THE SPDC AND CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITY: EVIDENCE FROM THE NIGER DELTA REGION, NIGERIA

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Abstract
The Niger Delta Region of Nigeria produces a significant portion of the aggregate oil wealth of Nigeria. Since 1956 when oil was first struck in Oloibiri in Southern Nigeria, the Niger Delta region has accounted for over 90 per cent of Nigeria’s oil income. However, the region has perennially suffered from environmental neglect, crumbling infrastructures and services, high unemployment, social deprivation, abject poverty and endemic conflict. This has led to calls for oil companies operating in the Niger Delta to demonstrate the value of their investments to Nigeria by undertaking increased community development initiatives that provide direct social benefits such as local employment, new infrastructure, schools, and improved health care delivery. This paper examines the concept of Corporate Social Responsibility (CSR) that is, how companies manage their oil exploration and business processes to produce an overall positive impact on society. It has focused on the impact of Corporate Social Responsibilities (CSR) on oil producing communities using Shell Petroleum Development Company of Nigeria (SPDC) as a case study. This is considered the thrust of this study that assessed the extent, constraints and challenges to the adoption of the principles of corporate social responsibility by SPDC; to operate in the Niger Delta fully according to robust international social and environmental standards. It concludes that SPDC should adopt a reformed approach to improve operational transparency and a bottom-up community led approach to development programmes in the Niger Delta region.

Keywords: Corporate Social Responsibility, Multinational Oil Companies, Nigeria, Shell Petroleum Development Company.

INTRODUCTION
Globally, organizations are concerned with value re-investment to the society in appreciation of the contributions of the society to their growth, sustenance and survival. Business organizations are expected to meet certain social obligations in terms of corporate social responsibility (CSR). Hence attention is further directed to the potential consumers as well as non consumers of corporate offers as marketing concept philosophies are integrated into societal marketing concept as means of achieving desired level of social responsibility. Defined by the European Multi-stakeholder Forum on corporate social responsibility 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” (2004:3), CSR has become one of the main challenges for companies around the world. CSR is generally accepted as applying to firms wherever they operate in the domestic and global economy. From a progressive, dynamic perspective, CSR usually involves focusing on new opportunities as a way to responding to interrelated economic, societal and environmental demands in the marketplace. As a result, firms have been pressurized to ‘do something’ about the environment, community development or global warming. Over the years the quest for corporate success in the business sector as well as social responsibilities has generated a lot of interest especially with the global witness of the numerous high profile cases of corporate governance failures. Theories upon theories have evolved all in the bid to analyze and work out systems that would permit corporate governance especially in large public companies. Despite this
effort, the importance of the environment and stakeholders’ consideration appears very much de-emphasized especially among oil companies (Doh & Guay, 2006).

Arguably, the history of ‘organized’ CSR in Nigeria can be traced to practices in the oil and gas sector driven by western MNCs. Shell, for instance, has over time described their CSR activities in various terms to match with their intended strategies at each time – sustainable development, community investment, etc. The CSR activities in this sector are mainly focused on remedying the effects of their extraction activities on the local communities. So, the firms operating in this sector have often provided pipe-borne waters, hospitals, schools, etc. However, these provisions have often been on an ad hoc basis and often not sustained. Christian Aid (2004) in its report on the activities of Shell in this region, for example, confirmed that some of the schools, hospitals and other social amenities claimed to be provided by some of the firms in this sector have been abandoned or did not meet the needs of the communities they were meant to support. Similarly and of more recent is the creation of a model known as the Global Memorandum of Understanding (GMOU) by Chevron oil Nigeria in 2005. The model was designed and launched as a means through which the communities will gain better access to participate and play greater roles in the management of their development.

The Niger Delta in Nigeria, famous for the endemic conflict between local communities and oil MNCs, provides a fertile ground for exploring some of the issues highlighted above. The persistent incidence of oil-worker hostage taking, blockage of oil facilities, oil pipeline vandalisation, and human rights violation with subsequent corporate reputational damage have negatively impacted on both government revenue and corporate profit. For example, Dr Daukoru, special adviser to the Presidency on petroleum and energy, asserted that due to the persistent conflict in the Niger Delta, the Nigerian government since 1999 has lost minimum of well over US$6.8 billion in oil revenue (Afro I news, 2004).

Oil MNCs have responded to these challenges by accepting social responsibility and demonstrating their commitments to CSR by increasing community development spending. According to Moon (2001), such non-profit engagement by business offers an opportunity for business to demonstrate the substance of their sociability. Initially, most oil MNCs undertook such non-profit engagement directly and single-handedly, but recently the emphasis has shifted to the use of a partnership strategy to address issues of community development. According to David O’Reilly, chief executive of Chevron, while oil companies now accept their social responsibilities to host communities, the needs of host communities are so large that they cannot all be satisfied (Onishi, 2002); hence, the need for partnerships.

However, commentators like Frynas (2005) and Akpan (2006) continue to argue that oil MNCs’ efforts at community development are at best abysmal. In contrast, Eweje (2006) and Ite (in press) share an opposing view and instead argue that oil MNCs are making considerable contribution to host community development. Remarkably, for much of this debate, the criteria for the assessment of oil MNCs’ contribution to community development are unclear and neither are there any agreed criteria for such an assessment. As such, part of the problem is the divergent perceptual lens used by different analysts to measure oil MNCs’ impacts on community development, the diversity in the definition of development that is often adopted for analysis, and the often different scales within which analyses are undertaken (see Hamann, 2006).

Notwithstanding this development, some companies have not in practice imbibed the CSR teachings. The proliferation of sequester carbon emission; neglect of the environment, and indifference to social issues in Nigeria oil industry has not only evidenced this fact but appeared to put in question the understanding and practicability of the demands of corporate social responsibility from most of the oil companies (Gouldson and Bebbington, 2007). Worse still, poverty is even most severe in the Niger Delta region, from which comes the huge oil revenue to run the Nigerian economy. A recent study by Ibeanu and Luckham reveals that: Only about 27% of households in the Niger Delta have access to safe drinking water and 30% to electricity, both below the national average. There are 82,000 people per doctor, rising to 132,000 in some areas, more than three times the national average of 40,000. While 76% of Nigerian children attend primary school, only 30-40% attends in some parts of the Niger Delta (Ibeanu & Luckham, 2006:37). The critical issue in the Niger Delta is not only the increasing incidence of poverty, but also the intense feeling among the people of the region that they ought to do far better. Evidence from some researchers makes it possible to suggest that the protests emanating from the oil producing communities (Niger Delta) is an indirect clamour of negligence towards the implementation
of CSR by the oil industry (Olujide, 2006). This is based on the considerable level of resources in their midst, and the brazen display and celebration of ill-gotten wealth in Nigeria, most of which derives from crude oil wealth. In addition, the oil and gas industry has damaged farmlands and fishing grounds, which have harbored traditional occupations.

It is paradoxical and contradictory that a people should wallow under the throes of so much poverty while so much wealth is derived from the resources in their immediate environment. When they consider how series of corrupt government officials have embezzled public funds with impunity and even display their loot ostentatiously, they cannot help but feel alienated. Then, to return to their traditional occupations of fishing and farming, they discover that the processes of oil exploitation and exploration have directly and adversely polluted their environment, degraded their land and destroyed aquatic life. Consequently, they extend their frustration to the oil companies operating in the region. However, although there are surprisingly few good-quality independent scientific data on the overall or long-term effects of hydrocarbon pollution on the oil producing communities, yet available evidence does indicate that oil-led development in general has seriously damaged the environment and the livelihood of many of habitants and that poor environmental standards in relation to oil spills, gas flaring and pipe leakages have contributed to these problems (Olujide, 2006).

Undoubtedly, the development spending by the oil companies has brought in schools, clinics, and other infrastructure to some remote parts of the region that might otherwise be far more marginalized by the Nigerian government, but many of these projects are inappropriate to address the needs of the communities and more importantly are often left uncompleted. Others, because of incompetence or corruption, if ever completed are inconsiderately carried out efficiently. However, it should be noted that these development spending by the oil companies has only reached significant levels since protests began to threaten oil production (Akpan 2006). Although a minority of politicians, traditional leaders, and contractors have become rich on the spoils of oil, and hence support the oil industry’s activities, the great majority of people from the minority ethnic groups of the oil-producing areas have remained impoverished, sometimes as a direct consequence of environmental damage caused by oil extraction (Frynas 2001).

Moreover, it should be necessary to reiterate that it is not that the oil companies are not responding at all to the corporate social issues but instead is whether these social responsibilities efforts are able to meet with the environmental and socio-economic requirements of their host communities. With the claims of the oil companies and the persistent hostility of the oil communities, it becomes necessary to examine the claims of the oil companies with regard to the acclaimed CSR efforts. Are the CSR efforts of the oil communities relevant to the needs of the communities? What extent have oil companies in Nigeria effectively and efficiently carried out their CSR functions on their oil producing communities? Are the communities satisfied with the CSR efforts? Given the complexity of measuring the social impact of business both at local and national levels, what is needed is a focused critical assessment of oil MNCs’ CSR initiatives (using SPDC). Such an assessment would be geared towards highlighting the strengths and weaknesses of the initiative, so as to maximize the contribution and net impacts of business efforts on sustainable development.

The Corporate Social Responsibility (CSP) Concept

While there is no universal definition of corporate social responsibility, CSR generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. “People” constitute the company’s stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CSR is alternatively referred to as “corporate citizenship,” which essentially means that a company should be a “good neighbour” within its host community.

CSR can be defined as the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. The concept of CSR means that organizations have some measure of moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that it’s primary; if not sole responsibility is to its owners, or stakeholders. However, CSR requires
organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, consumers, the local community, local, state, and federal governments, environmental groups, and other special interest group. Three international institutions have been at the vanguard of underlining the need for governments and companies to adhere to the principles of corporate social responsibility. These are, the World Business Council for Sustainable Development (WBCSD), the Organization for Economic Cooperation and Development (OECD), and the Dow Jones Sustainable Indexes (DJSGI).

The World Business Council for Sustainable Development (WBCSD) is a major driving force on the concept of CSR. Established in January 1995, its reports on corporate (social) responsibility have helped to focus global attention on the necessity for governments and companies to demonstrate a degree of responsibility toward the society. WBCSD formulated three conceptual framework on CSR as the generation of economic wealth; environmental improvement, and social responsibility. On the third pillar, WBCSD defines what a company has to do, in order for it to win and enjoy the confidence of the community as it generate economic wealth and responds to the dynamics of environmental improvement. WBCSD identified the core values of CSR as human rights, employee rights, environmental protection, community development, and stakeholder rights as the core values that define the responsibility of companies and governments to the society. Under the WBCSD template, the community is respected as a stakeholder in the project. Thus, the company is compelled to construct a base for close collaboration and consultation with the community, as well as assist the community in capacity building in all aspects of social and economic development. Shell Petroleum is the only oil company in Nigeria that is a member of the WBCSD. The activities of Shell Petroleum Development Company (SPDC) are situated within sustainable development and corporate social responsibility in the Niger Delta. Shell recognizes the interrelatedness of the three dimensions of sustainable development – corporate financial responsibility, corporate environmental responsibility, and corporate social responsibility.

The organization for Economic Cooperation and Development (OECD) stressed the need for both companies and governments to demonstrate their corporate responsibility by pursuing sound environmental and socially based policies. OECD at its ministerial meeting on June 27, 2000 approved a guideline to ensure that the operations of enterprises are in harmony with government policies.

The Dow Jones Sustainable Indexes (DJSGI) was launched in 1999. The DJSGI defines CSR as social well being which companies must satisfy in order to be listed in the DJSGI. The DJSGI sustainable principles include Technology, Governance, Shareholders, Industry, and Society. It is clear that the CSR concept has been placed on the global agenda by the leading international organizations. This should be seen as a critical challenge to environmental justice as it compels companies and governments to address distributional inequities of environmental risks, especially in the natural resources sector of the economy.

CSR compels organizations to consider societal interest and accept responsibility to positively influence the communities and other stakeholders in its operation (Ako, Obokoh, & Okonmah, 2009). Amao (2008) defines CSR as comprising of labour right, bribery and corruption, human right, transparency, consumer protection, and disclosure of information. This definition explains the level of ambiguity of the concept. CSR is an approach which aims at helping organizations implement voluntary obligation to support and solve social issues and to fulfill commitment. CSR as a management concept helps companies to incorporate social and environmental concerns in their business operations and relations with their stakeholders (Freeman, 1998). It has become a method used by organization to achieve a stability of economic, environmental and social imperatives, with strong concern in addressing the aspirations of shareholders and stakeholders (UNIDO, 2007). The definition of CSR has ranged from simplistic to complex with diverse associated terms and ideas which often are used interchangeably including corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance (Thomas & Nowak, 2006).

In today’s dynamic environment, Orlitzky (2007) sees CSR as the universal remedy for solving the global poverty gap, social exclusion and environmental degradation. Weltweit, (2008) opines that CSR is a business commitment to manage and improve the environmental, social and economic implications of the activities of the organization. Hohen (2007) supports that CSR is the task of a firm or multinational organization to channel the decisions of an organization to impacts the environment.
through transparent decisions toward the development and sustainability of the society while taking into
cognizance the expectation of stakeholders whether it is in line with existing law and with stipulated
norms of behavior in the organization. CSR is a commitment by organization to act ethically, promotes
economic development, improve quality of life of the workers, their families, local communities and
the society (WBCSD, 2001).

From the array of definitions by scholars and researchers, it is obvious that CSR is characterized
by the decisions to improve the environmental degradation, social and economic activities of its
existence. On the other hand, CSR is a strategic tool of achieving profitability and also helps the
organizations to enhance corporate values while achieving a stable and long-term growth for the
shareholders. Multinational corporations are driven by this approach to connect the environment,
socially and economically as part of their value and culture, decision making strategy and operations to
create wealth and enhance the society.

Arguments for and against CSR

Ever since the debate over CSR began, supporters and detractors have been articulating the
arguments for the idea of CSR and the arguments against the concept of CSR. These arguments have
been discussed extensively elsewhere, but a brief recapitulation of them makes sense as we lead up to
presenting the ‘business case’. Embedded in the arguments both for and against CSR are points which
have been made previously, perhaps on a piecemeal basis, supporting the business case.

The case against the concept of CSR typically begins with the classical economic argument
articulated most forcefully by the late Milton Friedman (1962). Friedman held that management has
one responsibility and that is to maximize the profits of its owners or shareholders. Friedman argued
that social issues are not the concern of business people and that these problems should be resolved by
the unfettered workings of the free market system. Further, this view holds that, if the free market cannot
solve the social problems, it falls not upon business, but upon government and legislation to do the job.
A second objection to CSR has been that business is not equipped to handle social activities. This
position holds that managers are oriented towards finance and operations and do not have the necessary
expertise (social skills), to make socially oriented decisions (Davis, 1973). A third objection to CSR is
that it dilutes businesses’ primary purpose. The objection here is that to adopt CSR would put business
into fields of endeavor that are unrelated to their ‘proper aim’ (Hayek, 1969). A fourth argument against
CSR is that business already has enough power, and so why should we place in its hands the opportunity
to wield additional power, such as social power (Davis, 1973)? A fifth argument is that, by pursuing
CSR, business will make itself less competitive globally. It should be noted that the arguments presented
here were introduced decades ago, though some still hold them, and that the oppositions to the concept
of CSR applied when the idea was once more narrowly conceived.

Arguments in favor of CSR typically begin with the belief that it is in business’s long-term self-
interest – enlightened self-interest – to be socially responsible. This view holds that, if business is to
have a healthy climate in which to function in the future, it must take actions now that will ensure its
long-term viability. A second argument in favor of CSR is that it will ‘ward off government regulation’.
This is a very practical reason, and it is based on the idea that future government intervention can be
foreseen to the extent that business polices itself with self-disciplined standards and fulfills society’s
expectations of it. Two additional arguments in favor of CSR include ‘business has the resources’ and
‘let business try’. These two views maintain that, because business has a reservoir of management talent,
functional expertise and capital, and because so many others have tried and failed to solve social
problems, business should be given the chance (Davis, 1973, p. 316). Another justification for CSR
holds that proacting is better than reacting. This basically means that proacting (anticipating, planning
and initiating) is more practical and less costly than simply reacting to social problems once they have
surfaced (Carroll and Buchholtz, 2009). Finally, it has been argued that business should engage in CSR
because the public strongly supports it. Today, the public believes that, in addition to its pursuits of
profits, business should be responsible to their workers, communities and other stakeholders, even if
making things better for them requires companies to sacrifice some profits (Bernstein, 2000). Many of
these arguments for and against CSR have been around for decades. They certainly present the
legitimate perspective that there are, indeed, two sides of the argument with respect to almost any
concept.
SPDC and Corporate Social Responsibility in the Niger Delta

The choice of SPDC as a case study for this paper is informed by the vastness of its operations in the Niger Delta. Shell began its exploration for oil in Nigeria in 1937, but was granted a license on November 4, 1939. It discovered Nigeria's first commercial oil field in 1956, at Oloibiri, Rivers State. From a modest production level of 6,000 barrels of crude oil per day (bpd) in 1958 to its current level of more than 1 million bpd, Shell is responsible for almost 50% of Nigeria's production. The company employs over 10,000 staff, including about 4,000 permanent staff. SPDC’s operations take place in the Niger Delta, where the company manages oil mining lease area of about 31,000 square km; 6,000 km of pipelines and flow-lines, 87 flow-stations, eight gas plants and more than 1,000 producing wells.

SPDC, undoubtedly, has contributed immensely to the economic growth of Nigeria and contributed to the development of local communities in its areas of operation. Fully 95% of SPDC’s revenue after cost, an estimated $7.34 billion in 2010, flows through to the government via NNPC and SPDC. The remainder is shared between Shell and the other SPDC partners. Perhaps the greatest evidence of Shell’s CSR activities is in its community development programmes in the local communities. Through the community development programmes, Shell contributes to the development of education. It does so by giving scholarships (primary, post-primary and university) to local people, builds classrooms, provides equipment and sometimes pays the allowances of post-primary school teachers. For some communities, training in basic skills—craftsmanship, joinery, mechanics, tailoring etc for indigenes is provided or sponsored by Shell. Shell is also active in several other sectors of the local community’s development such as transportation: construction of roads, building of jetties, donation of speed-boats and cars; agriculture: microcredit schemes for farmers, donation of farming equipment, training of farmers; electricity: donation of power plants, supply of diesel; water: sinking of boreholes, construction of water pipelines; and the provision of other infrastructure such as community halls, land reclamation, shore protection, etc.

Historically, SPDC has been involved in social investment since the 1950s as a good corporate citizen. At its outset SPDC’s direct social assistance was a model of traditional corporate philanthropy. Its early involvement focused more on infrastructure type projects, grants and donations, education, agriculture and more recently an additional focus on healthcare and the mechanism for delivery was through projects that complemented the development efforts of government. In the 1980s, as economic conditions in the country declined and state and local governments lost capacity, Niger Delta communities began looking to other parties within their neighbourhood for their development needs. The communities see this as a legitimate strategy as they see the oil companies as the conduit through which oil resources from their land went to the federal government. In their own words, “oil companies are the government we see and can touch”.

Meanwhile, by the end of 1999 overall relationship between Shell and the oil-producing communities of the Niger Delta (not only the Ogoni) had, if anything, worsened since the execution of Ken Saro-Wiwa, despite Shell’s efforts to improve community relations, in particular by increasing development spending and professionalizing the management of its development projects. Although much of this deterioration could be attributed to the government’s failure to respond to the demands of the peoples in the delta, rather than to Shell’s own activities, the continuing problems also illustrate the difficulty of putting the fine words of the Statement of General Business Principles into practice. Shell has moved from one experiment to another in an attempt to inspire confidence in its community development projects. In 1997 it announced the renaming and upgrading of its community assistance projects to a full-fledged Community Development Programme. The latter was in turn reorganized in 2003 with the declared intent of empowering communities and building partnerships. However, some years into the programme, there is little to celebrate. The programme demonstrates the usual lack of community consultation; top-down approach, failed projects, sporadic crises and unquestionably close ties to locations of company operations. Most projects appear to be less a response to priorities of communities than guided by the company’s logic of providing access to locations and comfort for its staff.

SPDC’s Poor Stakeholder Engagement

Shell Petroleum Development Company’s (SPDC) community engagement programme has been beleaguered by many challenges over the past 30 years. From the 1980s the programme focused on high-impact, visible and generally large infrastructure projects. This was achieved through the negotiation of Memoranda of Understanding (MoUs) with over 1,000 communities across the Niger Delta.
Delta. These projects were mostly controlled from within SPDC, with project contracts generally awarded to individuals or companies as part of a patronage network. In the view of Pro-Natura International (Nigeria) (PNI: 2010), in certain cases the emphasis was on the payment of funds to the contractor rather than on project implementation and service delivery. As a result, many projects were abandoned or not initiated, and many of those projects that were undertaken were not necessarily the priorities of the community. SPDC was not alone in this practice, which is still common with government projects in Nigeria. Not only was this a disempowering process for communities, it created many logistical problems for SPDC. MoUs based on these projects were difficult to administer, and project management was time and resource intensive. Commitments exceeded SPDC’s capacity for execution, and it was difficult to hold contractors to account for poor delivery.

The result was a proliferation of abandoned and uncompleted projects and widespread discontent. There were also cases where SPDC signed MoUs with communities before completing its industrial investment in the area. If this investment was stalled or not completed, associated promises to communities were also abandoned, giving rise to further discontent. Poor project implementation relating to MoUs exacerbated communities’ feelings of marginalization, exploitation and resentment. Already, many communities had experienced environmental degradation as a result of SPDC’s oil exploration and extraction activities. Such degradation and the consequent anger – for example, in Ogoniland – have been extensively documented.

SPDC’s unsuccessful approach to community development in the Niger Delta has compounded frustrations against the company and undermined the stability of its operating environment. SPDC as the largest oil operator onshore in Nigeria has had the largest number of community projects, with annual spending in recent years ranging between $25 million and $57 million (Shell Nigeria Annual Report (2006, 2007, and 2008). Examples of its poorly executed and unsustainable development projects abound. The Shell Nigeria website reported in 2008 that 581 community projects were ‘stalled’ in 2005, of which 82 were completed the following year. There has been little specific reporting of these projects since. Failed development projects have lost SPDC public trust to a huge extent.

Environmental Impact Assessment (EIA) and Participatory Rural Appraisal (PRA) are tools deployed prior to the implementation of major development projects. They incorporate stakeholder participation in the collection of critical social and environmental information and data. The common objective is to generate reliable indicators for planning towards mitigating disruptions to communal livelihood resources and subsistence, ensuring sustainable environmental management against adverse impacts, and meeting the human development needs of the local population. Well-conducted EIA and PRA processes can facilitate project implementation by identifying and addressing potential technical problems and social conflict issues that could result in costly delays. The processes can also help to secure the support of vulnerable host communities through awareness of the inherent benefits of projects and mitigation of their negative impacts.

Example One
The Execution of the Integrated Oil and Gas Project (IOGP) by SPDC in Gbarain and Ekpetiama clans, Bayelsa State

SPDC, as the technical operator and on behalf of its partners in its joint venture with NNPC, Total and Agip, planned to eliminate routine gas flaring by 2008 through the development of gas gathering facilities and capturing domestic and export gas markets in accordance with the Nigerian government’s initiative for economic development, Vision 2010. SPDC chose the Gbarain-Ubie node (cluster) in Bayelsa State for its largest gas investment: the Gbarain-Ubie Integrated Oil and Gas Project (IOGP). The project involves the separation of associated gas from crude oil at the flow stations (where the gas would otherwise be flared off) and its delivery through pipelines to a central processing facility. In accordance with Nigeria’s Environment Impact Assessment (EIA) Decree No. 86 of 1992, all oil and gas projects must pass through the EIA process, central to which is community consultation. SPDC undertook an EIA of the IOGP to meet statutory requirements. The process was much criticized by communities for its lack of consultation. More than 70 communities affected by the IOGP stated that they had not been consulted. In response, SPDC sent a letter to the OGP Landlords Youth Leaders’ Forum stating various dates on which EIA scoping workshops had been held. In fact those workshops had been held on ‘sustainable development’ without people knowing that the workshops were intended as part of an EIA process (ECCR Report, February 2010).
The term Global Memorandum of Understanding (GMoU) applies in the Niger Delta to comprehensive agreements between oil companies and geographical clusters of communities. The Gbarain-Ubie GMoU was supposed to cushion the communities from negative impacts of some of the IOGP activities such as dredging, appraisal well drilling, and construction of access roads, pipelines and the central processing facility. The GMoU is part of SPDC’s ‘sustainable community development’ effort that it states governs how it interacts with communities to achieve a safe, healthy and self-reliant Niger Delta (ECCR Report, February 2010). In reality, SPDC generally applies this development programme only in communities where it extracts oil. Communities expected GMoU projects to run concurrently with the IOGP. Yet many projects have been abandoned or rejected, while the IOGP components have received maximum attention with military protection and supervision. For example, dredging activities have been completed without the provision of an alternative potable water supply, and pipeline construction is ongoing across a sensitive environment of arable lands, fishing grounds and water sources without mitigation measures. Table 1 shows that many of the projects have so far failed to deliver promised benefits (ECCR Report, February 2010).

Table 1: Status of Gbarain-Ekpetiama GMoU project commitments (www.eccr.org.uk February, 2010)

<table>
<thead>
<tr>
<th>Item</th>
<th>SPDC commitments (ECCR Report, February 2010).</th>
<th>Project status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water supply</td>
<td>• To provide all communities in Gbarain and Ekpetiama kingdoms with access to adequate and reliable source of potable water through the construction and/or installation of appropriate water supply facilities/equipment</td>
<td>No functional or successful water supply project. Saipem is trucking water in the area to cushion the effect</td>
</tr>
<tr>
<td></td>
<td>• To build local capacity within the communities to efficiently operate and manage the water facilities</td>
<td>A few youths trained but not gainfully employed</td>
</tr>
<tr>
<td>Electricity supply</td>
<td>• To connect communities to the Bayelsa State Electricity Board (BSEB) power supply system</td>
<td>No positive action</td>
</tr>
<tr>
<td></td>
<td>• To work with the BSEB to enhance the capacity and reliability of its power supply system</td>
<td>No action</td>
</tr>
<tr>
<td></td>
<td>• To provide electricity back-up for Gbarantoru and Obunagha communities from the central processing facility when built and after energy demand analysis has been done</td>
<td>No electricity yet</td>
</tr>
<tr>
<td>Community roads</td>
<td>• To rehabilitate/construct a total of 14 km of roads (including 2 km of internal road networks), 7 km in each of Gbarain and Ekpetiama kingdoms</td>
<td>No internal road construction begun in any of the communities</td>
</tr>
<tr>
<td>Gbarain kingdom civic centre hall</td>
<td>• To construct a civic centre hall including basic sporting equipment and facilities for Gbarain kingdom; design and scope to be jointly determined by Gbarain kingdom and SPDC</td>
<td>Civic centre hall completed but no equipment or agreed facilities</td>
</tr>
<tr>
<td>Upgrade of town halls for Ekpetiama</td>
<td>• To upgrade existing town halls for Ekpetiama kingdom; design and scope to be jointly determined by Ekpetiama kingdom and SPDC</td>
<td>Not yet upgraded</td>
</tr>
<tr>
<td>Construction of school blocks</td>
<td>• To construct a block of six classrooms in Obunagha and in Gbarantoru, in recognition of their position as landlord communities</td>
<td>Not yet implemented</td>
</tr>
<tr>
<td>Health projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction of health centres</td>
<td>• To construct and equip two health centres at Gbaraintoru and Ogboloma</td>
<td>Health centres constructed but not equipped or commissioned</td>
</tr>
<tr>
<td>Construction of health posts</td>
<td>• To construct and equip two health posts at Obunagha and Bumoundi-Gbene</td>
<td>Health posts constructed but not equipped or commissioned</td>
</tr>
<tr>
<td>Provision of hospital equipment</td>
<td>• To complement the efforts of Bayelsa State government to equip the two hospitals at Okoloibiri and Agudama</td>
<td>No action taken</td>
</tr>
<tr>
<td>Human capital development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for the kingdoms’ oil and gas local employment bureau</td>
<td>• To provide support to the kingdoms and the communities towards the establishment of a dedicated oil and gas employment bureau</td>
<td>Employment bureau established but provides only minimal employment opportunities</td>
</tr>
<tr>
<td>Youth training</td>
<td>• To continue with the planned youth training schemes agreed with Bayelsa State government and Saipem at Port Harcourt, Petroleum Training Institute at Warri and Technical College at Ekowe</td>
<td>No evidence of progress</td>
</tr>
<tr>
<td>Scholarship awards</td>
<td>• To award a total of 80 post-secondary scholarships to indigenes of Gbarain and Ekpetiama kingdoms who pass a qualifying test jointly administered by the community and SPDC</td>
<td>No evidence of progress</td>
</tr>
<tr>
<td>Provision of craft, technical and laboratory equipment</td>
<td>• To equip craft centres at Polaku and Agudama to provide basic craft training; scope of the work to be jointly determined in line with the sustainable community development</td>
<td>Implemented</td>
</tr>
</tbody>
</table>
budget for Gbarain and Ekpetiama kingdoms
• To provide science laboratory equipment in three schools
• To provide laboratory equipment in five schools
Laboratory equipment supplied instead of intro-tech
Implemented

Economic empowerment projects
• To provide the sum of N200 million for economic empowerment projects in the kingdoms
• To provide four 14-seater buses for Gbarain and Ekpetiama kingdoms including driver training
Not fulfilled
Implemented

Public relations
Sand stockpile
• At the end of the dredging and sand filling exercise, to provide two 5,000 cu m stockpiles of sand for the Gbarain and Ekpetiama kingdoms
Stockpiles provided but wasting away; because no sharing formula was agreed, landowners where the piles were deposited seized the piles, resulting in social conflict


Table 2: The negative impact of oil exploration and exploitation on the environment, livelihoods and the socio-economic setting

<table>
<thead>
<tr>
<th>Problem requiring immediate attention</th>
<th>Immediate causes</th>
<th>Underlying causes</th>
<th>Root causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty and hunger</td>
<td>Environmental degradation (gas flaring, oil spillage, soil degradation, water pollution)</td>
<td>Poor environmental performance and lack of enforcement of standards and regulations</td>
<td>Oil industry activities</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Loss of livelihood</td>
<td>Major arable land acquisition and lack of</td>
<td>Oil industry activities</td>
</tr>
</tbody>
</table>
Underdevelopment
Lack of social infrastructure, corruption and lack of rule of law
Ethnicity-based politics and lack of patriotism
Poor governance

Widespread transfer of bacteria, viruses and parasites, contaminating water resources, soil and food. Air pollution from gas flaring Water contamination from oil spills
Water and sanitation crisis. Local air pollution. Poor diet and poor health
Oil industry activities and Poor governance

Environmental Degradation
Depletion of flora and fauna. Air pollution and Water contamination.
Destruction of habitats. Gas flaring and oil spillage.
Oil industry activities


Limited Successes

There is no gainsaying the fact that Shell’s CSR programmes have brought development that benefits many local communities. However, CSR have the potential of both positive and negative impacts. That is, most of the benefits local communities enjoy from the CSR programmes of Shell come at a great cost to the local communities. By omission or commission, the activities of Shell and its processes of delivering its CSR programmes impact negatively on local communities, often outweighing the positive benefits that CSR brings (Watts, 2004), Shell’s role in environmental and social impacts illustrates this point.

There have been some limited successes associated with SPDC’s GMoU programme. For example, SPDC has been punctual in its release of funds, and this has enabled a number of clusters to plan and implement projects. In Etche, Rivers State, the GMoU process has enabled communities to build a town hall (functional and in use), run a scholarship scheme, and complete and commission two cluster projects: a school and a road project. Etche cluster is also the first to have solar powered water borehole systems, installed in four communities. The Ikwerre cluster, also in Rivers State, has carried out construction of an access road between Omueke and Igwurutta, Omuigwe town hall and rehabilitation of the Omuike-Aluu rural electrification project. Improved linkages between SPDC, NGOs and some communities are another relative success, where effective facilitation has brought about strategies that were not possible in the past. Although further capacity building is required, this has exposed Community Trust members to new and improved ways of promoting sustainable development in their communities. However, while there have been successes in project delivery, the fundamental principles have been ignored. Success should be measured based on the inclusion of people in decision making and the development of strong, accountable institutions that can support and advocate for service delivery beyond SPDC funding. SPDC still places greater emphasis on project implementation than on participatory processes. It is not investing enough time to get the process right, so an elite group on the Boards is emerging to control the process rather than involving a wide range of stakeholders.

Shell has not denied the fact that its operations result in environmental degradation but disagree on the extent of damage to the environment. Between 1995 and 2006, Shell alone recorded 3,213 oil spill incidents (annual average of 300 incidents) resulting in the spillage of over four hundred and fifty thousand barrels of oil (450,000 bbls) on the Niger Delta environment and a daily flaring of huge volumes of gas (about 604 million scf per day) (see SPDC, 2007). The consequence of these on local livelihood, the environment and contribution to global warming or climate change can only be
imagined. Also, Shell admits that its approach to CSR causes community disorder: “cash payments (e.g. to community youths for access fees, standby labour, etc) have been blamed for inter-community disputes and for distorting genuine community needs” (SPDC, 2005:28). Yet Shell has not changed its practices despite its claims to corporate social responsibility. There is general consensus that in a global economy, businesses are often playing a greater role beyond job and wealth creation and CSR is business’s contribution to sustainable development” and that “corporate behavior must not only ensure returns to shareholders, wages to employees, and products and services to consumers, but they must respond to societal and environmental concerns and values. Arising from the above is the fact that oil companies in Nigeria particularly SPDC, like other parts of the world must accept social responsibility as part of their business in their areas of operations, or else they should be blamed for the violence in the region. The private sector can contribute to pre-conflict or conflict prevention strategies in stable and peaceful regions in three ways ‘through its business activities, social investment programs, and engagement in policy dialogue and civic institution building.

CONCLUSION

Corporate Social Responsibility (CSR) has today become the rhetoric of every Business Enterprise, especially those engaged in the development of natural resources. Oil companies in Nigeria can address the factors that promote conflict in the oil producing areas namely, land degradation, general pollution, poverty, social injustice/inequality and unemployment. CSR and Transparency, as presently practiced in the extractive industries, have failed to deliver measurable and sustainable benefit to both the people living along project corridors, and natural resource producing communities as a whole. This has provided a leeway for corporate and government neglect and abuses. Being non-binding in nature, it has left little or no legal plank through which the victims of corporate and government abuse resulting from natural resource extraction can ventilate their rights. One of the environmental hazards inflicted on the Niger Delta People is gas flaring.

Most often, MNCs have argued that political and social factors beyond of their control have impeded efforts to improve their environmental record. Companies allege that communities and even government officials have obstructed efforts to modernize and repair infrastructure by insisting that sizeable compensation payments be made prior to these improvements. Activists, on the other hand, have contended that Nigeria’s government which holds a majority stake in the largest offshore joint ventures has failed to enforce its own regulations, allowing companies to stall expensive upgrades and avoid costly clean-up and compensation measures. With all the controversies surrounding the causes of oil and gas-related pollution, the need for a thorough, independent environmental impact assessment (EIA) is paramount. Environmental impact assessment (EIA) of the Niger Delta as well as support efforts to establish a credible, independent judicial mechanism to investigate and handle compensation claims. Efforts should be made to ensure that the credibility of such an environmental assessment is not damaged by funding from or association with government and energy companies.

Steps should be taken to ensure that compensation is distributed transparently in a manner that benefits communities instead of individual “benefit captors”, including politicians, traditional rulers and indigenous compradors. MNCs sometimes flout Memoranda of Understanding entered into with host oil producing communities with impunity. On their own part, the communities are too poor/weak to enforce their rights. Similarly, the lack of speedy resolution of ecological damage and oil spill cases has fueled tension between oil companies and their host communities. Critics have argued convincingly that Nigeria’s judicial process has so far proven unable to handle environmental and CSR complaints fairly or effectively. Residents of impoverished communities frequently complain that legal costs put lawsuits out of their reach and that, in any case, court processes are long drawn because of unending adjournments. These bottlenecks impede the CRS in the NDR – leading to corporate impunity and lack of transparent and accountable governance. Ultimately, environmental justice is crucified on the altar of self-aggrandizement. After all, in our own Niger Delta, Oil is thicker than blood. Will this remain the lot of oil producing communities in the NDR?

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