Oil and Gas and Conflict

Development Challenges and Policy Approaches

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The **Foundation for Environmental Security and Sustainability (FESS)** is a public policy foundation established to advance knowledge and provide practical solutions for key environmental security concerns around the world. FESS combines empirical analysis with in-country research to construct policy-relevant analyses and recommendations to address environmental conditions that pose risks to national, regional, and global security and stability.

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I. Correlates of Conflict

Oil and gas are essential, high-value commodities for both industrialized and developing countries. While discussions about oil dependence often focus on the use of gasoline in private vehicles or oil for home heating, oil is equally critical for a plethora of industrial processes and products, including the operation of machine technology; electricity generation; and the manufacture of synthetic fibers, fertilizers, pesticides, medicines, plastics, solvents, and dyes. Similarly, gas plays a fundamental role in economic growth and development, with an even greater contribution to the generation of electricity than oil, an increasing role in clean fuel production, and an important function as the traditional source of energy for such sectors as pulp and paper, metals, chemicals, oil refining, glass, plastics, and food production.

Because of the diverse uses of oil and gas and their direct links to economic and social well-being, the demand for these commodities continues to grow as incomes rise and populations expand in most developing countries. Prices for these already valuable commodities have risen markedly in recent years and are not expected to fall in the near term. Control over oil and gas resources is a source of enrichment and a potential driver of development.

However, these same characteristics of high utility and high value often make oil and gas drivers of conflict as well. From Nigeria to Bolivia to Indonesia, contention over the control of these resources and the revenues they produce has led to conflicts of varying intensities in a variety of forms. Since the majority of these conflicts are related to oil, this will be the principal focus of this toolkit.

An abundance of oil and gas resources invariably raises the hopes and expectations of governments, citizens, local communities, and the petroleum companies that provide the essential services of exploration, extraction, and distribution. Governments hope for large and consistent revenues, citizens expect that their standards of living will be raised, local communities hope to see a quick to poverty, and multinational companies expect high returns on the large-scale investments they are obliged to make. Other actors—rebels, insurgents, secessionists—sometimes see the possibility of using the illicit control of petroleum resources and revenues to advance their own particular causes. Often, the high hopes and expectations of these various groups are tangled in problems of weak governance, social tensions, and corruption that further sow the seeds of conflict.

In this context, certain types of conflict over oil and gas resources are frequently and readily observable, especially in fragile states. Corrupt elites may use government power to seize resource revenues for their benefit and to support political allies. Citizens who see national patrimony usurped for personal enrichment may be frustrated and turn to protest. Local communities in the immediate area of oil extraction are especially likely to mobilize if the profits produced on their lands lead to no gains in their living conditions and the extractive operations taking place result in environmental damage that threatens their health and traditional livelihoods. Multinational companies whose concessions are granted by corrupt governments and who operate in politically unstable regions may seek security for their operations by engaging local military or militia, leading to human rights abuses. Rebels and insurgents may use violence to gain control over oil resources and revenues, or they may sabotage oil and gas pipelines to deny these same assets to the government they are seeking to overthrow.

In the 1960s, the conventional wisdom was that effective exploitation of natural resources such as oil and gas in developing countries could serve as a key driver for promoting economic growth and political stability. Forty years later, however, despite intensive efforts to extract and process natural resources, the majority of resource-rich countries remain underdeveloped and politically unstable.

A variety of facts, figures, and correlations document the troubled relationship between oil production and economic and political performance. In countries as distant and dissimilar as Venezuela and Nigeria, massive oil revenues have failed to overcome high rates of poverty and are linked to corruption and political strife. Of the 34 underdeveloped countries currently producing significant quantities of oil and gas a full two-thirds are non-democratic (Birdsall and Subramanian 2004). Indeed, a major study using time-series, cross-national data from 113 states between 1971 and 1997 found the hypothesis that "oil impedes democracy" to be valid and statistically robust (Ross 2001). Moreover, according to Transparency International's "Corruption Perception Index" for 2004, out of 146 ranked countries, nine of the 20 most corrupt countries are oil-producing states.

Obviously, there is nothing inherent in oil and gas *as natural resources* that serves to explain their apparent linkages with poverty, instability, and conflict. However, in combination with the pre-existing economic weaknesses, social tensions, and political and institutional inadequacies so common to developing countries, some of the *characteristics of oil and gas production* do have potentially destabilizing effects.

Most significantly, the oil and gas sector is highly concentrated, capital intensive, and requires sophisticated inputs of infrastructure. Unlike other resources linked to conflict—such as timber or alluvial diamonds—oil and gas resources are "point resources," fixed in location and generally requiring considerable technology to access, control, and transport (Le Billon 1999). Who can muster these resources? Typically, only multinational oil companies and host governments (often with the help of international lending agencies) can put together the necessary package of financial resources, technology, and legal and contractual requirements for oil exploration, production, and distribution. Unless mediated by robust democratic institutions and transparent financial practices, the circuits of power and profit from oil production tend to be very narrow and easily subject to abuse.

Governments with access to large oil revenues that are disproportionate to other sources of revenue tend to rely heavily on their resource-generated wealth and neglect to enforce taxation regimes, effectively eroding the fiscal link between the government and its populace. Since a central government reliant on extractive industry assets is less dependent on tax revenues from its citizens, it often demonstrates little initiative in providing social services (Pendleton 2004). In oil-based economies other productive sectors, such as agriculture, manufacturing, non-oil exports, and small to medium-size enterprises are often overlooked as important components of a diversified and sustainable economy. In countries where political legitimacy is lacking, the central government may seek to maintain control over oil- and gas-generated wealth through corruption, abuses by military or police forces, or even through direct financing of conflict with political challengers.

With huge revenue flows and little or no public scrutiny, the incentives for those in power are to reward themselves, their associates, and political allies, while multinational companies with close relationships with undemocratic host governments may wittingly or unwittingly find themselves complicit in corrupt practices. In these situations, political power is centralized and financial information is closely guarded, not only from citizens, but even from key policymaking units of government itself (Karl 1997). Tension are created when communities are inadequately consulted about oil and gas extraction projects and perceive other regions or social groups to be reaping disproportionate gains from oil and gas revenues. In the context of such frustrated hopes, "relative deprivation," and real or perceived injustice, the seeds of conflict are sown.

These problematic characteristics of the oil and gas sector frame the contemporary debate on oil and gas and conflict. By generating tens of billions of dollars in actual and potential revenues, the oil and gas industry directly affects the global economy, the national security of numerous states, and the hopes for sustainable growth in many developing countries. With global demand on the rise and petroleum exploration and extraction efforts intensifying and expanding throughout Africa, Latin America, and Asia, reducing conflict linked to the oil and gas sector has become an urgent priority for the international community.

II. Key Issues

The burgeoning policy debate over the influence of oil and gas on conflict explores the relationships among a number of variables, including economic growth, security and stability, social justice, transparency, governance, ethnic tensions, community participation, and the rule of law. While the exact circumstances in countries that have experienced oil- and gas-related conflict are always distinctive (as demonstrated, for example, by the varying cases of Sudan, Indonesia, and Colombia), several of the main aggravating conditions or mitigating factors underlying such conflicts can be identified and appear applicable in many instances. Outlined in this paper are five of the major conditions or trends. While these issues have significant nuances and play out differently in various settings, a clear understanding of their broad outlines can help policymakers and stakeholders with interests in oil-related conflicts gain a better appreciation of the challenges associated with such resource-related threats to stability and security.

The Abuse of Natural Resources: Lootability and Obstructability

To understand the ways in which natural resources might lead to or exacerbate conflict, one should consider the degree to which the given resources can be easily looted and transported ("lootability") and the degree to which access to these resources can be obstructed in order to prevent a government or political faction from benefiting financially from their presence ("obstructability"). A resource's "lootability" and "obstructability" are important keys to understanding not only why a conflict developed, but also to understanding how conflict is maintained (Ross 2003). For example, a "lootable" resource can be used by opposition groups to generate revenue and support their movements, while access to an "obstructable" resource can be denied to government forces, stifling their ability to raise revenues to counter opposition movements or limiting the government's ability to wage war.

Ross Matrix: Lootability and Obstructability of Natural Resources

	Lootable	**Unlootable**
Highly Obstructable	None	Onshore Oil and Gas Fields
Moderately Obstructable	Agriculture Products and Timber	Deep Shaft Minerals

Unobstructable	Coca, Drugs, and Alluvial Gems	Deep Shaft Gems and Off-Shore Oil and Gas Fields

Another set of issues surrounding lootability and obstructability concerns the use of security services to protect vulnerable resources. Security personnel may be hired by a host government or by corporations active in a region. However, despite their ostensible role as protectors of a resource, the presence of security forces may actually contribute to the risk of conflict. In some instances, the security forces themselves become involved in the looting of resources. In other cases, such forces may draw the ire of local residents who view them as unwelcome tools of the central government or the extractive corporations. If government security forces are directly involved in looting oil resources or are otherwise in conflict with local populations, the negative ramifications of their involvement can be far-reaching.

Oil Bunkering in Nigeria

The Nigerian constitution states that all minerals, oil, and gas belong to the federal government. Any extraction of these resources carried out independently of the government is illegal. However, in Nigeria oil has proved to be a resource that is susceptible to looters who tap oil pipelines and sell the oil they collect to refineries in Nigeria and neighboring countries in a process known as oil bunkering. This is a highly organized operation in Nigeria's Delta State and, although figures vary, by some estimates the sale of bunkered oil accounts for 10 percent of Nigeria's daily production. Since the capital costs for the groups engaged in oil bunkering are very low (all oil infrastructure is installed by the Nigerian government and multinational oil companies), the profits are very high; estimated to be roughly $2 million to $3 million per day.

While the lucrative nature of oil bunkering in Nigeria has not given rise by itself to secessionist movements, it has led to a good deal of conflict. In Delta State, conflicts between the oil bunkering cartels and the central government have been frequent and brutal. To further complicate matters, it is believed that local police and military personnel are themselves often a part of the illicit activities—either by participating directly or by accepting bribes to look the other way.

In November 2001, the Nigerian government, under President Olusegun Obasanjo, set up a Special Security Committee on Oil Producing Areas to address Nigeria's many conflict-related problems due to oil extraction. Oil bunkering is not the only oil-related concern for stability and prosperity in Nigeria. Other significant problems have included alleged government corruption and the collusion of multinational oil companies; widespread poverty, particularly in Delta State; and environmental degradation caused by oil extraction processes in the Niger Delta. These problems, coupled with the violence and revenue loss due to oil bunkering, paint a stark picture not only for Nigeria, but also for other countries with similar vulnerabilities.

Sources: Human Rights Watch. 2003. "The Warri Crisis: Fueling Violence."
Energy Information Administration. 2003. "Nigeria Country Analysis Brief."

Dutch Disease and Over-Reliance

The term "resource curse" is widely used to refer to the fact that, while oil and gas reserves represent a potential financial windfall for developing countries, such assets frequently tend to create problems or exacerbate existing ones. If a country has poorly developed financial, judicial, and governance systems, oil- and gas-generated revenues regularly worsen problems such as corruption, lack of governmental accountability, and income disparities. It is not the resource itself that is the curse, but the persistent over-reliance upon it and the deleterious effects of that reliance on a developing country's political economy.

Almost as a rule, the market prices of primary commodities fluctuate greatly. Therefore, when an economy relies too heavily on a given natural resource, the economy is subject to booms and busts, and fluctuations in export earnings trigger exchange rate instability. The Netherlands experienced this type of economic instability in the 1960s, in the wake of massive revenues realized as a result of North Sea oil; thus giving this phenomenon the name "Dutch Disease." Exchange rate instability also has a negative effect on trade and foreign investment. Moreover, the inflow of foreign capital during oil booms has inflationary effects on domestic goods (Gylfason 2001).

In today's highly integrated global market, the ability of oil-producing countries to unilaterally lower or raise commodity prices is limited. Factors such as global demand, refining capacity, technological innovation, and political events drive oil price fluctuations. Historically, oil prices have been highly volatile, and price-taking by both importers and exporters of oil subjects developing economies to periods of uncertainty and complicates economic policymaking. Stabilization or "rainy day" funds have been created in some countries to help even out cycles of fiscal surges and debt, but the political dynamics of poor countries often create strong pressures to use all available revenues rather than to invest them for the future.

In many instances, the potential for high revenue earnings from oil and gas extraction and production are in and of themselves a disincentive to invest in the other areas of a country's economy. Instead of investing in the kinds of manufacturing and service exports that might be good for stable and sustainable long-term growth, developing countries tend increasingly to bias their exports in favor of oil and gas, further exposing themselves to the exigencies and pitfalls of Dutch Disease economics. The volatility produced by the domestic institutional weaknesses and external market instability associated with the resource curse and Dutch Disease can increase the likelihood of social tensions and contribute to the potential for conflict.

The Dutch Disease in Gabon

The development experience of Gabon is considered a classic example of Dutch Disease. Although Gabon is the fourth-largest petroleum producer in Sub-Saharan Africa and enjoys a per capita income much higher than the regional average, widespread poverty has not been reduced since President Omar Bongo took office in 1967. Despite its oil-derived wealth, the income disparities within the country remain considerable, with over half of the population living below the poverty line. Approximately five percent of the population receives over 90 percent of the income. In the country's largest city, Libreville, roughly 80 percent of the population lives in poor neighborhoods with inadequate access to safe drinking water, poor sanitation, and a lack of health care facilities.

The country's heavy reliance on revenue generated from oil production is reflected in figures which show that, in 2001 oil accounted for 41 percent of GDP, 78 percent of export earnings, and 66 percent of fiscal revenues. Traditional sectors have stagnated, and large-scale urbanization has followed, leading to poor urban living conditions and high rates of unemployment.

With an economy driven by a sector that employs only several thousand people, unemployment has become a major concern. Estimates of unemployment are near 20 percent. The Gabonese government estimates that up to 80 percent of all persons employed in the country are unskilled. The government has tried to reduce fiscal spending, liberalize the economy, and encourage foreign direct investment. However, the steps it has taken have been assessed by the UN Economic Commission for Africa as being half-hearted or faulty. The government's investments in social and physical infrastructure were undertaken hastily and failed to reduce poverty. Yet, Gabon is a country that appears to have the potential to diversify its economy into sectors such as fishing, agriculture, forestry, mining, and industry. However, instead of encouraging economic diversification, the government has focused on increasing revenue generation through expanded oil exploration.

Sources: United Nations Economic Commission for Africa. 2003. *Economic Report on Africa: Accelerating the Pace of Development*. Addis Ababa: Economic Commission for Africa.
Energy Information Administration. 2003. "Gabon Country Analysis Brief."

Transparency and Corruption

In most developing countries, citizens find it difficult to obtain detailed information about the activities of their governments. While there are many factors contributing to resource-related conflict, the lack of transparency in government finances is among the most important contributing factors. Absent government transparency, corruption is able to flourish, and revenues from oil and gas extraction and production have been known seemingly to disappear. For example, in Angola over the last several years, 34 multinational oil companies have made payments to the government without disclosing the amount of the payments (Human Rights Watch 2004, Birdsall and Subramanian 2004). Confidentiality clauses remain prevalent in developing countries, and revenue streams are disclosed infrequently. The lack of public information concerning oil and gas proceeds combined with readily observable rich-poor divides in many petro-states increases the prospects for social and political conflict.

The potential for conflict is heightened when oil and gas resources are located in poor areas of a country and the revenues generated do not benefit the local community. Even where national oil funds have been created for the benefit of the populace, there may be a lack of transparency surrounding the allocation of these funds, as in Kazakhstan (Pendleton 2004). There are also instances in which revenues that have been earmarked for certain social projects have not been spent as intended, as is allegedly the case in Chad (Wax 2004). These examples point to the deep roots of corruption. While the creation of national oil funds can be an important step toward sustainable management of revenues, they, too, can suffer from some of the same problems of transparency that they are, at least in part, designed to redress. Nevertheless, policymakers and multinational organizations increasingly appear to appreciate the need for more comprehensive measures to address transparency-related problems in order to ensure that conflict-reduction strategies are as effective as possible.

Transparency of the National Oil Fund in Kazakhstan

Kazakhstan boasts significant oil and gas reserves and is expected to become a major world player in the fossil fuel market in the coming years. In order to guard the country against future price fluctuations and ensure that oil-generated wealth reaches the people of Kazakhstan, the government of President Nursultan Nazarbayev oversees a National Oil Fund for oil- and gas-generated revenues. Currently, the Fund has approximately $5.3 billion, and it is projected to reach up to $100 billion by the year 2020. While some of the money has already been spent on social welfare initiatives, such as poverty reduction programs, there are questions regarding the lack of transparency surrounding the Fund.

While the government openly states the amount of money currently in the Fund, there is no real oversight mechanism to verify that the figures released correlate with the actual revenues generated by oil and gas extraction and production. Further complicating this problem is the fact that the government requires multinational oil corporations operating in Kazakhstan to sign strictly confidential Product Sharing Agreements. These Agreements stipulate that the corporations are not allowed to publicly disclose their financial transactions with the Kazakh government. The nature of these agreements has led external observers of the Fund to question its integrity. A series of high-profile bribery and corruption scandals have only served to further raise questions about the opaque nature of the Kazakh government's bookkeeping and have contributed to increased skepticism regarding the propriety of the government's oil dealings. However, in June 2005, President Nazarbayev publicly recognized "the development of transparency" as "a key element of a healthy and sustainable economy" and committed his government to the implementation of enhanced revenue transparency.

Source: Pendleton et al. 2004. "Fuelling Poverty—Oil, War, and Corruption." http://www.eitransparency.org/newsletter/eitinewsletterjuly05.pdf.

Corporate Responsibility

Many economists recommend privatizing national oil resources in order to increase efficiency, competitiveness, and openness. At the same time, private concessions and contracts increase the obligations of corporations to conduct their operations transparently and in a socially and environmentally responsible manner. Indeed, corporate conduct can play a major role in resource-related conflicts.

Today, it is axiomatic that corporations need to act in a socially responsible manner in order to avoid or minimize the likelihood of causing or contributing to conflict. However, in the context of illiberal states with diverse problems such as corruption; economic polarization; extra-legal or violent political contestation; and conflict linked to ethnic, religious, and racial divisions, the question of appropriate corporate conduct can be a thorny one. Moreover, about the issue of corporate responsibility enters into a controversial realm where the public consequences of private sector activities can be as much a matter of perception as reality.

Examples of hotly debated cases include the accusations made against Exxon Mobil in Aceh, Indonesia, where it was alleged that members of the Indonesian national military, who had been recruited by Exxon Mobil to provide security for gas extraction and liquification operations, had committed acts of torture, rape, and murder against the local population. In 1998, BP (formerly British Petroleum) was criticized for having agreed with the Colombian army to protect its installations in a guerrilla zone. BP's security arm, Defense Systems of Colombia (DSC) was known for its brutality and refused to co-operate when an inquiry was started.

Recognizing the difficult settings in which much oil and gas exploration and extraction takes place, several large oil and gas corporations have made public declarations obliging them to set a higher standard in the countries in which they work. For example, both ChevronTexaco and BP have publicized new programs for social responsibility, which have already led to a number of positive project initiatives in host countries. BP has invested in projects to fund health, nutrition, and community farming initiatives in Angola, while ExxonMobil has invested in health initiatives to provide treatment for malaria and other infectious diseases in the countries in which it operates (BP and ExxonMobil web sites). Nonetheless, the existence of these new policies has not stopped further allegations of corporate irresponsibility from coming forward. In 2003, a former Mobil executive was accused of accepting a $2 million kickback in Kazakhstan, and another businessman working with Mobil was indicted on charges of making $78 million in unlawful payments to Kazakh government officials (Pendleton 2004). These continuing claims point to the fact that the work of oil and gas corporations on policies for corporate responsibility is far from complete.

Corporate Responsibility – Royal Dutch/Shell Group in Nigeria

Accounting for over 40 percent of all production in Nigeria, Royal Dutch/Shell is the primary multinational oil corporation operating in the country. However, Shell's Nigerian legacy has been marred with serious allegations regarding pollution and human rights abuses.

Among the many allegations of pollution produced by Shell's Nigeria operations are complaints about the company's practice of flaring (burning) natural gas at its operations. According to some estimates, as much as 76 percent of all gas in Nigeria is flared (compared, for example, with 0.6 percent in the United States and 4.3 percent in the United Kingdom). The flare sites produce harmful pollutants, intense heat, thick plumes of black smoke, a foul smell detectable from a long distance, and contribute to acid rain.

Even more worrying are the many reported oil spills and pipeline leaks at Shell sites in the Niger Delta region. In recent years, according to some estimates, there were three major oil spills every month in the Delta. Many of the pipelines were reportedly old and subject to corrosion. In 1998, a pipeline exploded, killing over 700 people. Shell was accused of claiming that the spills were the result of sabotage, which, by Nigerian law, relieves a company of the obligation to clean up or compensate for the spills.

However, the most alarming of all claims lodged against the corporation were those linked to allegations of human rights abuses. The most famous example was the case of Ken Saro-Wiwa, a noted writer, environmental activist, and the leader of an Ogoni protest against the treatment of local people by Shell and the Nigerian government. After killings allegedly committed by followers of Mr. Saro-Wiwa, with which he appeared to have no connection, he and eight other Ogoni were executed in November of 1995 on charges of murder-incitement, spurred on—some said—at the urging of Shell itself. Other incidents included those of torture and violence suffered by activist communities in the Delta at the hands of Nigerian security forces, who, it was claimed,"mysteriously" appeared after communities had voiced legitimate claims to local Shell officials. In the context of the volatility of the Niger Delta and many other oil-producing regions, the case of Royal Dutch/Shell in Nigeria demonstrates the critical importance of both real and perceived responsible corporate conduct.

Sources: Henry Clark et a1. 1999. "Oil for Nothing – Multinational Corporations, Environmental Destruction, Death, and Impunity in the Niger Delta."
Canadian Organization for Human Rights and Democracy in Nigeria. 1996. "Oil, Shell, and Nigeria."

Free Prior Informed Consent and Best Practices

One valuable way to mitigate the potential contribution of oil and gas extraction to conflict is to institute clear codes of conduct and standards in relation to social and environmental outcomes. However, given the diverse nature of oil- and gas-producing nations and their political institutions, legal regimes, and level of economic development, the establishment of international standards has proven difficult. Notions of "free prior informed consent" and "best practice" have increasingly become part of the oil and gas industry lexicon, but defining these concepts is not always easy (Goodland 2003). One of the main problems with developing a globally agreed-upon set of standards is the simple fact that there are many different standards in circulation. These different sets of standards all have their own shortcomings, often including either insufficient scope or inadequate oversight.

The two main characteristics of the concept of "free prior informed consent" (FPIC) are that 1) the people affected by a given project must be fully informed about the scope of the project and all of its probable and possible impacts and 2) their consent in allowing the project to move forward must be given freely, without coercion or deception. However, it is worth noting that what may be understood as adequate disclosure varies—people who are already well-acquainted with oil extraction activities may have quite a different understanding of the likely outcomes than those who know little of such activities. As longtime World Bank official Robert Goodland has noted, "it is no good asking peoples' views on a gold mine if they don't know what a gold mine is." Goodland adds that, "meaningful consultation must be interpreted as the possibility of [affected parties] saying no" (Goodland 2003).

In terms of adopting international standards, there are also problems of applicability. There are numerous national standards, as well as international standards established by the World Bank, the World Conservation Union (IUCN), the International Association of Oil and Gas Producers (OGP), the International Organization for Standardization (ISO), and the European Union (EU). Additionally, some standards may remain relatively static, while others are periodically updated. Companies may claim that their standards comply with ISO, but this can be misleading. While ISO certification indicates that a corporation has a consistent environmental policy, it makes no representation regarding the standard of environmental performance or objectives set by a company (Quality Network 2004). For example, ISO's guidelines include Environmental Management Purposes (ISO 14000) and a company working in a country with very low standards for environmental management may find it comparatively easy to claim ISO 14000 compliance, although that may not meet more rigorous international standards of "best practice." Examples from the mining industry in Indonesia, Papua New Guinea, and the Philippines show that countries sometimes ease their environmental standards in order to allow a project to proceed. Yet, despite the difficulties of establishing standards, many companies and national governments accept the value of using the adoption of standards as a means to demonstrate their social and environmental credentials to their customers and constituents. Therefore, while ISO 14000 represents a good starting point, more exacting internationally recognized standards will likely be needed in order to ensure that social and environmental policies in oil and gas projects represent strong safeguards against the potential for project-related conflict.

Conflict-Sensitive Business Practice: Guidance for Extractive Industries

International Alert, a UK-based peace-building NGO, published a guide to conflict-sensitive business practice for companies in the extractive sector. The guide is directed toward companies that are concerned about improving their impact on host countries and is designed to help them think more creatively about understanding and minimizing conflict risk, and actively contributing to peace. The document provides information on understanding conflict risk through a series of practical documents, including:

- Introduction to conflict-sensitive business practice, including an overview of the regulatory environment for doing business in conflict-risk states;
- Screening Tool for early identification of conflict risk;
- Macro-level Conflict Risk and Impact Assessment Tool;
- Project-level Conflict Risk and Impact Assessment Tool; and
- Special guidance on key flashpoint issues where conflict could arise at any point during a company's operation.

The guidance is designed to follow a basic project cycle for companies engaged in mining, oil and gas, but can be picked up at any point in the cycle. It is also designed to complement current industry best practice in social performance, political risk analysis and environmental and social impact assessment (ESIA) standards, adding in a 'conflict lens.'

Source: International Alert. 2005. "Conflict-Sensitive Business Practice: Guidance for Extractive Industries." http://www.international-alert.org.

III. Lessons Learned

Policy-level initiatives are needed in developing countries dependent on extractive industries to address the potential causes of resource-related conflicts. One major study looking into the broader issues surrounding these concerns was the World Bank Group's report, "Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience" (Liebenthal et al. 2003). Although the World Bank found that most of its projects financing investment in extractive industries (oil, gas, and mining) were successful in terms of increased production, increased private investment, and improved productivity, there was not sufficient "attention to the developmental needs of the poorly performing resource-abundant countries," and the challenge remained to develop "strategies for transforming resource endowments into sustainable development." Put more directly, absent efforts to link the benefits of oil and gas extraction in positive ways with the well-known challenges facing developing countries—e.g., poverty, unemployment, environmental degradation, weak governance, and the protection of human rights—the oil and gas sector will continue to be associated with some of the underlying dynamics associated with conflict.

The sections below outline five of the primary natural resource management policy approaches either under consideration or being implemented by the international development community. Experience with these approaches suggests that these policies may offer good prospects for reducing the potential for certain types of conflict linked to the oil and gas industries.

Preventing the Abuse of Nature and Resources: Political Pressure and Activism

In developing countries ruled by illiberal regimes there are often limited means available to hold governments accountable for their actions. In many countries, civil society is weak and poorly organized. The relative lack of non-governmental organizations with the capacity to engage and influence policy decisions is a clear liability in seeking to ensure transparency in the use of natural resource-related revenues. However, this institutional gap also presents an opportunity for the future, especially in light of the continuing emergence of non-governmental organizations in the developing world. As an example, in Chad, NGOs were able to participate throughout the development of the petroleum revenue management plan for the Chad-Cameroon Pipeline Project, as well as during construction of the pipeline itself. Further, at the international level, the Publish What You Pay campaign helps citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries (Publish What You Pay website).

In other instances, governments themselves—or key officials within governments—may be willing to address important development problems but may lack the political base, financial wherewithal, or technical capacity to make the most of existing oil and gas reserves. This may relate to fundamental problems of governance (e.g., overly centralized decision-making or the treatment of ethnic minorities) that are not directly related to oil and gas issues, but do intersect with them in ways that are likely to play a role in oil- and gas-related conflict. Policies aimed at avoiding resource-related conflict need to encourage and/or assist governments in developing the institutional capacities that can overcome some of these imbalances.

The following lessons are prime considerations.

- Non-governmental organizations working on issues such as good governance, community participation, or the environment can play a key role in promoting transparency, environmental best practices, and socially responsible development. Timely support for fledgling host-country NGOs working in these issue-areas can help to promote dialogue in resource-abundant developing countries. To that end, USAID's community Action Investment Program (CAIP) creates and strengthens participatory mechanisms to alleviate sources of potential conflict, including issues such as the extension of gas pipelines, in select communities of the five Central Asian respublics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

- Problems associated with oil wealth that can lead to or exacerbate conflict need to be addressed by a wide array of social and civic groups. Assistance for local NGOs or other independent host-country groups should be combined with other initiatives from the international community that aim to encourage and facilitate an open dialogue at all levels of society. In partnership with Catholic Relief Services, the Centre for Social and Corporate Responsibility (CSCR), based in the Niger Delta, promotes good governance, human rights and environmental best practices while also building the capacity of communities in the Delta to engage in dialogue with international oil companies, the government and the international community.

- In many developing countries, environment and health ministries are understaffed and notably weak in relation to other elements of the state, such as finance and interior ministries. The strengthening of environment and health ministries, and related government agencies that advocate regulations to protect the public interest, can help to address citizen concerns about the impact of oil and gas extraction and therefore reduce prospects for conflict.

Political Pressure – The Harker Report

In 1998 and 1999, the Canadian oil company, Talisman Energy, faced accusations that its operations were fueling the civil war in Sudan. Talsiman did not speak out when civilians were forcibly removed from areas to be used for oil extraction, and it was alleged that Talisman's airstrip was being used to launch attacks against rebel forces.

Given this situation, the Canadian government dispatched a special assessment mission to investigate the relationship of oil, human rights abuses, and conflict in Sudan. The final report, entitled "Human Security in Sudan," was completed in January 2000 by an assessment team led by John Harker, former director of the Canadian Labour Congress. The report recognized that oil had become a key factor in the civil war and came to four major conclusions about the role of oil in the conflict:

1) Populations were displaced and disenfranchised as a result of oil development activities.

2) Fighting was intensified by attempts to gain control of additional territory to support or defend oil development.

3) Oil infrastructure (such as airstrips) was used by the government to launch attacks in southern Sudan.

4) Control over natural resources was a prime source of revenue enabling the government to continue armed conflict versus seeking a negotiated settlement.

In response to the report, the Canadian government sought to more "constructively engage" with the Government of Sudan and Talisman Energy. Although many activists and humanitarian aid organizations did not consider the follow-up actions of the Canadian government sufficient, the Harker Report brought further intense scrutiny of Talisman's operations by the public and Talisman shareholders. Talisman adopted a Code of Ethics and tried to defend its relationship with the Sudanese government in annual Corporate Social Responsibility Reports in 2000 and 2001. However, criticism continued unabated, the value of Talisman's shares declined, and Talisman sold off its operations in Sudan in October 2002. In combination with other efforts, the Harker Report successfully heightened awareness and opened channels for dialogue around the issue of oil and conflict in Sudan.

Sources: The Inter-Church Coalition on Africa website: http://www.web.net/~iccaf/humanrights/sudaninfo/harkersummary.htm; Human Rights Watch. 2003. *Sudan, Oil, and Human Rights*, Human Rights Watch, 2003. http://www.hrw.org/reports/2003/sudan1103/.

Reducing Reliance

The Dutch Disease and so-called resource curse reflect the limitations to date of utilizing natural resources as drivers for economic growth and political stability. While there is a need to reform government oversight of the oil and gas sector to make it more democratic, consensual, and accountable (Stiglitz 2004), there is also a need to develop programs aimed at reducing not only the economic exposure of resource-dependent countries to price shocks but also the overall dependence of such countries on natural resources.

The challenge is large, as economic diversification requires both significant political will and an integrated set of economic policies that are mutually reinforcing over time. Resource revenues must be redirected toward reinvestment in the local economy and the development of new sectors. There are a number of countries that can serve as examples for overcoming many of the obstacles associated with the resource curse, despite a large extractive sector, such as Australia, Botswana, Canada, Chile, Malaysia and Norway. Toward that end, there are a number of widely recognized lessons that countries should be encouraged to keep in mind in seeking to reduce their heavy economic reliance on oil and gas extraction and production (Elhirakia and Hamed 2002). These include:

- Maintenance of a stable macroeconomic environment by keeping inflation rates low and developing liberal financial, exchange rate, and trade policies.

- Government investment in physical infrastructure to help boost economic activity.

- Sustained investment in non-oil sectors to encourage development in areas such as manufacturing, construction, real estate, transportation, communications, information technology, and the creation of industrial zones.

- Initiatives to provide incentives for domestic investment and savings.

- Investment in human capital through policies to increase primary and secondary school enrollment rates.

Even given the requisite political consensus, many countries lack the institutional capacity and organization to implement effectively such wide-ranging measures. The World Bank, IMF, and other organizations have supported the development of "oil revenue funds," similar to the Alaska Permanent Fund in the United States. These types of funds are established using monies generated from the production or transportation of oil and gas. An agreed percentage of resource revenues can be deposited with an international financial institution in an off-shore sequestered account. The fund's monies can be administered by both host country officials and representatives of either the World Bank or IMF. Along with an agreed percentage of total revenue, monies within the fund can be divided according to the priorities established by the host country for various development and relief activities. Over time, such programs may provide some of the underpinnings to enable developing countries to make progress on the measures outlined above. Aid agencies and other organizations can assist actively in the development and implementation of revenue management schemes to help countries reduce their reliance on oil- and gas-generated revenue.

Ultimately, given the income potential of oil extraction and production and the domestic power relations linked to it, reducing a country's overall reliance is a difficult task. However, efforts to diversify economic activities, measures to limit exposure to external shocks, and reforms to advance new social investment policies and priorities are essential. Ultimately, the key to sustained growth—a fundamental ingredient in maintaining financial, social, and political stability—lies within the development of a truly diversified economy, cushioned to the greatest extent possible against the vagaries of international fuel prices.

Combating Dutch Disease in Oman

Under the leadership of His Majesty Sultan Qboos bin Said, the Sultanate of Oman has begun a series of initiatives to diversify its economy away from over-reliance on oil revenues. Known oil reserves are thought to provide only two more decades of economically viable extraction. The main avenues of diversification include the development of a strong information technology sector, the building of large industrial plants (e.g., chemical fertilizers), increasing the country's electricity export capacity, developing the country's tourism industry (bolstered by new laws allowing for foreign ownership in the country), the opening of new industrial ports, the creation of a lucrative niche market for Oman Air, the building of a massive aluminum smelter, and the privatization of industries from telecoms to fisheries. At the same time, the government is seeking to use the privatization of state-owned enterprises to encourage the inflow of foreign capital. With the number of joint ventures with foreign investors on the rise, Omanis can already claim a measure of success. Indeed, the contribution to GDP of non-oil sectors rose a full 5 percent from 2000 to 2002. The country's sixth five-year plan, from 2001-2005, has a goal of a 12 per cent annual growth in the non-oil sectors. The government still has a long way to go to meet its Vision 2020 goal of reducing the contribution of oil to the country's GDP from 41 percent to 9 percent. Nonetheless, the government's willingness to diversify and privatize has met with the strong approval of the international community and the local population.

Sources: http://biz.yahoo.com/ifc/om.html
http://www.omaninfo.com/cgi-bin/webnews/ShowArticle.asp?article_id=138984324
"Business 2004 Oman," a promotional supplement in the April 24, 2004
Economist International Monetary Fund. 1999. "Oman Beyond the Oil Horizon."
CIA World Factbook. 2004. Overview of Oman.

Transparency and Corruption

Revenues obtained from oil and gas extraction and production frequently lack transparency in the developing world, hindering development by facilitating corruption and undermining public confidence. As a result, the call for greater transparency has been gaining increasing support internationally. The British government announced the Extractive Industries Transparency Initiative (EITI) at the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg. The EITI is designed to "encourage governments, extractive companies, international agencies, and NGOs to work together to develop a framework to promote the transparency of payments in the extractive (oil, gas, and mining) industries" (DFID 2003). The Initiative is intended to foster the goal of "reduced risk of conflict and political instability through [a] more equitable distribution of resources, with better prospects for long-term investment and energy security" (DFID 2003).

The EITI is part of a much larger set of international initiatives and norms that have emerged in recent years to fight corruption and promote transparency in public financial management and accountability. In November 1997, the industrialized nations of the Organization for Economic Cooperation and Development (OECD) adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The OECD's Development Assistance Committee (DAC) has issued a series of guidelines for donor countries to promote best practices in providing assistance and conducting business with fragile states or in politically unstable regions. In 2003, the General Assembly of the United Nations adopted the United Nations Convention against Corruption, which commits countries to principles of transparency in public finances and services and requires them to establish criminal procedures to cover a wide range of acts of corruption. The Africa Action Plan issued at the June 2002 G-8 summit in Kananaskis, Canada contained provisions for supporting voluntary efforts of corporate social responsibility and better accountability and transparency in the import and export of Africa's natural resources from areas of conflict. This was broadened and strengthened by the Declaration on Fighting Corruption and Improving Transparency issued at the June 2003 G-8 summit in Evian, France, which resulted the following year in "transparency compacts" with a number of developing countries from around the world that "will pay particular attention to the transparency of revenue flows and payments" in countries rich in oil and gas resources.

If such transparency can be fostered, it will be possible to get a clearer accounting of the money changing hands in oil and gas deals and how the money is then distributed and used for (presumably) public purposes, notably including benefits to those communities where extractive activities are taking place. The ultimate objective of institutional disclosure and improving access to information is not merely to expose ongoing corruption, but to discourage the persistence of corrupt practices. The emphasis on transparency also has been championed by the NGO community through such campaigns as "Publish What You Pay," which encourages oil and gas corporations to make public the monies they have paid to host countries for oil deals (Publish What You Pay 2003).

Recently, multilateral financial institutions have also been active in regard to transparency issues. As a result of the World Bank "Extractive Industries Review," the World Bank has agreed to require disclosure of revenues and key contract terms for all oil, gas, or mining projects by 2006. In June 2005, the International Monetary Fund (IMF) published a "Guide on Resource Revenue Transparency," which defines transparency in relation to four categories: 1) clarity of roles and responsibilities; 2) public availability of information; 3) open budget preparation, execution, and reporting; and 4) assurances of integrity. These four categories are then elaborated in a list of 25 "Good Fiscal Transparency Practices for Resource Revenue Management" that are recommended for the use of resource-rich countries (IMF 2005).

Host governments are generally reluctant for corporations to reveal oil revenue payments. However, the efforts undertaken by the World Bank with the government in Chad and changes occurring within oil companies due to public scrutiny exemplify trends toward adoption of transparency measures within both governments and corporations. The institutionalization of these trends will require additional repeated actions to encourage the development and implementation of measures to promote transparency, while keeping in mind the following:

- The reluctance of host governments to be transparent in oil and gas dealings only further feeds suspicion about the questionable nature of these transactions.

- Increasing financial transparency within resource-wealthy governments and their partners in the extractive industries is critical to avoiding or mitigating conflict situations.

- Cooperative action should be encouraged among industry, governments, and non-governmental organizations to promote disclosure of monies passing both from the business and government sides of the extractive industry.

- Financial transparency can provide the basis for the formulation of policies supporting more efficient and socially beneficial uses of oil and gas revenues. It can also promote a stable and predictable business environment that attracts new foreign investment.

The Challenges of Implementing Transparency Initiatives: The Chad-Cameroon Pipeline

Concerned about problems of corruption, the consortium consisting of Exxon Mobil, Petronas, and Chevron (contributing 40 percent, 35 percent, and 25 percent, respectively, of the investment capital), working in conjunction with the Government of Chad and the World Bank, have entered into a Revenue Management Plan for the Chad-Cameroon oil pipeline project to ensure that oil-generated revenues benefit the Chadian people. The revenues are expected to be between $4 billion and $5 billion over the lifespan of the initiative.

According to the Revenue Management Plan, all oil revenues are to be deposited into an escrow account with Citibank in London. The subsequent distribution of the funds is monitored by a nine-person group called the Committee for Control and Supervision of Oil (Collège de Contrôle et de Surveillance des Revenues Pétroliers or CCSRP) composed by the following members:

- A judge from the Chadian Supreme Court
- A deputy of the Chadian Parliament
- The National Director of the Bank of the Central African States
- A senator
- A representative of local NGOs
- A representative of Chadian trade unions
- A representative of the Human Rights Community
- A religious representative
- Director of the Treasury

This group is overseeing all oil revenues and is responsible for allocating them according to the outline established by the Revenue Management Plan: roughly three-fourths of all funds are to be spent on public health, education, agriculture, and infrastructure improvements; 10 percent is to be invested for future generations; and the remainder is to go toward development programs in the oil-producing regions and to cover costs associated with the development of the oil.

In late 2005, however, the scheme showed signs of unraveling. Chad's government announced that it needed to change the terms of the allocation of oil revenues to allow for expenditures on "security," evidently referring to clashes with rebels on the border with Sudan. The World Bank balked at this change of plans and suspended its loans to Chad, triggering a block on further transfers of revenues from the Citibank account. Negotiations between the World Bank and the Chadian government followed. The Revenue Management Plan for the Chad-Cameroon pipeline has been considered a model of good practice, but its uncertain future demonstrates the difficulties of implementing transparency initiatives in fragile states.

Sources: Norland, Donald R. 2003. "Innovations of the Chad/Cameroon Pipeline Project: Thinking Outside the Box." *Mediterranean Quarterly*. 14 (Spring): 46-59.
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World Bank Group's on-line Project Database:
http://web.worldbank.org/external/projects/main?pagePK=104231&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P044305
Wax, Emily. 2004. *Washington Post*, "Oil Wealth Trickles Into Chad, But Little Trickles Down." March 13.
White, David. 2006. *Financial Times*, "The 'Resource Curse' Anew." January 23.

Corporate Responsibility

As a result of increasing scrutiny from international NGOs, host-country civil society organizations, media, and other stakeholders exerting public relations and financial pressure, multinational corporations involved in the extractive industries have moved to improve their record in corporate conduct by adopting a series of social and community development programs. Among other things, these programs consist of building schools, providing technical training, helping to upgrade (or create) local infrastructure, and providing local populations with health care facilities and medications.

In some cases, companies have joined forces with development agencies; for example, the public-private partnership between USAID and ChevronTexaco in Angola is designed to provide support and training to developing businesses (USAID 2002). Furthermore, partnerships between governments, NGOs, and business interests also have been forged in relation to extractive industries and human rights. For example, the governments of the United States, the United Kingdom, Norway, and the Netherlands have joined a group of human rights organizations and extractive companies in establishing the Voluntary Principles on Security and Human Rights. These principles address the considerations that companies should take into account in developing risk assessments, working with public security (military and police), and engaging private security providers to protect company property and personnel.

Frequently, illiberal host-country governments have a stake in maintaining existing relations of economic and political power, thereby reinforcing existing social tensions. If, for example, a government is exploiting ethnic tensions in order to serve its interests, corporate efforts to contribute to higher social and environmental standards will be made more difficult. Nonetheless, whenever possible, corporations should be encouraged to implement these standards and should be monitored for adherence to them over time. Principle considerations include the following:

- Despite the fact that relations between large extractive corporations and local populations within host countries have often historically been marked by conflict and mutual distrust, there is no reason that these relationships need necessarily be adversarial in nature.

- Corporations can enhance their corporate image and exert a positive influence on government behavior by linking their operations to core social and environmental standards.

- While corporations may strive to meet higher standards, their actual implementation is most likely when the host-country government is also committed to those standards.

- Not only do programs for corporate social responsibility address the concerns raised by outside groups, but the improved local social conditions that these programs foster can also provide improved working environments for business, as local people begin to see the corporation's presence as something beneficial to the community.

Challenges of Corporate Responsibility at the Level of Local Communities

Elf Petroleum Nigeria Limited (EPNL) has oil production facilities in the Niger Delta in Nigeria. Its efforts at corporate responsibility have proved more difficult than anticipated.

EPNL has found its good intentions and the resources allocated to community issues are not producing “the positive relationship with local stakeholders or license to operate the company had hoped for.” EPNL sees the communities as disorganized and fragmented into a proliferation of group interests, and it is concerned that communities choose representatives who are driven by personal interests rather than by community interests. EPNL also has felt that communities were “unable to deliver on commitments” and were too “focused on the short-term.” EPNL also sensed that it was being used as a “proxy-target to obtain benefits in the absence of Government.”

Due to the absence of government services in oil-producing communities, ENPL felt obliged to provide water, roads, electricity, and other services. The company believed that the efforts did not always yield appreciation from the communities served. The Sustainable Development (SD) projects implemented by the company also included infrastructure, schools, scholarships, and micro-credit programs. EPNL agrees that it should focus more on “institution building or business development,” but feels that it lacks the appropriate influence.

Communities responded by saying that, “EPNL gives us these useless projects that fall out of the sky and we never asked for,” indicating a mismatch between EPNL’s attempts and the expectations of the community. Moreover, there is a perceived lack of transparency regarding the manner in which the SD division implements its projects. For example, the contracting department is not involved in the planning, supervision, standard setting, and monitoring processes. Without oversight, the lack of transparency about these processes leads to concerns within the organization and from communities about unethical practices and the substandard quality of work.

There also have been differences at times between local EPNL staff and higher levels of the company. For instance, several EPNL staff questioned the commitment of the company to SD. As underlined in a report by the Collaborative Development for Action, the EPNL staff wanted to see more commitment from senior management for “doing the right thing” as opposed to “making operations work.” One staffer said, “I am getting paid for solving a problem and for finding solutions; if that can be done through a negotiated settlement, even if this is against the company policy, I will be congratulated.”

It was also noted that there was no single department that was accountable for community relations. Both the Community Affairs Department as well as the Operations Department had responsibilities. Day-to-day interaction with communities was carried on by Operations Community Relation Officers (CROs). However, CROs felt marginalized within the company, because of their limited budgets and their lack of “commitment power”—often they felt their recommendations were overruled by their superiors without sufficient explanation of the basis of the decisions.

Source: Collaborative for Development Action. 2004. *Elf Petroleum Nigeria Limited*. See http://www.cdainc.com/cep/publications/reports/Visit14TotalNigeria.pdf.

Free Prior Informed Consent and Best Practices

To reduce the likelihood of conflict arising from oil and gas projects, it is important for extractive industries to follow a well-established, comprehensive, and internationally recognized set of standards for environmental and social management that promote "best practices" within the industry (Goodland 2003). Ideally, as one component, these standards should encourage companies to seek the free prior informed consent of the affected communities in the areas in which they work.

The several sets of standards currently being applied globally suffer from a lack of harmonization and from the fact that their coverage varies greatly. The FPIC principle itself is viewed—and even termed—differently by various international organizations and groups. The principle of community "consent" is advocated by nearly all NGOs working in the areas of human rights, indigenous people, and the environment, as well as by UN agencies and even some countries. However, the terminology of "consent" has been replaced by free prior informed "consultation" by some leading multilateral bodies, notably including the World Bank. Many in the extractive industries are more comfortable with this formulation as they fear that a strict interpretation of "consent" may effectively grant individuals or small groups veto power over projects that in fact have widespread community approval. Critics, however, see "consultation" as too ambiguous to be effective and easily subject to manipulation. In either case, FPIC underscores the need to identify common principles that allow local communities and affected groups to make informed decisions about the use of their natural resources.

There are a number of ways in which the oil and gas industry, host-country governments, and NGOs can work together in order to establish a thorough and widely accepted set of industry standards. For example, certain groups, such as the International Association of Oil and Gas Producers (OGP) and the American Petroleum Institute (API), have sought to establish environmental management standards within the industry for (Wawryk 2003).

To be most effective, these policies should be developed, codified, and adopted by as wide a range of international stakeholders as possible. Performance indicators need further development to facilitate benchmarking of progress. Existing programs, such as that of the OGP, should be broadened to include a growing number of stakeholders. As countries and companies become aware of the need to demonstrate their commitment to social and environmental standards, it may be increasingly possible for multilateral institutions, national governmental aid agencies, and UN agencies to encourage stakeholders to commit themselves to these standards. Regardless of the precise form the agreements might take, there are general procedures and systems that appear to be important components of any comprehensive, best practice environmental management program (Wawryk 2003). These include:

- Free Prior Informed Consent/Consultation: By fully educating affected stakeholders as to the probable and possible outcomes of a project and allowing them to freely give (or not give) their agreement for the project to move forward, many possible misunderstandings and confrontations between the company and stakeholders can be avoided.

- Environmental and Social Impact Assessments: These assessments seek to determine in advance what the likely outcomes of any oil and gas extraction activities would be within the affected area.

- Environmental Management Systems: An EMS enables corporation managers to detect any environmental violations.
- Environmental Monitoring and Auditing: Auditing involves continual verification that management systems, operational activities, and machinery are meeting the standards of the company's EMS.

- Environmental and Social Reporting: This type of reporting discloses information regarding the company's environmental and social activities. As public interest in oil and gas companies' activities continues to grow, environmental and social reporting can be a powerful tool for ensuring compliance with "best practice" standards.

Best Practices in the Oil and Gas Industry:
The International Petroleum Industry Environmental Conservation Association

The International Petroleum Industry Environmental Conservation Association (IPIECA) is a voluntary non-profit organization made up of petroleum companies and associations that seeks to "promote good practices and industry consensus" in the oil and gas industry. IPIECA publishes a guide for managers of existing oil and gas operations or new projects on conducting social impact assessments (SIAs), and it provides a model that underlines the importance of stakeholder engagement. It recognizes that engaging stakeholders prior to conducting an SIA allows them to provide essential input in "project design, planning and implementation." In addition, IPIECA has formed two new working groups, the Social Responsibility Working Group and the Health Working Group, to address issues of increasing importance in oil and gas industry operations.

In May 2004, IPIECA released a status report it commissioned on "Human Rights Policy Implementation in the Oil and Gas Sector." The report's main aim was to "assist IPIECA member companies that are deliberating on how best to grapple with human rights issues and translate policy into practice." While companies view human rights as primarily the responsibility of governments and not within their field of expertise, they are increasingly working with NGOs to protect human rights. IPIECA perceives human rights as an important issue that should be addressed collectively and individually by association members. Elements of best practices identified in the IPIECA-sponsored report include:

- Consultations with NGOs or academic institutions knowledgeable about HR issues
- Leadership that provides buy-in from top-level management (CEO, Board)
- Assessing HR issues as part of pre-investment to create pre-emptive programs
- Creation of management guides to promote the corporate HR approach among personnel
- Staff training about the meaning and application of the corporate HR approach
- Systems to communicate information about HR and other community issues
- Oversight of the company's supply chain HR practices
- Revenue transparency

Sources: International Petroleum Industry Environmental Conservation Association. 2004.
http://www.ipieca.org/downloads/social/HRStatusReport.doc
http://www.ipieca.org/downloads/WEC_Paper.pdf
http://www.ipieca.org/social_responsibility/social_news.html#HRSR
http://www.ipieca.org/downloads/siaf/HRimplementation_final.pdf

In Table 1, the origins, problems, actors, and recent status of oil and gas conflicts in 19 countries are roughly schematized. In the right-hand column, some of the policy approaches discussed above are identified as possible options. In nearly all instances, some combination of measures is required.

Table 1
Oil and Gas Conflicts: Latent, Emerging, Ongoing, and Post-Conflict

Country	Origin/ Manifestation of Conflict	Problems	Actors	Violence/Result	Status	Policy Mechanism
Angola	State corruption	Control of revenue, human rights abuses	IMF, World Bank, government	Civil War/ End to violent conflict	Post conflict/ ongoing transparency problems	PPA/T
Azerbaijan, Georgia, Turkey	State corruption	Oil pipeline and environmental damage	World Bank, governments	None to date	Latent	PPA/T/BP
Bolivia	Elite capture, indigenous mobilization	Natural gas pipeline and repatriation of revenue	Indigenous groups, government	Overthrow of national government	Emerging	PPA/CR
Chad-Cameroon	Elite capture, corruption	Oil pipeline and potential environmental damage and control of revenue	World Bank, governments, and local villagers	Potential motivation for sabotage and kidnapping similar to Nigeria model	Emerging	PPA/RR//T/ BP
Colombia	Rebel movement (FARC)	Cano Limon pipeline	U.S., Colombian Oil Company, government, and FARC	Sabotage and wider expansion of conflict and actors	Ongoing	PPA/CR
Congo - Brazzaville	State Corruption	Control of revenue, human rights abuses	IMF, World Bank, government	Civil war, allegations of oil company exploitation and involvement	Post conflict/ ongoing corruption	PPA/T
Ecuador	Elite capture, indigenous mobilization	Environmental damage from pipeline	Villagers and oil companies	Sabotage and threatened violence	Emerging	PPA/T/CR
Equatorial Guinea	State corruption, elite capture	Oil revenue capture by elites	Host country government	None to date	Latent	PPA/RR/T
Indonesia	State corruption, secessionist movements, rioting	Human rights abuses	Indigenous groups; oil companies	Civil lawsuits filed in U.S. courts	Latent	PPA/T/CR
Iraq	Insurgency	Retaliation for U.S. intervention, sabotage of nascent Iraqi government	Insurgents foreign fighters, U.S. military	Sabotage	Emerging	PPA/T
Myanmar	State corruption	Human rights abuses by government and oil companies	Burmese government, oil companies	Sabotage, lawsuits filed in US courts	Emerging	PPA/T/CR
Nigeria	Corruption, secessionist movements, rioting	Oil revenue repatriation, pipeline looting , lack of local revenue sharing	Shell, BP, other oil companies, government, villagers, oil companies	Kidnapping of oil workers and forced takeover of oil platforms, local sabotage to capture resource for use	Ongoing	PPA/T/CR/ BP
Peru	Elite capture, indigenous mobilization	Natural gas pipeline	Indigenous groups, government, World Bank	Kidnapping of oil workers and pipeline sabotage	Emerging	PPA/CR
São Tome and Principe	State corruption, élite capture, coup d'état	New oil discoveries	Host country government, oil companies	None to date	Latent	RR/T
Sudan	Secessionist movement	Oil revenue capture and control	SPLA; government and oil companies	Prolonged civil war	Post conflict	T/CR
Yemen	Rioting	Environmental damage from pipeline	Villagers, oil companies	Sabotage	Emerging	PPA

Policy Approaches: Political Pressure/Activism (PPA); Reducing Reliance (RR); Transparency (T); Corporate Responsibility (CR); and Best Practice (BP).

IV. Conclusion

The relationship between extractive industries and conflict in developing countries is receiving increasing attention as the result of the convergence of a number of trends in the international system. First, the rising global demand for fossil fuels, which is likely to accelerate as developing economies like China and India continue to grow, has raised concerns about secure access to oil, especially in areas of the developing world outside of the Middle East. Second, the spread of international norms associated with democratic practices and good governance, as well as the strengthening of civil societies in developing countries, has brought increased scrutiny of the conduct of host governments and multinational corporations alike. Third, threats posed by mobile nonstate actors involved in crime and terrorism have given new urgency to policy discussions linking the problem of weak or fragile states to U.S. national security (Commission on Weak States and U.S. National Security 2004, USAID 2005).

Each of these three trends is likely to continue for the foreseeable future, giving further impetus to the search for policy options to break the links between oil and gas and conflict. As this paper has shown, the problems of conflict in resource-abundant developing countries are serious, complex, and unlikely to be solved by any single policy measure, but they are not insuperable. Indeed, a wide variety of possible policy options exist, and they may be usefully promoted or implemented by a diverse group of actors, including international financial institutions, foreign governments, NGOs, development aid agencies, international business associations, multinational corporations, and national governments. To the greatest extent possible, these groups should act in concert, each coordinating with and encouraging the efforts of counterparts in both the public and private sectors.

Many of the main elements of the necessary policy reforms are clear: enhanced transparency; greater civil society participation; strengthened systems of governance; improved arrangements for international monitoring and oversight; and higher levels of efficiency and equity in translating large national revenues into improvements for the common welfare of citizens. The program options that follow lay out a diverse set of actions that can make advances in each of these areas.

V. Program Options

Political Pressure and Activism

In Chad, NGOs participated throughout the development of the petroleum revenue management plan for the **Chad-Cameroon Pipeline Project**, as well as during construction of the pipeline itself. NGO pressure led the World Bank to condition financial support for the project, with the plan and negotiation process helping to build additional layers of oversight into the pipeline's construction, including the creation of the International Advisory Group and the External Compliance Monitoring Group. Chad's 2004 budget was the first to incorporate oil revenue proceeds, whose planned use is monitored by the Chadian Oil Revenue Oversight Committee.
(http://www.bicusa.org/bicusa/issues/chadcameroon_oil_pipeline_project/index.php)
(http://www.worldbank.org/afr/ccproj/project/pro_monitor.htm#ecmg)
(www.gic-iag.org/)

The **International Monetary Fund** exerted its pressure and influence on the Republic of Congo-Brazzaville to "urge the authorities to take decisive steps in improving transparency and accountability in the oil sector." The IMF had found significant unexplained discrepancies in oil revenues over the period 1999-2001. However, an IMF staff-monitored program in 2003 and 2004 made significant progress on transparency issues and, in combination with government commitments, restored the Fund's confidence. New funds were disbursed subsequently by the IMF and African Development Bank, and as a result of the progress Paris Club members canceled US$ 1.6 billion in debt owed by Congo-Brazzaville.
(http://www.imf.org/external/country/cog/index.htm)

Through its Extractive Industries in Africa Initiative the Policy and Strategic Issues Division of **Catholic Relief Services** works to ensure that natural resource exploitation fosters poverty reduction and development, while safeguarding human rights and the environment. One of its local partners is the **Centre for Social and Corporate Responsibility (CSCR)**, based in the Niger Delta in Port Harcourt, Nigeria, which seeks to alleviate the problems of the Delta's communities through the promotion of good governance, human rights and environmental best practices. CSCR also builds communities' capacity to express their needs to the international oil companies, the government, and the international community.
(http://www.crs.org)

Amnesty International (AI) has published a leaflet, "Human Rights Are Everybody's Business," that illustrates the importance of human rights awareness in business. Although AI does not have a strict, written code of conduct and does not presently provide any training in human rights to companies, it does work with business groups at the country level in order to encourage dialogue on major human rights concerns relevant to business interests.
(http://web.amnesty.org/library/index/engPOL340082002?open&of=eng-398)

Oil production in Sao Tome and Principe is set to provide the government with unprecedented financial resources when it begins in 2007. **International Alert** has been working directly in STP since September 2004, with the aim of strengthening institutions and building the capacity of the media, parliamentarians and NGOs so that they are equipped to prepare for, respond to and manage the forthcoming oil revenues – thereby preventing conflict. In order to achieve this goal

Alert is working closely with the Association of Sao Tome and Principe NGOs (FONG), the media and parliamentarians.
(http://www.international-alert.org/our_work/regional/west_africa/sao_tome_principe.php)

Reducing Reliance

By 2020, the government of **Trinidad and Tobago** plans to have substantially reduced its economic reliance on the energy sector. The government has outlined a three-tiered economic plan to transition from oil dependence and that includes the development of social and economic partnerships within the society. One pillar of the plan focuses on diversifying the economy to reduce dependence on the energy sector and achieve self-sustaining growth in six main sectors including: the traditional manufacturing sector; a new technologically based industrial sector; tourism; financial services; agriculture; and the small-business sector. The other two pillars of the plan address maximizing returns from the energy sector and ensuring that economic growth benefits all parts of the population.
(http://vision2020.info.tt/about/)

The World-Bank, IMF, and NGO community have supported the creation of "oil revenue funds" that seek to overcome Dutch Disease by redirecting resource revenues toward reinvestment within the local economy and into the development of other sectors. **Norway's State Petroleum Fund (SPF)** is widely cited as a model revenue fund, but much of its success is based on the country's diversified economy, relatively small population, legislative discipline, and public oversight of the fund. Such attributes may limit its immediate applicability as a model for developing countries, but the Norwegian fund has served as a model of success and an important point of reference for other resource-rich countries.
(http://www.gasandoil.com/goc/news/nte24082.htm)

East Timor is setting up an oil savings fund, modeled on Norway's Fund, to tap its vast offshore reserves of oil and gas in the Timor Gap, while avoiding the symptoms of Dutch Disease that have hurt so many other resource-rich countries. The main objective of the **Timorese Oil Savings Fund**, which was approved by the country's parliament in June 2005, is to put money into health and education. The fund is expected to accumulate $3 billion to $4 billion over the next 20 years. According to Secretary of State for Natural Resources and Energy Policy, Jose Teixeira, the fund "will be managed and supervised in a transparent and accountable way adopting the world's best practice in transparencies."
(http://www.gov.east-timor.org/EMRD/p_fund.htm)

The establishment of the **Russian Stabilization Fund** in 2004 reflected a significant change in the country's management of petroleum revenues. Some analysts expressed skepticism about such a fund, believing it would be ineffective in the absence of budget discipline. However, as of July 1, 2005, with increasing oil prices, the stabilization fund reached 618 billion rubles ($21 billion). This allowed the government to repay $15 billion in debts to the Paris Club ahead of schedule.
http://www.mosnews.com/money/2005/08/31/kudrinhappy.shtml
(http://www.mosnews.com/money/2005/08/31/kudrinhappy.shtml)
(http://www.iags.org/n0328052.htm)

Transparency

The **Extractive Industries Transparency Initiative (EITI)**, announced by the British Government at the World Summit on Sustainable Development (WSSD), is a multi-stakeholder

initiative, with partners from governments, international organizations, companies, NGOs, investors, and business and industrial organizations. The EITI recognizes that increasing the financial transparency of resource-wealthy governments and extractive companies helps to address the underlying causes of corruption, weak government, and other problems associated with the "resource curse." The initiative aims to ensure that the revenues from extractive industries contribute to sustainable development and poverty reduction.
(http://www.eitransparency.org/)

As part of the EITI, **Nigeria** and **Azerbaijan** agreed to act as "pilot" countries to initiate the proposed, voluntary country-level "compacts" at national levels. In January 2005, President Obasanjo of Nigeria submitted a bill, called the NEITI Bill, to the National Assembly, including mandatory annual revenue/tax audits of the extractive industries sector. Oil companies will be legally required to disclose payments and the recently established Oil Revenue Monitoring unit will be made independent of the Finance Ministry. On 2004 November 24, the Government of Azerbaijan, local and foreign companies, and a coalition of civil society organizations signed a Memorandum of Understanding (MOU). This document defines the rules for the EITI process and disclosure of payments made by oil and gas companies, and allocations received by the Government derived from extractive industries.
(http://www.eitransparency.org/countryupdates/nigeriacountryupdate.htm)
(http://www.eitransparency.org/countryupdates/azerbaijancountryupdate.htm)

Publish What You Pay (PWYP), founded by George Soros, is a coalition of over 200 NGOs. It is a program that has similar goals to the EITI and is, in fact, a contributing organization to the Initiative. The particular emphasis of PWYP is ensuring that extractive corporations publicly disclose the monies paid by them to the national governments of the countries in which they operate. The PWYP website notes that such transparency is vital to development because "the refusal to release financial information by major multinational oil companies [has] aided and abetted the mismanagement and embezzlement of oil revenues" by governments and influential supporters.
(http://www.publishwhatyoupay.org)

In addition to setting up a petroleum revenue management plan to channel revenue generated by the new Chad-Cameroon Pipeline, the World Bank has also added several mechanisms to **Chad's Oil Fund** designed to increase accountability, transparency, and public involvement. Income from the Fund, for example, must be deposited in a foreign escrow account, with third-party oversight of the expenditure of oil revenues. Additionally, the Bank is providing $41 million to build a system of revenue management and financial control.
(http://www.worldbank.org/afr/ccproj/)

In September 2005, the Government of **Nigeria** and the World Bank agreed to conduct a Public Expenditure Management and Financial Accountability Review (PEMFAR). The review supports the government's ongoing efforts to reform its expenditure system, increase transaction transparency, and ensure that funds are directed towards crucial areas, such as education, health, HIV/AIDS and basic infrastructure. Participation by civil societies is expected to be a key to the success of the review.
(http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20662108~pagePK:34370~piPK:34424~theSitePK:4607,00.html)

USAID is supporting the government of **Angola's** efforts to promote transparency in the Ministry of Finance's oil and gas sector work. A Fiscal Programming Unit (FPU) is being established within the Ministry of Finance to work with the Office of International and Economic Studies and Relations (OIESR). The FPU will help the OIESR design systems and procedures to consolidate and generate accurate public accounts, and monitor and evaluate fiscal revenues. The FPU will also provide training in macroeconomic/financial analysis.
(http://www.usaid.gov/policy/budget/cbj2006/afr/pdf/ao654-008.pdf)

Corporate Responsibility

The Voluntary Principles on Security and Human Rights were developed through a multi-stakeholder process involving the governments of the United States, the United Kingdom, Norway and the Netherlands plus companies operating in the extractive and energy sectors and non-governmental organizations, all with an interest in human rights and corporate social responsibility. The principles are designed to assist companies in maintaining the safety and security of their operations within a framework that ensures respect for human rights. They provide guidance for companies on identifying human rights and security risks, as well as engaging and collaborating with state and private security forces.
(http://www.voluntaryprinciples.org/index.php)

ChevronTexaco partnered with USAID to provide support and training for business development in Angola after the cessation in 2002 of that country's decades-long civil war. Each partner committed up to $10 million over five years to develop private sector-based agriculture initiatives, expand finance and business development services to small and medium enterprises, deliver savings and credit products to small and medium enterprises, and provide technical assistance to commercial banks in Angola that offer wholesale lending to rural financial institutions.
(http://www.usaid.gov/our_work/global_partnerships/gda/showcase/chevron.pdf)

BP and its project partners for the largest oil and natural gas fields in Azerbaijan have already revealed their production-sharing agreements as well as the agreements for construction of the Baku-Tbilisi-Ceyhan pipeline. BP, which operates the Azeri-Chirag-Guneshli and Shah-Deniz offshore oil projects in Azerbaijan, has also made the projects' Production Sharing Agreements and environmental and social impact assessments available in English, Azeri, and Russian (OSI).
(http://www.caspiandevelopmentandexport.com/ASP/PD_RR.asp)

The Bird's Head Global Development Alliance in **Indonesia** is a partnership between USAID and BP (formerly British Petroleum) and partners. Working together, they are promoting environmentally and socially responsible development of Bird's Head, an area that has both a high concentration of marine and land biodiversity and vast natural resources, including oil, gas and timber. USAID's role is to help the local governments and civil society organizations develop the skills to manage the environmental resources. BP is funding and implementing community development activities.

Business for Social Responsibility (BSR) is a membership organization that helps companies develop policies that respect ethical values, communities, and the environment. BSR provides information, tools, training and advisory services to make corporate social responsibility an integral part of business operations and strategies. A nonprofit organization, BSR promotes cross sector collaboration and contributes to global efforts to advance the field of corporate social responsibility.

(http://www.bsr.org/)

The OECD Guidelines for Multinational Enterprises are a set of voluntary recommendations to multinational enterprises in all the major areas of business ethics, including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. Adhering governments have committed to promote them among multinational enterprises operating in or from their territories. The guidelines recommend that enterprises disclose all information relevant to their activities, finances and performance. Also included is the expectation that enterprises will: refrain from accepting exemptions not included in the regulatory framework; establish good governance practices; abstain from improper involvement in local politics; work closely with the communities in which they operate; and respect the human rights of those impacted by their work. The instrument's distinctive implementation mechanisms include the operations of National Contact Points (NCP), which are government offices charged with promoting the Guidelines and handling enquiries in the national context. Adhering countries include all 30 OECD member countries, and nine non-Member countries (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia).
(http://www.oecd.org)

Best Practices

The **Global Sullivan Principles** for ethical business conduct were drafted by the late Reverend Leon H. Sullivan. Initially introduced in 1977 to encourage ethical business practices within white South African corporations employing black Africans, Reverend Sullivan's initiative to "support economic, social, and political justice" was expanded in 1997 to become the "Global Sullivan Principles," which are now embraced by corporations throughout the world and are applied within many oil and gas companies.
(http://www.thesullivanfoundation.org/gsp/endorsers/charter/default.asp#C)

The **United Nations Global Compact (UNGC)** was first proposed in January 1999 by UN General-Secretary Kofi Annan. It challenges business leaders to join forces with UN agencies, labor, and civil society groups to support the Compact's nine principles relating to human rights, labor standards, and the environment. Companies engaging in the UNGC are expected to take clear steps to act on the nine principles, share their experiences with others on the UNGC website, and to advocate publicly for the Compact.
(http://www.unglobalcompact.org/Portal/Default.asp)

The **Coalition for Environmentally Responsible Economics (CERES)** is a coalition of environmental organizations, investment funds, and public interest groups that is committed to encouraging ongoing improvement of environmentally sound corporate practices. Among the pledges that CERES members make are to utilize natural resources in a sustainable manner, reduce waste disposal, practice environmental restoration, and conserve energy.
(http://www.ceres.org/ceres/)

Created in 1987, the **Social Venture Network (SVN)** is an association of business and social entrepreneurs who believe that sound business practices can be a powerful force for solving social problems in the areas in which they work. The SVN standards do not set a certain level of ethical corporate behavior, but they do offer suggestions regarding socially responsible principles and practices.
(http://www.svn.org/organization.html)

USAID and Chevron are working together in the **Central Asian Republics** to improve oil field management and share best practices. Chevron supports local adoption of modern oil field waste management practices by allowing access to the Tengiz oil field and demonstrating management best practices. Those activities complement USAID/CAR's training of regulators, NGOs and local companies. Chevron is also working with USAID on health initiatives that benefit local communities.
(http://www.usaid.gov/locations/europe_eurasia/car/briefers/dev_alliances.html)

VI. Oil and Gas and Conflict – Survey Instruments

The aim of this section is to help development practitioners evaluate the risk of conflict linked to the exploitation or transport of oil and gas within a country. The first set of questions addresses the potential for conflict and the second set facilitates assessment and identification of the issue-areas where conflict is mostly likely to arise (i.e., social or environmental concerns, economic disruption, ethnic grievances, governance). These questions are to serve as guides and are not country specific.

Basic questions: What is the likelihood for the development of a conflict over oil and gas resources?

- Are oil and gas fields located in remote, politically and economically marginalized areas?
- Is there tension between local land claims and government granted oil concessions or land-based terminals or pipelines?
- What is the status of ethnic rivalries in the country, and has the government used oil and gas resources in a way that might exacerbate existing rivalries?
- Is oil and gas infrastructure easily susceptible to obstruction and/or looting?
- What is the current level of political participation and public awareness of a country's natural resource base, value, and exploitation? Is political and financial control over the resource viewed as highly inequitable by the population?
- Does the population of the host country perceive that it is benefiting directly from oil and gas development?
- Is the relationship between the private sector and the local community contentious?
- Are corporate interests protected by private security firms or national security institutions?

Underlying economic forces within a country can serve as potential flash points for conflict. With natural resources, it is important to understand the nature of the economy, including its reliance on natural resources at both the national and local levels, as well as its overall economic diversification.

- What is the level of the county's economic diversity, its key products, and services? What is the percentage share of oil and gas in total GDP and exports?
- Is the government able to regulate the trade and access to oil and gas fields? Has the government demonstrated a willingness to regulate?
- What financial instruments or legal frameworks exist to encourage transparency with regard to oil and gas revenues?

- ❖ Are security forces actively engaged in political and economic exploitation of oil and gas resources?
- ❖ Does a technocratic class exist to operate and manage oil and gas infrastructure and represent the country in world markets?
- ❖ What is the impact of current or proposed oil and gas projects on local economic institutions and industry (i.e., have or will proposed projects disrupt local traditional systems or force the displacement of economically marginalized peoples)?

Political and governance issues play important roles in the success or failure of any program. It is therefore necessary to identify the levels of participation and the responsiveness of governments.

- ❖ Is the government responsive to its populace? Are elected officials disproportionately representative of particular ethnic groups?
- ❖ Do government institutions possess the capacity to regulate, manage, and openly report on the oil and gas sector? Does the government actively regulate, manage and report?
- ❖ What is the level of political transparency regarding legislation, contracts, and other financial agreements?
- ❖ Is there a civil society present that can serve as a watchdog and/or promote the position of those who are underserved? What is the level of public participation in government decision-making processes?
- ❖ What is the level of press freedom?
- ❖ Does the military act as a national security institution or as a local policing agent of the government?

Environmental considerations pertain to both governance and economic issues, but additional questions specific to the environment need to be addressed/understood before a program can be fully assessed.

- ❖ Are there effective and legislated environmental standards? Are these standards enforced?
- ❖ Have the government or private companies developed an environmental action plan?
- ❖ Are livelihood standards or the traditional balance between human use and ecosystems threatened by oil and gas activities?
- ❖ What is the level of biodiversity in affected areas and what is the potential for these areas to be harmed by oil and gas activities?

VII. Resources

USAID CONTRACTING MECHANISMS FOR OIL AND CONFLICT PROGRAMMING

Instability, Crisis, and Recovery Programs (ICRP) (DCHA/CMM)
USAID is able to quickly and effectively assess and respond to conflict, extremism, and fragility using the Instability, Crisis and Recovery Programs (ICRP) Indefinite Quantity Contract (IQC). Activities under the mechanism may include: early warning and analysis; design and implementation of programs that address the causes and consequences of conflict and fragility; training and outreach; and monitoring and evaluation. The technical assistance provided is cross-sectoral and addresses conflict mitigation, extremism, fragility, the security sector, and support to peace process.

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Governmental Integrity IQC (DCHA/DG)
Aimed at curbing governmental corruption in political and bureaucratic offices, the Governmental Integrity IQC focuses on unilateral abuses by governmental officials such as embezzlement and nepotism, and abuses linking public and private actors. It includes both administrative corruption and state capture. Governmental integrity support activities under this contract could encompass increasing government and oil company transparency through initiatives, and civil society advocacy on behalf of transparency and anti-corruption reforms in the natural resources extraction and governance sectors.

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http://inside.usaid.gov/G/DG/mechs/iq cs/gov5_1203.pdf

Energy II IQC (EGAT/NRM)
USAID Missions can access technical assistance and advisory services related to the energy sector through the Energy II mechanism. Activities may involve institutional capacity building, institutional strengthening for effective governance, and assistance in developing and managing energy sector activities. Technical areas of focus include: environmental management systems; natural gas, oil and coal; regional planning, trade and security; tariff design and reform; monitoring and evaluation; and policy and institutional reform.

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EPIQ II IQC (EGAT/AG)
EPIQ II focuses on policy reform and institutional governance, improvements in environmental quality, and sustainable natural resource use. Projects funded through EPIQ II can deal with a wide variety of environmental and natural resource related policy formation and institutional governance activities at the national and local level–and with any related technical assistance, training, research, or other initiative that improves a host country's ability to support economic growth, participate in international agreements, and strengthen public-private sector partnerships.

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GreenCOM: Communication and Education for Sustainable Development (EGAT/NRM)
The GreenCOM contract is available to undertake rapid initial assessments to develop context-specific, programmatic interventions related to oil/natural gas management as well as oil/natural gas and conflict. For example, USAID Missions may access this mechanism to assist in developing activities to target effective communication strategies to combat corruption and illegal resource capture related to oil, as well as disseminate information to communities on their legal rights in accordance with existing land and natural resource laws. In addition, GreenCOM may be used to develop participatory processes and local capacity for communities dependent on natural resources to be more involved in addressing issues related to oil/natural gas management and conflict resolution.

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US Department of the Interior, International Technical Assistance Program (EGAT/NRM)
This activity provides access to the Department of Interior's extensive staff expertise in such areas as oil management and oil-related issues through personnel from the U.S. Geological Survey, Bureau of Land Management, Bureau of Reclamation, Minerals Management Service, and Office of Surface Mining. Staff typically engages in longer-term (3 years +) initiatives to build partnerships, but are also available for short-term assignments. This mechanism is particularly useful in getting a better understanding of the technical issues related to oil in developing conflict programs.

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USAID Office of Global Development Alliances (GDA), Annual Program Statement (APS)
This competitive solicitation mechanism enables Missions to mobilize ideas, efforts and resources of businesses, governments, and civil society by forging public-private alliances for development assistance programs. GDA alliances are distinct because they leverage significant new, non-public resources to address development issues. Private sector partners and implementing organizations are encouraged to submit a proposal under the APS. Visit http://www.usaid.gov/gda to obtain the APS and more information about building alliances.

Prime Recipients: The institution(s) proposing the alliance (companies, non-governmental organizations, diaspora groups, etc.) or a third entity that was proposed to implement the jointly-funded alliance will receive the grant, cooperative agreement or collaboration agreement.

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