Abstract

A well-known fact about the Nigerian Niger Delta region is incessant conflicts between the Oil Transnational Corporations and the oil producing communities. This could be attributed to the fact that the activities of Oil TNCs have continued to unleash untold devastation on the environment of the oil producing communities and its consequences on the local economy and by extension the total obliteration of the livelihood of the inhabitants of the area. Therefore, the Oil TNCs are increasingly becoming conscious of their devastating impact on the ecology of the area and their blatant disregard for the socio-economic development of the host communities. Consequently, the Oil TNCs have come to embrace the idea of executing Corporate Social Responsibility (CSR) projects as a vehicle to intervene meaningfully in order to mitigate the adverse effects of their operations on the environments of the host communities. This paper attempts to review and analyze CSR practices of the two major Oil TNCs in Bayelsa State: Shell and Agip in six host communities: Olugboboro, Olugbobiri, Ikebiri 1, Oporoma, Angama, and Peremabiri in Southern Ijaw local government area. The key question explored in this study is: has the practice of CSR in the Nigerian Niger Delta region by Oil TNCs brought about socio-economic development and drastic reduction in conflict between the host communities and the Oil TNCs? The paper argues that CSR projects of transnational oil corporations in Nigeria are driven by short-term expediency rather than the long term environmental developmental needs of host communities through the provision of poor quality social amenities to these communities in order to secure social license to operate. For transnational oil corporations to make positive impact in the Nigerian Niger Delta Region, their CSR projects should be long term in nature, taking into consideration the sustainable development needs of the local communities. The CSR projects should be in the form of high quality social amenities and environmental rehabilitation and protection, which could serve the needs of the present and future generations.

Keywords: Transnational Oil Corporation, Corporate Social Responsibility, Niger Delta Region, Oil Producing Communities, Sustainable Development, Environmental Development.
Introduction

Oil Trans-National Corporations (TNCs) operating in the Nigerian Niger Delta region have increasingly embraced Corporate Social Responsibility (CSR) as a strategy of community development over the past several years, as a result of the rising conflicts that characterized relations between them and the Oil Producing Communities. These conflicts are largely as a result of the degradation of the ecology of the host communities by the activities of the oil producing companies and the undue regard for the socio-economic development of the area. The use of the instrumentality of CSR to play a crucial role in the sustainable and socio-economic development challenges of the host communities is not borne out of a genuine concern for developing host communities and mitigation of the effect of their activities on the local economy, rather it is in accordance with promoting traditional business values of profit seeking and securing a social license to operate.

Corporate Social Responsibility (CSR) generally refers to a commitment by businesses to contribute to sustainable development and to improve the quality of life in the workplace and in society at large (Lanton, 2001:595; World Business Council for Sustainable Development, 2002). This commitment is better demonstrated in regions, like the Nigerian Niger Delta, where environmental degradation, pollution and other setbacks are caused by the activities of oil producing companies in their pursuit of profit maximization. The local communities pay dearly for hosting those companies as they suffer a lot of economic and social damages, which suggest the need for adequate compensation from both the government (which derives its revenue mainly from the drilled and extracted oil) and the Oil TNCs (who make huge amount of money from the oil development and production activities).

However, a critical examination of the financial records of the major Oil TNCs operating in the area reveals a phenomenal rise in budgetary allocation to CSR (for community development) projects, which sharply contradicts the reality on the ground. For instance, in 2006 alone, Shell spent $59 million and paid $114 million to NDDC, the region’s development intervention agency (Aaron and Partrick, 2008). If the money has been used for projects that are long term in nature, based on the sustainable development needs of the region, the projects could have amounted to marked improvement in the welfare of the people and progress of the region.

This paper argues that the CSR projects of the Oil TNCs are largely informed by short-term exigency rather than the long-term development needs of the host communities. The result of the Corporations’ short term exigency, according to Frynas (2012), is that the Nigerian Niger Delta region is littered with unfinished projects, designed as health centers, schools, water projects (where water is unfit for human consumption) or buildings (which lack light, running water, and basic equipment). Again, the buildings have no medical or support staff and the schools have no qualified teachers. It is obvious that most CSR projects initiated by Oil TNCs in the region are small-scale, ill-devised, patchy and without a strategic direction (Frynas, 2012).

Further corroborating on this line of thought, the findings by Christian Aid (2004) on
Shell’s CSR projects in Umuechem, gave an insight into CSR practices in the Nigerian Niger Delta region. The Non-Governmental Organization (NGO) rightly observes:

“….as well as taps that are dry, this town of 10,000 people also has a hospital that has never treated a patient, a Secondary School where no lesson has been taught, a post office that has never handled a letter and a women’s centre that has never held a meeting”.

The above is true and reflects the general situation in the Nigerian Niger Delta region, because records shows that the region is replete with over-head tanks of uncompleted or poorly completed and dysfunctional water projects initiated by Oil TNCs as part of CSR strategy to bring about much needed sustainable development and socio-economic development to host communities.

There is a general consensus that CSR as a community development strategy in the Nigerian Niger Delta region has failed, going by the level of under development in the Oil producing communities and the attendant incident of violent conflict that still persist in the region. It is, therefore, hypothesized that CSR, as practiced in the Nigerian Niger Delta region by oil TNCs, represents a gross failure as it has brought neither positive development in the area nor secure the desired social license to operate peacefully by the Oil TNCs.

The paper is divided into five sections, with section one being introduction as above. Section two reviews related literature; section three is the research methodology; section four discusses results obtained from Focused Group Discussion (FGD); while section five concludes the paper

**Literature Review**

Kottler and Lee (2005) support the view that CSR is about operating in a manner that meets or exceeds the ethical, legal, commercial, and public expectations that society has of a business. This description of CSR presupposes that business decision should not only focus on profitability but should also be concerned about ethical values, legal requirements as well as respect for people, communities and the environment. Earlier than the above description, Carroll (1991) has classified CSR into four components: economic, legal, ethical and philanthropic responsibilities, with economic responsibilities forming the foundation of the CSR pyramid and the philanthropic responsibilities occupying the topmost level of the pyramid, which involve being a good corporate citizen and participation in initiatives or programmes that promote human welfare or goodwill. However, Kottler and Lee (2005) describe CSR as an organisation’s commitment to improve community well-being through discretionary or voluntary business practices and contributions of corporate resources. Thus, from this perspective, CSR is more concerned about philanthropic responsibility, that is, voluntary contributions to uplift the living standard of the people, particularly within the immediate community than about profitability, ethic or compliance with appropriate legal provisions.

But CSR debates could be said to have been initiated by Nobel-prize winner, Milton
Friedman, who argued in 1970 that CSR was a fundamentally subversive doctrine in a free society. This encouraged many other critics to come up with their arguments against CSR, which include: imposition of costs, e.g. costs on employees (by reducing salaries), cost on customers (by charging higher prices) and most importantly cost on the business owners (by lowering returns). Researchers such as Aupperle et al. (1985: 446) as well as Waddock and Graves (1997a: 306) argue that firms engaging in CSR suffer a competitive disadvantage as these costs may have been avoided altogether or could have been borne by the government.

However, the neglect of CSR may also have adverse effect on the company and the national economy. For example, Okafor, Hassan and Hassan (2008) argue that youth restiveness in the Nigerian Niger Delta region is as a result of environmental degradation caused by the oil transnational corporations (TNCs) who do not make significant impact in the area of provision of sustainable social amenities. The consequence is that the companies’ production is adversely affected, and the drive for foreign direct investment is negated because of the restiveness.

Proponents of CSR argue that firms with high levels of engagement in socially responsible activities have the advantage of being viewed as better managed and are therefore less risky (Moore, 2001: 306). They further suggest that economic performance is enhanced as a result of such businesses avoiding expensive fines, reducing waste and recruiting higher calibre employees. To benefit from these advantages, Oil TNCs operating in the Nigerian Niger Delta region should engage in high levels socially responsible activities to assist the local communities in achieving the noble objective of sustainable development.

On the impact of CSR on financial performance, several empirical studies have been conducted in many areas with conflicting findings. For example, Tsoutsoura (2004) examines the effect of CSR on the financial performance of S&P 500 firms for a period of five years (1996 - 2000) and documents a positive and statistically significant relationship between CSR and financial performance. Similarly, Choi, Kwak and Choe (2010) report a positive and significant relation between CSR and financial performance (ROE, ROA, and Tobin’s Q). Using companies from Taiwan, Yang, Ching and Chang (2010) examine the link between corporate social performance (CSP) and corporate financial performance (CFP) in two industries, the financial and electronic industries. They find that CSP has negative correlation with return on equity in the financial industry but show no relationship in the electronic industry. This is similar to the finding of Lyon (2007) that the effect of CSR on financial performance varies among industries. Lyon studies the production and service industries, and documents that it is only firms in the production industry that seem to benefit from reporting more CSR because such firms are more publicly exposed to or have a greater impact on the environment.

In an examination of the relationship between CSR, firm value and financial performance, Crisostomo, Freire and Vasconcellos (2010), find a negative effect of CSR on firm value in Brazil and a neutral effect on financial performance. Brine, Brown and
Hackett (n.d.) study 277 listed Australian companies for 2005 financial year. Using OLS regression technique, they establish no relationship between CSR and financial performance. Nelling and Webb (2008) also examine the causal relation between CSR and financial performance and, among other things; they conclude that CSR activities do not affect the latter.

Corporate Social Responsibility (CSR) has been regarded as a potent force for social change and poverty alleviation in the Niger Delta region. Aaron and Patrick (2008,435) opine that there is no generally accepted definition of CSR, but according to them, on a general note, CSR ranges from corporate commitments to ethical conduct, community involvement, employee relations and to philanthropic gestures by corporations in communities in which they operate.

Nevertheless we can define CSR “as one which makes a difference as the holistic framework in which a business operates. This takes into account the needs of those involved in or affected by the company, beyond simple profit-seeking motive” (Muthee 2012, 48). Furthermore the European Union Green paper on CSR offers an elaborate definition of CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (2002, 4). Contributing further, McWilliams and Siegel (2001, 117) define CSR as “............... action that appears to further some social good, beyond the interests of the firms and that which is required by law”. This study notes that the term CSR is new, but is not a new practice. It could be traced back to the Quakers in 17th and 18th Centuries whose business philosophy was not primarily driven by profit maximization but by the need to add value to the society at large; business was established as part of society and not separate from it (Moon, 2002).

Generally, we can explain CSR as the conscious efforts by a business organization to maximize its positive impact and minimize its negative impact on society. Therefore CSR policies in the Niger Delta region, whose environment has been degraded due to the harmful effect of the oil industry, are aimed at mitigating the devastating impact on the environment in order to engender sustainable and socio-economic development in the local economies.

There are two schools of thought to a long-standing debate on Corporate Social Responsibility (CSR) (Aaron & Patrick, 2008, 435). First we consider the stakeholder theory. The argument is that business owes its stakeholders a social responsibility beyond the production of goods and services and profit seeking. Indeed, proponents of this view are quick to point out that even on a scale of profitability; corporate involvement in good works has the potential to improve a company’s value in the stock market. The second school of thought, the stockholder view is a counter argument popularized by Friedman (1970). According to this view, business has no place in social responsibility. Indeed, it contended that corporate involvement in philanthropy not only distorts the market but robs shareholders of their wealth. Arguing further, Friedman (1970) explained that the only social responsibility of business is to increase its profit. According to Friedman (1970), there is one and only one social responsibility
of business to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud.

Therefore the debate rages on, one as a perspective which seeks to promote shareholders’ interest and on the other hand, a perspective which justifies and rationalizes CSR as a proactive strategy for promoting corporate morality and good corporate citizenship, (Blowfield, 2007, 695). However, the truth is that businesses do not operate in a vacuum, they operate within a social context to which they can ill-afford to be insensitive or irresponsible. According to Aaron and Patrick (2008, 234) in conflict prone zone like the Nigerian Niger Delta area, the Oil TNCs have shown much enthusiasm for social responsibility, primarily to secure the social license to operate (SLO) peacefully in the area.

Oil TNCs are becoming more sensitive to environmental issues, sustainable development and socio-economic development of their host communities. This is informed by the increasing pressure put on them by the host communities. We can argue that conflict results when business enterprises fail to accommodate societal goals alongside their corporate goals, like the situation in the Niger Delta region. Idemudia and Ite (2006, 67) added that the insensitivity of a firm to its business environment has a damaging effect on its corporate reputation and increases its operational cost.

It is a fact that CSR as a business strategy appears to have taken root in Nigeria’s Oil Industry, this may be due to the increasing Conflict that has characterized relations between Oil TNCs and host communities in the Niger Delta over the past years. We can argue that the involvement of Oil TNCs in providing social amenities to host communities, is not as a result of genuine interest to develop them, but in promoting tradition business values of profit seeking and securing a social license to operate.

In spite of such phenomenal rise on community development spending, there is a near consensus of opinion that their CSR has failed to engender socio-economic development in the region (Christian Aid, 2004, 47). Aaron and Patrick (2008, 273) remarked that in some cases it has not only failed to engender development, but in reality precipitated crisis in the area. Various explanations have been adduced for the failure of CSR in the Niger Delta. Chief among them is the non-participatory character of the people to blame for projects that the communities do not need. Besides, the sustainability of the projects has been called into question and official corruption, where company’s officials collude with contractors to approve poorly executed, abandoned or non-existing projects has.

From the foregoing, we can remark that the CSR in-roads in Niger Delta by Oil TNCs are borne out of the conflicts and restiveness that crippled their operations. Therefore CSR is primarily meant to serve the interest of the Oil TNCs, not the poor host communities in which they operate. According to Aaron and Patrick (2008), Oil TNCs, given their profit motives, will not sincerely embrace CSR, because it will deprive them of their profit.
Methodology

The study focuses on Bayelsa State, Nigeria, because of its strategic role in the Nigerian oil industry and as major oil producing state in the Niger Delta Region and, more so, the first place crude oil was discovered in commercial quantity was Olobiri in the present Bayelsa State. Thus, it provides an appropriate venue for all the externalities of oil production and efforts to mitigate them through Corporate Social Responsibility (CSR) by the Oil Trans-National Corporations (TNCs).

The key instruments for data collection were Focus Group Discussion (FGD), interviews and observations. The researchers conducted one FGD comprising of 7 persons in each of the six selected communities. This was complemented by two unstructured key personality interviews in each community. Therefore, the survey involves 9 persons in each selected community, amounting to 54 participants. Purposive and simple random techniques were used.

Crude oil production takes place in six out of the eight local government areas. The researchers purposively selected Southern Ijaw local government area because it produces the bulk of crude oil from the state and it is a flash point for violent conflicts. Also, all the selected communities have experienced conflicts with the oil TNCs, because of the companies’ poor environmental and community development records. Shell Petroleum Development Company operates in Oporoma, Angiama and Pere-mabiri, while AGIP operates in Olugboboro, Olugbobiri and Ikebiri1.

In addition, the researchers conducted key personality interviews with the Amananawei (paramount Ruler), chairman and secretary of Community Development Committee (CDC), compound Chiefs, youth leaders and women leaders. Two Research Assistants per town were engaged to assist the researchers. The target groups were people of age 25 years and above. The secondary sources of data used are published works relevant to the subject matter of the study.

Discussion

Oil TNCs operating in the Nigerian Niger Delta region conceived CSR as a veritable tool to transform the oil producing communities in order to bring about sustainable development, by providing social amenities such as roads, water, educational facilities, health facilities, electricity, etc. In the reasoning of the Oil TNCs, by providing these amenities, it would reduce frequent conflicts, which became a recurring decimal, ultimately providing conducive atmosphere for their operations. This study notes that, the Oil TNCs’ overture was dictated by the restiveness witnessed in the Niger Delta region in recent years, where the host communities began to seek social justice in the form of social amenities and environmental rehabilitation and protection from the Oil TNCs.

However, it will be pertinent to stress that the CSR strategy of the Oil TNCs has often been described as ad hoc and unsustainable to realize long term development goals of the region. The study is a review and analysis of CSR practices of two Oil TNCs in
Southern Ijaw local government area of Bayelsa State, in six selected oil producing communities, host to Agip and Shell. Therefore, the study examines CSR activities of Agip in Olugboboro, Olugbobiri and Ikebiri 1, and Shell in Oporoma, Angiama and Peremabiri.

Agip began operation in these towns in the early 1970’s at Tebitaba Flow Station. But before now, nothing was done to develop the communities through CSR projects. However, the tide changed in the late 1990s when these communities jointly increased their attacks on Agip’s operations. Consequently, from 1998, Agip was compelled to undertake a Memorandum of Understanding (MOU) with the three communities and this was to span five years, and renewable thereafter. Identical projects were approved for the communities: health centers, concrete internal roads within the towns, electrification, town halls, and borehole water.

However, the field work reveals that, only the concrete internal roads and the town halls have been put into use. The water projects were completed with reticulation around the towns but it is found out that none of them is functional. There is no water for the people to use; they still source their water from the river. Also the health centers were completed, equipment were supplied but no medical support staff to run them. Because the health centers have not been put into use since completion, the buildings are already in various stages of dilapidation, just as most of the equipments have been looted. As for electricity projects, they were completed but not fully functional. Although Agip supplies diesel, the researchers were reliably informed, by the respondents, that the bulk of the diesel is sold by community leaders. This suggests that community leaders are part of the sustainable development problems the Nigerian Niger Delta region faces.

According to the respondents, Agip was expected to sign another MOU in 2003, at the expiration of the one signed in 1998, but has rebuffed all attempts in this direction. There was cold war between the communities and Agip over the MOU issue, and according to this study’s respondents, failure to sign the MOU was a threat to peace in the region. In the realm of staff employment from the local communities by Agip, Olugbobiri has three senior staff and two junior contract staff; Olugboboro one junior contract staff and Ikebiri 1 one senior staff and one junior contract staff. Also, Agip awards scholarship to students at Secondary school and undergraduate levels from the three communities, annually.

Shell also has similar CSR strategy for her host communities: Oporoma, Angiama and Peremabiri. In Oporoma Shell has undertaken some projects, such as a health centre, water project, Town hall, internal concrete road, 6 KM concrete road to link Onyoma a neighboring oil producing community, mini-market, electrification and cool room. While the health centre and water projects were abandoned, the town hall, concrete internal road, mini-market and cool room were completed and have been put into use. The electricity runs only in the night. Also Shell grants scholarship to secondary school and university students annually.
In Peremabiri, the water project has been completed but not functional. The health centre was functional, but stopped because of internal communal crisis. Our respondents informed us that Shell provided medical staff and it was the only functional health facility with medical doctors in the area. Shell also constructed internal concrete roads and water project, but the water project is not functional, the taps are dry. Besides, Shell sand filled the back of the town to check excessive flooding during the rainy season.

In Angiama, Shell has constructed concrete internal roads, town hall, water and electrification. The roads, town hall and the electricity are being put into use. But the water project is not working. This study notes that Shell does not have any official policy on employment of indigenes. Therefore, indigenes from the three communities are presently not employed in Shell Petroleum Development Company.

The study would like to point out that while the projects executed by Agip in Olugboboro, Olugbobiri and Ikebiri 1 were the aftermath of violent crisis between the local communities and Agip that eventually led to the killing of more than twenty young men and looting and destruction of Agip’s property before Agip was forced to sign the MOU, the projects executed by Shell in Oporoma, Peremabiri and Angiama were secured on a round table dialogue devoid of any major crisis.

Another pertinent point the study’s respondents disclosed was that the projects were actually imposed on the communities by the Oil TNCs, which also determined the scope, nature and cost implications of the projects. The respondents further disclosed that there were more valuable projects the communities presented to the companies, which they felt were more pressing and paramount to them but the requests were turned down. This attests to the fact that the projects were identical and were being replicated in all the host communities at the behest of the Oil TNCs. This situation indeed has been a sore point between host communities and Oil TNCs and sometimes the cause of conflicts between them.

One obvious similarity noted was that none of the projects were designed to promote sustainable development or self-generating cottage industries that would provide backward, vertical or forward integration to galvanize the growth of the local economies. The FGD addressed two key issues. These were: attitudes of the operating oil companies and attitudes of the community people towards the CSR projects packaged by the Oil TNCs in the communities.

Regarding satisfaction with the Oil TNCs operating in their communities, in the three communities which are host to Agip, greater degree of dissatisfaction was revealed by all the respondents, just as the three communities that are host to Shell are dissatisfied with Shell for not doing enough for them. Regarding people’s attitude to the benefits derived from the CSR projects executed by the Oil TNCs in the local communities, there was absolute sense of dissatisfaction with Agip than with Shell among the respondents.
From this research, it is gathered that there have been more enduring conflicts and indeed deeper sense of discontentment in the three selected communities host to Agip, in some cases leading to loss of lives, than it is found in the selected communities that host Shell. This suggests that Shell has better human face than Agip on community development and concern for the welfare of the people.

Conclusion

CSR projects, as being presently conceived by the Oil TNCs operating in the Nigerian Niger Delta region, cannot bring about the much needed sustainable development of the region, because they are largely driven by short-term interest and goals of the Oil TNCs, not meant to lift the people out of absolute poverty and deprivation in the midst of plenty. Therefore, if the conflicts in the Nigerian Niger Delta region are signs of dissatisfaction by the communities in the region on the insufficiency of the Oil TNCs’ CSR projects, then it is clear that the billions of naira spent by the TNCs on CSR annually have failed to deliver on dousing the tensions in the region. Thus, there is need for a paradigm shift from the present modus operandis of the TNCs CSR projects and other practices. What the communities need are pragmatic long term projects that would satisfy the needs of the present generation without compromising the needs of the future generations. This calls for CSR projects that would ensure social security and redemption of the people from poverty, deprivation and ignorance.

Corrupt community leaders are to be identified and avoided while executing people-oriented and sustainable development CSR projects by the Oil TNCs in the oil producing communities.

References


