Resources Policy 37 (2012) 144–151

Contents lists available at SciVerse ScienceDirect

Resources Policy

journal homepage: www.elsevier.com/locate/resourpol

Corporate social responsibility and petroleum development in sub-Saharan Africa: The case of Chad

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ARTICLE INFO

Article history:
Received 7 October 2010
Received in revised form
12 August 2011
Accepted 12 August 2011
Available online 10 March 2012

Keywords:
Chad
Oil
Governance
CSR
Development

ABSTRACT

This paper contributes to the debate on governance, transparency and Corporate Social Responsibility (CSR) in oil-rich sub-Saharan Africa, focusing on the case of Chad. Over the past decade, Chad has gained international standing as an oil-producer on the back of the World Bank-catalyzed Chad–Cameroon pipeline project, which aims to develop the country's oil-rich Doba region. The analysis begins by examining at greater length the challenges to implementing a CSR agenda in fragile states such as Chad, highlighting, specifically, the barriers to facilitating development in environments exhibiting Dutch Disease-like symptoms. It subsequently critiques CSR programs in resource-rich developing countries, questioning the role of corporate intervention in such settings. The paper concludes by examining how CSR has been "operationalized" in Chad itself, where to ensure that the finances generated from the oil project are properly managed, the Bank instituted a comprehensive revenue management plan.

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Introduction

Over the past two decades, Corporate Social Responsibility (CSR) has gained importance as an integral part of multinational corporations' (MNCs) efforts to ensure that their activities benefit local communities and, which at the same time, bolster their international reputations. The World Business Council for Sustainable Development, an international organization, which assists businesses in sustainable development practices, defines CSR as a strategy that "contribut[es] to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Holme and Watts, 2000). Following the blueprint of the World Business Council for Sustainable Development, CSR is defined here as a strategy that fosters improvements in the areas of health, education, environment and human rights (Utting, 2008).

Due to the potential impact the extractive industries can have on the socio-politico-economic fabric of developing countries, CSR is increasingly encompassing corporate governance and accountability (Utting, 2008). The advent of such global, industry-wide initiatives as the Extractive Industries Transparency Initiative (EITI) and Publish What You Pay (PWYP) campaign have drawn attention to the issue of transparency in the context of the mining and petroleum industries in developing countries. As Gulbrandsen and Moe (2005) explain, there has been a shift in thinking regarding the involvement of MNCs in the domestic affairs of oil-exporting developing countries in particular. The growing societal expectation in the petroleum sector is for MNCs to play a more active role in capacity-building and development activities. This shift in thinking has occurred in response to the demand for CSR and the glaring lack of capacity in many of the fragile developing states where oil production often takes place.

The purpose of this paper is to contribute to the debate on governance, transparency and CSR in the petroleum sector by focusing on the situation in oil-rich sub-Saharan Africa and Chad more specifically. There are obvious limitations to what CSR can achieve and serious challenges to "operationalizing" it. This case is no different, although Utting (2008) raises three points concerning CSR in developing countries that are of particular significance here. The first is the imperativeness of understanding the difference between CSR and corporate accountability (Utting, 2008). The failure of the host government, corporations and local populations to differentiate between the two can lead to unrealistic expectations in weak states and can obscure what a company should be doing. A second, and related, point is ensuring that all local stakeholders understand that it is the role of MNCs in such environments to contribute to and/or enhance *existing* socio-economic development, not to replace government policy. Specifically, MNCs are *not* development agencies and therefore must not be viewed as such or called upon to lead a development agenda. Lastly, and perhaps most importantly, is the impact of the state-corporate relationship on the host government's responsibility and accountability *vis-à-vis* the local population. It is the strength of this relationship that will determine the long-term impact of CSR policy on development in a country.

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doi:10.1016/j.resourpol.2011.08.001

The paper begins by examining at greater length the challenges to implementing a CSR agenda in fragile states, specifically highlighting the barriers to facilitating development in environments exhibiting Dutch Disease-like symptoms. The article moves on to a critique of CSR programmes in mineral-rich developing countries, questioning the role of corporate intervention in such settings. There are obvious misconceptions about who is responsible for leading the socio-economic development process in environments characterized by weak governance and low levels of democracy. Finally, CSR is examined in the Chad case where, due to high instability and an authoritarian regime, oil multinationals are perceived as the purveyors of development projects by both the state and the local population. A World Bank-designed revenue management plan was developed specifically for Chad to promote accountability, good governance and development. A further analysis of the correlation between corporate-led development *vis-à-vis* government-financed development projects reveals the causal relationship between the gatekeeper/failing state phenomena and CSR in Chad.

The analysis is informed by findings from pilot fieldwork conducted over a four month period (July–August 2007 and February–April 2009) in Chad. Structured, semi-structured and informal interviews were conducted with representatives from local civil society leaders, members of the international NGO community, government and the World Bank. Some of the informants in this category were interviewed more than once (i.e. in 2007 and 2009) because of the several political shocks that had occurred between the two visits. Informal interviews/discussions took place in a variety of settings, including church, peoples' homes, restaurants and bars. In some cases, this information elicited the "unofficial" stance but more often was utilized in conjunction with participant observation to compare what was said with how things were. Fieldwork took place in the capital, N'Djamena, and in the oil-producing region of Doba–Bebedjia and the surrounding villages. These locations were selected because civil society activity related to the oil project primarily took place in these areas.

General challenges to promoting CSR in developing countries

Utting (2008) identifies a number of key differences between corporate accountability and CSR, a clarification of which is imperative when critically examining the environmental and socioeconomic impacts of MNCs in fragile states. Corporate accountability, it is explained, includes all actions taken by an MNC – in this case, in a developing country – to assume responsibility for its actions (environmental damage, contracts, etc), and the impact of these actions on the social, political and economic dynamics of the country. It is recognizing that in addition to addressing the needs of investors and business partners, the host country and the local community are equally-important stakeholders, to which the company must also be accountable. This, however, is often not the case in developing countries, and until there is a fundamental shift in thinking, the line between corporate accountability – or what a company *should* be doing – and CSR will continue to be blurred. Frankental (2001) helped to bring this issue to the fore, arguing that, "so long as the governance of companies reflects the interests of shareholders and not of any other groups in society, how can businesses be socially responsible (apart from a few niche markets?)" (p. 19). Specifically, the author observed that the value a company places on CSR depends on where such frameworks are located in its organizational structure, furthermore contesting that in most cases, these frameworks and guidelines are located within corporate, external or community affairs strategies – that is, beyond the confines of internal structure, the suggestion being that MNCs do not see CSR as an essential part of their core corporate strategy. Understanding this relationship helps to explain the situation unfolding in fragile oil-producing states such as Chad, where transparency and accountability are low, and corruption is rampant. This section of the paper examines in greater detail the challenges to CSR – resource curse/Dutch Disease, gatekeeper state syndrome – in Chad and more broadly, in oil-rich sub-Saharan Africa. The analysis draws upon economic and state development theories to explain the relationship between CSR and the low occurrence of transparency and accountability within oil-rich sub-Saharan Africa.

The resource curse and Dutch Disease

Understanding Dutch Disease and resource curse theories is essential to explaining why CSR manifests in the way it does in fragile states, rich in natural resources. The resource curse (Auty, 2001), which was analyzed and applied to the oil boom in Latin America by Karl (1997), refers to the paradoxical phenomenon of low economic development in natural resource-rich countries. The Dutch Disease phenomenon occurs when a resource sector, such as oil, experiences a boom, which can trigger an increase in spending, a rise in price of goods and services in the non-resource sector, and a shift of goods and services between the non-resource trade sector and the nontradable sector (Corden and Neary, 1982). This generally occurs when the producing country becomes a significant producer and exporter of that particular natural resource. Rising resource exports push up the value of the country's currency, which makes its other exports, such as manufactured and agricultural goods, less competitive abroad. Export figures for those products then decline, depriving the country of the benefits of dynamic manufacturing and agricultural bases and leaving it dependent on its resource sector and at the mercy of often volatile international markets. There is the tendency for the government to pour more and more money into the resource sector at the expense of the traditional trade and non-trade sectors, creating greater economic imbalance. The imbalance created is the foundation of the resource curse/Dutch Disease syndrome. The resource curse combines the economic elements of the Dutch Disease but includes socio-political factors into the situation. The resource curse, according to Larsen (2005) occurs when there is a rapid acceleration in economic output followed by a subsequent deceleration, simply put. Stevens (2003) argues the resource curse may be intimately linked to the Dutch Disease, in which the manufacturing sector shrinks as resource extraction displaces it. Such displacement becomes an acute problem for reasons not entirely understood. It appears that a country's manufacturing sector is linked to productivity growth and technical advance (Stevens 2003, in Larsen 2005).

Broadly, the debate on the resource curse is underpinned by a variety of different factors, including state corruption, bad governance and conflict. The classic case of Dutch Disease and the resource curse in an oil-rich setting in sub-Saharan Africa is Nigeria, where the oil boom of the early-1970s caused agricultural exports to drop from 11.2 percent of GDP in 1968 to 2.8 percent of GDP in 1972; the country has yet to recover (Ross, 2008). The best way to prevent this "epidemic" is with a balanced economic development plan that calls for investing resource revenues in agriculture and manufacturing in order to achieve long-term, sustainable growth. However, the regimes in many resource-rich developing countries typically elect to reinvest in the resource extraction industry itself, deposit large amounts into the treasury and off-shore accounts, and finance the large-scale infrastructural development such as dams, football stadiums and government buildings, which are little more than showcase projects for the benefit of external donors.

Prevention of a reoccurrence of the resource curse and Dutch Disease in a country such as Chad was the World Bank's

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