



CORPORATE SOCIAL RESPONSIBILITY (CSR) AND COMMUNITY DEVELOPMENT PROGRAMME IN NIGER DELTA REGION

Kaushal Kishor Patel

Ph.D. research scholar, Department of African Studies, Faculty of Social Sciences, University of Delhi (India),(UGC- JRF& CSIR-JRF qualified)

Abstract

The term Corporate Social Responsibility (CSR) and Community Development Programme (CDP) has gained new focus and remarkable prominence since the 1980s. What is noteworthy is that it has moved beyond local or national arenas and become the subject of global attention. In the context of developing countries, it has become part of broader debates on development and poverty reduction, particularly in relation to the absence of governance in many areas. The issue has been particularly contested when it comes to the behaviour of oil and gas extracting multinational corporations. The Shell Petroleum Development Corporation (SPDC), other MNCs and their operations in the Niger Delta have been at the center of attention. The environmental degradation, continuing violence and continued poverty of communities in the Delta have been increasingly scrutinized in relation to SPDC's and other MNCs activities in the area.

Keywords: CDP, CSR, Environmental Degradation, multinational corporations, Poverty Reduction

An Introduction of CSR and CDP

Corporate Social Responsibility (CSR):

Corporate Social Responsibility (CSR) is often used to promote voluntary corporate initiatives as an alternative to additional or existing mandatory regulations. It is a vital tool in promoting and improving the public image of companies. A positive outcome of such programmes may increase the goodwill and regulation of such companies as they strengthen the social and economic systems in which they operate.

Corporate Social Responsibility (CSR) therefore is an obligation on companies to consider the interests of the communities by providing social infrastructure such as schools, hospitals, roads, water supply in their area of operations. These duties have been universally acknowledged and accepted as a convention and practice that companies must have policies on Corporate Social Responsibility.

Corporate social and environmental responsibility can be seen as an investment in their future operations and a means of acquiring a local "social license to operate". Corporate responsibility is understood not as philanthropy, but as an obligation and one of the costs of doing business (Frynas 2005, p. 582).

Community Development Programmes (CDP):

The Community Development Programmes (CDP) supports job seekers to build skills, address barriers and contribute to their communities through a range of flexible activities. It is designed around the unique social and labour market conditions and is an



essential part of the Government's agenda for increasing employment and breaking the cycle of welfare dependency. The CDP is flexible and focused on local decision making and local solutions.

A Case of CSR and CDP in Niger Delta

Heightened security threats in the Niger Delta region from the 1990s onwards have pushed oil companies to constantly reevaluate both community development and security strategies (Omeje 2006, p. 481). With rising community demands, increasingly punctuated with violence, development projects funded by oil companies have become one method for buying a stable working environment through the provision of development goods.

Under the influence of these pressures, the approach taken by oil companies has evolved from an initial focus on corporate philanthropy to a more sustainable and long-term strategy with increasing emphasis on community involvement. At the same time there has been a substantial growth in funds allocated to community development (see Box 1. below).

Box 1: Rising Levels of Oil Company Investment In Community Projects

In 1996, **chevron** allocated about \$3m to community projects. By 2007, its social investment rose to \$26m for its own development projects and \$30m as statutory payment to the Niger Delta Development Commission (NDDC) (chevron 2007). A typical community trust under the chevron gmou model is likely to receive as much as \$2.5m a year in funds placed under management by the

local regional Development council.

In 1996, the total spend on community development by companies operated by **Shell** was around \$22m. By 2006, Shell companies were contributing \$53m to fund their own community projects and \$76m as a statutory 3% payment to the Niger Delta Development Commission (NDDC). Contributions in 2009 were \$58m and \$157m respectively, with an additional \$45m paid to the Nigeria education Fund (Sunmonu 2010). In 2009, the oil industry collectively contributed \$300m to the NDDC, and with increased production following the amnesty this figure has risen somewhat.

Source: Paul Francis Et Al. (2011) Securing Development and Peace in the Niger Delta: A Social and Conflict Analysis for Change, PP. 87

'Top-Down' And 'Bottom-Up' Approaches -

A top-down system is one in which one or more agents fully understand the system. These agents are capable of representing the whole system in a blueprint that they can store in their mind. Depending on their position in the system, they can use this blueprint to take command or to optimise their own private welfare. An example of such a top-down system is a building that can be represented by a blueprint and fully understood by the architect.

Bottom-up systems are very different in nature. These are systems in which no individual understands the whole picture. Each individual understands only a very small part of the whole. These systems function as a result of the application of simple rules by the individuals populating the system. Most living systems follow this bottom-up logic.



'Top-Down' and 'Bottom-Up' Approaches in Community Development Programme (CDP) By Companies:

In the case of Shell Petroleum Development Company (SPDC), whose involvement with communities began in the 1960s, the company adopted a **top-down**, "community assistance" approach that comprised "giving things," such as a new school or health center, which the company or local leaders felt the host community needed.

By 1998, Shell was implementing a **bottom-up**, community-driven "community development" approach to encourage greater community ownership and improve its social investment performance. A multi-year, rolling development plan and a memorandum of understanding (MOU) set out development priorities selected by youth, women, and men through a facilitated process agreed by the community at large. In-house development specialists or at times partnering donor agencies or NGOs trained communities in planning and helped them design new types of projects (LaPin 2000).

In 2004, following the devastating "Warri Wars" in Delta State, and serious losses in production, Chevron adopted the bottom-up, community-driven approach to a new model that established regional trusts covered by the multi-community agreements known as "Global Memoranda of Understanding" (GMOUs). These structures created federations of communities that focused efforts on coordinating projects to meet longterm goals. The Company established eight federations on an ethnic basis managed by "Regional Development Councils" (RDCs), covering 850,000 people in 425 communities in five states. In 2006, Shell announced

plans for 67 similar structures clustering 1,200 communities under "Community Development Boards."

Understanding CDP in Niger Delta Region

An independent survey undertaken in 2009 showed that communities in the Niger Delta prefer to manage their development through community-driven structures that assure community-based planning and greater local empowerment. At the same time, they also seek more support from oil companies, the international community, and federal structures (NOIPolls Limited survey report 2009). Trusts, therefore, offer an advantage to both companies and communities by creating structures for local management of village clusters and thereby reducing corporate in-house management effort or direct involvement in the process of implementation. An evaluation of the GMOU, supported by the United States Agency for International Development (USAID), has shown that many community stakeholders believe the approach promotes more sustainable development, ownership, and transparency and has improved company relationships with the communities.

Since 2000, nearly all of the major oil companies operating in the Niger Delta, even small indigenous firms, have begun to engage communities in development projects, stepping up their support for infrastructure (a natural fit to the upstream oil industry) as well as health, education, and agriculture. In addition, education programs, skills training, and business mentoring are seen as high priority to help promote non-oil sector employment. Companies recruit in-house professional staff or



consultants and all the majors have created technical institutions to expand Nigerian capacity for sophisticated industry jobs. Stipends donated by companies now subsidize the academic studies of over 40,000 secondary, university, and post-graduate students, approximately half of whom are from the Niger Delta.

All companies in the O&G sector today have policies and plans with respect to managing the environmental and social impacts of their operations. These policies and plans are in response to a number of drivers including national regulations, requirements of investors, and management commitments to corporate social responsibility (CSR).

A Brief Description of CSR Initiated By Major Oil Companies in Niger Delta

Addax-

The Corporation is continuing both on its own and in partnership with non-governmental organisations to work to reduce the environmental footprint of its operations, to promote sustainable development and to protect and improve the ecology and biodiversity of the countries in which it does business. The Corporation is also continuing to work to ensure that it would be able to comply with the Government of Nigeria's "flares down" policy, which will likely require oil companies to end the practice of gas flaring in 2008.

As part of its support for sustainable economic development in Nigeria, The Corporation is working with Pro-Natura International (Nigeria), a non-governmental organisation that advocates the use of participatory processes as the most viable vehicle for

sustainable development, conflict resolution and economic growth for marginalised communities in the Niger Delta.

The Corporation is also supporting a major conservation initiative:

⇒ An international research and education centre for the study of primates, biodiversity research and forest management in the tropical rainforest of Cross River State, Nigeria. The research centre is run by CERCOPAN, a Nigerian environmental non-governmental organisation.

The Corporation continues to re refine its environmental policies and programmes and regularly consults with local stakeholders and non-governmental organisations to align its programmes with local priorities.

Chevron-

In Nigeria, Chevron's joint venture concession with NNPC is approximately 2.2 million acres (8,900 sq km).¹ Its fact sheet² on Nigeria notes the following:

Chevron has restored 15 abandoned land drill sites and 35 burrow pits and has decommissioned nine abandoned land wells, with work continuing on other sites. Community and indigenous contractors are engaged for the restoration work, reflecting CNL's ongoing commitment to using local resources and encouraging others to do the same.

ConocoPhillips-

In Nigeria, the company "has an interest in four onshore oil mining leases (OMLs) and exploration

¹ See: <http://www.chevron.com/documents/pdf/nigeriafactsheet.pdf>.

² See: <http://www.chevron.com/documents/pdf/nigeriafactsheet.pdf>.



right in one Nigerian deep water oil prospecting lease (OPL) and one deep water OML.³ This includes a 17% interest in Brass LNG, a new facility in the central Niger Delta.

Though the company has supported social development projects in the region, to date it has not profiled support for biodiversity. Nevertheless, it is clear from the company's corporate commitment to biodiversity that it would most likely support biodiversity projects in the Niger Delta.

Eni-Agip-

Green River Project - The Green River Project is a project started by Eni in 1987 through the subsidiary NAOC (Nigerian Agip Oil Company), together with its partners Phillips Petroleum and Nigerian National Petroleum Company (NNPC). This community development project is the most important one carried out in the Niger Delta by NAOC. It consists in a rural development program, which is modular and integrated, and has the purpose of creating a system of agricultural production and sustainable food in order to promote socio-economic welfare of rural populations living in the Niger Delta. The project includes: production and distribution of seeds resistant to diseases and environmental stresses and analysis of land for soil conservation; fishing and transferring the appropriate production methods to the rural communities, the establishment of cooperatives and associations to ensure that technical innovations are best implemented, applied, managed and further disseminated by the recipients, the introduction of equipment for the processing of rural products, and the use of small machinery for

tillage and transport of goods. The project includes the rural districts of the oil sites in Rivers, Bayelsa, Delta and Imo, where a total of 400.000 people live, and it has contributed to doubling the harvests compared to traditional agriculture and consequently the families' profits.

Agro-processing activities –

A very important part of the Green River Project focused on local agriculture strengthening through the improvement of agro-processing capabilities. In this sense the provision of machineries for the treatment of agricultural products played a crucial role in the development of local economies. *The Cottage Industry initiative* set as objective the improvement of bread production in the Mgbede area, in cooperation with the Mgbede Farmers' Cooperative Society, the Mgbede Community and D-Emmason Engineering Ltd. The project, now completed, employs six people and has shown a 300% revenue increase. Through the *Cassava Processing Mill project*, implemented in cooperation with the Cooperative Society Omuko and Integrated Systems Ltd, significant progress was made in the milling of flour in order to obtain "garri", a basic local food. The project was completed with the hiring of four women, whose income increased by 125%. Finally, the *Plantain Flour House Project* implemented in cooperation with the Mgbede Young Farmers' Cooperative Society and Demmason Engineering Ltd, has improved the business of a coop producing and selling plantain flour and palm oil. The coop has expanded its business reaching other regions of south-east Nigeria and has hired 10 people from the local community, whose income increased by 300%. The coop was awarded the

³ See:
http://www.conocophillips.com/EN/about/worldwide_ops/country/africa/pages/nigeria.aspx.



"Farmer of the Year Award" from the Central Bank of Nigeria. Palm oil business has also improved resulting in the hiring of four local people whose income has increased by 200%. *Professional training activities* enabled over 400 young people to enter a variety of professions (carpenter, hair stylist, bricklayer, information technology expert)...

Eni's overall commitment to the promotion of the socio-economic development of communities situated in the Niger Delta is demonstrated also by the deployment, according to authorities and other local stakeholders, of hundreds of infrastructural projects: construction of public buildings, roads, bridges, piers, creation of a river transport service, electrification of villages and construction of sewerage systems and water purification

In 2009, eni completed the implementation of 44 infrastructure projects valued at over six million Dollars in 29 communities as part of MOU commitments. Over 300 other projects are at various stages of implementation.

ExxonMobil-

Regarding the company's operations in Nigeria, they do not state anything specifically with regard to biodiversity. However, in a report on their operations in Africa,⁴ ExxonMobil describes some of its biodiversity actions in other African countries. This indicates the potential for similar activities in the Niger Delta.

Shell-

The company is addressing biodiversity in the Niger Delta as indicated in their biodiversity brief on their

operations in Nigeria.⁵ This brief includes the following information:

The Shell Petroleum Development Company of Nigeria Limited (SPDC) worked with local groups, government, forest communities, other energy companies, regulators and non-profit organisations (NGOs) to develop biodiversity action plans to conserve two forest reserves – Gele-Gele and Urhoniobe, in Edo State

Total-

With respect to the company's operations in Nigeria, though there is nothing specific on biodiversity, there is a clear commitment to sustainable development:⁶

In over four decades of working in Nigeria, TOTAL E&P Nigeria Limited (TEPNG) has made enormous investments in communities through contributions to human development, social infrastructure such as roads, water, electricity, health, economic empowerment and enterprise - identifying the company as a responsive and responsible technical organization with a human face.

Nigerian National Petroleum Corporation

Corporate level-

As noted above, the Nigerian National Petroleum Corporation (NNPC) is the majority shareholder in all of the O&G projects in the Niger Delta. Though the international companies most often have operating responsibilities, senior management and financial decisions are ultimately determined by NNPC. Hence, the company's commitment to a Green

⁴See: http://www.exxonmobil.com/Corporate/Files/news_pub_africa.pdf.

⁵ See: http://www-static.shell.com/static/nga/downloads/pdfs/briefing_notes/biodiversity.pdf.

⁶ See: http://www.ng.total.com/04_total_nigeria_activities/0408_sustainable_development.htm.



Environment⁷ is a critical factor for mainstreaming biodiversity into the O&G sector. NNPC is committed to responsible environmental practices. As part of this drive, NNPC is taking full advantages of all the opportunities to entrench green fuel and green energy delivery in the country. The NNPC as a national oil and gas company has also embarked on global warming control measures such as striving with its joint venture (JV) partners to achieve gas flare-down in all its operations.

NNPC is also targeting the Clean Development Mechanism (CDM) projects by establishing CDM Working Groups that will project the NNPC into international Carbon Trading to reduce carbon emission. Further, the company has a commitment to social responsibility and highlights its “annual national quiz competition for secondary schools across the country.”⁸

Local level-

In addition to its upstream joint ventures in the Niger Delta, as described above, NNPC also has a number of subsidiary companies operating in the region which have relevance to biodiversity including the following:

⇒ **Nigerian Petroleum Development Company Limited (NPDC)** is “engaged in Oil & Gas Exploration and Production activities in the hydrocarbon-rich regions of coastal Nigeria, both onshore and offshore; and more recently, around Equatorial Guinea.” Further, NPDC has a stated

⁷ See:

<http://www.nnpcgroup.com/PublicRelations/InformationDesk/AGreenEnvironment.aspx>.

⁸ See:

<http://www.nnpcgroup.com/NNPCBUSINESS/BusinessInformation/CorporateSocialResponsibility.aspx>.

commitment to Community Development Assistance.⁹

⇒ **National Petroleum Investment Management Services (NAPIMS)** “manages government investments in the upstream to ensure a good margin in its investments through effective supervision of the JV, PSC, SC Companies using best industry practices.” Further, “NAPIMS as a responsible corporate citizen ensures adequate returns on government investments, and adopts global standards and best practices to ensure that operations are carried out in an environmentally conducive manner.”¹⁰

⇒ **Pipelines and Products Marketing Company Limited (PPMC)** ensures “security of supply of petroleum products to the domestic market at low operating costs” primarily through transport of crude oil via pipelines from the NAPIMS to the NNPC local refineries.¹¹

Though there is evidence of a commitment to social responsibility among these subsidiary companies, they do not profile their support for biodiversity. Nevertheless, there is a potential opportunity to engage these companies along with NNPC’s joint venture companies in a partnership to mainstream biodiversity into the O&G sector in the Niger Delta

Assessment of CSR (Corporate Social Responsibility)

At the corporate level, all of the international O&G companies operating in joint ventures with Nigerian

⁹ See: <http://www.npdc-ng.com/>.

¹⁰ See: <http://www.napims.com/aboutus.html>.

¹¹ See:

<http://www.nnpcgroup.com/NNPCBusiness/Subsidiaries/PPMC.aspx>.



National Petroleum Corporation (NNPC) in the Niger Delta show some commitment to biodiversity conservation. Further, there is a general recognition that the biodiversity guidance provided by the International Petroleum Industry Environmental Conservation Association (IPIECA)¹² is the industry standard to which they should adhere. In particular, reference is made to the IPIECA guidance on developing Biodiversity Action Plans.¹³ This provides a solid policy basis for developing their commitments to biodiversity in the Niger Delta.

The one critical exception at the corporate level is the NNPC, the major shareholder of all O&G operations in the Niger Delta. NNPC does not have an explicit biodiversity policy or commitment. However, its stated commitment to a 'Green Environment' even though it is focused on carbon emissions, does provide a basis for the company to develop its position and actions with regard to biodiversity.

At the local level in the Niger Delta, however, though there is action on the part of some of the international companies, there is clearly much more that could be done. Why there is so little biodiversity action on the ground is probably due to a number of factors, including the legacy of their licenses to operate, which goes back decades, long before biodiversity responsibility was on the agenda. Further, biodiversity action has generally focused on traditional conservation projects, and thus can be

seen to compete for attention against more pressing community development needs.¹⁴ Finally, as the NNPC subsidiary National Petroleum Investment Management Services (NAPIMS) so clearly states it,¹⁵ maximising profits for the Government is the priority.

NAPIMS' objective is to enhance the Margin accruing to the Federal Government through effective supervision of the Joint venture companies, Production sharing companies and Service Companies through adequate supervision of Budgets and Performance and ranking of projects that gives higher returns on investment to Federal Government.

Thus the challenges facing any initiative aiming to mainstream biodiversity into the O&G sector in the Niger Delta are daunting. Political and economic priorities have traditionally kept biodiversity off of the agenda. Further, the perception of biodiversity as an environmental issue and not as a social issue, or more precisely as a sustainable development issue, has meant that it has had to compete with other pressing social development issues.

Nonetheless, there are significant opportunities for biodiversity embedded in the structural set up of the O&G sector in the Niger Delta. Building off of the well-established joint venture model for upstream operations in the region, a biodiversity partnership programme could be initiated. Such a programme

¹² See: <http://www.ipieca.org/focus-area/biodiversity>.

¹³ See: <http://www.ipieca.org/system/files/publications/baps.pdf>.

¹⁴ As developed later in this paper, this is a false dichotomy as a more holistic approach to biodiversity as set out by the Convention on Biological Diversity will enable the companies to integrate responsible conservation and community actions as they relate to the sustainable and equitable use of biological resources.

¹⁵ See: <http://www.napims.com/aboutus.html>



could benefit from both the leadership of the NNPC with respect to the responsible management of the country's O&G reserves and from the biodiversity commitments and experiences of NNPC's international joint venture partners.

In short, within the O&G sector there is the potential commitment and capacity to establish a substantive 'Niger Delta Biodiversity Partnership Programme' that would contribute to both biodiversity and sustainable social development in the region.

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