# UNTYING THE STATE/OIL COMPANY BUNDLE FOR PARTICIPATORY SUSTAINABLE DEVELOPMENT IN THE NIGER DELTA

# Stanislaus Ebere Nwaigwe <sup>a</sup>, Mark Breusers <sup>b</sup>

<sup>a,b</sup> Institute for Anthropological Research in Africa, Katholieke Universiteit Leuven, Parkstraat, Leuven, Belgium.

<sup>a</sup> Corresponding author: yakpotuba@gmail.com

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**Abstract:** A participatory institutional framework, which aims at improving the quality of life, both as experienced by individuals, and as an attribute of society, remains an essential ingredient of sustainable development. Commitment to participatory institutional framework, or commitment to democratic efficiency, can be deciphered by the extent to which a national government recognizes and integrates the democratic legitimacy of intermediate institutions, which have functional representation from different sectors of the society.

Field observations show that the expansion of resource exploration and market oriented oil economy in Nigeria's Niger Delta has been greeted with corresponding increase in environmental pollution and restiveness. One of the reasons has been identified as the inadequate recognition of the democratic legitimacy of the local participatory structures in the Delta. The state/oil company partnership has disregarded institutionalized local participatory frameworks, like the local town union – a deliberative forum open to all members of the community, thereby subordinating public participation in the oil economy merely to rent mongering. As a result, the Delta grows increasingly in environmental pollution and intractable restiveness. Communities must adapt endlessly to life in polluted environment, while violently enduring a transition from a human economy to a market economy imposed by the neoliberal globalization process.

Using the extended case method, which examines how external factors affect and influence local situation, this paper seeks to lend credence to the suggestion that any design to make the economy more human, and development sustainable, need not be revolutionary. Such a design simply needs to build on what is already there, which only seeks recognition and legitimacy for what people do for themselves. It argues that the current institutional structure, which saddles the state and their profit-oriented oil company partners with decision making in the oil economy of the Delta, is more of a patrimonial response to external influences on the local situation than a conscious effort to improve the quality of life of people. Insisting on the state/company partnership structure synchronic with the patrimonial institutional demands, will only at best, maintain the status quo, rather than restore order in the Delta.

In consonance with the principles of subsidiarity that are gaining popularity in governance lately, the paper calls instead, for a local town union/investor institutional framework, on which negotiable taxes may be imposed by the state, as a better alternative that can return the resource exploration in the Niger Delta to the path of sustainable development, while remaining responsive to the quality of life desirable to the people.

**Keywords:** Niger Delta, Participatory institutional framework, State/Oil Company partnership, Sustainable development, Town Union/Investor partnership

#### INTRODUCTION

Participation has featured significantly as a development buzzword and catchphrase even before the introduction of the Local Agenda 21 in 1992, (Leal, 2010). But, the significance of participation in development discourse assumed a different level since the Agenda 21 saw the light of day in Rio, more than twenty years ago. The emphasis that the Rio Declaration placed on participation for sustainable development was further complemented by the Johannesburg Plan of Implementation alongside a host of other international agreements (Green & Chambers, 2006, p. 1). The compatibility between participation and sustainable development can hardly be overemphasized. It is such a close compatibility that without a plurality of actors and approaches, it may be difficult to realize sustainable development (Green & Chambers, 2006, p. 2). In fact, sustainable development is essentially about widening public participation (Rosenstrom & Kyllonen, 2007). It is therefore very much in order to commit national and state governments to adopt participatory approach to development.

The growing emphasis on participation in development discourse is so widely recognized that some 'smart' ones have craftily taken advantage of it, by not only applying the concept to projects that are thinly or weakly participatory (Crocker, 2007), but also indulging in the commodification of participatory projects (Mosse, 2003). David Mosse observes how a farming project designed after the participatory model termed Participatory Rural Appraisal (PRA)<sup>1</sup> in India, was stamped with a corporate image, parceled out, distributed and marketed (Mosse, 2003)<sup>2</sup>. Having been packaged by means of specific field techniques, the company to which developing a rural rainfed farming program was entrusted, copyrighted the program, and made a fortune out of it. This company left nothing to the imagination as far as incessant accumulation of profit is concerned. As events of this kind unfold, one is condemned to the fantasy of an economic democratic world that may never see the light of day. Nothing seems to help walking away with the impression that participation is merely mythically projected as a key to sustainable development.

Nonetheless, before these may be dismissed as unavoidable side effects of a well-intended initiative that participation ought to be, it is important to consider some emerging issues from the Niger Delta of Nigeria in relation to participation and sustainable development. Evidence from some Igbo speaking communities of the Delta show that the democratic legitimacy of some local participatory structures has hardly been adequately recognized. This has resulted in not only high profile environmental degradation and pollution, but also restive rent seeking accompanied by a violent adaptation to a self-regulating market economy. With participation thus compromised, if not nailed to its coffin, it is difficult to envisage a world where needs can be met adequately, neither now nor later. This need not be the case, considering especially that some of these Delta Igbo communities have a number of other ways of improving democratic efficiency for sustainable development.

When the Extended Case Method, which studies how the local situation is affected and shaped by external structures, is applied to the Niger Delta, it is difficult not to link the democratic deficiency in the Delta to the influence of a dominant neo-classical trend on the local institutional framework. The dominant capitalist trend, which has penetrated all nooks and crannies of Africa especially since the Euro-African transatlantic exchanges a few centuries ago (Talal, 1987; Wolf, 1982), imposing unrelenting adjustment on Africa's cultural and geographical boundaries, hardly recognizes any traditional institutional and structural framework. As transaction, transportation, and communication technologies continue to increase in sophistication, local institutional frameworks and traditions across Africa and across the globe continue to adjust and disintegrate, only to be reconstituted in fresh and many times, unfamiliar forms. The state/oil company joint venture, which is operational in the Nigeria oil sector, is merely a patrimonial response to the influence of the dominant international system, which Nigeria only adapts to. It has hardly proved the best option for the Niger Delta of Nigeria as far as sustainable development is concerned.

The state/oil company joint venture in question was admittedly, effective long before sustainable development became the goal of public policy. However, the global adoption of the policy ought to have prompted a change in the institutional framework to prioritize participation. That no meaningful change in the administrative institutional

<sup>&</sup>lt;sup>1</sup> Participatory Rural Appraisal (PRA) is a participatory model, which involves local people and outsiders of assorted disciplines and expertise. It has the objective of shifting from etic to emic perspectives of local issues (Bishnu, 2003). Within this participatory model, the local people take the initiative while being facilitated by outsiders (Chambers, 1994).

<sup>&</sup>lt;sup>2</sup> This has been discussed extensively in a yet to be published work written by this author.

structure has occurred in the Delta despite the increase in violence and pollution thereof, is indeed something to trouble any well-meaning observer. It barely requires more than commonsense to see that a change in structures may help persistent problems. Perhaps, the Nigerian policy makers have been deceived into believing that the minor adjustments made to the corporate-community relations, suffice for participation. Oil companies have related to the communities in the Delta in three different ways. The companies at first adopted a pay-as-you-go approach during the early days of oil exploration. This was later replaced by the community development model, which incorporated the principles of corporate social responsibility. Right now, the corporate-community relations has moved into a phase that they refer to as corporate-community involvement (Idemudia, 2009a, p. 135).

This paper will demonstrate that except for the Corporate Social Responsibility (CSR) corporate-community foundation model, adopted in limited communities across the Delta, adjustments made to community-oil company relations in the Delta has nothing close to the essentials of participation required for sustainable development. It will also show that the delay in improving the democratic efficiency in the Delta, by sticking to the present state/oil company partnership in the administration of the oil economy in the area, is indeed the key vector of the problems in the Delta. It will demonstrate that the insistence on the state/oil company institutional framework, in spite of the availability of efficient indigenous participatory institutional frameworks, may be considered as a deliberate design for exploitation with an infinitesimal consideration for the future generation. Such an administrative policy is in contrast to the global mandate to increase people's participation, and to the call from some quarters to build on what is already on the ground, which merely seeks legitimacy and recognition, as the best way to make the economy more human, and development sustainable (Hart, Laville, & Cattani, 2010, p. 6).

The State/oil company partnership, which reduces the local communities in the Delta to mere oil rent mongers, who must find ways of coping with unrelenting changes effected by globalization, has failed to take advantage of the available alternatives like the local town union, to improve the situation in the Delta. The town union is a voluntary deliberative forum, which allows the participation of every member of the community in the decision making process. So far, the state has done nothing more than recognizing the union as a legal association. But being a traditional institution with such a high level democratic efficiency, it holds a lot of promise for sustainable development in the Delta. It is therefore, important to give the local town union a greater recognition and legitimacy for improved sustainable results in the Delta.

It will be demonstrated that the commitment of the policy makers to participation and sustainable development can only be considered significant if it makes a radical shift from the state/oil company partnership to a new model that will improve the participation of the local population in the oil economy. Thus, this paper makes a case for oil company/Town union institutional framework on which negotiable taxes may be imposed by the state as a better alternative. With this approach, the local communities will shoulder the responsibility of any side effects of the oil exploration along with the oil companies. This will surely imply that only decisions that will have minimal side effects will be taken as long as the community members are informed of the full implications of any decision.

This paper will proceed in sections. First, it will shed some light on the Niger Delta, especially the part of the Delta that has featured less in the literature, Egbema in Imo State. Secondly, it will point out the methodological orientation and the methods of data collection. In the third section it will trace the history of the administrative institutional frameworks that have unfolded down to the present state/oil company partnership framework, assessing their participatory value. Having established the link between the current institutional framework and the dominant global trend in the fourth section, vis-à-vis the intractable problems in the Delta, the paper will then focus on the available alternatives, especially the local town union alternative in the fifth section. It will then proceed to make a case for a shift to town union/investor partnership on which taxes could be imposed by the state in the sixth part, giving reasons why the latter is a more promising option for greater participation and sustainable development in the Delta. Its concluding note will include the summary of the key points discussed and a note of warning on the possible setbacks to the proposed alternative.

# The Niger Delta at a Glance

The Niger Delta area of Nigeria is in the south of Nigeria, more precisely, in the south of the confluence of the Benue and Niger Rivers, and around the water fingers branching off Nigeria's great waterways (Peel, 2009, pp. 5-6). The Delta encompasses some part of the Gulf of Guinea formerly referred to as the Bight of Biafra and the Bight of Benin. The vegetation zones of the Delta ranged from tropical rainforest, freshwater swamp forest, and saltwater mangrove forest (Northrup, 1972, 1978). The natural resources – crude oil, palm oil, and wood – from the Delta's

numerous ethnic communities, form the bedrock of Nigeria's economy (Dibua, 2005). It is on the Igbo speaking Egbema-Oguta area of the Delta that this paper will be focused. While the population of the conglomerate of Niger Delta ethnic groups is placed at 10 million (Peel, 2009, p. 6), it is not certain what the population of the Egbema-Oguta area is. By estimation, one may place the population between three hundred and five hundred thousand.

The paper will focus specifically on Egbema<sup>3</sup> town, an Igbo village-group in Ohaji/Egbema Local Government Area (LGA) of Imo State, Nigeria. "Egbema is situated at the northern apex area of the lower Niger Delta, between latitudes 5° 21' to 5° 41' N and longitudes 6° 37' to 6° 49' E'', (Chukwuma, Eshett, Onweremadu, & Okon, 2010). The local government headquarters is Mmahu-Egbema. The entire local government area of Ohaji-Egbema covers an area of about 890 km² with a population of about 182,538 according to 2006 census. Geologically, the Egbema area is characterized by swamps and plains with large deposit of petroleum and natural gas. This writer was stationed in Mmahu for close to one year fieldwork, visiting other Egbema communities from time to time.

In the Egbema area there are at least two different oil companies involved in exploration, production, and distribution of oil. Shell/Nigeria Petroleum Development Company (S/NPDC) and Agip Oil Company are the most notable ones. While Agip is more prominent in the Rivers side of Egbema, S/NPDC is dominant the Imo side of Egbema. S/NPDC does not have their operational location in Mmahu, but in another neighbouring town, Obiakpu, less than two kilometres from Mmahu. However, S/NPDC has a number of functional oil wells and pipelines within Mmahu and a host of other towns in Egbema. The choice of Egbema for the research is due to the fact that, it was a part of the defunct Republic of Biafra that was defeated in a war against Nigeria. Having been marginalized as expected as any group conquered in war it must learn to mobilize to develop itself (Nash, 2007, p. 147). The extent it can mobilize to develop often depends on how efficient its town union or the organizing institution is. In addition to that Egbema is one of those Niger Delta communities that have had a very long experience of oil exploration and production activities. Furthermore, it was one of the first communities to have organized a protest against oil companies<sup>5</sup>. Such a place holds a lot of promise for the interests on participation for sustainable development as developed in this paper.

# METHODOLOGY

The Extended Case Methodological (ECM) orientation of this paper is to be located within the perspective that avoids both the extremes of the postmodernist reductionism and the positivist neutral outsider position. Assuming the centrality of engagement and dialogue, the reflexive science of ECM tries to seek out the different ways the local situation is shaped by external forces or vice versa, noting the distortion and disturbance experienced by both sides. This methodological perspective was brought to Egbema-Oguta area of the Niger Delta to observe the interaction between the local community and the oil companies operating in the area. During the period of close to a year which the fieldwork lasted, the author of this paper observed and participated in different activities of both the Mmahu<sup>6</sup> Town Union (MTU) – the local institution that organizes the community, and Shell/Nigeria Petroleum Development Company (S/NPDC). A few formal interviews were held with some resourceful persons from both the town union and the oil company. But mostly the method of data collection was by participant observation, and semi-formal interviews, since the author had free access to both the MTU and S/NPDC. The analysis of the data collected has been done applying the same method as will be demonstrated below.

<sup>&</sup>lt;sup>3</sup> Egbema town or formerly Egbema kingdom comprises sixteen communities. Most of those have now become autonomous including Mmahu where this author was stationed during the fieldwork. While three of the communities are in Rivers State, the rest are in Imo State of Nigeria. There are a number of oil companies in both the Rivers and Imo sides of Egbema.

<sup>&</sup>lt;sup>4</sup> This is slightly different from the information obtained via an online tool for locating latitude and longitude. The search tool gave the location to be on latitude 4° 48' 56" and longitude 6° 36' 20" (Family Education Network, 2010-2012). It was though specified that the given location refers to the populated area of Egbema.

<sup>&</sup>lt;sup>5</sup> According to some documents kept by the Town Union of Mmahu, prior to the Ogoni uprising in the 1990s, Egbema communities have organized a protest against Shell in the 1980s.

<sup>&</sup>lt;sup>6</sup> Mmahu is the headquarters of Ohaji/Egbema Local Government Area (LGA). This author was station in Mmahu throughout the fieldwork period reaching out to other parts of Egbema from time to time.

#### The Administrative Institutional Framework of Oil Exploration in the Delta

The question of administrative institutional frameworks concerns those legal frameworks under which the oil economy in the Delta has operated since the inception of oil mineral exploration in the area. This involves mainly a consideration of the fiscal and regulatory petroleum legislation on the one hand, and the operational and production arrangements between oil companies and the state or its representative bodies, on the other (Khan, 1994, p. 15). The question of operational and production arrangements are "largely concerned with participation and equity" (Khan, 1994, p. 15). In this section of the paper the key concern is more about the operational and production arrangements than it is about the fiscal and regulatory legislation.

Thus, the key questions to address in this section include, what operational and production arrangements have been employed? When were they employed, how, and by whom? What are the participatory and equity contents of these and why were they considered the best options at the time of adoption? Were there alternatives available at the time of adoption? What were these alternatives?

It will be demonstrated that from the beginning of oil exploration during the colonial era, the adoption of any operational and production framework was never preceded by a thorough ethnographic investigation, much less include any exhaustive investigation of the possibility of involving the participation of the local community. If consultations ever occurred between the locals and the investors at any point, they were either weak consultations (Jacobs, 1999, p. 34) or at best something in the neighborhood of 'ethically ambiguous negotiation tactics' (Rivers & Lytle, 2007). In fact, until later in the postcolonial era, the operational and production framework within Nigeria's oil industry alongside its attendant decision making formula regarding production and pricing of oil in Nigeria, were the sole determinant of the oil companies. The state was restricted to the "collection of tax and rent or royalty" (Khan, 1994, p. 15). It was from the 1970s that the Nigerian government began to assume a more active involvement in the oil industry (Uche, 2010, p. 172). That was the period when sole concession operational arrangement evolved into joint-venture agreements involving foreign oil companies and Nigeria government. Later, there will be production-sharing and risk-service contracts that gave the government some exclusive title to oil in the ground with oil companies getting merely production contracts.

Until date, the local communities in whose environment the minerals are found, have virtually no part in the decision making process in this entire arrangement (Idemudia, 2009b, p. 5). Their participation is limited to the much allowed them in different corporate-community relation packages agreed upon with, or offered by individual oil companies. In other words, the administrative institutional frameworks of the oil economy in the Delta have always been a state and oil company affair, which may best be comprehended in light of the global dominant capitalist trend that prefers the top-down interpretation of participation to its alternative. It is merely the influence of the political economy which Africa has remained constituent of since the inception of Euro-African exchanges several centuries ago (Eberlein, 2006), that is manifested in the options.

As briefly mentioned earlier, right from its early days, the operational and production framework of oil resource exploration in Nigeria has featured different models at different times. There were such frameworks as sole concession, and later the nationalization and indigenization process that ushered in such contracts as the joint venture, production-sharing and risk-service contracts.

Sole concession is the legal and fiscal framework that defines state-concessionaire relationship in such a way that the conceding state awards the exclusive rights to the concessionaire company (Umejesi & Akpan, 2013). In the case of oil minerals such rights may include those of exploration, exploitation, and marketing. Equally stipulated in the sole concession framework is the formula of risks and profits sharing between the contracting parties. Sole concession rights were granted Shell D'Arcy, a consortium of Royal Dutch and Shell in 1936 to explore for hydrocarbons throughout Nigeria (Steyn, 2009, p. 260; Umejesi & Akpan, 2013, p. 117)<sup>7</sup>. When Shell D'Arcy commenced its exploration activities officially in 1937, it set up a board of directors made up of eight Europeans and one indigenous businessman (Umejesi & Akpan, 2013, p. 118). In fact, the prospecting rights granted the company

<sup>&</sup>lt;sup>7</sup> Some reports have it that the first oil exploration licences in Nigeria were actually granted in 1921 to D'Arcy Exploration Company and the Whitehall Petroleum Company Ltd. Due to little interest in oil exploration in Nigeria at the time, actual oil exploration started only in 1937 with the establishment of Shell/D'Arcy Exploration parties (Khan, 1994, p. 32; Steyn, 2009, p. 258).

restricted local participation in the entire economy only to the reception of rents, royalties and taxes, if oil exploitation and exportation were successful (Steyn, 2009, p. 265). It was not until the late 1960s that local involvement in Nigeria's oil industry began to increase in the famous nationalization process.

The framework of joint ventures, production-sharing, and risk-service arrangements were introduced in line with the indigenization and nationalization process. Joint venture is a contractual arrangement in which one or more business enterprises share the risks and profits in accordance with agreed participation stakes. Within this framework in most African countries, management is largely determined by the transnational company (TNC), leaving the boards of directors with very minor roles (Asante, 1979a). The force of sheer corporate practice also protects the power of the TNC in such a framework. Generally, the joint venture results economically to more demand on local resources and less input of foreign capital and expertise (Asante, 1979a). Its benefit to the host country is mainly on the provision of access to operational strategies, policies, and techniques of transnational companies. In the case of Nigeria's oil industry, joint venture contracts imply that the Nigerian government through its indigenized oil company; the Nigerian National Petroleum Corporation (NNPC) or Nigerian Petroleum Development Company (NPDC) agrees with the oil producing company(s) to share the costs of investment, exploration and production, as well as production volume in proportion to agreed participation stakes (Khan, 1994, p. 67).

A production-sharing contract is a kind of contractor-hiring contract agreement. In the case of the oil industry in Nigeria, a foreign oil company is designated to make upfront investments in exploration, development and production of an oilfield on behalf of a government-owned oil company. It requires the payment of royalty and taxes by the contractor if oil is struck in commercial quantities. It also implies some entitlement to the recovery of investments costs, as well as the co-sharing of remaining production activities with the government in predetermined proportions. In a production-sharing contract, the contractor claims no ownership of field reserves, but enjoys a title to oil produced (Khan, 1994, p. 68).

A risk-service contract is another kind of contractor-hiring contract agreement. In this contract agreement, the contractor covers the costs of exploration, appraisal and development of a designated oil block in full. It is similar to the production-sharing contract only as far as having no claim to oil field reserves but some title to produced oil is concerned. The risk-service contract differs from production-sharing contract mainly in the sense that, the contractor reserves the right for the purchase of a fixed quantity of crude from the block at official prices (Khan, 1994, p. 68).

All four kinds of operational and production framework within which the oil economy has flourished in Nigeria hardly address participation and equity in the manner that can guarantee sustainable development. Joint venture, production-sharing, and risk-service operational and production frameworks involve the participation of the government mainly at the national level as part of the revenue centralization that replaced the fiscal autonomy of former regions prior to independence (Nwajiaku-Dahou, 2012, p. 298). There is hardly any provision for the participation of the local stakeholders beyond bureaucratic elites, business interests, and members of the former political class. Any institutional framework that restricts decision making to politicians, businessmen, and bureaucratic elites, giving little or no recognition to the democratic legitimacy of intermediate local institutions which have functional representation from different sectors of the society, could hardly translate to well-meaning commitment to sustainable development (Jacobs, 1999, pp. 42-43). It is merely a clueless adaptation of international practice to the local situation, if not an inadvertent exploitative strategy.

The insufficient or inexistent recognition of those local intermediary institutions, like the local town union, whose democratic legitimacy, as will be shown, has been tested and certified as efficient, only translates to the state government's preference for the top-down interpretation of participation. This interpretation of participation considers people's participation as significant mainly in the implementation of sustainable development, and not in deciding the objectives it implies (Jacobs, 1999). In accordance with this interpretation, participation is only a means of achieving a project, and not an end in itself (Cleaver, 2007). It limits decision making to only businesses, elected governments, and large Non-governmental Organizations (NGOs) (Jacobs, 1999, p. 34). In the bottom-up interpretation of participation, on the other hand, both the implementation and setting of objectives involve stakeholders of every level. This is the ideal of participation formalized by Local Agenda 21 (Jacobs, 1999, p. 35). It

is the participation that is enthroned by successful decolonization<sup>8</sup> process. Bottom-up participation can be interchangeable with involvement, consultation, and local action.

The lack of local participation in the oil economy is captured in different ways by different authors. The way Phia Steyn captures it is more interesting. Looking at it from the perspective of a continuum from the colonial to postcolonial Nigeria, Steyn remarks that the process of foreign domination of the oil industry in Nigeria has ensured that the oil industry maintained a separate enclave character within the Nigeria economy. It has also ensured that the participation of the local oil producing communities in the economy is restricted to the role of semi-skilled and unskilled labour (Steyn, 2009, p. 267). This form of participation is completely alien to the participation that can lead to sustainable development.

Participation has to do with taking responsibility to chart own course. When people take full responsibility of their progress and course of development, they are being participatory. Participation is not just being present during deliberations, or being consulted in person or collectively before a final decision is reached. It is more about radical empowerment (Cleaver, 2007). There are at least three essential elements of participation namely, the involvement of local population in the making of policies affecting them; the recognition and use of local capacities instead of external imposition; and the belief in the importance of leaving the responsibility of shaping their future with the local people (Jennings, 2000). With regard to the latter element, some believe it is more than a mere belief in getting people involved in self-action. In fact it involves more of challenging the positivist, reductionist, mechanistic, top-down models and development blueprints (Mosse, 2001).

Thus, by entrusting decision making on politicians, businessmen, and bureaucratic elites, the Nigeria oil economy cannot be said to be participatory in any sense that could lead to sustainable development. Such an operational and production framework could be seen as nothing more than an offshoot of the influential force that engulfed the states of Africa, especially starting from the days Europe thronged across oceans and seas in search of resources to advance their evolution from traditional to industrial society. This influential force would culminate in colonization. It is sad to remark that despite the claim to independence, the influence of this force has continued to be felt in Nigeria, especially in the oil economy<sup>9</sup>. This need not be the case at all, considering that some institutional structures, which could easily become alternative operational and production frameworks have survived, and simply need to be recognized and legitimized as what people do to stay relevant.

## Linking the Intractable Problems in the Delta to the Top-down Framework

The Niger Delta is rich in oil and gas resources, but it has long proved that it may not be found wanting in other things especially restiveness and environmental pollution. It is no longer news that expatriates are kidnapped and ransom demanded by Niger Delta groups; armed militants have engaged the state military in fierce battles, of which only the amnesty program introduced during the Late Umaru Musa Yar'Adua's administration (Omodjohwoefe, 2011, p. 54), has greatly minimized in recent times. Oil spillage in the Delta over the years has run into millions of barrels of crude oil, just as gas flaring has continued unabated across the area. The degree of environmental pollution and restiveness in the Delta could have been much less than recorded if certain measures have been taken long before now. There is no intention to outline all the details of the issues that lead to the restiveness and environmental pollution in the Delta. Here is rather an effort to point out some of the ways the top-down operational and production framework of the oil industry contribute to the named problems in the area.

The clash of interest between the state and oil-bearing communities is one of the causes of restiveness in the Delta. This often occurs over the land and resource ownership question. Due to the Nigerian state's subsistence on the revenue from oil rents, royalties, and taxes, it has primarily privileged itself and its oil company partners, in the making of oil legislation and policies. One of the policies that strongly support this primacy of the state is the one that declares all resources and land as state property. This leaves the local oil-bearing communities in more vulnerable position. This vulnerability is owing to the fact that these communities can only claim compensation based on the economic investment they might have on the land. When this is not forthcoming due to the state's

<sup>&</sup>lt;sup>8</sup> Decolonization involves the recovery and strengthening of indigenous political traditions, governance, worldviews, knowledge systems as well as education and healthcare systems (Simpson, 2006, p. 111).

<sup>&</sup>lt;sup>9</sup> This is the feeling well captured in the submission: "Although the European flags were withdrawn in the 1950s and 1960s from most African territories, resulting in the emergence of independent African states, the commerce that helped influence colonization in the first place remained" (Uche, 2010, pp. 167-168).

policy on land, the local communities sensing only unjust dispossession and strip of sovereignty (Umejesi, 2012; Umejesi & Akpan, 2013), always greet the situation with resentment, state repression and petro-violence (Omeje, 2005, p. 326).

With regard to environmental pollution in the Delta, one of the causes has been identified as spillage, of which up to 300 cases can be recorded in just one year. The main causes of such spillages has been attributed to either aging pipelines laid by the oil companies several decades back without replacement, or sheer sabotage of local communities to facilitate demands for compensation. While the Joint Inspection Team (JIT)<sup>10</sup>, that often inspects the sites and the oil companies always attribute most of the spillages to "ill-motivated local sabotage", the local communities have attributed them to the negligence of the oil companies and lack of technical and logistical competence to run a check on the environmental impact of the activities of the oil companies (Omeje, 2005, p. 327).

It is alleged that the agencies responsible for tracking down or determining who is actually behind the spillages, are somewhat inadvertently ill-equipped to deal with the situation technically and logistically. The motive is merely to exonerate the state and its oil company partners from the spillages, so as to free them from the burden of compensation demanded by the affected communities. At the same time, such exoneration is allegedly designed to boost the public relations of the companies. It is difficult to ignore the veracity of this allegation against the state given that the state agencies have virtually allowed these oil companies to continue using the internationally outlawed gas flaring technology in the Delta.

No matter how persuasively one may wish to argue against the state-oil company 'hegemonic alliance', so-called, in which it is alleged that the oil companies have maintained a domineering influence in the Nigerian oil industry  $(Omeje, 2005)^{11}$ , it is difficult to completely exonerate this partnership from the above named problems in the Delta. This claim is founded first, on the assumption that the theoretical foundation of the state-oil company operational and production framework, whether joint venture, production sharing or risk-service, will only lead to conflicts in a multicultural context like the Niger Delta. By virtue of their being contracts<sup>12</sup> involving transnational corporations, the state-oil company operational and production frameworks, no less correspond to the neo-classical free market principles. The neo-classical theory is premised on the assumption of the *homo economicus*, who must employ his calculative and rational dimension to meet the problem of satisfying unlimited wants with limited means.

The problems associated with the neo-classical free market system and its attendant formal economic principles have been identified ever since the substantive economic writings of the likes of Karl Polanyi (Polanyi, 1944, 1957, 1968, 2005) saw the light of day. Polanyi reminds us that the expansion of markets and the attendant destructive tendencies will be accompanied by a corresponding expansion of movements mobilizing against the pernicious effects of the rising markets. In spite of the criticisms leveled on Polanyi's substantive economics, this double movement theory has not failed to live up to expectation, especially since the call for an alternative world gained momentum starting from the last decades of the twentieth century. Championed by the so-called anti-globalization activists, the emphasis on the need for an alternative world decries the dominance of the multinational corporations in global policy making, calling instead for a more democratic world, where perspectives different from those of the free market will be accommodated (Bello, 2002; Klein, 2001; Korten, 2001; Madeley, 2008; Shiva, 2003).

It is difficult to deny the problems in the Niger Delta any form of link to this trend. Some of the violent protests arising from delay in compensation for environmental pollution as well as the destruction of oil installations in the

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<sup>&</sup>lt;sup>10</sup> This is an inspection that involves state government agencies such as the Department of Petroleum Resources (DPR), which has now become Ministry of Petroleum Resources, and the Ministry of Environment. This team hardly involves independent representatives (Omeje, 2005, pp. 327, 333). The situation is further compounded by the fact that the per diem of the inspection team is paid by the oil companies, who often ensure that such packages are very attractive (Omeje, 2005, p. 328).

<sup>&</sup>lt;sup>11</sup> Omeje argues that contrary to the popular opinion that the oil companies have dictated the terms of the partnership with the Nigerian state in the oil industry, Nigeria state has mounted an assertive nationalist position that has its interest in rent seeking and patrimonial accumulation highly reflected in the oil-related policies and legislation (Omeje, 2005).

With reference to Professor Kessler of Yale Law School, Asante observes that a contract is a tool of capitalism, and an indispensible instrument of the entrepreneur inspired by the spirit of laisser-faire individualism (Asante, 1979b, p. 401).

Delta can be understood from this point of view. In addition to these, inter and intra-communal clashes have erupted over struggles to get a piece of the windfall from oil. Nonetheless, there is a more relevant perspective by which the state/oil company dominated operational and production framework can be linked to the restiveness and pollution in the Delta. It was pointed out earlier that the clash of interests arising from questions of land and resource ownership always results in resentment, state repression, and petro-violence. The question remains why the local communities have not relented in contesting the ownership of resources with the state. This is a fundamental question that touches on all other problems in the Delta, and unless it is decisively dealt with, the problems in the Delta may remain intractable.

It has to be noted that, some of the local communities, especially the Igbo speaking communities of the Delta, consider the state alongside its policies and legislation as merely another form of hegemonic or colonial influence, if not an extension of the one purportedly terminated at independence. In these local Igbo communities, people show more commitment to policies and traditions upheld by the local traditional socio-political institutions than to state policies (Harneit-Sievers, 2006). The oil industry operational and production framework, which privileges the state and the oil companies with the sole decision of the method and manner of exploration, production, and distribution of the resources accruing from the ancestral lands of these communities, does not help this deep impression about the state. It only strengthens the animosity towards the state. The best way to undertake a lasting reintegration of a community with such a withdrawn attitude towards the state would be to get the communities involved in the decision making process of the administration of the resource which flows from their land. This can be achieved simply by incorporating the institutions that have sustained a dominant role as far as organizing and representing the rest of the community in political and social themes are concerned.

These local communities have experienced hegemonic influences even before the advent of the formal colonial era. The story of the hegemonic influences of the Nri and the Aro peoples of the southeast of Nigeria (Harneit-Sievers, 2006; Onwuejeogwu, 1980) disposed these communities towards some form of cooperation with any colonial influence. Perhaps, what the communities were not fully prepared for was their exclusion from decision making, especially over matters that directly affect them. The Aro hegemonic influence was as economically motivated as the British colonial influence. However, while the economic adventure of the Aro allowed them to integrate themselves into the administrative institutional frameworks of the local communities <sup>13</sup> (Nwokeji, 2010), the British in their economic cum power conscious quest, did very little to preserve the local administrative institutions of the local communities. The British imposed the indirect rule <sup>14</sup> system on all communities in Nigeria, even where there were no structures to advance the system (Waugh & Cronje, 1969, pp. 22-27). This system alienated the Igbo communities from decision making, since it introduced chieftaincy which never succeeded in substituting the administrative institutional framework that suited the people.

The independence that marked the end of the British hegemony should have offered a lifeline to the local institutional framework within the wider Nigerian institutional framework, but so far, it has not. Rather than introduce an administrative institutional structure that will accommodate the local traditional frameworks, the political bureaucrats and businessmen to whom the British bequeathed governance in Nigeria have stuck with a structure that has done little other than reminisce the colonial days. The so-called federal state system in which resources are pulled to the centre and redistributed to states and their local government areas<sup>15</sup> has continued to deny

<sup>&</sup>lt;sup>13</sup> The history of slave trade in the southeast of Nigeria can never be told without the Aro. These were professional slavers who penetrated and settled in all corners of the hinterland of southeast Nigeria during the transatlantic slave trade. One of the ways the Aro undertook slave production was by forming an allowance with the local political class, the elders. The Aro took advantage of this alliance to advance their trade. They influenced the decision of the local political class to widen the taboos that merited expulsion or banishment from the community. By so doing, the Aro had unlimited supply of slaves, since all those banished were automatically taken into slavery. In this way, the Aro ensured that they not only advanced their trade, but also allowed the local communities to retain their institutional values, that respected people's participation in decision making.

<sup>&</sup>lt;sup>14</sup> This was a system of government in which the British governed jointly with the traditional rulers (Bush & Maltby, 2004, p. 14).

<sup>&</sup>lt;sup>15</sup> Local Government Area (LGA) in Nigeria is an area with a specified number of inhabitants, which has an elected council and constitutional power to decide on specified range of public matters (Imhanlahimi, 2011, pp. 68-69). The existence of Local Government Areas (LGAs) in Nigeria does not imply involving the local communities in decision

the traditional Igbo administrative institution any constitutional recognition. But it has not succeeded in obliterating its relevance. The Igbo administrative institutional structure has survived in the town unions or progressive unions. This structure has ensured that people employ the state structures only to the extent that they help the community to achieve the goals it set forth (Harneit-Sievers, 2006).

As already mentioned, by keeping out the local administrative institutional frameworks, despite the emphasis on participation and the need to observe subsidiarity in multilevel governance (Blank, 2009), the political bureaucrats and businessmen, who inherited the administrative bequests of their colonial masters, have hardly hidden their capitalist intentions. Influenced by the conviction that, subjecting every exchange to rational market principles cuts across cultures, these capitalists would see no reason to invest in irrelevant alternatives. Since those who instituted the oil administrative framework were the most competent to achieve the best deals for that sector, why would it be necessary to bring in local people just for the sake of it? Unfortunately, there are issues relating to the oil exploration, production, and distribution that may not be adequately covered by means of market principles. It is therefore useful to allow the market principles to be engaged by alternative systems in a kind of on-going dialogue. This will allow for some 'distortion and disturbance' (Burawoy, 1998, p. 16) on the market as well as on the alternative until a perfect system emerges that will be conducive for both. The market has been discussed, but this alternative is yet to be discussed. The alternative will be discussed next.

# Introducing the Town Union as an Alternative Institutional Framework

During the course of his stay in Egbema, this author confirmed that there were functional local deliberative institutional forums. Each autonomous community in Egbema has its own forum, which organizes and represents the rest of the community in social and political themes. The forum also mobilizes for social provisioning and allows the participation of every adult member of the community. In Mmahu, this forum was very active, and has remained active till date. In what follows, this forum known as Mmahu Town Union (MTU) will be discussed to highlight its participatory prospects and potentials for sustainable development.

The formal foundation for what is now known as Mmahu Town Union (MTU) was laid during the first half of 1980s by some indigenous students of Mmahu in Port Harcourt. In 1984 fourteen Mmahu students in Port Harcourt teamed up with eight other elders of Mmahu community to form what was known as People's Voice Movement (PVM). During its meetings (which was mostly during school holidays), this movement addressed what its members considered as anomalies inherent in the relationship between Shell Petroleum Development Company (SPDC) and the leadership of Egbema kingdom that condemned Mmahu community to the receiving end of some political conspiracy. By the end of 1984, the PVM has transformed into Mmahu Town Union, fully registered with the government outfit responsible for local governments, chieftaincy and town unions<sup>16</sup>.

Even as a fully registered body with the line government institutions, Mmahu and its Town Union remained a constitutive part of Egbema kingdom and de facto submissive to the leadership of Egbema kingdom. The MTU continued to pose serious challenges to the oil companies operating in Egbema especially SPDC with regard to community development. In August 1986, MTU mobilized a revolt against SPDC when the oil company failed to address the demands of the Town Union for provision of basic life amenities and infrastructure to Mmahu and Egbema in general. It was not until December 1986 that agitation for full autonomy from Egbema kingdom was intensified by the Mmahu Town Union. What prompted the agitation for autonomy was the expulsion of the secretary of Mmahu Town Union (MTU) by the late leader of Egbema kingdom, from negotiations between Egbema people and SPDC regarding the provision of basic life amenities and infrastructure. During one of its general meetings between August and December 1986, MTU decided to strengthen its quest for autonomy from Egbema kingdom by holding an annual event called Mmahu Independence Day. This event will be held on the thirty-first of December each year.

making. The LGAs are hardly responsive to the people. They are "distant and bureaucratic rather than local and responsive for the majority of Nigerians" (Honey & Okafor, 1998, p. 3).

<sup>&</sup>lt;sup>16</sup> Town unions are local level organizations which reach beyond the extended family or kinship group while keeping a focus that is considerably narrower than that of an ethnic or pan-ethnic organization. Pan-ethnic organizations in contrast to kinship group organizations often have a federal character (Harneit-Sievers, 2006, p. 151).

Membership to the town unions in Egbema is open only to people of Egbema extraction. One can be counted as being of Egbema extraction either by birth or by naturalization<sup>17</sup>. In the case of Mmahu, as in any other Igbo town union, any adult<sup>18</sup> born or naturalized into the community can be a member of the town union. Such a person can become a member either by registering personally or through the age grade representative. Personal registration can be made with a fee of two hundred (200) naira (Less than US\$1.5). Nonetheless any adult of Mmahu extraction, whether formally registered or not can make contributions during the Town Union meetings. The meeting, according to the town union constitution should take place every other month. Contributions during such a meeting are welcome from any adult of Mmahu extraction.

The list of the achievements of town unions mostly revolves around development projects. A number of projects come under this category. These include provision of potable water, road, market stalls, and education facilities. Apart from these, some other interesting feats have been listed as achievements of the town union especially that of Mmahu. First, there is the prioritization of attaining autonomy from parent body as an achievement. Secondly, peace maintenance in the community has also been listed as an achievement.

The postcolonial emergence of the town union in Mmahu can mislead one into believing that the town unions were after all, very recent developments, thereby contradicting the claim that they were already in existence even before the formal British colonial times. But, it is important to avoid confusing the elitist version of the town unions that became prominent during the colonial and postcolonial era, with the traditional deliberative forum that has existed from time immemorial. The town unions, which attained legal status during the colonial and postcolonial times evolved at different times in different communities from indigenous institutional structures that have survived "the challenges of colonial and central government domination" (Honey & Okafor, 1998, p. 3). The town union that emerged in Mmahu during the 1980s, though somewhat late when compared to some older ones in many other Igbo communities, merely built on what was already there.

The emergent postcolonial organizations among the Igbo have retained the essential characteristics of the institutional structure that claims to represent and organize the rest of the community in social and political themes. Such institutions have maintained open and voluntary membership status while allowing the participation of all adult members of the community during deliberations (Harneit-Sievers, 2006, p. 151). What has changed significantly since the emergence of the postcolonial organizations is the mode of selection of leadership. Leadership of the Igbo town unions in the postcolonial times is no longer determined by age as was the case in the precolonial era. Leadership is determined mainly by academic and sometimes economic achievement. This development has not diminished the relevance of elders in the community. These have retained their relevance as far as customary issues are concerned, and are given pride of place when decisions concerning customary matters are being taken. Another change in the postcolonial institutions is the formation of branches outside the communities. Each Igbo town union has significance both at home and abroad. While each branch elects its own leadership, they always maintain connections and keep a common cause with the home unit. Besides, there is always a general overseer to whom the other branch leaders report.

In light of what was discussed above in regard to participation, the town union has the essential characteristics for the kind of participation that can guarantee sustainable development<sup>19</sup>. It is very difficult to understand why such a participatory institution has been denied due recognition and legitimacy at a time subsidiarity and local participation has been elevated to a central position in policy making. Even if the Nigerian state does not subscribe fully to the

<sup>&</sup>lt;sup>17</sup> The naturalizing process is something very peculiar to the entire Egbema people. The one who wishes to naturalize into the community has to offer a goat ("*Ewu oloru*" literally translated "goat of arrival") to the village to which he traced his origin. If the community accepts the goat, it does so as in accepting a welcome back home present from an alienated member. In other words, the meaning of naturalization is slightly different from what is commonly held across the world. In this case, it is considered as a return to the original home.

<sup>&</sup>lt;sup>18</sup> Traditionally, an adult is one who has been registered in an age grade and initiated into the *Okoroshi* cult. This makes adulthood a stage in life cycle that is not exclusively reckoned by number of days, weeks, months or years, but by some criteria that only the indigenous people can determine. It might make an interesting study to look into how someone is judged to be ripe for initiation into the *okoroshi* or what age precisely qualifies one to enrol into an age grade.

<sup>&</sup>lt;sup>19</sup> See page 6 above for details of the conditions for participation.

international demands of public policy making, the persistent problems in the Niger Delta should have prompted a search for a more participatory administrative framework for the oil economy, especially since the oil-bearing communities agitate for more participation. In what follows, a case will be made for how the town union can be incorporated into the administrative framework of the oil economy.

# Making a case for a Town Union/Oil Company institutional framework in the Delta

Having considered in detail the participatory shortcomings of the state/oil company administrative institutional framework of the oil industry, and having seen that there are possibilities of alternative framework offered by the local town union institutional structure, it is time to put forward a concrete model for such alternative framework. The discussion above on the need to introduce a perspective that allows for a dialogical encounter between the external influence and the local situation, in which both parties can be distorted and disturbed, already indicates the direction of the participatory administrative model which the local town union and the investing oil company will represent. A radical shift from the standing framework to this proposed town union/company framework can go a long way in solving the problems of the Niger Delta

In some parts of the Niger Delta some oil companies have adopted a community relations strategy that contains some elements of the participatory framework proposed here. The corporate-community foundation strategy employed by Total Oil in response to the corporate social responsibility (CSR) demands of the Eastern Obolo community in the east of Niger Delta entails sharing decision-making with local communities, assisted by a non-governmental organization (NGO) (Idemudia, 2009a). This model is an improvement of another corporate-community involvement model adopted by some other oil companies elsewhere in the Niger Delta. In what is termed in-house corporate-community investment, decision making rests squarely on the oil company. Nonetheless, while the corporate-community foundation model is commendable for corporate social responsibility, which merely requires a more direct involvement of the oil companies in community development, it does not suffice for an adequate administrative framework for oil exploration, production, and distribution.

Elsewhere across the world, especially in Canada and Australia, contractual agreements between mining corporations and indigenous or aboriginal communities have redefined resource administrative framework, and are fast growing in popularity. These contractual agreements are binding contracts, which grant the aboriginal communities access to incomes in the form of resource rents and royalties, thereby offering them the opportunity to share in the economic benefits generated from resource extraction (Canel, Idemudia, & North, 2010, p. 13; O'Faircheallaigh, 2010, p. 70). Drawing from a number of confidential contract agreements between the Aboriginals in Canada and Australia over the period between 2001 and 2008, O'Faircheallaigh shows that such contracts can enhance community development. He however, observes that certain strategies need to be taken if the contractual agreements must wriggle out of some of the consequences associated with agreement making. He lists some of the aspects of contract agreements that need to be considered to include confidentiality, aboriginal support for projects, and access to judicial and regulatory systems.

The proposed town union/oil company-investor administrative institutional framework is a kind of combination of the corporate-community foundation and the Aboriginal-corporate contractual agreement, and more. The framework will incorporate that part of the contractual agreement that offers local communities a direct access to resource rents and royalties, while at the same time incorporating the full participation of the communities in the decision of matters relating to the extraction, production, and distribution of resources offered by corporate-community foundation. The assisting role played by the NGOs in the corporate-community foundation will not be played by the NGO alone, but will include the state or regional representative, who will have just one vote. The state or regional government will then agree with the communities on the percentage of the revenue from oil that will be paid into the state coffers or impose negotiable tax on the communities.

The local communities will be fully aware of the responsibility involved in this type of resource administrative framework. Being aware that the profits and risks of enhancing their potential to meet their needs and aspirations by means of resource exploration and exploitation rests as much on their shoulders, as on those of the oil companies and the rest of the stakeholders, these communities will do well to insist on the harmonization of the exploitation of the environment, the direction of investments, technological advancement and institutional change. Barring a few shortcomings, which are not intractable, one could boldly submit that it will be possible to meet the needs of the present without jeopardizing the ability of the future generations to meet their own needs (World Commission on

Environment and Development, 1987) in the Niger Delta, by means of the town union/oil company-investor framework.

One of the shortcomings concerns the internal disputes over leadership that often incapacitates the town unions when they arise. This can be solved by some rotational measures in which leadership is rotated among the constituent villages making up the town. There is as well the long drawn and time consuming process of reaching final decisions which the participatory model that the town union represents is associated with. In a deliberative forum in which a wider consultation demands that every voice is respected, there is bound to be delays in reaching a consensus. Nonetheless, the cost of time and energy spent in long drawn process of decision making count for nothing when compared to the danger posed by environmental pollution and violence to this generation and the future ones.

## CONCLUSION

It has been demonstrated in this paper that despite the global emphasis on local participation, the oil bearing communities of the Niger Delta has hardly been included in the decision making process of the oil economy in the area. This becomes a bigger concern when there are local institutional structures that offer alternative to the present exclusionary oil administrative framework. The town unions with their offer of democratic efficiency only need to be recognized and legitimized duly to enhance sustainable development and make the economy more human. The involvement of the town unions will surely put paid to the incessant restiveness and environmental pollution in the Delta.

A town union/oil company-investor framework in which the state will not only participate in the contract agreement but also share in the revenue distribution has been put forward as the alternative administrative framework for the oil economy in the Delta. One cannot afford to propose this model without trepidation, considering especially that the Nigerian state has not succeeded in diversifying its economy, which is strongly built around the oil resources from the Delta. As long as oil remains the mainstay of Nigerian economy, it will require a strong force, perhaps some external force, to commandeer the Nigeria state into adopting the proposed alternative. One is tempted to join forces with those who have suggested that the former colonial powers, which contributed to the framework that gave rise to some of the intractable problems in the Delta, has to be redeployed once more, to assist in resolving the situation (Umejesi, 2012)<sup>20</sup>.

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<sup>&</sup>lt;sup>20</sup> Umejesi identifies the economically motivated creation of nation states from former independent and sovereign communities without respecting the geo-ethnic understandings of these groups, as one of the root causes of the problem in the Niger Delta. He believes that Britain and indeed former colonial powers must go beyond mere rhetoric of financial reparation and engage with the agitation for restructuring the nation states in ways that acknowledge pre-colonial identities and rights (Umejesi, 2012).

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#### ABOUT THE AUTHORS

**Stanislaus Nwaigwe** is a doctoral student of the Institute for Anthropological Research in Africa (IARA), Katholieke Universiteit Leuven. His research in the field of economic anthropology is supervised by Professor Mark Breusers and prioritizes the search for alternative economy with specific focus on those marginal communities of the Niger Delta of Nigeria, where there is a significant presence of multinational corporations.

Prof. **Mark Breusers** is a senior academic staff member of the Institute for Anthropological Research in Africa and a lecturer at the Faculty of Social Sciences of the Katholieke Universiteit Leuven. He has published extensively both in English, Dutch, and French on different subjects especially on economic anthropological issues emerging from Burkina Faso and Ethiopia.