

THE IMPACT OF NIGERIAN CONTENT DIRECTIVES ON COMMUNITY DEVELOPMENT PROGRAMMES: A SNAPSHOT ASSESSMENT OF ANTECEDENTS AND WAYOUT OF THE PREDICAMENT.

By

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Abstract

Not long ago, precisely 21st March, 2005, the Nigerian content directives was issued by a letter referenced GMD.144 for implementation especially in the upstream sector of Oil and Gas Industries. There were initially 10 directives which latter grew to 16 and then 24. They were aimed at adding quantum value to the economic development of the entire Nigerian community. The launching of these directives was not without scepticism among the oil and gas facilities operators in Nigeria resulting in the appraisal of implication of implementation by the Oil Products Trade Sector (OPTS). While the industries were trying to wake up to the implication of compliance with the directives, the Nigerian Content Division of NNPC was busy compiling procedures and monitoring strategy to ensure it achieves the mandate which had the blessing of the Presidency. Any wonder there was great resistance by the oil and gas upstream operators who saw the directives as a ploy and delay tactics by NNPC to gain complete control of the contractual process within the individual Oil Companies. Unknown to the Nigerian Content Division, there was an internal struggle within the would be affected Companies as to what to do to reframe from complying with the directives. Hence the assessment of Contractors capability to comply with NC directives became a criterion to bid for major EPC contracts.

While the debate ragged on, on both sides of the Oil and Gas Industry, the host Communities of Oil and Gas Industries were busy generating Global MOUs with the Oil Industries who were now facing what was considered a double edge sword. There was great push back in the Oil Industries in attempt to understand what constitutes the different percentages in the directives especially on areas that deal with fabrication and supplies. There was need for interpretation of certain elements of the directives. It became obvious that for ongoing projects, complying with the Nigerian Content directives was not going to be easy more so in areas where the MOUs have been signed. The impact of signed community MOUs was discovered to be minimal as the platform on which the directives were benchmarked were above local company and community capacity deliverables. If this needs to happen, a lot of time would be required to build capacity and develop local content.

In the interim, the Nigerian Content Division had developed capacity building strategies to monitor compliance by the Operating Companies. They also provided monitoring criteria and templates to assist existing projects and new projects assess their ability to comply and report compliance. They made tremendous effort to visit major Companies to dialogue with them on the need for immediate action to demonstrate due diligence. The approach was to take the different sectors of upstream oil and Gas sector such as Procurement, Construction, Well engineering, Subsea or Subsurface pipelines and Topsides development one after another. To ensure that Companies comply with NC directives, NAPIMS had to work in coordination with

NCD at contracting stages to pre qualify contractors for technical and commercial bids. Inability to meet NC directives became a fatal flaw in the contracting process. There were no written down waiver criteria even though this could be at the discretion of the GGM NCD. Consequently, many contractors were not able to be pre qualified for new jobs even though they were already working in such communities. As a result most contractors turn down their invitation to tender contracts.

When communities observed that many Contractors were threatening to fold up on the basis of not having the ability to comply with the NC directives, they protested as they were going to loose their job opportunities. This resulted in confrontation with NNPC and the demand for understanding the implication of Nigerian content vis avis Community content was elevated.

This assessment is a review of the antecedents and interactions that has resulted in slowing down development in major projects and have even led to many contractors withdrawing from Contracting processes and not being able to add the much needed value to the Communities specifically and Nigerian society at large. It also recommends measures to avoid the ugly trend which could have negative impact on the oil and gas producing communities.

There is need to redefine Nigerian Content in the face of Local and Community content. A bench marking criteria is required to ensure that the passage of NCD law does not infringe on Communities rights, privileges and opportunities.

Key Words; Nigerian Content Directives, Communities; NNPC, Upstream, Oil and Gas Industries, OPTS, GGM, EPC, Contracts, Capacity Building and Monitoring.