spewed five feet into the air from wells 6, 15 and 31.

In January 1999, there was a 'minor' leak at flow lines 4, 26 and 31 along the Loin Onome Lake destroying all aquatic life. The spill was inefficiently cleaned up and the porous pipeline was not repaired. But the mother of all spills occurred in June that year when a pipeline buried beneath the deep waters of the Lion Onome Lake burst, spewing oil, Shell frantically tried to contain it but to no avail. Far-flung communities in the path of the tidal waves, including Olomoro and Emede, were badly affected, food crops like cassava, yam and cocoyam were destroyed. Thousands of fishponds, as well as natural and artificial lakes were contaminated by crude oil. Fishing nets, baskets etc were ruined.

Gas flaring has continued unabated in Oleh, with the attendant health hazards. Moreover, borrow pits dug indiscriminately by Shell for the disposal of untreated chemicals are scattered all over. People have lost their lives by drowning in such pits.

⁵ This case study is extracted from "Blood Trail – Repression and Resistance in the Niger Delta" published by the Civil Liberty Organisation (CLO), 2002, pgs 86-88

Shell also constructed canals to provide access to oil wells, flow stations and oil fields with taking cognizance of the attendant ecological calamity and the depletion of the area's biodiversity. The chemicals in most of the pits are so powerful that they often seep out of the storage containers and run into the lakes, rivers and streams. Such was the case at Lake Lion Onome in 1991.

Also, Shell uses money, armed soldiers and Mobile Police to suppress youths protesting against environmental pollution and degradation in Oleh. The company also meddles in the politics of youth organizations.

The four cases reported here, two from the Western World and two from the Niger Delta of Nigeria, show exactly that double standards are used in dealing with environmental destruction. The Niger Delta knowledge of these case scenarios are sure receipt for conflict. This is what has given rise to such militant groups as Niger Delta Volunteer Force, Movement for the Emancipation of Niger Delta (MEND), among others.

3.0 CORPORATE SOCIAL ACCOUNTABILITY IN NIGERIA'S OIL INDUSTRY

In recent years, there has been increased call for good governance in development circles. Corporate Social Accountability has been viewed as one way of guaranteeing investments and enhance good governance. The oil and gas industry in Nigeria is driven by Several interests. They are internal and external. The private sector with external interests dominates the extractive industry in Nigeria.

For instance, the Joint Venture Companies (JVCs) account for over 95 percent of Nigeria's crude oil production. Anglo-Dutch giant, Shell is a major player in the industry. It operates the largest crude oil joint venture in Nigeria. Government interest in the scheme is 55% while Shell has 45%. In other joint venture schemes with Exxon/Mobil, Chevron/Texaco, GNI/Agip and Total/Fina Elf respectively, the

government, through the NNPC, has 60% interest while the oil companies have 40%. The table below illustrates this fact.

NNPC/OIL COMPANIES JOINT VENTURE SCHEMES

S/N	Partners	Equity Interest	Operator	No. of Oil Mining Lease
1	Shell Agip Elf NNPC	30% 5% 10% 55%	Shell	58
2	Exxon Mobil NNPC	40% 60%	Mobil	4
3	Chevron NNPC	40% 60%	Chevron	16
4	Agip Phillips NNPC	20% 20% 40%	Agip	Not available
5	Elf NNPC	40% 60%	Elf	14
6	Chevron Texaco NNPC	40% 60%	Texaco	6
7	Total NNPC	40% 60%	Total	1

*Source: Background paper titled **Analysis of the 2005 Federal Government Appropriation Bill***

However, it is only in the equity participation in the Nigeria oil industries that Nigeria dominates. In the output of crude oil, the oil companies take over. Shell, Mobil, Chevron, Agip, Elf and Texaco joint ventures collectively produce over 97% of Nigeria's crude oil. Out of the percentage output, shell joint venture alone is responsible for about 50% of it.

In the Gas Industry, NNPC holds 49% of equity participation while the rest 51% goes to other companies.

CHINA -INDIA INVESTMENT IN NIGERIA

Lately, India , China and even Brazil et al have made inroads into the Nigeria's extractive industry. This has generated a lot of furor and international discuss on conflict resources and now goes with the cliché - New scramble for Africa. Some dub it struggle for global resources between the 'old powers' and 'emerging powers'. Any how, Chinese demand for raw materials is largely perceived as a threat to the world order. For instance, China's Africa Policy emphasizes economic support for regimes with no political interest. In this wise, it provides support for regimes with poor human rights records, corruption and even genocide as in Angola, Zimbabwe and Sudan.

If this argument is seen as correct, what could be said of United States of America rich in oil and gas with proven reserves quest for oil and its partial policies on human rights, corruption and issues that go with it? There is mutual distrust among the old and emerging powers but the reality is that they all have their interests they are pursuing in Nigeria and Africa. Currently, no fewer than 60 Chinese are in Nigeria doing bsiness-building railways and taking advantage of a deregulated upstream and downstream sector of the Nigeria oil and gas industry. Indians are there too. So the reality, we must face both new and emerging powers are there to do business .What matters to us Nigerians and Africans is that any country or company coming to extract conflict resources must comply with international norms and standards. They must respect human rights and ensure that conflict resources are harnessed in ways and manners that will guarantee sustainable development for resource-rich countries.

What all these indicate is that the private sector plays a crucial role in the oil and gas sector in Nigeria.

Therefore, corporate accountability in this sector is very paramount for Nigeria's economic survival.

3.1 Need for Accountability

Accountability in the oil and gas sector will, among other things:

- ✓ Usher in a regime of corporate transparency and responsiveness in the sector. This will promote health comprehensive democratic debate on fiscal policy in Nigeria.
- ✓ Bring about good democratic dividends and enhance Nigeria's capacity to achieve the MDGs by 2015. There is a strong causal relationship between improved governance and positive development outcomes like increased per capita income and literacy rates; and reduced infant mortality rate. A study by Kaufmann, Kraay and Zoido-Lobaton (1999) has demonstrated this fact.
- ✓ Minimize or eradicate the oil curse in Nigeria. Signs and symptoms of this curse include: the restiveness in the Niger Delta region; bloody inter and intra ethnic communal conflicts; militarization of the area; pipeline vandalizations; hostage-taking and killing of expatriate oil staff and Nigerian citizens; human rights violations by government security operatives; and environment degradation. In addition, there is widespread poverty in the region and Nigeria, as a whole. For instance, about 70% of Nigerians today live on about two dollars a day. Per capita income is around 350 US dollars. In 1999, it was 250 US dollars (IMF, 2005). The same IMF statistics reveal that a substantial part of our oil revenue goes for debt servicing. In 2002, about 71% of Nigeria's GDP was spent on it. This means that during this year 17% of our total government revenue was used for debt servicing. Meanwhile, according to UNDP statistics in 2003, only 0.9% of our GDP was invested on education. In 2002, a mere 0.5% of the GDP was allocated to health. Things have not dramatically changed today. Hence, the realization of the MDGs in 2015 is largely speculative

3.2 Perspectives of the CSOs

Certain perspectives inform the CSOs' mandate of promoting corporate accountability in the oil and gas sector. One of these perspectives is that all responsibilities arising from the sector's activities cannot be met alone with single-minded and token philanthropy to its stakeholders. This is because the impacts of such activities are so grave that they require a more encompassing, consistent multi-stakeholders' input in addressing them.

Another CSOs' perspective that underlines their mandate to call for corporate accountability in the oil and gas sector is that owning a government licence is only a legal authorization document to operate. It is not an automatically one-way ticket for successfully undertaking business in a peaceful, conducive, profitable environment. In addition to this government's commercial authorization to operate, therefore, a corporate organization also needs a "social license" which gives it the required communal support to operate peacefully in their locality, if it must survive.

Norwegian Church Aid (2004) gives an insight into this fact. For example, it observes:

Companies prime objectives are always commercial; if, they do not make profits, they cannot survive. However, they cannot achieve their commercial objectives if they do not take account of the political and social pressures that affect their operations. Their licence to operate depends on broad social approval - or at least acquiescence - and not simply on permission from the host government.

Of course, corporate bodies in the oil and gas sector have come to realize, after about 50 years of activities, in Nigeria, that this licence to operate peacefully in host communities derives largely from pursuing a policy of accountability. In fact, these bodies have come to accept in principle the Draft UN Human Rights Norms for Business. Article One of the norms, affirms that the primary responsibility of a state is to promote and enforce human rights while companies have a

similar responsibility within their respective sphere of influence and activity.

Following these perspectives, CSOs have been able to sharpen their self-appointed mandate. With it they are saving even the government from its inability to engage the powerful extractive industries and challenge them to uphold accountability in their operations by demonstrating social, economic, financial and environmental transparency in the country.

3.3 Initiatives to Guide Multi-National Firms' Operation

There are a number of initiatives to guide the operations of multinational oil firms in Nigeria, but most of them are either largely violated or have faced problem of enforcements. Here is a checklist of some of them.

(1) *The Organization for Economic Co-operation and Development (OECD) anti-bribery convention*

The convention is a set of principles enjoying good conduct for multi-national organizations on issues relating to human rights, bribery, fair competition and taxation, industrial relations, environment, etc.

(2) *Global Compact*

This is an initiative drawn up by Kofi Annan, the UN Secretary-General and launched in 2000. It seeks multi-stakeholders' cooperation between CSOs, the extractive industries and companies with transnational outreach, labour bodies, UN agencies and policy experts in the promotion of human rights, environmental safety, transparency, good governance and accountability in all national/international business transactions.

(3) *The Draft Guide On Resource Revenue Transparency.* It was drawn up by the IMF in 2004

- (4) *The Transparency Directives*. This initiative was adopted by the EU in 2004.
- (5) *The Declaration On Fighting Corruption and Improving transparency*. The initiative was issued by G8 countries at Evian in 2003 and Sea Island in 2004. Beyond this, the G8 countries have endorsed an action plan for combating corruption and enhancing transparency. One of these plans is to develop the capacity of the government and civil society in natural resource monitoring and tracking. CSOs take cognizance of all these initiatives in working for corporate accountability and are striving to actualize them. A drawback of these initiatives is that they are voluntary. Therefore, they are not enforceable.

3.4 CSOs Strategies/Mechanisms for Promoting Corporate Accountability

CSOs in Nigeria adopt certain strategies in pursuance of their mandate to promote corporate accountability in the extractive industries. To start with, the CSOs monitor, track and then highlight, through public reporting, good business practices in Nigeria in its entirety as a way of encouraging transparent conduct. Below are random samples of such practices:

- The trial of 13 Russians for oil bunkering at a Federal High Court, Lagos as well as the trials of top brasses of the Nigerian Navy over a missing ship called African Pride arrested for illegal oil bunkering. The ship was carrying 11,300 metric tones of crude oil before its arrest and detention.
- The alleged misappropriation of funds by the NDDC, a body created by the federal government to address the problem of the oil-rich Niger Delta region. In 2004, President Olusegun, Nigeria's head of state, spoke about this allegation. (See Daily Sun editorial of April 27, 2004).

- The payment of 180m US dollars as bribes by Halliburton, an American oil service company to enable it clinch the 3.6 billion US dollars contract for the Nigerian Liquefied Natural Gas project in the 1990s. The same Halliburton was earlier indicted for offering bribes to the Federal Inland Revenue Service (FIRS) to evade taxes (see The Guardian on Sunday/February 22, 2004).
- The overstating of Nigerian crude oil reserve by 20% by Mr. Philip Watt, Chairman Royal Dutch/Shell and former managing director of Shell Petroleum Development Company in Nigeria from 1991-1994. The action led to his resignation in March 2004 after much pressure from the civil society in Nigeria (African Confidential Report).

4.0 NATIONAL AND INTERNATIONAL INITIATIVES TO GUARANTEE SUSTAINABLE EXTRACTION OF OIL MINERAL IN NIGERIA

Currently, the Nigeria Government has embarked on a number of reform programmes to assuage the aggrieved people of Niger Delta and guarantee sustainable extraction of mineral resources in the country. Some of them are: The establishment of the Niger Delta Development Commission (NDDC).

Currently, the oil and gas companies statutorily are expected to contribute 3% of their annual budgets to the NDDC. On its part, the Niger Delta state governments gives 15% of the 13% oil derivation funds and 50% of the ecological funds of the federation to the interventionist body.

The government has also launched a massive war against corruption with the setting up of the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related

Offences Commission (ICPC). With these anti-graft instruments, government and citizens alike are now holding managers of oil revenue at state level accountable to the people.

4.1 Publish What You Pay (PWYP) And The Extractive Industry Transparency Initiative (EITI)

One of the most decisive and crucial campaigns of civil society for transparency and accountability in public governance in the last two years is the Publish What You Pay (PWYP) Nigeria Campaign. The campaign with over 200 Non-Governmental Organisations is part of an international network of civil society organizations, calling for the mandatory disclosure of the payments made by the oil/gas and mining companies to governments, and for governments to publicly reveal its revenues from these sectors to enable citizens hold government officials and politicians accountable for the management of the funds flowing from extractive industries.

The Publish What You Pay (PWYP) Campaign worldwide has an interesting background. In December 1999, Global Witness published a report called "A crude awakening", an exposure of the apparent complicity of the oil and banking sectors in the plundering of state assets during Angola's 40-year civil war. It became clear that the refusal to release financial information by major multinational oil companies aided and abetted the mismanagement and embezzlement of oil revenues by the elite in the country. The report concluded with public call on the oil companies in Angola to "Publish What You Pay". However, it is clear that the lack of transparency in the extractive industries is also a significant concern in other founding members, CAFOD, Open Society Institute, OXFAM GB, Save-the-Children UK and Transparency International, UK decided to mount a worldwide campaign calling for all natural resource companies to disclose their payments for every country of operation. George Soros, Chairman Open Society Institute launched PWYP campaign in June 2002.

The Nigerian version was launched on 17th February 2004 in Port Harcourt. The coalition, hosted by Africa Network for Environment and Economic Justice (ANEEJ) which started with 66 NGOs now has over 200 NGOs drawn from the six geo-political zones of the country.

The Federal Government of Nigeria was among the first governments in the world to accept and commit to the Extractive Industry Transparency Initiative (EITI). EITI was launched by the British Prime Minister, Mr. Tony Blair in September 2002 at the World Summit on Sustainable Development in Johannesburg. The initiative was designed to encourage governments and extractive companies, international agencies, NGOs and others with an interest in the sector to work together to develop a framework to promote transparency of payments and revenue (Okogu 2005).

The NEITI aims at following due process and achieving transparency in payment by extractive industries to governments and government linked entities was launched by President Olusegun Obasanjo at a workshop on the 19th - 20th February 2004. This was in furtherance of the President's commitment to rid the country of corruption and ensure transparent dealings in oil revenue management for the purpose of ensuring that the proceeds from oil extraction can be translated into wealth for the people.

The major achievement of the NEITI being implemented by a 28-member National Stakeholders Working Group include:

- Audit of oil industry from 1999 - 2004
- The NEITI Bill (just passed by the Senate)
- Open Bidding System for oil licencing among others.
- Civil Society engagement in the process of Revenue Transparency.

However, as observed by the Senate before the recent passage of the NEITI Bill⁶ that:

⁶ See PWYP Nigeria press release of 13th March 2004. www.publishwhatyoupay.org

- I. The extractive industry companies in Nigeria have been operating a rather opaque operational system
- II. Due process has not been followed in the payments of revenue accruing to Federal Government and its statutory recipients;
- III. Audit reports revealed discrepancies in payments, receipts and posting of revenue receipts from extractive industry companies;
- IV. The existing system is susceptible to fraud and mismanagement of revenue due to the Federal Government from the extractive industries companies.

The PWYP Nigeria has been working on engaging key institutions, involved in the implementation of NEITI further notes the following:

KEY CHALLENGES OF EITI

- It is not yet a globally accepted framework as it relies on volunteerism.
- Not all countries involved in the extractive sector have accepted the initiative. It is seen as western-led initiative. A Chinese say " We want to feel part of an initiative than imposing it on us"
- There is also an underlying resentment occasioned by the assumption that corruption is only to be found in resource rich but poor countries.
- Political will to implement the EITI is lacking
- It does not mandate dis-aggregation of report
- Weak capacity of EITI implementing countries

KEY PROBLEMS

- Does not have mandatory measures to achieve objectives
- The weak enforcement of OECD anti-bribery convention and Guidelines
- Role of Western Financial Systems which encourages keeping looted assets and the culture of impunity.

5.0 RECOMMENDATIONS

From the forgoing, to reverse resource-course phenomenon, a multi-stakeholder approach of integrating environment, development and conflict prevention is desirable.

Given the situation in the Niger Delta, and the various initiatives and efforts that are in place one would further recommend:

- i. Following the failure of interventionist agencies such as the Niger Delta Development Commission, there is the need to put in place a Niger Delta Development Fund Initiative patterned after the Marshall plan. Best practices such as practiced in Alaska and Shetland should be encouraged. The Norwegian Oil For Development Model is also recommended for Niger Delta.
- ii. The UN needs to give support to the EITI through convening a special session to discuss it and possibly making of a resolution endorsing it. When the UN does this, it will help to give the initiative global legitimacy. The move will go a long way to promote the principles, ideals and goals of the EITI among oil and gas companies.
- iii. There is the express need to provide sufficient teeth for the OECD anti-bribery convention and guidelines to bite erring companies operating even outside the OECD countries to check the culture of impunity and corruption among industries operators.
- iv. It is also important for the UN to fast track the UN Convention on corruption.

- v. All International Financial Institutions, regional banks and export credit agencies should collaborate with CSOs in Nigeria and other stakeholders to work for transparency, good governance and corporate accountability in extractive industries. This is because it is in their best interests to create a sustainable investment environment in natural resource-rich countries.
- vi. The Nigerian government and extractive companies must begin to respect citizens' rights and consider a minimum of 50 per derivation for oil-bearing states.
- vii. Oil companies need to respect Memoranda of Understanding entered into with oil communities which are often violated .

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