

**HOW DEMOCRATIC IS COMMUNITY DRIVEN DEVELOPMENT? A FOCUS  
ON SPDC GLOBAL MEMORANDUM OF UNDERSTANDING (GMOU) IN  
THE NIGER DELTA REGION, NIGERIA**

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**Abstract**

The wave of democratic values as a behavioural frame of reference in all sectors of society has gone a long way to show its acceptability far beyond the realm of politics as the best possible way to organize human activities albeit a minimal level of social bias. However, long years of undemocratic development approach by the Shell Petroleum Development Company (SPDC) in the Niger Delta region of Nigeria led to significant social risks precipitated by a complex interplay of issues. To stem the resurgent outcry as a result of obvious negative human development realities in the region, SPDC introduced its Global Memorandum of Understanding (GMOU) as a community driven development platform. This paper examines the SPDC GMOU in the Niger Delta with a view to ascertaining whether it meets the values of democracy or not. Thus, relying on in-depth content analysis and secondary data from SPDC and GMOU clusters' archives, the paper submits that the GMOU is a significant deviation from the authoritarian cum top-to-bottom philosophy that characterised the pre-GMOU development approaches of SPDC. It further argues that the GMOU embodies the basic tenets of community driven development and democracy which is that of popular participation, representation and improved community involvement in development. The result of this, is increasing fulfilment of historical development promises by SPDC, widespread implementation of new community development projects and programmes in the GMOU regions, less deferment caused by youth

restiveness in GMoU areas when compared to non-GMoU areas in the same region. Based on this, the paper concludes that the GMoU represents a significant change in the way that SPDC carries out social investment activities in the region and this has generated laudable benefits for communities on the one hand and business (SPDC) on the other hand.

**Keywords:** Democracy, Community driven development, Global Memorandum of Understanding, SPDC, Niger Delta

### **Background**

The wave of democratic values as a behavioural frame of reference in all sectors of society has gone a long way to show its acceptability far beyond the realm of politics as the best possible way to organize human activities albeit a minimal level of social bias. This is because democracy evokes a social structure wherein a framework of group decision characterized by a kind of equality among the participants enables collective decision making even at the community level. As a result, it is advantageous because it forces decision-makers to take into account the interests, rights and opinions of most people in society. Since democracy gives some political power to each, more people are taken into account than under other types of authority structure. One of the most vocal development scholars of the 21<sup>st</sup> Century, Amartya Sen, did argue for example, that “no substantial famine has ever occurred in any independent country with a democratic form of government and a relatively free press” (Sen 1999). The basis of this argument is that officials in a democratic system characterised by free elections and a free press have incentives to respond to the expressions of vulnerable people in society.

It is important to note that the wave of authoritarian social structures in the continent of Africa before and immediately after independence largely defined the behaviour and operations of International Oil Corporations (IOCs) in their host communities. As a result, driven by the stockholder philosophy under the support of authoritarian regimes, IOCs operating in a country like Nigeria did not see the need to evolve democratic structures to drive development in their communities of interest. Instead, these IOCs who were more concerned about profit, facilitated a strong divide and rule relationship that created an atmosphere of hate among and between communities on the one hand and between communities and the companies on the other hand. Omoweh (2010) draws attention to the fact that this authoritarian approach of oil multinationals who are the most visible agents of capitalism in the Niger Delta have led to a pathetic underdevelopment of the region.

### **Current Reality: The Problem**

This long history of authoritarian styled development created a situation where business activities of International Oil Companies (IOCs) became nested on a socio-political context of antagonistic orientation. On the one hand, the social antagonism is built on a long history of discontent that necessitated the emergence of warlords, cult gangs and militia groups across oil producing areas in the country. “All of these groups

rely on the tacit support of local communities that share their anger at the exploitation of their region by oil companies and the federal and state governments” (Council on Foreign Relations cited in UK Border Agency, 2010). On the other hand, the political antagonism is built on fragile governance structures which created the enabling environment that threatens the activities of IOCs in the country, especially the Niger Delta region.

Long years of undemocratic development approach led to significant social risks precipitated by a complex interplay of issues that derive from two main sources. The first relates to the delicate social dynamics and human development realities in the Niger Delta (UNDP, 2006; Afinotan and Ojakorotu, 2009). The region is characterised by poor living conditions as the Government of Nigeria has not been able to extend social infrastructure such as health, potable water and electricity to communities impacted by oil production. This in addition to youth unemployment, widespread poverty and hunger (Raimi, Onaolapo, Ige and Alfred, 2015), dovetail to exacerbate the level of underdevelopment that has come to characterise the Niger Delta region (Raimi, 2015). This dismal socio-economic and health conditions in the region only serves to show that the source of the oil revenue has been deliberately neglected over the years by the successive governments in the country.

In the midst of resurgent outcry concerning the relative neglect of the Niger Delta with regards to human and infrastructural development and the return to democracy in 1999, a number of IOCs especially Shell Petroleum Development Company (SPDC) operating within the region have struggled to redefine their social investment or corporate social responsibility approaches to meet the requirements of community driven development. In the light of this, this paper examines the SPDC Global Memorandum of Understanding (GMoU) in the Niger Delta as a community driven development framework with a view to ascertaining whether it meets the values of democracy or not.

### **Literature Review: Democracy and Community Driven Development**

The concept of democracy has received varying perspectives in terms of definition. This notwithstanding, there is an implicit notion of participation and or more importantly representation across all of these definitions. Ideological connotations remain a critical reason why there are varied definitions of the concept of democracy. As a result, it is necessary to trace its classical meaning. Classically, democracy is derived from two Greek words: *demo* and *Kratia* meaning people and rule respectively. It can thus be understood to literally mean rule by the people. This is perhaps why Abraham Lincoln defined democracy as the government of the people, by the people and for the people, modelling his views after the Greek ideology and practice of democracy.

However, according to Oyekan (2009), this classical democratic practice where all male citizens meet freely to deliberate on issues is impracticable now given that the society of their time was communal and or feudal in nature gave room for direct democracy. Thus, with the change in mode of production, direct democracy has given way to indirect democracy founded on representation hence, the Lockean notion of a

social contract between the people and their government. In this sense, a democratic government is a product of the collective conscience of the people in reflection of the Durkeimian view of governance or as Rousseau suggests “a government merely serving as the executors of the people’s will” (Owolabi, 1999). In the context of this paper, democracy is defined to mean a process through which political participation is facilitated, guaranteed and maximised for the purpose of social development.

The last definition provides a link between democracy and development which happens to be the subject matter of this paper. The notion of this link within the field of development studies is founded on the philosophy of bottom-up approach to development or what has been correctly referred to as participatory development. According to Gaventa (2004), “over the last decade, we have seen a broadening in the uses of participatory methods and approaches from projects to policies, from the involvement of ‘beneficiaries’ to those of rights-bearing citizens, and from a concern with programme implementation and evaluation to processes of decision making and democracy itself”. As a result of this shift in theory, participatory approaches have formed a significant aspect of community development interventions where a large proportion of stakeholders in communities take part in development programmes from inception to the end of such activities. More than ever before, corporate entities’ social investment practices have been forced to follow the principles of participatory development or what has been favourably referred to as community driven development.

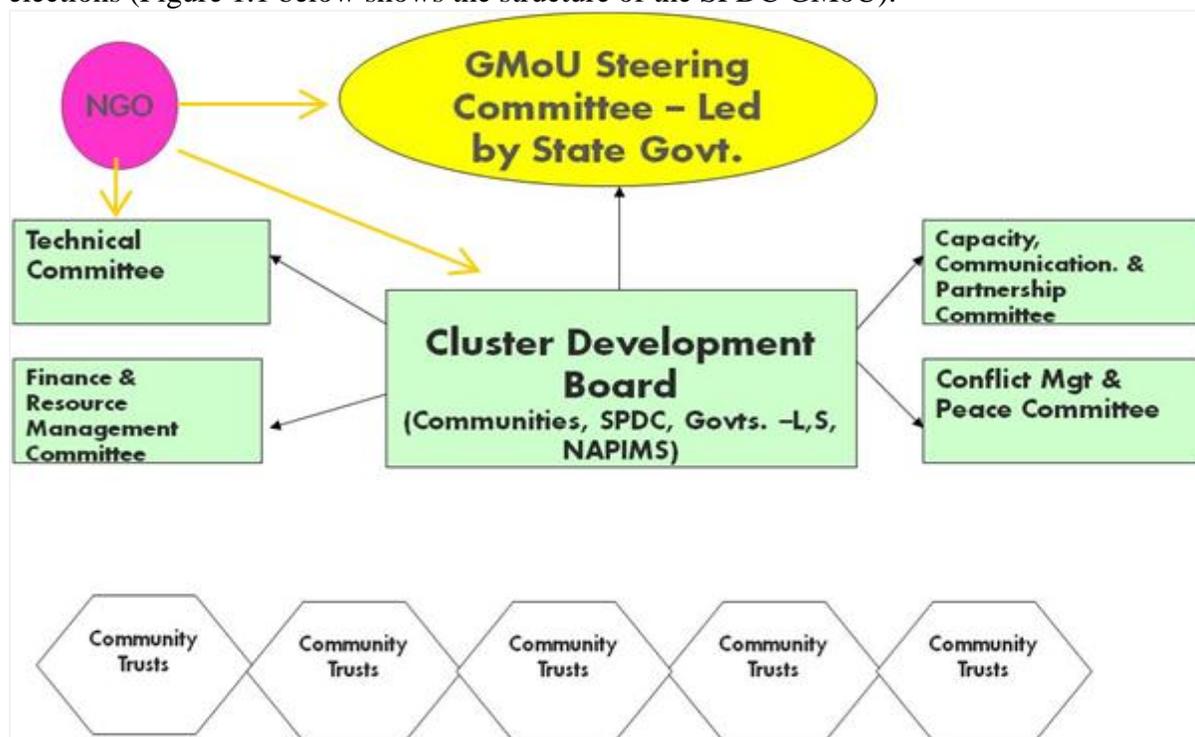
The practice of community driven development, as a professional field, promotes democratic practices that build the capacity of community members and local institutions to make sound decisions about community challenges, recognize their diverse resources, and align their efforts to put community, governmental, and private resources to work for the purpose of development. Much as this is the case, it focuses on developing local capacity through community-based institutions that generate people oriented community development plans that are transparent, accountable and participatory enough (Fung and Wright, 2003). In this sense, by pursuing representative frameworks to elect community development officials, citizens perceive themselves as exercising their choice over who will govern development regimes. Hence, once elected, public officials are generally perceived as defenders of democratic freedom. This is in turn generally understood as allowing individuals to pursue their choices, so long as these are not harmful to others in the process of development. Such imagery reinforces a prevailing perception that community driven institutions are accountable to the public and more specifically, that community development provides opportunities for communities to exercise choices about their needs and priorities.

### **The SPDC GMoU as Democracy in Social Investment**

The Shell Petroleum Development Company on behalf of its Joint Venture partners shares a history of social investment experience in the Niger Delta where they operate. Investments started with agricultural development programmes in the early sixties and have grown over the years to include health care, roads and civil infrastructure, water projects, small businesses and education, which benefit hundreds

of thousands of people in the Niger Delta. Over the years, SPDC has adapted and improved upon how it engages with local communities to deliver these projects. In 2006, SPDC introduced a new way of working with communities called the Global Memorandum of Understanding (GMoU). The GMoUs represent an important shift in approach, placing emphasis on more transparent and accountable processes, regular communication with the grassroots, sustainability and conflict prevention (Amadi and Abdullah, 2011; SPDC, 2013).

The model addresses weaknesses and builds on learning from previous approaches in order to mitigate emerging community interface management challenges. Prominent among these challenges is the need for greater community involvement and ownership of development initiatives by developing effective grassroot institutions. There was also the imperative to respond to stakeholder demands for increased predictability, transparency and discernable structure to the delivery of SPDC's corporate social responsibility initiatives. Often, debates about the GMoU have highlighted representative forms of participation, in which leaders are elected by their constituents to represent them and more direct or participatory form of democracy. Hence, the GMoU includes processes of representation, through which some speak for others as intermediaries in policy processes, often through claims to legitimacy by elections (Figure 1.1 below shows the structure of the SPDC GMoU).



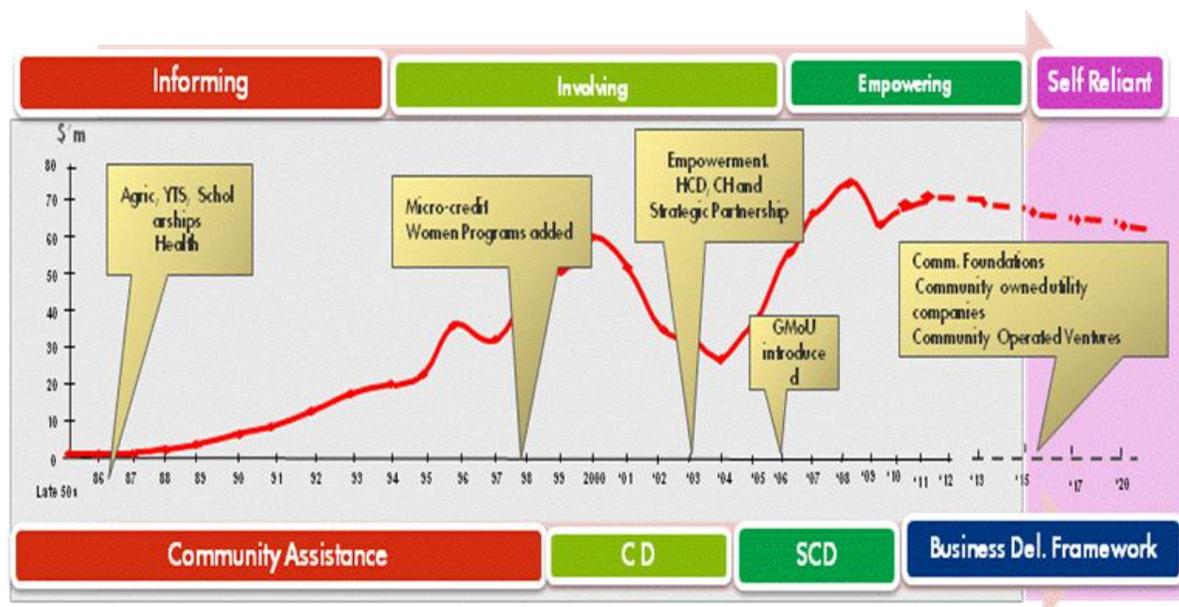
**Figure 1.1: Structure of the SPDC Global Memorandum of Understanding (GMoU)**

A GMoU is an agreement between SPDC and a group (or cluster) of several communities. Clusters are based on local government or clan/historical affinity lines as

advised by the relevant state government. The governing structures are well defined, with a 10-person Community Trust (at communities’ level), Cluster Development Board (CDB) and a Steering Committee chaired by the State Government. The Cluster Development Board (CBD) functions as the main supervisory and administrative organ, ensuring implementation of projects and setting out plans and programmes. The GMoU brings communities together with representatives of state and local governments, SPDC and non-profit organizations, such as development NGOs, in a decision-making committee called the Cluster Development Board (CDB). Under the terms of the GMoUs, the communities decide the development they want while SPDC on behalf of its joint venture partners, provides secure funding for five years, ensuring that the communities have stable and reliable finances as they undertake the implementation of their community development plans. SPDC also provides access to development experts/NGOs to help deliver projects and build the capacity of the CDBs to grow into registered community development foundations. This system replaces past practices whereby SPDC agreed to hundreds of separate development projects with individual communities and managed them directly.

**The SPDC GMoU: Understanding the Difference**

Although the drivers remain the same since inception of social investment initiatives in the early 1960s, the delivery process and scope have changed over the years in line with business and social imperatives. Three distinct paradigms characterised SPDC’s social investment (SI) over the years. These are informing, involvement and empowerment. Figure 1.2 below highlights these SI approaches by SPDC.



**Fig: 1.2: Timeline of SPDC’s Social Investment Initiatives in the Niger Delta region**

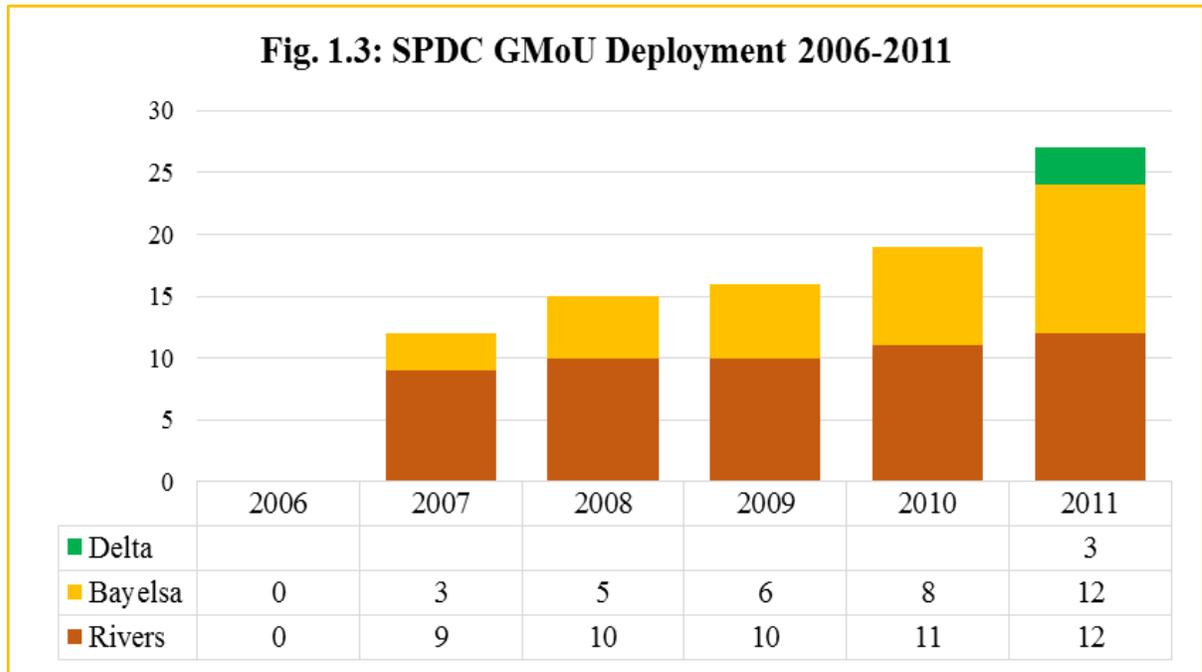
Figure 1.2 shows a timeline of the paradigms that guided the ever expanding scope of social investment programmes of SPDC over the years. Between 1960 and 1990 an assistant mode characterized by informing communities was deployed covering agriculture, scholarship and health. However, from 1990 to 2006, this shifted to an involving mode with an expanded scope that included micro-credit and women programmes. Also, in 2006, the community driven development approach was deployed with the GMoU model as its flagship. Again, the scope broadened to cover human capital development, community health and strategic partnerships.

The periods prior to the deployment of the GMoU were characterized by approaches that alienated most groups in the communities from participating in policy decisions and implementation process of community development initiatives by SPDC. As a result, very few benefit captors from the communities in connivance with officials of SPDC diverted money meant for communities for personal aggrandizement. This scenario created significant discontent in most SPDC host communities that triggered all kinds of social risks to the company's operations in the region.

Consequently, in the attempt to mitigate resurgent social risks to business, the post 2006 era saw the grouping of approximately 1000 communities within SPDC's footprint into 67 clusters.<sup>3</sup> Under the GMoU terms, SPDC signs a 5-year agreement with these clusters of communities that allows them access to technical and financial assistance for the implementation of their development plan. Between 2006 and 2011, 28 GMoUs (including a Project GMoU) were signed and activated (figure 1.3 below shows GMoU deployment in three states of the Niger Delta). The funding structure consists of 1) maturation and set up expenditure, 2) financial assistance ("mandate") and 3) Technical Assistance. Total funding for the GMoUs since inception is estimated at \$117 million including financial assistance (mandate) and NGO capacity building/mentoring fee (SPDC, 2013).

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<sup>3</sup> *Clustering of communities was done on the basis of proximity, historical/cultural affinity or presence within same local government. Given the portfolio rationalisation (divestment) activities, 11 have been discounted, leaving the total cluster numbers at 56.*



***Source: Compiled by Authors from SPDC figures 2013***

**Source: SPDC (2013). *Shell in Nigeria: Global Memorandum of Understanding.***

From Figure 1.3 above, it is easily seen that the deployment of the GMoU clusters in the three states have been incremental since it was launched in 2006. Although in the formative year of 2006 there were no GMoUs signed, this year marked a significant watershed in the historical turn in development theory and practice for the company with numerous icebreaking activities leading to the institution of 12 of the GMoUs in 2007 growing remarkable to 27 in 2011. According to SPDC (2013), by the end of 2012, the company had signed agreements with 33 GMoU clusters, covering 349 communities amounting to 35% of the local communities around the company’s business operations in the Niger Delta region. In 2012, a total of 723 projects were successfully completed through GMoUs (including specific project-GMoUs).

### **Benefits Realized from the SPDC GMoU Model**

Constituting a significant deviation when compared to previous development models of SPDC, GMoUs have become very popular with communities. This is owing to the measure of democratic principles governing the process which introduced greater community ownership leading to better projects, sustainability and improved trust. The model ensures high level of transparency, inclusiveness and accountability in managing development funds (SPDC, 2013).

As a result of the democratic nature of the GMoU as well as the level of acceptability of the model by the people, a new wave of mutual benefit (for community and business) began to emerge. This was alluded to by SPDC (2013), when it argued that the deployment of GMoUs has generated desirable outcomes in business and social

terms. One of the first shared values of the GMoU framework was the ability of buying back of legacy projects<sup>4</sup> with all pre-2005 unfulfilled promises of infrastructure and economic empowerment projects made to the communities by SPDC in order to secure License to Operate (LTO) to deliver its production aspirations. Over 723 legacy projects were identified in 2007 and 640 have been closed out in addition to negotiating 154 (21%) of these projects with communities using the “buy back” provision of the GMoU.

Also, with the new democratic regime of community driven development brought about by the GMoU, scores of community development projects as never been experienced before began to spring up. As a result, over 829 community development projects and programmes were implemented in various sectors that include economic empowerment (19%), public infrastructure (34%), human capital development (37%), community health/water and sanitation (10%). In addition to this, the model also contributed significantly to SPDC’s performance focus on growth delivery and maturation of new options. The model provided an efficient engagement mechanism for the restoration of slipped timelines/milestones and eventual completion on schedule of the Gbaran Ubie Integrated Oil and Gas Project (IOGP)<sup>5</sup>. This was achieved within a challenging social and security context that characterised the pre-amnesty era.<sup>6</sup>

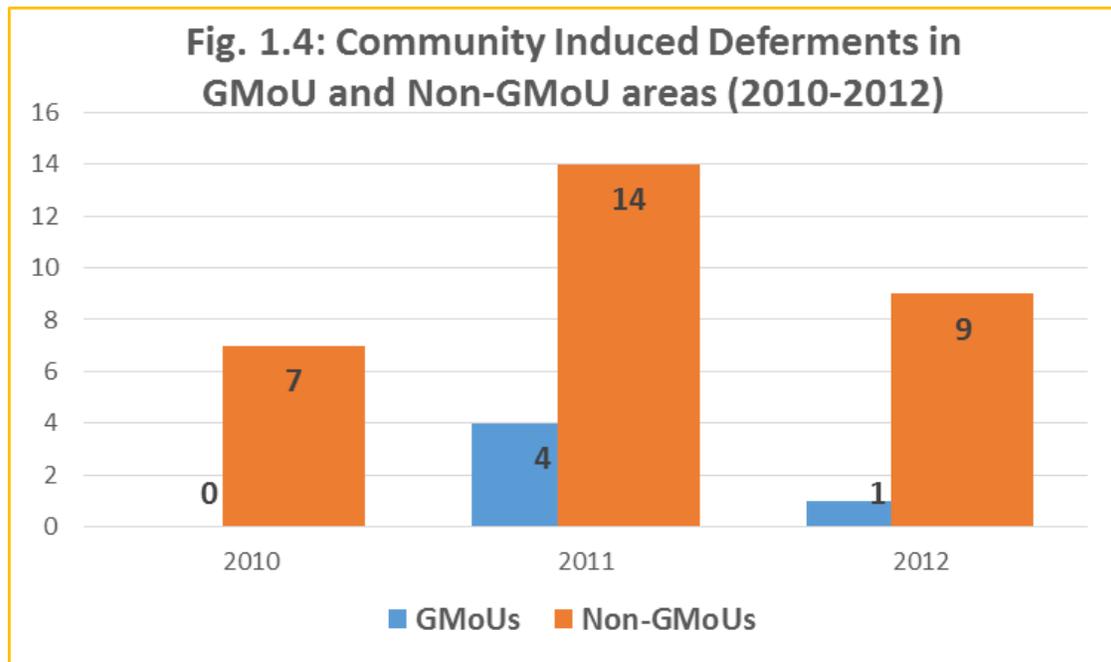
Another area where the GMoU model has been beneficial to SPDC’s business operations is the reduction in community deferments. This is a situation where community agitations lead to shutdowns of the company’s production facilities thereby causing man-hours and production-time loses. In this regard, there has been a significant improvement in community/SPDC relationship as a result of the GMoU grievance handling mechanism with little or no cause for agitations and restiveness.

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<sup>4</sup> Legacy projects as known in SPDC are development promises made by the company to communities that have either been partially fulfilled or unfulfilled at all.

<sup>5</sup> The Gbaran Ubie IOGP started in 2005 with the aim of developing oil and gas production from an area of approximately 650 square Kilometres in Bayelsa State, Nigeria.

<sup>6</sup> GMoU Model was deployed to support the Gbaran IOGP in 2007. By August 2009, zero community disturbance and shutdown was recorded in the Project life for a full year.



**Source: SPDC (2013). *Shell in Nigeria: Global Memorandum of Understanding.***

From the data in Figure 1.4 above, it is easy to see that there is a positive relationship between the existence of GMoU and reduction in community induced deferment within an area. The ratio of deferment in areas with GMoU when compared to areas without GMoU is 0:7, 4:14 and 1:9 in 2010, 2011 and as at end June 2012 respectively. This strongly confirms that the GMoU has increasingly provided enabling environment for SPDC business operations to thrive. This is logically tied to the fact that in addition to putting development in the hands of communities, the GMoU model has also provided an attractive institution for counterpart funding thereby reducing the overdependence on SPDC for funds by communities. As a result, GMoU provided an opportunity to build the capacity of communities to transform from dependent entities to economically active and self-reliant social units. This is evident by the registration of 9 GMoU clusters as community development foundations, thereby positioning them as potential recipients of international development grants and technical assistance. In addition, the GMoU model has proved to be a channel for managing business opportunities conceded to communities through the community content programme, a major component of the Nigerian Content Development (NCD) initiative. On the whole, Six (6) of the GMoU's cluster development boards have taken advantage of the 60% concessionary opportunity provided for local entrepreneurs for the provision of logistics support using Light Marine Vessels (LMV).

### **Challenges to the SPDC GMoU**

Like every other social institution, the SPDC GMoU although highly function to a large extent, is faced with some level of systemic challenges that threatens its viability as a democratic entity. One of the key challenges facing the SPDC GMoU is the bypass

of the leadership structure (cluster development boards and community trusts) by some officials of the SPDC for other splinter groups in the community. The document setting the GMoU sees it as the only recognized interface body between communities and the company. As a result, the use of non-GMoU groups to address issues in the communities where the GMoU exist stands out as a violation of the role of the institution with the capacity to trigger the old feeling of divide and rule as well as renewed distrust and conflict in these communities.

Also, the GMoU nesting in a volatile region like the Niger Delta where clusters of warlords have assumed territorial strongholds places it within an environment that is knitted by social risks which threaten its democratic foundations. In this sense, erstwhile militant warlords tend to mount pressure on the leadership structure of the GMoUs forcing them to incorporate practices that are undemocratic like arm-twisting executives to locate projects in areas where they have control over. This totally undermines the needs-based approach of sitting projects based on community needs.

Similarly, the democratic intent of the SPDC GMoU is further undermined by the rent-seeking behaviour of most of the people within the region thereby building a base of benefit captors who only see the institution as a way of enriching themselves. This situation exacerbates political tension within communities in such a way that elections into the CDBs and CTs becomes significantly characterised by violence akin to the general elections in the region and Nigeria in general.

Finally, the GMoUs have very minimal to say the least insignificant women participation in the process. This strongly defines the social investment character of the GMoUs in such a way that women are relegated to the background in processes that lead to project choice and implementation. One of the immediate consequences of this is that more women are detached from the GMoU process.

## **Conclusion**

This paper has examined the democratic nature of the SPDC Global Memorandum of Understanding in the Niger Delta region of Nigeria. It clearly submits that the GMoU is built under the community driven development framework and follows basic principles that make it democratic in its operations. It is the conclusion of this paper that the GMoU represents a significant change in the way that SPDC carries out social investment activities in the region and this has generated laudable benefits for communities on the one hand and business (SPDC) on the other hand. However, it is acknowledged that these benefits are nested within a fragile socio-cultural environment that poses risks to the long-term viability of the GMoUs as democratically framed development institutions if they are not properly managed.

## **Recommendations**

In the light of the above, the following recommendations have been proffered:

- *Scale-up Community Involvement:* There is need to ensure that GMoU processes involve all community members (including members in diaspora) especially for fora that deal with the selection of CT members and the development of community development plans. This would encourage a situation where the

scope of participation and new ideas is made expansive enough as a way of improving on the GMOU process.

- *Increase GMOU Outreach:* Currently, the GMOU model is not in every community in the Niger Delta. Since it has been proven that the GMOU is more resourceful in terms of shared value to the communities and SPDC, the model should be spread to cover all the region. This would reduce the level of community induced deferments resulting from restiveness in non-GMOU communities.
- *Gender Mainstreaming:* There is need to evolve a policy to ensure women inclusion in the GMOU executives at the Cluster Development Board (CDB) and Community Trust (CT) levels. At least one representative out of the three CT members should be a woman who should move on the CDB.
- *Local Government Buy-in.* It is important to ensure full buy-in by the Local Government Authorities (LGAs) within the GMOU areas. This would increase the funding capacity of the GMOUs and expand the ability to engage in large scale development projects that are sustainable.

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