Resources Policy 37 (2012) 144–151

Contents lists available at SciVerse ScienceDirect

Resources Policy

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

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A R T I C L E I N F O

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

A B S T R A C T

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

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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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justification for producing an oil revenue management plan. It can also be argued that CSR activities and resource curse prevention policies are strongly linked to one another. The link between CSR projects and resource curse prevention is not explicit; however, by acknowledging that even minor corporate-led development projects contribute to the overall goal of poverty reduction, the link is implied. The Chad case presents some strong, implied evidence. The oil revenue management plan was explicit that 70%[1] of all revenues would target the "Priority Sectors" of public health, social welfare, education, infrastructure, rural development (agriculture and animal husbandry), environment and water resource management (Chad Law 002, 2006), thereby acknowledging that the state had not only the responsibility but now the means to carry out a sustained poverty reduction program. In essence, this would render any CSR projects undertaken by the Consortium just that – activities that address the social responsibility of the MNCs towards local populations. This resulted in CRS projects to helping to offset the resource curse by virtue of their nature but not explicitly by design. One of grand flaws of the World Bank's plan, however, was the absence of detail: when the agreement was made, the Chadian government was not required to demonstrate *how* (or *when*) this 65% of revenues would be used to combat poverty.

Gatekeeper states, failed/failing states

One of the reasons CSR is growing in importance in sub-Saharan countries is the absence of strong and stable states, with fit-for-purpose offices and staff, which can functionally manage those states. Since independence, the majority of countries in sub-Saharan Africa have experienced long periods of political instability, which has given rise to a failed or failing state "epidemic" in the region. As a means of differentiating between failed/failing states and those, which are more capable of controlling its national borders but not what happens within those borders, Cooper (2002) coined the term "gatekeeper state". In such countries, explains Cooper (2002), the state apparatus is able to control the frontiers, and extract resources from those control mechanisms: customs revenues and foreign aid, business permits, entry and exit visas and permission to transport currency in and out of the country/territory. But it does not exert the same controls domestically, particularly when it comes to regulating business or by having an effective and comprehensive system of taxation. In essence, what is at stake is unhindered access and control of resources, and the impact on accountability. The relationship between a gatekeeper/failed state and CSR will be discussed in greater length in next section of the paper but suffice it to note that this absence of domestic control and accountability helps to explain why MNCs are compelled to engage in more CSR activities than intended, particularly in mineral and oil-rich developing countries. Cooper (2002) identifies Nigeria as a classic example of a natural resource-rich gatekeeper state (2002), arguing that oil has

> "…entrenched Nigeria in its gatekeeper role. Instead of providing capital for the diversification and the industrialization of the Nigerian economy, oil revenues were used above all for the primary task of the political elite: patronage" (p. 173).

It is against this background that Okafor (2003a) describes the CSR practices in Nigeria's oil industry as "an amendment to government failure", since oil companies continue to finance the socio-economic infrastructure that the government has failed to provide for host communities. One of the greatest challenges to promoting effective CSR in resource-rich countries in sub-Saharan Africa is clearly defining the roles of corporate social programmes in host communities and government infrastructure. This is something that must be addressed by both corporations and the state to ensure that any corporate-led development activity lives up to its promise.

Discussions centered on distinguishing between corporate accountability and CSR began to emerge during the build-up to the Johannesburg Summit in 2002 and have since steadily intensified (Broad and Cavanagh, 1999; Utting, 2005a in Utting, 2008). But what really distinguishes the two? There is a clear distinction between "responsibility" and "accountability", and when analyzed with regard to oil-exporting countries with historically weak and incapable state structures, it is important not only to distinguish between the two but also whether or not either (or both) are applicable. According to Utting (2008), the differences are both conceptual and strategic, encompassing voluntarism (individual and via broad initiatives) on the side of CSR and obligation in the form of regulations, laws, penalties and redress (corporate accountability). Due to the way in which the current market works; however, "Corporate social responsibility can only take root when it is rewarded by the financial markets" (Frankental, 2001; p. 19).

It is important to clarify that CSR-related activities do not only take place in developing countries; some form of social programming is found wherever MNCs have extensive operations (Gulbrandsen and Moe, 2005). The type of social projects being carried out by MNCs ranges from endowments to museums or other cultural institutes and promoting research (in developed countries), to financing the construction of schools, hospitals or roads (in developing countries) (Gulbrandsen and Moe, 2005). In developing countries, oil companies are expected to fund social-economic development projects, which aim to improve the basic needs of local populations, particularly in producing regions, due to the inability (and/or unwillingness) of the state to take responsibility for these activities. In such situations, the result is typically a brand of CSR, which is restricted to supporting the socio-economic initiatives of local civil society, including foreign organizations based in-country (Frankental, 2001), as opposed to the more desired policy of supplementing government-led projects. Crucially, this situation enables the host government to place responsibility for development on the corporations rather than acknowledge and take ownership of development policy.

A brief critique of CSR

By categorizing CSR activities, it becomes easier to understand corporations' position on community development, environmental protection and allied issues, which is a key to improving relationships with both the host government and affected local populations. Gulbrandsen and Moe (2005) identify two types of CSR activities commonly found in developing countries. They are as follows:

- *Micro*: Activities that supplement host government policies in particular areas but, which do not interfere with actual government policy. They are "benign" in the sense that the projects are beneficial to both the host community and the oil company.
- *Macro*: Refer to a sense of responsibility for the "indirect consequences" of the sudden increase in revenues due to the extractive industry. They are "malign" because there is a risk that the MNCs, being exposed to sensitive issues, will be accused of encroaching on state boundaries.

In an interesting play on the "paradox of plenty" in which Karl (1997) describes the economic and development state of mineral-rich exporting developing countries, Gulbrandsen and

[1] The breakdown was as follows: 65% to "Priority Sectors", and 5% for the oil-producing region. In 2006, the percentage of revenues changed to 65% as a result of the dispute between the World Bank and President Deby, after which Law 001 was changed by the Chadian National Assembly in late 2005. In Law 001, 80% of royalties and 85% of dividends were earmarked towards assistance to "Priority Sectors".

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Moe (2005) argue that the oil companies experience the "paradox of participation". This refers to situations whereby international oil companies fulfill expectations by engaging and participating in socio-economic initiatives as external- domestic non-state actors. But in doing so, they risk damaging their relationship with the national government, which in many cases, is not prepared to have the accounting logbooks made public. Idemudia and Ite (2006) argue that CSR practices have become entrenched as an integral part of a MNC policy in developing countries, rather than serving as a complement to interventions by the host country. This is in a bid to avoid the types of clashes MNCs have experienced in the past.

The result for many MNCs operating in developing countries however, is a heavy accusation of crossing the boundary of development responsibility that is traditionally held by the state. In Nigeria (Amaeshi et al., 2006), for instance, the increase in CSR spending is such that development in the Niger Delta could "proceed without any significant commitment" (Ite 2004, 2005) by the national government for the foreseeable future, even if CSR spending holds at the current level. Since natural resource rents are concentrated and, in some cases, easily appropriable, government officials in under-developed countries often engage in rent-seeking behavior and corrupt practices, rather than pro-growth activities (Sachs & Warner 2001). Karl (1997) argues that rentier states base their entire economic and political strength on the ability to extract rents from external players (in this case, the oil companies), and proceed to distribute those rents internally to those people/entities that are supportive of the state, which exacerbates the situation. Yates (1996) links rent-seeking behavior and oil dependency in Africa with neocolonial-type policies perpetrated by government officials.

The link between the failed/gatekeeper state syndrome and CSR is rooted in how the gatekeeper state syndrome affects the manner in which state apparatuses' co-opt the situation in order to secure development commitments from the oil companies. Linked to this is the corresponding perception of the local communities who view oil companies as part of the larger Western development apparatus – the primary deliverers of development aid and projects – even though that is not what is traditionally meant for CSR, as previously discussed. "Perception" is an important aspect when examining CSR because it is the views of the primary stakeholders (whether positive or negative) that determine corporate-community relations. This includes *perceived* responsibility for fostering these relations, responsibility for socio-economic development, and ownership of such projects, which the state perpetuates. In the Niger Delta case, for example, local communities typically viewed the construction of clinics, schools and wells as being owned by the oil companies rather than seeing themselves as part of the equation, resulting in locals placing sole responsibility on the multinationals for the maintenance and progress of "their" projects (Idemudia and Ite, 2006). In the short and medium term, this responsibility puts continuous pressure on the MNCs to engage in community development with the long-term impact being a continued absence of local capacity.

In order to combat this scenario, two things must happen: first, oil company CSR expectations must be clarified; and secondly, local communities must begin to change the perception of themselves from recipients to owners. If not addressed, a culture of dependency sets in, which is difficult to reverse. If, as Zandvliet and Pedro (2002) observe, the relationship between locals and oil companies is based on perceptions, which are not clarified at the offset, then the cycle and culture of dependency cannot be broken. Somehow, MNCs (with the assistance of international non-governmental organizations) must change these prevailing attitudes and reorient responsibility to the state, to ensure that the oil industry is compliant with important human, social, political, and environmental rights (Watts, 2005). Local populations need to understand that the fundamental relationship is between them and their government, and that MNCs are simply a catalyst for enhancing that relationship. Equally, it is essential for the host government to acknowledge this and clarify these relationships, so as to better channel CSR projects into existing development agendas.

Further, the gatekeeper state is an extreme form of clienteleism, where the power is centered at the top (national level rather than local powerbrokers) and all power derives from there. In expanding this theory to place oil-producing countries within the gatekeeper state framework, Cooper (2002) appropriately identified these nations as spigot economies. Due to the nature of exploration and exploitation, the presence of oil can turn a typical gatekeeper state into an extreme case. The situation is simple: developing countries require the technical expertise and materials from industrialized countries and multilateral oil companies in order to exploit their oil. Both parties understand this. They also understand that the state will extract rents from the MNCs in the form of exploration permits, digging/drilling permits, work visas, rents on land where buildings are constructed and corporate taxes. This symbiotic relationship is what creates an extreme form of the gatekeeper state. The long-term impact of the state-corporate relationship, domestically, is continued absence of state responsibility and accountability with respect to the local population, which, in turn, negatively affects governance.

The next section of the paper introduces the Chad case through which the issues examined in this section are further illuminated.

Implementing a CSR agenda in an African oil-rich economy: The case of Chad

A brief overview of oil in Chad

When compared to Nigeria or Angola, the story of Chad's oil is far less researched. While there has been some work undertaken, which examines the impact of the political upheaval of the 1970s and 1980s, and the impact on state development and political stability, analysis of the emergence of an oil industry in this volatile setting has only started to take place.[2] Chad's oil potential first came to light in the 1950s when it was believed that oil deposits were located in the area around Lake Chad. Still untapped at independence, the new regime hoped to increase revenues in the cotton industry to facilitate the exploitation of oil, although not for the purpose of improving development but rather to finance the fight against the rebel groups (FROLINAT) in the mid-1970s. It was not until the early-1990s that any meaningful discussions on exploring and exploiting Chad's oil deposits (in the southern Logone Orientale region, not Lake Chad) took place, coinciding with the coming to power of current president, Idriss Deby, in 1990. The introduction of democratic measures by Deby, culminating in the relative successes of the 1996 presidential elections and ratification of the constitution, seemed to point to the beginning of greater political stability. It was at this point when the World Bank (acting as guarantor for both stability of the government and the development status of the project) and foreign oil companies agreed to invest in Chad.

The political events that took place between 1990 and 1996 culminated in the forging of an agreement between ExxonMobil, PETRONAS and Chevron,[3] the state and the World Bank in 1999; exploration and exploitation of the oil in the Doba region began shortly after this agreement materialized. This agreement is based on two things: the perceived stability of the state after 25+ years

[2] For a comprehensive examination of Chadian history and politics, please see Buijtenhuijs (1998), Azevedo (1998), Decalo (1989) and Nolutshungu (1996).

[3] The oil consortium.

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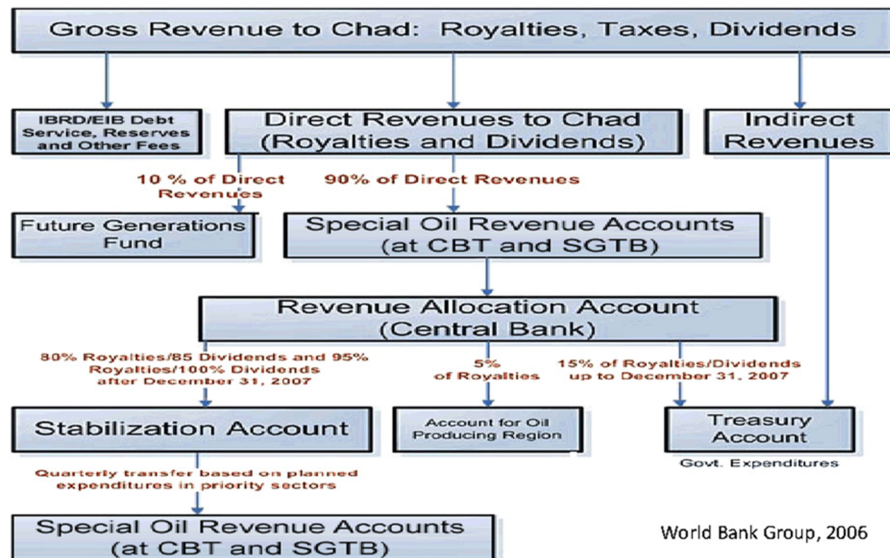

Fig. 1. Chad's Oil Revenue Management Plan. (Fig. 1 details the allocation of all oil royalties and revenues as agreed in 1999, which was in effect through to the end of 2005 (as noted, the Deby regime altered the law at the beginning of December that year)).
Source: World Bank 2006.

of civil war and the enthusiasm for the project by the World Bank. As previously explained, Chad was suspected of having oil deposits as early as the 1950s but due to the instability of the state, international oil companies felt the risk too great for pursuing development. It was only after the World Bank joined the discussions that negotiations for the project began moving forward. With its Poverty Reduction Strategy Papers at the forefront of their poverty reduction agenda throughout the 1990s, the Bank sought to reduce the reliance on aid to developing countries by inducing them to fundamentally change their governance, as well as to utilize domestic resources (manufacturing, agriculture, services and minerals) to increase their capital. The prospect of Chad developing an oil industry and using the revenues from oil to increase development fit nicely into this agenda. Additionally, the World Bank was eager to prevent the "resource curse" from plaguing yet another resource-rich country in sub-Saharan Africa, and saw its partnership in the Chad project as a way to achieve this. On the private investment side, the international oil companies required the involvement of the World Bank in the project (as a guarantor that the Chadian state would remain "stable" and lower the risk of investment) before deciding to embark on a long-term, financially-lucrative business partnership with one of the poorest countries in the world (Pegg, 2006). Given Chad's history, this was not surprising.

The plan

The revenue management plan implemented in Chad was innovative on several fronts, particularly in the areas of economic and social development, and governance (Guyer, 2002; Pegg, 2006). Economically, it sought to assist the government with coping with the vast sums of money that would soon be entering the state treasury. Socially, the idea tabled was for civil society and the government to work together to facilitate an improved standard of living for the majority of Chadians. In the area of governance, the plan called for openness between the various parties and a trained civil service, based on the foundations of democracy.[4]

Given Chad's history, expectations were unrealistically high. The agreement, Law 001,[5] allowed for a part of the gross revenues to be deposited directly into the Treasury, while another portion would service debts, in addition to deposit accounts for poverty reduction projects (see Fig. 1). In addition to the dedicated bank accounts in Chad, an account was established at Citibank-London for the purposes of controlling the amount of money made available to the Chadian government. Crucially, the role of the multinational oil companies was not stipulated in the plan, thereby relinquishing them from any formal responsibility in the plan's outcome or deliverance. Could this be interpreted as corporate social avoidance? Most multinational oil companies would take a neutral stance on this (see Frankental, 2001), arguing that active involvement in domestic matters crosses their line of responsibility. However, as an integral component of the project, the omission of the oil consortium's role in the plan is critical. As late as 2008, Paul Collier in Political Economy of Economic Growth in Africa (2008) appears to believe in the possibility that the World Bank revenue management plan and the governments' creation of a system of checks utilizing civil society may still work. He concedes that the specifics of the system "may prove to have weaknesses"; the basis of the revenue management plan has great potential to encourage investment in similar situations.

It is estimated that Chad could expect as much as US$2 billion or an average of US$80 million annually (World Bank Report, Chad–Cameroon Pipeline Project site) from its oil over a 25-year period. It is estimated that there is 1.5 billion barrels of crude in the Doba oil fields (CIA, 2009). If these estimates prove to be true, Chad will be the beneficiary of a windfall that few could imagine. Collier's (2000) analysis of the correlation between the economic effect in mineral-rich countries and the rate of internal conflict is relevant to Chad. It demonstrates that states whose economies are dominated by mineral resources are more likely to succumb to civil conflict because "the motivation, prize, and means of a violent contest for state or territorial control" (Le Billon, 2001; p. 56) are present. This was one aspect of the resource curse that the World Banks' plan attempted to combat.

[4] See Ellis (2003), Eriksson and Hagströmer (2005), Massey and May (2005), and van Dijk (2007).

[5] Enshrinement of the 1999 agreement into law.

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Table 1
Development Projects in Doba, 2005.
Source: Coordination Nationale Project Doba-Comite Provisoire, 2005.

Projects: Oil-Producing Region	Cost, CFA
Water distribution system, Doba	443,500,000
Construction of high school	786,500,000
Extension of primary school, Doba	90,000,000
Construction of marketplace, Bebedjia	1,897,245,000
Equipment for high school	216,000,000
Fence around primary school	213,000,000
Total	**3,646,245,000**

In 1999, the World Bank announced that ExxonMobil, Petronas and Chevron (the oil consortium) and the Governments of Chad and Cameroon had come to an agreement to build a pipeline from the Doba Oilfields in South–Western Chad, through Cameroon to an offshore site 11 kilometers off of the Atlantic coastal town of Kribi. The World Bank helped to finance, via loan, the portions for the two countries, despite opposition to the project by opposition political parties and local NGOs (Guyer, 2002). In addition to the building of the pipeline, the World Bank and the Government of Chad announced that the aforementioned innovative revenue management plan had been ratified into Chadian law – Law 001.

CSR in Chad

Referring back to the ideas introduced earlier on the link between the oil revenue management plan and CSR activities, there is a lower level of formal corporate social activities (not necessarily official CSR policies but social/development projects carried out by the oil consortium) found in Chad than, say, the Niger Delta. This is evident from the highlights of the 2009 CSR reports of ExxonMobil and Chevron[6] for Chad. This does not mean that CSR activities are non-existent; rather, there is more corporate-led development rather than pure CSR. The majority of development projects implemented during the early years of the Chad–Cameroon Project were financed by the oil consortium itself (see Table 1 below). In keeping with the traditional concentration of CSR activities, the consortium's projects have mainly targeted the oil-producing region.[7] It is also worth noting that these projects did not extend to the non-producing areas.

However, many of the more recent health-related projects have a national focus and therefore, benefit populations in other parts of the country. While there is no evidence that members of the Consortium felt less pressure to engage in more numerous CSR projects, by comparing the types of projects engaged in Chad to those in say, Nigeria, it becomes clear that the presence of the World Bank plan has had an indirect impact on CSR strategy of ExxonMobil and Chevron in Chad. According to their 2010 Report *Worldwide Contribution & Community Investments: Health*, ExxonMobil contributed up to US$660,000 towards health/malaria projects undertaken by organizations working in Chad, compared to US$2.8 million in Nigeria for the same purpose.[8] Given Chad's low Human Development Index ranking (163 of 169) and GDP per capita ($1331),[9] there is certainly room for the company to be far more proactive on the CSR front in Chad.

By mid-2006, Chad had received US$536.6 million in oil revenues from the Consortium.[10] The oil-producing region was in receipt of its allotted 5% of royalties and revenues and the *Comite de 5%* was charged with dispensing funds throughout the region for the purposes of poverty alleviation. However, it is the oil companies, which are the primary deliverers of the few socio-economic development projects, and this continues today. Companies have made some important contributions in this area: the amount of paved roads has increased since 2003, and there has been an increase in electrical wiring within and between N'Djamena and Doba. But at the same time, improvements elsewhere have been lacking. For example, access to potable water has hardly increased, electricity is available but mainly haphazardly, and brand new schools stand empty because no funds were budgeted for the maintenance of staff or the purchase of materials.[11]

Officially, the projects encompassing the CSR activities of ExxonMobil (ExxonMobil in Africa, 2010) and Chevron are a mixture of Gulbrandsen and Moe's micro and macro activities – namely, a combination of long-, medium- and short-term projects addressing areas such as training and education, employment, and health and sanitation. The Chevron Report (2010) on CSR in Chad highlights the following:

- That the project is providing jobs, local business opportunities and other benefits for the people of Chad and the greater region. National employees now make up 85% of the project's workforce.
- That during construction of the field facilities and the pipeline, the consortium employed more than 35,000 people. Between 2000 and 2004, more than US$700 million was spent locally and split nearly evenly between Chad and Cameroon. As the project went forward, the partners also worked to protect local people and their heritage and preserve biodiversity.
- That health initiatives, including HIV/AIDS and malaria education and prevention programs, have been undertaken. Anti-cholera programs have focused on improved sanitation and potable drinking water. The partners have also built, refurbished and supplied clinics in the vicinity of the Doba oil fields, and transported nurses to a number of locations to administer polio vaccinations.
- That in the workplace, the partners have focused on the training and mentoring of national employees. Moreover, throughout the duration of project, the consortium has worked in close consultation with local communities, and has placed a strong emphasis on contracting locally for maintenance, supplies, and other goods and services.[12]

ExxonMobil has made similar claims in its latest report on community relations but clearly state that their grant of more than US$660,000 over the next two years will underwrite an existing Chadian government health program targeting the two most "at risk populations": children and mothers.[13] The project is being jointly managed with the Chadian Ministry of Health Malaria Control Division, along with the Ministry's regional and district health delegations. However, according to the Health

[6] PETRONAS does not have a formal CSR policy, according to their website (researched 21 September 2010).

[7] Doba and Bebedjia are the primary cities in the Logone Orientale Region, where the project's oil fields are located.

[8] Accessed 20 July 2011. Half of the total for Chad represents funds earmarked for three countries (of which Chad was one). In essence, the amount of money for Chad (without knowing the exact breakdown) is likely to be less than US$660,000.

[9] Nigeria's HDI is 142 and GDP is $2,289, according to the latest UNDP Human Development Country Indicators.

[10] This represents the amount of royalties on oil sales only. Corporate taxes and other pipeline-related income equaling US$111.6 million bring the total of monies received to US$648.2 million.

[11] Based on observations during fieldwork in July 2007 and January–April 2009, in Doba and N'Djamena, Chad.

[12] Report updated March 2010, accessed 21 September 10.

[13] EssoTchad Midyear Report 2010, accessed 21 September 10.

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Ministry's three-year plan for 2009–2012, there is no specified budget for this project, which could mean that the government *expects* the entire project to be funded by ExxonMobil. The Ministry's objective of being completely reliant on money provided by ExxonMobile ensures short- to medium-term success of the project and propagates corporate-driven development. EssoTchad stresses that project collaborations will include local NGOs and multilaterals such as the Chadian Red Cross, World Vision and UNICEF, and, in light of the expectations of policymakers for the company to be a leader on the community development front, will likely promote the idea that its community relations projects are being conducted in collaboration with government. ExxonMobil's stated objectives in Chad include:

- Training 100% of the health workers in the targeted areas of Logone Oriental and N'Djaména in the proper management and care of malaria cases.
- Ensuring coverage with malaria protection and prevention for at least 80% of children and child bearing age women through long-lasting insecticide treated bed nets and treatment kits.
- Conducting education activities for malaria prevention in at least 80% of the villages and neighborhoods in the two targeted regions.

As noted, Chevron reports that 85% (Chad Fact Sheet, 2010a) of total employment comes from the local population. The official ExxonMobil report stated that by midyear 2009, 5,317 Chadians would make up 86% of the workforce (yet to be confirmed),[14] and that of these, nearly 51% would fall within the semi-skilled and unskilled categories, including food service and welders. However, these reports contrast sharply with the findings from preliminary fieldwork conducted in March 2009. During interviews with several men from two of the villages[15] bordering the oil installation, it was explained that most were told by government representatives that the consortium would provide them with jobs however they could not name a single person who had been employed. This was also the case in another village buttressing the main oil plant where only women and children were living: that all of the men had been forced to find employment elsewhere because of a lack of opportunities. The consortium initially argued that the local population lacked the necessary technical knowledge, and promised training and education programmes in order to ensure that locals could be employed. But technical training has only resulted in 6%[16] employment at the supervisory level. Moreover, it appears that "local" employment does not mean those indigenous to the area are, in fact, employed. Quite problematically, it appears that "local" in this context means "Chadian", and therefore, others from other parts of the country (most likely N'Djamena) hold many of the available "local" positions. The state clearly raised false hopes when it promised local employment, failing to clarify the difference between "local" and "Chadian". When village leaders complained to their local government representative, the response often given was it was not within the government's responsibility and complaints must be taken directly to the consortium. When local politicians were told of locals' frustration, they claimed to support their constituents but failed to see it as their responsibility to approach the consortium on their behalf. This illustrates a clear failure of the government to provide an environment conducive to successful implementation and administration of CSR activities.

[14] Project Update #26, 2009.

[15] Chad Fact Sheet (2010b).

[16] Project Update #26, 2009.

One of the key factors in determining the potential effectiveness of CSR is actions taken by the host government. Since the MNCs contractual obligations are with the national government, it is the responsibility of the state to provide an optimal environment in which CSR practices can succeed. However, both actions taken, and not taken, by the state contribute to the degree of an enabled environment (Idemudia and Ite, 2006) and by not clearly articulating scope of the MNCs role and contractual obligations to local populations, the state impedes this optimal environment. Furthermore, the perceived role of oil companies by the general population is directly linked to the type relationship fashioned between the states (whether in the form of the government or the national oil company) and the MNCs. In the case of the Doba region, as illustrated above, the regional government has failed to foster a working relationship between local representatives and constituents. By refusing to petition the consortium on behalf of its constituents, the local population perceives that the state and the consortium are on the same side, with local people on the outside looking in. Consortium community relations' representatives have observed disconnection between state and community, and are of the view that if the state feels little obligation to address local concerns, why should they.

According to the US Department of State's website[17] most American and Western firms operating in Chad are aware that they bear a burden for social responsibility, given the extremely low local standards of living when compared with those that prevail in both their own countries of origin and other developed countries. The State Department goes on to say that Western firms are *generally* (author's emphasis) committed to extensive staff training efforts, purchasing locally-produced goods where possible and donating excess equipment to charity. This confirms that official policy often contradicts practice. In Chad's oil-producing region, one of the biggest complaints raised by the local population is that, in addition to the low rate of employment, the oil companies even fail to source locally-produced food, choosing instead to import the majority from outside the region, and often outside the country. The State Department claims that Esso Chad, being the largest US commercial presence in Chad, follows exemplary employment practices, provides safe and healthy conditions for its workforce, hews to responsible environmental protection practices, contributes to local science and technology and complies with local, international and US laws, as well as OECD guidelines, which correlates with the claims of ExxonMobil. This paper, however, calls into question the findings used to reach these conclusions. There is a need for further research that aims to "capture" the hitherto silent views of families inhabiting villages around the Doba Oilfields. Preliminary research undertaken by the author reveals a very different story to that, which ExxonMobil officials have conveyed.

It is important to note that local populations had been led to expect employment opportunities (direct and indirect) from the oil industry but not social services. Through the information campaigns carried out by local NGOs, communities understood that social improvements were meant to be undertaken by the state, utilizing the 5% of oil revenues earmarked for the oil-producing region as per both Law 001 and Law 002.

Conclusion

By failing to provide a strong regulatory framework in which the oil companies will conduct business and by failing to provide for the basic socio-economic needs of the population, the state is in no position to criticize an oil company's CSR policies. Most

[17] US Department of State country page, accessed 21 September 2010.

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MNCs, on the other hand, argue they are not responsible for socio-economic development: they rather view CSR projects as a supplement to long-term government projects. However, because the state in developing countries often does not provide adequate health and sanitation services, basic education/educational facilities, reliable sources of potable water or reliable year-round roads and transportation, the local population has come to expect these tasks to be carried out by the oil companies who, again, maintain that this is not within their realm of responsibility. Drawing upon the Nigeria case, Okafor (2003) questioned the ability of the Nigerian government to regulate oil company activities when they could not fully regulate themselves. A similar situation has unfolded in Chad. The government is both unwilling and unable to regulate state activities, calling into question their ability to create the right mechanisms in order to control the actions of the oil companies.

In order to change this entrenched framework, it is necessary to convince corporations that new regulations, which include social accountability measures, will not adversely affect the bottom line. Elkington (1997) advocated the triple bottom line system to replace the traditional (single) auditing system, a move, which would add environmental and social indicators to financial performance. In such a system, companies would be held accountable for their full impact on society. Furthermore, as Frankental (2001; p. 19) explains, "The significance of the triple bottom line is that if companies are audited according to their environmental and social impact, and penalized if they do not perform, along the principle of 'the polluter pays', then financial markets will begin to judge companies according to their wider impact". By incorporating CSR indicators into global market mechanisms, MNCs would have a tangible reason for integrating social responsibility policies within company frameworks, thereby ushering in an era of both CSR and corporate accountability. Such change is of crucial importance to developing countries, where governance, transparency and accountability are lacking.

With the increase of MNC influence in the area of economic globalization, there is growing skepticism within the civil society movement over corporate involvement in poverty reduction schemes. Should corporations foray into the realm of socio-economic development when their activities are primarily tied to increasing profit margins? The problem arises when responsibility (real or perceived) for public services falls to corporations, which are traditionally the responsibility of the state (Utting, 2008). However, in countries such as Chad, where the ability of the state to perform these functions is limited, the area becomes blurred. Where is the incentive for the state to develop its capacity? As alluded to earlier, the current regime in Chad appears to be actively retarding the rate of capacity-building within ministries and the civil service, in a bid to maintain (if not increase) political power. Once these conditions have been met, the phenomenon of corporate-led development will arise within the framework of CSR.

Acknowledgements

The author would like to thank the many organizations and individuals interviewed in Chad. The author would also like to thank the editor and two anonymous reviewers for their comments on an earlier draft. Any errors this paper may contain are the sole responsibility of the author.

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