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Enclave development and 'offshore corporate social responsibility': Implications for oil-rich sub-Saharan Africa ☆

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ABSTRACT

This paper critically reflects on the challenges of engaging, proactively, in Corporate Social Responsibility (CSR) in oil-rich sub-Saharan Africa. Most of the region's oil production takes place in enclave-type environments offshore and in countries ruled by autocratic governments which generally exert minimal pressure on companies to embrace CSR. With companies having little sense of who to target in their local economic development policies and programs, there is always a possibility of 'offshore CSR' – recognized here as potentially-effective ideas for improving social welfare that linger within the enclave and never fully materialize – surfacing. The aim is to conceptualize and broaden understanding of the challenge of developing CSR programs in these settings, where there are no clear linkages to communities or local economies more generally.

Introduction: conceptualizing the challenge

Reflecting on how extractive-led development has manifested in sub-Saharan Africa over the course of the past few decades, Ferguson (2005) has argued, quite persuasively, that the booming mineral and petroleum industries now widespread across the region operate in an enclave-type fashion, analogous to the way in which sovereign states function within the boundaries of another politically-autonomous territory. The author's analysis has helped to broaden understanding of why, across the developing world, mineral wealth has generally failed to facilitate positive economic development, a paradox commonly referred to as the 'Resource Curse' or 'Paradox of Plenty' (Auty, 1994; Sachs and Warner, 1995; Karl, 1997).[1] In countries such as Angola, Zambia and Sudan, Ferguson (2005, p. 378) observes, 'what is noteworthy is the extent to which this economic investment [from extractive industries] has been concentrated in secured enclaves, often with little or no economic benefit to the wider society'. These ideas are elaborated upon further:

> … global capitalism has neither abandoned Africa nor swept it up in a grand process of global homogenization and standardization. Rather, capital "hops" over "unusable Africa," alighting only in mineral-rich enclaves that are starkly disconnected from their national societies.

The blueprint that has spawned this enclavity, for which the phrase 'export-led growth' has been used euphemistically by the likes of the World Bank and International Monetary Fund ('IMF'), is a main reason why countries in sub-Saharan Africa derive minimal benefit from 'booming' extractive industries. As

☆ The analysis in this paper applies mainly to countries in the Gulf of Guinea which have exclusively offshore oil production. Countries such as Chad, Sudan and of course, Nigeria are also large oil economies in sub-Saharan Africa but because a large share of production in each is onshore, the issues raised in this paper do not necessarily apply.

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[1] The notion of a broad-based 'Resource Curse' has come under heavy critique in recent years. Some scholars contest that there is no evidence to support the argument altogether (see e.g., Brunnschweiler and Bulte, 2008; Davis, 1995; Dunning, 2008). Others have found that there are, in fact, positive linkages between resource exploitation and economic and social development (Pegg, 2010; Davis and Tilton, 2005; Haber and Menaldo, 2011; Stijns, 2005). This debate notwithstanding, there is little disputing that while endowed with vast resources, the region under study – oil-rich sub-Saharan Africa – is underperforming economically, its countries ranking at the bottom of the UN's Human Development Index.

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MacEachern (2010, p. 348) explains, the capital investment that has propelled mineral and oil project development in sub-Saharan Africa 'has not been especially well correlated with the appearance of political regimes receptive to neoliberal economic nostrums, the favorite exemplars of the World Bank, the IMF and the Chicago School and the places in Africa where recipes for structural adjustment and globalization have been most faithfully followed'.[2]

Ferguson (2006) has since reflected critically on the geographical distribution of this enclavity, arguing that 'countries with the "weakest" and most corrupt states and even raging civil wars, have often attracted very significant inflows' (p. 41). Incumbent governments derive significant economic benefits from expanding extractive industries and, at times, systematically marginalize populations – often through force – to stay in power. In the absence of government-initiated local economic development, the onus of responsibility for ensuring that affected communities are not adversely affected by and in fact are in a position to gain from this activity often falls on the very multinational companies driving this enclave-type resource extraction altogether. Although not necessarily required to do so, many of these companies are the trailblazers of the Corporate Social Responsibility (CSR) agenda, their management firm believers in the need for operations to secure 'a social license to operate' from catchment communities. Most could quite readily point to a long list of community development projects, including roads, health clinics and boreholes.

But at the same time, it is difficult to conceptualize how community-level concerns could possibly be taken seriously by managers 'inside the enclave'. MacEachern (2010, p. 349) shares his own experiences while employed under the cultural heritage management program of the Chad-Cameroon pipeline, reflecting on 'living and working in the ramifying archipelago of protected camps, cleared right-of-ways, helicopters and chauffeured Toyota Land-Cruisers that Exxon had established in this part of Central Africa':

> Participation in the project involved fieldwork in Cameroon and also in southern Chad, one of the poorest places on Earth, where the average life expectancy is about 47 years, infant mortality rates are approximately 10 percent, and other demographic indicators are similarly catastrophic…. On the other hand, life inside the wire included Skippy peanut butter and Louisiana hot sauce brought in to stock the cafeterias, private air-conditioned trailers with hot showers and satellite television, and in Chad a posse of armed guards for any movement beyond the camp gates. Ferguson's term 'enclave' is perhaps too mild: this was life on a submarine. [p. 349]

This raises a number of questions about the 'brand' of CSR being promoted by the companies operating in natural resource 'enclaves' across sub-Saharan Africa, which, as the above quotation suggests, are heavily disconnected from local settlements. In particular, how do the multinational corporations populating these enclaves arrive at decisions concerning CSR, and what impact do programs have? Moreover, why would these companies assemble a CSR program at all when it appears that they are under very little pressure from host governments to do so?[3]

Among the more extreme cases are the region's offshore oil producers. As Ferguson (2005, p. 378) explains, 'the clearest case of extractive enclaving (and no doubt the most attractive for the foreign investor) is provided by offshore oil extraction, as in Angola, where neither the oil nor most of the money it brings in ever touches Angolan soil'. There are a number of other countries across sub-Saharan Africa which conform to what Ferguson (2005) refers to as the 'Angolan model': specifically, countries where 'oil fields are secured, enclaved, and "globally" networked while the rest may be left to an endemic disorder or warfare that can conveniently be blamed on ancient primordial hatreds, irresponsible and corrupt political leaders, and so on, all loosely managed by networks of humanitarian NGOs' (p. 380). The long list of countries includes Cameroon, where corruption and a stranglehold over offshore oil supplies has enabled Paul Biya to remain in power since 1984 (Frynas, 2005; Pegg, 2006); Equatorial Guinea, where President Obiang, since seizing power in 1979, has used discoveries of oil to solidify his position, and to enrich his minority Esangui clan (Wood, 2004); and Gabon – which is perhaps one of the most illustrative examples of how, in the words of Ross (2001), oil 'has hindered democracy' – where President Omar Bongo used oil supplies to influence multinational corporations and to stay in power for 51 years (Soderling, 2006). An additional concern with oil extraction in the context of CSR is the ambiguity surrounding which settlements constitute 'the community'. The issue is more pronounced with offshore oil extraction as it is difficult to pinpoint who exactly is affected by and should benefit from offshore drilling activities.[4] This was somewhat alluded to in a recent article on Ghana, the latest addition to the growing list of offshore oil producers in sub-Saharan Africa:

> After all, the oil is offshore – 100 km out to sea – and it may be extracted without ever coming onshore. Even people in the southwestern region of Ghana, the closest region to the oil, are unlikely to benefit. Such enclave extraction has very few linkages with the local economy and generates few possibilities for job creation for the average Ghanaian.[5]

It remains unclear how CSR is 'operationalized' in such settings and what impact it has on local populations. These are among many issues in need of further investigation.

The purpose of this article, therefore, is to draw attention to how enclave development influences CSR in countries in sub-Saharan Africa where offshore oil production takes place. In doing so, the paper introduces the term 'offshore CSR', using it as a euphemism for the generally-misguided economic development implemented by so many of the oil consortia operating in the region, the implication being that most of the community development initiatives formulated remain in the enclave – that is, offshore. The aim is to raise awareness of the challenge of developing CSR programs in settings where there are no obvious connections to communities or linkages to local economies.

Governance, institutions and the rise of enclaves in oil-rich sub-Saharan Africa

Over the past decade, analysis of the resource curse in sub-Saharan Africa has shifted to issues of governance, corruption and transparency (see e.g., Kurtz and Brooks, 2011; Cabrales and Hauk, 2011). While the explanation behind resource-rich sub-Saharan Africa's prolonged poor economic performance is clearly multifaceted, there is agreement (Stevens and Dietsche, 2007; Hilson and Maconachie, 2009) that weak, unaccountable

[2] The 'Chicago School of Economics' is a neoclassical school of thought popularly associated with neoliberalism and free market thinkers such as Milton Freidman.

[3] Nigeria has recently proposed a CSR bill which will require companies to set aside 3.5 percent of annual profits for CSR programs. This distinguishes Nigeria from other resource-based economies which do not have government backing for CSR programs.

[4] Determining which individuals or group of individuals constitute the community is difficult for the managers of both onshore and offshore projects.

[5] http://africagrows.wordpress.com/2010/05/17/recent-oil-finds-in-africa/ (Accessed 10 May 2011).