Corporate and Community Engagement in the Niger Delta: Lessons Learned from Chevron Nigeria Limited’s GMOU Process

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Preface

This case study seeks to draw lessons from a large-scale and ongoing community engagement process involving Chevron Nigeria Ltd. and hundreds of communities impacted by its onshore operations in the Niger Delta.

Conceived of by the Consensus Building Institute (CBI) and the Niger Delta Partnership Initiative (a foundation created by Chevron), the case was written in an effort to increase shared understanding of the key elements in effective corporate-community engagement, particularly in complex environments such as Nigeria’s Niger Delta.

CBI took the lead in drafting the case, for which it did not receive any financial compensation. CBI also received input from Harvard University’s Kennedy School of Government’s Corporate Social Responsibility Initiative and the International Finance Corporation regarding its overall design and content.

The study draws on two Participatory Stakeholder Evaluations conducted in 2008 and 2011 that captured community, government and company views about the community engagement initiative. It also reflects the authors’ direct experience with the engagement process, as well as interviews with stakeholders conducted by Harvard University as part of a documentary project.

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1 Merrick Hoben is Director of CBI’s Washington DC Regional Office; David Kovick is an independent consultant with CBI; David Plumb is a CBI Senior Associate; Justin Wright is a CBI research associate. Hoben, Kovick and Plumb co-led a Participatory Stakeholder Evaluation of the GMOU process in 2008, and Kovick (with support from CBI Managing Director David Fairman) subsequently facilitated the renegotiation of the community agreements at the invitation of community and company representatives.

2 CBI is a non-profit organization that assists communities, governments, companies, NGOs and international organizations to collaborate, negotiate and resolve conflict. CBI (cbuilding.org) is based in Cambridge, Massachusetts and Washington D.C.
I. Introduction and Context

This case study is about an approach to community engagement involving Chevron Nigeria Ltd. (CNL) and local communities in Nigeria’s Niger Delta. In the wake of a violent inter-ethnic crisis in 2003, CNL — the third largest oil producer in the country — dramatically reshaped its community engagement strategy. The new process is known as the ‘GMOU’ model, named for the formal agreements called General Memoranda of Understanding signed between the company and clusters of communities impacted by the company’s onshore operations and government.

In one of the most challenging contexts in the world — where relationships between communities and companies have long been characterized by substantial mistrust and antagonism — the GMOU model is succeeding where other approaches have fallen short. While still far from perfect, the GMOU has, at its core, helped to transform relationships between the company and surrounding stakeholder communities, leading to better outcomes for residents and the company.

This case presents and explains the basics of the GMOU model, describes how stakeholders perceive it, and analyzes elements of ‘good practice’ that have emerged from it. The GMOUs were a response to the particular circumstances in the Niger Delta. We believe the lessons from this process have application to a range of situations in which communities, companies and governments must interact.

The Niger Delta

Oil was first discovered in 1956 in the Niger Delta, and today Nigeria is the eighth largest exporter of crude oil. ‘Black gold’ from the Delta has been the engine of the Nigerian national economy, accounting for as much as 95% of the country’s export earnings and 80% of the country’s income. However, far from benefiting from the oil production in the region, the people of the Niger Delta are — in statistical terms — worse off today than they were several decades ago. Today, 31 million people live in the Niger Delta, 70% of them in extreme poverty. Life expectancy has dropped from 60 years in 1970 to 40 years in 2010, among the lowest average life expectancies in the world. 70% of the Niger Delta communities lack access to safe drinking water, and many more lack access to basic services such as sanitation, health care and schools.

Following independence in 1960, Nigeria was ruled by a series of military and civilian governments, who were unresponsive and unaccountable to the needs of the region. At the same time, the region suffered serious environmental degradation from oil operations that destroyed local watersheds and traditional fishing livelihoods. Grievances from Delta communities were often dealt with in military terms, resulting in severe violations of human rights.

Even with the stabilization of democratic rule since the 1990s, substantial governance challenges still remain. Local, state and federal government efforts to provide socio-economic development in the region have been very uneven, and have failed to meet expectations or achieve substantial improvement. Corruption remains a paramount challenge at every level of society.

In the Delta, injustice and poverty gave rise to an armed militant movement that, until recently, targeted both government and oil industry facilities and operations. This led to further militarization in the Delta as the government deployed a Joint Task Force to combat the militants and an even more unstable security situation.
The dire socio-economic situation in the Delta has only heightened the expectations that local communities have of foreign oil companies. With so little perceived government support, many communities have come to see oil companies as the only viable source for employment, economic development, and support. These expectations have far surpassed what companies can provide.

As a result, relationships in the Niger Delta are characterized by a profound sense of injustice and frustration. Communities sitting on Nigeria’s greatest resource feel passionately that they should not live in such destitute conditions while others amass untold wealth. There is substantial mistrust of leaders, of government and of international oil companies, fueled by years of broken promises, exploitation and marginalization.

In 2003, the western area of the Niger Delta descended into a bloody and destructive inter-ethnic conflict, fueled in part by increasing competition over mineral rights, and the associated benefits that communities and individuals hoped to reap.

II. CNL’s Prior Approach to Community Engagement

CNL, a subsidiary of Chevron, began producing oil in Nigeria in 1961. CNL is in a joint venture with the federal government of Nigeria, which owns a majority stake in CNL’s operations. Those operations have a large footprint, spanning five states and touching multiple ethnic groups, including over 420 separate communities and more than 850,000 people.

Prior to the crisis in 2003, CNL’s approach to engagement with local communities included (1) agreements with individual communities impacted by CNL’s operations (which provided funding for small-scale development projects, as well as homage payments to traditional leaders and sometimes contracts for work), and (2) larger-scale infrastructure development projects intended to benefit the region as a whole.

Individual agreements with communities were problematic:

- First, although individual agreements included funding for local development projects, there were few development results to show for them. Funds often ended up enriching only community leaders.
- Second, the lack of transparency fueled inter-community conflict and rivalry. Each community measured itself against an imagined benchmark of what other communities were rumored to be receiving.
- Third, these agreements were completely unmanageable from CNL’s perspective. There were over 400 separate community agreements, each individually negotiated. Any time operational realities required a change in the status quo (such as relocating an oil rig), new negotiations were required with each community.
- Fourth, with so many agreements, there were countless promises (both real and perceived) made by the company to individual communities, and when those promises went unfulfilled — and when there was miscommunication and misperception about whether a promise had been made — mistrust continued to grow.
In addition to individual community agreements, CNL also developed larger-scale infrastructure projects including hospitals, clinics, and schools. These facilities were selected, designed and implemented by CNL, and seen as ‘CNL’ projects, rather than community projects. They generated little by way of community ownership and were often under-utilized even after they were completed. Far from seeing these infrastructure projects as their own, communities targeted them during the 2003 crisis.

In addition to these community engagement and community development activities, CNL increased local hiring and local sub-contracting in an effort to support local economic development. They also provided scholarships for local communities. These efforts also had the unintended effect of further inflaming tensions since there was confusion and mistrust over how they were allocated.

From a business perspective, CNL’s approach to community engagement was failing. It did not reduce disruptions to its operations. Many minor community grievances turned violent and halted operations entirely. Theft and extortion, sometimes presented as community agitation, were rampant. Women and children were encouraged by community leaders to invade CNL facilities to demand jobs, food, and contracts, knowing that such tactics often succeeded.

During the 2003 crisis, ethnic tensions boiled over into a prolonged period of violent and destructive clashes between ethnic groups, in particular two of the largest groups in the Delta, the Ijaw and the Itsekiri. Villages were destroyed, and many community members were killed. CNL (along with other international oil companies) was forced to shut down and evacuate the Niger Delta until the security situation stabilized. CNL suffered more than $1 billion worth of damage to company infrastructure, as well as the destruction of social projects intended to benefit the community.

As the crisis unfolded and CNL production remained shut down, the company reevaluated its community engagement approach. While many of the issues that led to ethnic strife in the Niger Delta were beyond CNL’s control, the existing model had resulted in neither a stable operational environment nor contributions to community development of the sort that CNL intended, or that most community members wanted. It was clear to CNL that a new community engagement approach was needed in the Delta.

Still, with MOUs outstanding with many of the communities after the crisis in 2003, CNL debated how to address these unmet commitments. One option put forward was to hand over the money as a lump sum. However, after internal debate, agreement emerged within CNL that a reliable governance model would be required in order to effectively distribute the funds for development. CNL gathered feedback from selected community opinion leaders and other key stakeholders (e.g. government) before formulating the new proposal of the General Memorandum of Understanding or GMOU.

III. The New Approach: The General Memoranda of Understanding (GMOU)

**CNL’s Key Drivers:** As CNL thought about a new approach to engaging communities impacted by its onshore operations, it identified several key corporate objectives:

- First, CNL needed to reduce and/or eliminate disruptions to the company’s operations — a single day of disruption cost the company millions of dollars;
• Second, CNL wanted to promote unity rather than competition among communities through its community engagement activities;
• Third, CNL needed to streamline its community engagement approach, reducing 400 individual agreements to a more manageable set of relationships;
• Fourth, CNL wanted to see real development impacts resulting from its community investments, on the assumption that development would help address historic grievances and reduce escalating pressures on the company to serve as the sole source of income, employment, and economic activity; and,
• Fifth, CNL wanted to encourage other partners to join in development efforts in the Niger Delta, in recognition of the fact that CNL would never be able to provide sufficient resources for economic development in the region by itself.

Moreover, CNL anticipated that communities would be motivated by opportunities to have more control over development funds and activity, and well as clearer lines of communication with the company.

**Key Principles Underpinning the Model:** As Chevron worked with consultants to develop details of a new approach, key principles emerged to guide the design:

• **Accountability:** Accountability had been lacking in previous company/community relationships: community leaders were not accountable to the communities they were intended to represent, and neither CNL nor the communities were accountable for the commitments they made to each other. Formal agreements were not monitored. Under the new approach, community leaders were intended to be accountable to their communities through clear governance structures, as well as requirements to hold annual general meetings and local town halls. The company and communities would be accountable to each other through clearly recorded agreements.

• **Community Ownership:** Under the previous agreements, CNL often designed and delivered development projects to communities, which typically had little to no involvement in creating the projects. Similarly, agreements made with individual leaders, who were often not accountable to their communities, were not really “owned” by the community. The new model would shift from company-led social investment based on community demands, to community-led social investment (with company funding) based on community-identified needs.

• **Transparency:** The previous agreements lacked transparency. Under the new model, CNL’s agreements would be negotiated with a representative group of leaders, who were required to share and discuss those agreements with their communities for review and feedback. Local development projects funded by the RDCs were expected to be awarded through open bidding.

• **Partnership:** Under the previous approach, communities were perceived by CNL as the beneficiaries of their philanthropy. Under the new model, CNL and communities would be partners in socio-economic development projects. Each had clearly defined roles, and the overall structure was expanded to include still other partners, such as NGOs and donors.

• **A Single Platform for Dialogue:** CNL’s previous approach was unsuccessful in creating a single channel for the company and/or community to raise and address concerns with each
other. Agreements were sometimes reached with a single leader, only to have other members of the community make additional demands or take disruptive action against the company’s operations. The new model would make clear to all parties that the GMOU mechanism would be the platform by which nearly all issues that arose in the relationship between onshore operations and the communities would be addressed.

**GMOU Structures:** The model that emerged from CNL’s strategy review created multi-year agreements with clusters of communities, grouped by region or ethnicity, rather than short-term agreements with individual communities. These community entities, which became known as Regional Development Councils (RDCs), did not yet exist when negotiations began. CNL encouraged their formation so it could negotiate with collectives and offer more substantial development funding. Eight RDCs were formed across the five states.

CNL offered to make multi-year funding commitments to the RDCs to support community development activities and social investment. Communities were incentivized through a ‘Peace Bonus’ of additional community development funds if CNL operations remained unobstructed by community agitation. These agreements reshaped the company’s relationships with communities — replacing the 400+ individual community agreements, and replacing the company’s direct control over community project identification, selection and implementation with community-led decision-making.

Primary responsibility for identifying, developing and implementing community development projects now rested with the RDCs, which were elected/selected by the communities. Each RDC had an oversight committee, called the Community Engagement Management Board (CEMB), consisting of representatives from the communities, CNL, NGOs, and local and state government. The multi-stakeholder CEMB was intended to provide oversight through a Project Review Committee (PRC), an Account/Audits Committee, and a Conflict Resolution Committee.
The GMOU in Practice: The first three-year GMOU agreements were signed in late 2005, following protracted negotiations between the company and communities, some of which lasted as long as 12 months. Initially, there was substantial mistrust on the community side about the model being put forward by CNL given limited initial consultation on the new approach. Community leaders said they felt Chevron had pushed the new approach upon them, rather than creating it with them. Community leaders were also suspicious of Chevron oversight within the GMOU model and sought greater autonomy from the oversight structures. This initial mistrust was only overcome with the intervention of a local NGO as neutral facilitator. Femi Ajobila, managing director of a Nigeria-based NGO, called the New Nigeria Foundation (NNF), used his engineering background to build trust and understanding inside Chevron, and his deep understanding of community issues and culture in the Niger Delta to build confidence among community leaders. Indeed, the involvement of a credible third party buoyed the negotiations and allowed for the GMOU to move forward. Ultimately, few substantive changes were made to CNL's initial proposal other than those surrounding balance of power and oversight within the GMOU.

During their first three years of operation, the RDCs faced substantial challenges as they tried to deliver tangible benefits to communities amid a lack of organizational capacity. As a first step, CNL paid for teams of local NGOs to conduct Sustainable Livelihood Assessments (SLAs) that helped communities identify their priorities to guide future project selection. Chevron met its commitment to transfer funds for community development. However, the initial inability of RDCs to implement projects caused tensions with local communities seeking quicker results. Chevron facilitated the implementation of fast-track projects to alleviate pressure, while at the same time implementing programs to build capacity within the RDCs. Almost two years into the process, the first community development projects were completed.

In 2008, as the first agreements were about to expire, CNL proposed a participatory stakeholder evaluation of the GMOU model in order to determine what was working and how it might be improved. Chevron had undertaken similar participatory evaluations in Angola and other countries. Community leaders agreed to undertake the initiative.

Partners in the GMOU process were invited to conduct the review jointly (See Box 1 for more information). The evaluation identified strengths and weaknesses from a range of stakeholder viewpoints. Importantly, the evaluation also provided a credible basis for setting the agenda for the renegotiation process, by identifying the ways in which the GMOU model needed to be strengthened.

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3 The New Nigeria Foundation served as a neutral facilitator of the process. http://www.nnfng.org/
The renegotiations (See Box 2 and Box 3 for more information) led to a second generation of GMOU agreements that ran from 2009-2011. A second evaluation was conducted in late 2011, followed again by renegotiation of the GMOU agreements, which are scheduled to run through 2015.

**Box 1: The GMOU in Brief**

The GMOU is stakeholder engagement mechanism built around formal signed agreements with clusters of communities impacted by Chevron’s on-shore operations in Nigeria. It helps to manage proactively the overall relationship between the company and impacted communities, which have a combined population of about 850,000. It also is a community development tool that channels millions of dollars into community-identified projects each year. Chevron has GMOUs with eight community clusters, each of which has formed of a Regional Development Council composed of community representatives. The councils take primary responsibility for identifying and implementing development projects. A management board oversees the RDC and is comprised of representatives from the government, Chevron, NGOs and the community. Chevron makes multi-year funding commitments to the RDCs. The approach is designed to adapt over time, based on the experience of the three-year agreements. The approach is based on the principles of partnership and shared ownership between the company and its community stakeholders.

**Box 2: Participatory Stakeholder Evaluation**

As the first found of GMOU agreements approached their expiry and re-negotiation in 2008, CNL and its community stakeholders had no shared information about what was working well with the mechanism, and what needed improvement. Rather than hire an external evaluator, the company embarked on a Participatory Stakeholder Evaluation in which representatives from the communities, local NGOs, the government and CNL jointly designed and conducted an evaluation. An impartial facilitation team guided participants through the process.

The evaluation began with design workshops to develop the goals of the evaluation, a data collection strategy and interview protocol. A team of trained data collectors drawn from local NGOs used the strategy and protocol to conduct interviews and focus groups in the eight RDC areas, involving more than 1,000 individuals. The data collection team covered all five states where the GMOUs are present and visited more than 20 rural Niger Delta communities, mostly by boat.

Community focus groups formed the core of the data collection effort. In many communities, data collectors typically held separate focus groups with youth, women and men. Other communities preferred to hold open town forums.

When the evaluation design group reconvened to analyze interview and focus group transcripts, community, company and government representatives were sitting shoulder to shoulder at tables, naming together what the data was saying about stakeholder perceptions. Participants remarked they had not previously worked together in this way.

The process succeeded in providing credible, public information that described how community residents and other stakeholders were experiencing the GMOUs. It named the core issues that needed to be addressed in the re-negotiation, and, in the process, improved strained relationships, setting the stage for a productive interaction during the re-negotiation and beyond.

A similar evaluation was conducted in 2011 as the second round of agreements came to a close.
V. GMOU Results – 2008 and 2011 Stakeholder Perspectives

The two participatory evaluations provide a window into stakeholder perceptions of the GMOUs’ impact on local development and company-community relationships. They point to aspects of the approach that are working well, and areas that require strengthening. Their results are summarized below.

What’s Working

**Improved relationships**

A large number of stakeholders said CNL’s relationship with communities has improved under the GMOUs. The agreements created clearer and more predictable channels for dialogue between CNL and communities. Both parties now address issues, concerns and grievances through the RDCs, including sensitive issues such as employment and local concerns about CNL contracting.

**Reduced violence**

This improved relationship has resulted in a dramatic reduction in violence against company’s operations. Stakeholders noted a dramatic reduction in community-sponsored attacks on company

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4 http://cbuilding.org/news/%5Bfield_item_type%5D/engaging-stakeholders-nigeria%E2%80%99s-niger-delta
facilities since the start of the GMOUs. Stakeholders also saw reduced tensions between communities and ethnic groups in some areas, as well as overall reductions in violence attributed in part to the peace bonuses contained in the GMOUs. Local actors have also expressed a desire for increased incentives for peace built into the process in order to help further reduce violence. From CNL’s perspective, the company has now shifted from more than 400 separate agreements to eight key relationships; unifying local communities rather than pitting them against each other.

**Better development outcomes**
From a development perspective, many stakeholders find the GMOUs more effective at promoting sustainable development, more transparent and far more conducive to community ownership of the development process than previous strategies. Stakeholders from the 2008 evaluation observed that the GMOUs have help to shift CNL’s engagement focus towards projects and programs that promote sustainable development versus handouts and cash compensation. The development efforts were seen as more cost-effective and better designed to meet community needs. The initiatives all used local labor-effective and better designed to meet community needs.

**Greater transparency**
Many stakeholders said that the GMOU process was significantly more transparent than anything that came before it, specifically on project approval, monitoring, contract awards and administration of accounts.

However, concerns remain that the benefit of the programs are unfair to local communities relative to the profits won by CNL. Many stakeholders think the overall level of employment and scholarships is still insufficient and not ‘fair’ considering the benefit CNL is obtaining from operating in the communities and that there ought to be a greater focus on ‘human capital development’. Community members also expressed concern and frustration with a lack of clarity on the criteria used to determine funding for individual RDCs. These perceptions and issues around funding — both overall levels and criteria across RDC — continue to be a major source of conflict. Indeed, community ownership of the process is closely linked to perceptions of transparency, as individuals with a greater understanding of the process tend to enjoy a greater sense of ownership. Still others noted that projects have not reflected their priorities, and lacked understanding of the RDC process for selecting projects. Many stakeholders said the RDCs “have the potential to be inclusive, participatory and representative of community voices.” Overall, the broad trend of stakeholder views expressed in the both the 2008 and 2011 PSE seems to be one of cautious optimism.

**Areas for Improvement**

**Transparency and representation**
Still, many stakeholders have significant concerns about the GMOUs. Many community members do not feel that the RDCs are transparent enough or sufficiently representative of their interests. While the Regional Development Councils provide a more representative platform than in previous years, many concerns persist around RDC governance. There is a history in the Niger Delta of using government and company funds as sources of patronage. The structures and enhanced transparency of the RDC process are aimed at addressing this issue, but some communities and RDCs are still

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5 This was the case at the time of the second participatory stakeholder evaluation. It is likely that some incidences have occurred since this time.
wrestling with this challenge, which manifests itself in concerns around how development project contracts are awarded, and how RDC representatives are chosen. The 2008 evaluation picked up these concerns, and they persisted in the 2011 evaluation. Notably, the increasing influence and prestige of the RDCs over time has in turn led to increased pressure by individuals looking to be part of the RDC leadership, and in some instances for personal gain. Many stakeholders noted that the risks of corruption can and should be controlled, at least partially, through additional efforts around transparency.

Balanced representation also faces ongoing challenges. At the time of the first evaluation, women were largely excluded from RDCs, despite efforts by women leaders to have a voice. Some youth and traditional leaders expressed anger about the GMOUs, saying it wasn’t taking their interests into account, while other youth and traditional leaders participated actively in RDCs. According to the 2011 evaluation, the inclusion of women had improved slightly since 2008. All but one of the RDCs had at least one woman on the negotiating team in 2011-2012, yet women generally represented less than 20% of those teams. In addition, stakeholders said in the 2011 evaluation that there should be greater effort to include elders and traditional leadership.

Addressing cultural sensitivities
Similarly, many traditional leaders express strong concern that CNL has transitioned away from homage payments and direct contact with them as part of the GMOU process, in favor of lump sum funding to the RDCs. While it may have increased transparency, it is perceived as culturally insensitive by some. Tensions around this issue were exacerbated during the initial years of the GMOUs because CNL’s offshore operations — which didn’t participate in the GMOU process — continued to operate with the old style of community engagement. Lack of coherence between the onshore and offshore businesses caused strain in coastal communities undergoing the transition to GMOUs.

RDC capacity and accountability
Though stakeholders perceived that the GMOUs produced more concrete development impacts than previous approaches, many expressed frustration with the pace of initial projects, caused in part by a lack of technical capacity in the RDCs to implement. These delays were partly due to weak government partnerships, and poor understanding of government budgets and decision-making cycles that are essential ingredients to lasting collaborative decisions and commitments. As a result, a number of projects were implemented by the RDC and then stalled due to a lack of substantive government support.

The first evaluation also revealed the need to ‘professionalize’ the RDCs and stop treating RDC leadership positions as volunteer positions. As a result, Chevron supported large-scale efforts to build the technical capacity of RDC leadership over the following three years. While valued by current leadership, some of those interviewed in 2011 felt that the RDC leaders had in fact turned themselves into ‘cabals’ and were not always working toward the interests of their communities. Some participants in that evaluation suggested that there should be stronger systems (e.g. tenure, representation protocol, etc.) in place to ensure that the GMOU process is used to benefit the community and prevents RDC leadership from absorbing GMOU benefits before they percolate to the communities. There is also a sense that some RDCs are not equipped to handle conflicts generated as a result of GMOU activities.
Funding
In addition, nearly all stakeholders in 2008 — including CNL representatives — said that GMOU funding was inadequate to meet the needs of Niger Delta communities. Community stakeholders said criteria for determining funding were not clear, heightening tensions over funding levels. Funding resurfaced as a priority issue in the 2011 evaluation, with stakeholders emphasizing that current levels of RDC funding should be increased substantially. Many stakeholders think the overall level of employment and scholarships is still insufficient and not ‘fair’ considering the benefit CNL is obtaining from operating in the communities.

Coordination and power imbalance
Coordination with government and other development actors has also fallen short of expectations. With few exceptions, RDCs have not been able to leverage funding from other sources, or coordinate closely with government development projects. The entire process is widely perceived among donors and the government as a CNL initiative involving CNL-impacted communities, rather than the company-government-community partnership initially envisioned. Similarly, several stakeholders continue to perceive a power imbalance in which CNL has only slowly shared control over many aspects of the GMOU process. CNL designed the process, convened stakeholders to take part in it, and chaired many of the Community Engagement Management Boards that oversee the RDCs in the first few years of their development.

Both the 2008 and 2011 evaluations point a range of views in which many stakeholders saw noticeable improvements over previous approaches, as well as significant challenges to address going forward. Overall, the notable successes of the GMOU process as a whole, as compared with previous efforts, have prompted the company and most community stakeholders to embrace it.

VI. Analysis: Elements of Global Good Practice in the GMOU Model
Although far from perfect, as noted above, the GMOU model provides an example of meaningful community engagement. Several key strategies and practices help to explain the predominantly positive outcomes that have resulted from the initiative. If continued, these practices can help address some of the challenges that still remain:

1. Creating a Greater Sense of Fairness in the Process: There are always substantive issues to be addressed between companies and communities, whether it be the amount and type of social investment a company makes in a community, the employment and/or contracting opportunities that company operations might create, or compensating for negative impacts from extractive operations. However, equally important is the way in which both parties engage and negotiate with each other to address them.

The GMOU process has gone further than any previous effort to address interests and concerns around how CNL and communities work through difficult substantive challenges. The creation and implementation of the GMOUs and RDCs has given community stakeholders a larger role in setting the terms of the conversation, and the process for interacting. This shift has created a greater sense of fairness in the process. It is a step towards overcoming the long-standing perception of a power imbalance between the company and communities, and it creates some of the key conditions for productive interaction and problem solving.
Several specific strategies for creating greater fairness, and more equitable and transparent
decision making, are described in the points below.

2. **Enabling the Community to Choose its Representatives:** One of the most basic ways in
which ‘process’ matters is around the issue of representation. Often, companies choose to
engage with specific individuals, when those individuals may not be the most appropriate
representatives of community interests. The company may choose individuals that hold more
favorable views of the company, or — more often the case — exclude community leaders that
they find difficult or confrontational. This way of selecting community leaders and members
with whom to negotiate was one of the failings of CNL’s pre-2003 approach to engagement.
Such approaches fail to address the full range of interests and views held by the community, and
often interfere with underlying social and community dynamics, of which the company may not
be aware. This often leads to unsustainable agreements, and in the worst case, contributes to
underlying social conflict in a society.

The GMOU model balanced CNL’s need to deal with communities collectively, with a
recognition that communities needed to select their own representatives. The GMOU structures
enabled communities to come together under eight Regional Development Committees. Each
RDC was a collective umbrella for diverse interests (loosely related through ethnic and tribal
structures) within a large geographic area. Within each of the eight RDCs, the GMOU structure
required communities to organize representation as they saw fit, in terms of composition and
election/selection processes. Some RDCs allocate seats equally across geographic communities,
while others factor in population, proximity to operations, and traditional ownership of mineral
rights (even where these may not be recognized by law). The key point is that this is a decision
to be taken by residents and leaders within the geographic boundaries of the RDC, not a
company decision. While the stakeholder evaluations of the GMOU model point to continuing
challenges in the accountability of RDC representatives to their communities, RDCs recognize
this as their own challenge to address, not one caused by CNL’s decision-making about with
whom it would negotiate. To be sure, the evaluations noted that many community members
expressed frustration around the quality of their representation on the RDC, and this issue is an
ongoing challenge for the process.

3. **Jointly Setting the Agenda:** Another common pitfall for company/community engagement
strategies is when companies are the only ones defining the issues for engagement and
negotiation. Companies often exclude issues that are of primary importance to community
stakeholders.

The GMOU model created a single platform for dialogue between the company and each RDC
for the vast majority of issues that arise in the context of their relationship — including issues of
social investment, employment, local contracting, and management of conflict and grievances.
This enabled both the RDC communities and the company to put issues on the table for
dialogue and negotiation. One party may not always be able to address all issues to the
satisfaction of the other party, but the issue can be raised and addressed within the limits of each
party’s authority.

One example of this from the GMOU experience is the issue of employment. A primary
community interest is to increase employment of people from the community within the
company. Legal regulations prohibit the company from creating any kind of quota system for
employment. Rather than refusing to address the issue, the parties have used the GMOU mechanism as a vehicle to better understand interests and constraints on both sides, and take what steps they can improve transparency around hiring, publicizing opportunities, and providing training to ensure that local applicants have the necessary skills to compete openly for available positions.

4. Pursing Meaningful Partnership and Shared Ownership: Many company/community engagement efforts speak the language of ‘partnership’ and ‘community ownership.’ However, in reality, many of these approaches fall short; they continue to treat communities as the beneficiaries of the company’s good will. Companies, often without realizing it, continue to dictate the terms of dialogue, drive the relationships, and impose their viewpoint and interests on communities.

Under the GMOU model, CNL took significant steps to pursue meaningful partnership and shared ownership with communities. The model invested substantial responsibility and authority for social investment decision-making in the communities themselves, while maintaining an oversight role for the company through multi-stakeholder governance structures. RDCs determine which projects represent the highest priorities for communities, identifying contractors and overseeing implementation.

Even still, ‘community ownership’ is an area where the GMOU model has had to improve and evolve over time, as noted in the evaluations. Leadership of the multi-stakeholder oversight boards has now transitioned from CNL representatives to NGO representatives. The GMOU evaluation process was jointly designed and conducted by company and community representatives and facilitated by impartial organizations, even while CNL still provided the financial resources. CNL invested substantially in a credible renegotiation process, in which it ‘proposed’ — rather than imposed — process design, time frames, venues and facilitators.

5. Utilizing Participatory Approaches and ‘Joint Fact Finding’: Many company/community relationships are characterized by a profound sense of mistrust. In the Niger Delta, the level of mistrust is extreme, due to perceptions of past exploitation, unfulfilled commitments, and bad faith intentions. As a result, information provided by one party or the other is immediately discounted as lacking credibility — regardless of whether that information is objectively correct or factual. In such contexts, participatory approaches to reviewing past performance, current options and constraints become critical, in order to build shared, credible information as a basis for joint decision-making.

When the first generation of GMOU agreements approached expiration, CNL proposed an evaluation of the GMOU mechanism before negotiating the next generation of GMOU agreements. Typically, a company might hire expert consultants to come in and evaluate the model. However, RDCs and other stakeholders would have immediately challenged this type of company-commissioned expert evaluation as lacking credibility. Instead, CNL proposed a participatory stakeholder evaluation of the GMOU mechanism. Rather than hiring substantive experts to conduct the evaluation, neutral facilitators were brought in to help develop and run a completely transparent process in which the parties to the GMOU designed the evaluation methodology and then jointly analyzed the data that emerged from interviews and focus groups (see Box 1, page 8).
As a result, the parties jointly arrived at conclusions about the strengths and weaknesses of the GMOU model, laying a credible foundation for the renegotiation process. In a more typical expert evaluation process, the parties would likely have challenged the basis of any findings from the evaluation that were unfavorable to their side, and dismissed any recommendations that did not favor their interests. In this case, the parties accepted the joint evaluation findings, because they trusted and were part of the process that produced those findings. It was no longer CNL arguing that RDCs had to communicate more effectively with constituent communities — it was RDCs reading this for themselves, direct from interview transcripts with their community stakeholders. It was no longer RDCs arguing that CNL needed to invest more financial resources in the GMOU for it to succeed — it was CNL reading this for themselves from interview transcripts with CNL stakeholders in the process. This shared understanding of the performance of the GMOU set the stage for joint problem solving in the negotiation phase to build upon identified strengths and address perceived weaknesses.

In addition, these kinds of participatory approaches create opportunities for companies and communities to strengthen their relationships by working ’side-by-side’ on a process. Rather than sitting across the table from each other in an adversarial stance as they often do, they gain experience working together collaboratively to solve problems.

6. Using Jointly Selected Professional Facilitators to Build Trust: At the time the GMOU model was first proposed, community mistrust of company intentions was so severe that negotiations over the new approach were not even possible. Communities rejected the model simply because CNL was proposing it, and they presumed bad faith on the part of the company. At this pivotal moment, CNL engaged the New Nigeria Foundation (NNF, noted prior) — a Nigerian NGO with experience in company/community relationships — to act as a neutral facilitator in the relationship between CNL and the communities. Community stakeholders have regularly observed that, but for the intervention of NNF, the process would never have moved forward.

During its first years of implementation, the GMOU model continued to rely upon professional facilitators to broker relationships between company and community. A role for NGOs was built into the GMOU’s multi-stakeholder structures, and over time, NGOs assumed leadership roles of the Community Engagement Management Boards (CEMB).

As noted above, CNL engaged additional third parties to facilitate the participatory stakeholder evaluation and renegotiation processes. Partnerships were formed between an international NGO with expertise in these kinds of approaches, the Consensus Building Institute (CBI) and a local Nigerian NGO that had greater credibility with community leaders, the Africa Centre for Corporate Responsibility (ACCR). Building upon the credibility established in the Participatory Stakeholder Evaluation, CBI and NNF jointly designed and facilitated the renegotiation process for the GMOUs (see Box 2, page 8).

7. Building a Flexible, Adaptable Model: The GMOU was an experiment, and there were clearly imperfections in the design and implementation of the model. After extensive negotiations to establish the structures, many communities felt that CNL had imposed the model on them. The RDCs lacked capacity at the beginning of the process to participate effectively in the negotiation with CNL of the GMOU or to manage the social investment projects on the community development side of the model. Government entities, while happy
to endorse the model, did not make or fulfill commitments to partner in development activities to the extent envisioned. CNL still dominated the relationships within the GMOU structures. However, the parties moved forward with the process, despite some reluctance from all sides, and created both the platform for dialogue and the processes to enable community development projects to proceed.

The model included the ability to adapt and improve as it performed. Adaptation took place through the joint stakeholder evaluations of the model, at the end of each of the first 3-year cycles. As weaknesses were identified through the evaluations, improving upon them became a key objective of the renegotiation processes. This investment in the periodic review of the model enables the GMOU to learn from its performance — good and bad — and adapt accordingly. It’s also important to note that, while this model of feedback is meaningfully improved compared to the pre-GMOU process, it may still be inadequate to fully adapt to the evolving development needs of the communities. In fact, in the absence of even greater attention paid to adaptation and refinement, the GMOU process runs the risk of deterioration as it fails to identify and address key interests within the communities, as well as falling short of critical development outcomes with lasting impact. RDCs have yet to be effective at measuring and demonstrating positive development impacts resulting from their efforts.

8. Recognizing and Addressing Capacity Gaps: The GMOU model recognized that parties — particularly the RDCs — lacked sufficient capacity at the outset to play the roles and fulfill the responsibilities envisioned for them in the process. On the community development side, the GMOU placed substantial responsibility on the newly created RDCs to be able to manage a portfolio of community development projects. However, at their establishment, the RDCs lacked both the basic operational functionality and the development expertise required. One of the roles of the NGOs in the GMOU structures was to provide some of this added technical capacity — to provide training to the RDCs and to contribute their expertise in community development. When it became clear that inadequate communication with constituents threatened to undermine the GMOU model, CNL provided additional training and support to RDCs to communicate more effectively with constituents. Strengthening the capacity of the RDCs became a shared objective for both CNL and the RDCs, and CNL established an additional fund to enable an NGO consortium to provide ongoing training and support to RDC leadership.

When it came time to renegotiate the GMOU agreements, CNL recognized that the negotiation process would be more effective if both CNL and the RDCs were well prepared, and had some exposure to interest-based (Mutual Gains) negotiation. RDCs agreed, and the renegotiation process began with joint training for community and company representatives in interest-based negotiation (See Box 3, page 9). In addition to strengthening relationships — by providing the same training to both parties and prompting interaction during that training — this form of capacity-building had direct application to the renegotiation process they were soon to undertake. As a result, the parties had better understanding of how to prepare effectively for negotiations, how to create value during the negotiation process, and how to create agreements that encouraged ongoing learning and adaptation.

9. Incremental Approaches to Building Trust: The GMOU was established in a context of substantial mistrust, and nobody presumed that trust could be built overnight. Rather, the GMOU provided opportunities for both company and communities to begin to make
commitments and deliver on those commitments, to demonstrate that they could each be credible counterparts, and to build trust incrementally through that process. This is best done through confidence-building measures in lower-stakes contexts first, rather than immediately rushing into high-stakes negotiations. The expiration of the GMOUs after 3 years was one way in which the stakes were lowered for both sides. A time-bound agreement enabled both parties to move ahead, knowing that they would have an opportunity to conventionally re-evaluate performance of the model — and how well it met their respective interests — after three years.

Similarly, participatory approaches and neutral parties were introduced to the process during the evaluation of the GMOU, prior to the renegotiations. Had these process elements been introduced during the renegotiations, when perceived stakes were higher, they might not have been given the chance to succeed. The GMOU is instructive on the point that companies, communities and neutral third parties might be well-served by looking for opportunities to lower the stakes of initial engagement, when mistrust is severe.

10. Relying on Internal Champions: Communities were not the only parties skeptical of CNL’s new approach when it first proposed the GMOU model. There were similarly many voices of concern within the company about a partnership model that required CNL to radically change its approach, share responsibility for social investment with communities, and share ownership of processes for engagement between the company and communities. Support from individuals within CNL was key to be able to address those concerns and gain sufficient buy-in for the project to move forward. Several of the individuals supporting the GMOU process had experience with similar processes that had worked in other regions where Chevron operated. Interestingly, many of the key internal champions of the process did not have the GMOU as a core responsibility. Key to maintaining support for the GMOU was the personal interest and participation of a hand-full of CNL operations managers who recognized the GMOUs’ importance in enabling the company to operate.

Changing course in company/community engagement requires internal champions who are both sufficiently senior and sufficiently capable of articulating a vision for a new approach and building internal alignment. The GMOU model would not have been established but for these initial internal champions who were able to articulate a vision for the new approach and build alignment internally within the company. Likewise, the GMOU would not have been strengthened as it evolved but for new champions who brought with them, at critical junctures, experience in building effective community partnerships and an understanding of participatory approaches.

A continuing challenge for the GMOU model is that many within the company do not have a deep understanding of the key principles that help the GMOUs to function effectively — and at times still take decisions that could undermine the approach. Having internal champions who understand the drivers that make the model work remains essential, particularly as those with direct experience rotate to other positions within the company.
VII. Conclusions and Applying the Lessons

The GMOUs emerged as a response to the particular circumstances that CNL and its stakeholders faced in the Niger Delta. Yet the experience provides insights for a range of situations in which communities and companies need to interact in meaningful ways.

The ten elements of good practice described above underscore the components of effective corporate stakeholder engagement. They can be applied to a variety of scales and particular problem-sets. They speak to the importance of viewing stakeholder engagement as negotiated partnership built around the premise of shared gains, a commitment to fairness, and equitable participation in decision-making.

Companies and their stakeholders who seek to replicate a GMOU-type model — or simply undertake meaningful interaction appropriate to their situation — would do well to reflect on the following questions that codify the approach:

• How can the company and its stakeholders build a more meaningful partnership, in which communities themselves play a central role in representing their interests, setting the agenda, engaging in interest-based negotiation, and co-owning the partnership, its processes and its outcomes?

• How can the company and its community stakeholders use participatory approaches, supported by impartial third parties when needed, to enhance the credibility of information, evaluation, and the partnership building process?

• What capacity gaps exist to support effective implementation of commitments by both the company and its community partners, and how can they be filled?

• What incremental steps can both the company and communities take to build trust?

• Who can be internal company and community champions for a new engagement approach, and how can they help navigate the inevitable challenges that will emerge — especially as short-term business targets and community mistrust push against longer-term partnership objectives?

In conclusion, the evolution of partnership between CNL and the communities affected by its operations is far from complete. Yet, the lessons of this experience to date — as well as core questions the GMOU experience poses — are no doubt worth considerable attention globally, as we collectively continue to seek a transformation of corporate-community engagement into real and lasting partnership.