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POVERTY REDUCTION IN RESOURCE-RICH DEVELOPING COUNTRIES: WHAT HAVE MULTINATIONAL CORPORATIONS GOT TO DO WITH IT?

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Abstract: Corporate social responsibility is a two edged-sword. It can be used to address the needs of disadvantaged communities, or to damage the same communities, whether by mistake or design. Based on a critical analysis of the role of both the government and Shell in Nigeria towards poverty alleviation in the Niger Delta, this paper firmly supports the view that even though business and government may share in the responsibility for economic and social development, the primary assignment for business is still wealth creation. The government's main charge is to represent society and to ensure equitable wealth distribution among the various stakeholders. Copyright © 2005 John Wiley & Sons, Ltd.

1 INTRODUCTION

Poverty reduction is one of the major objectives of national governments, international organizations, non-governmental organizations and local communities. However, there has been limited business involvement in the debate due to the lack of clarity regarding the role of business, and the absence of detailed and explicit exploration of the links between poverty and business at the level of the individual firm, or of the role that individual businesses can play in poverty reduction (Shankleman and Selby, 2001). However, in recent times, the business community have increasingly used the concept of corporate social responsibility (CSR) to establish a framework for broader private sector involvement in poverty alleviation (WBCSD, 1999; WBCSD, 2000; WBCSD, 2001; Holliday *et al*., 2002).

The tenets and ramifications of CSR have been widely articulated by global business leaders, groups and organizations, and there is strong advocacy (e.g. Radebe, 2001) that business organizations should take the lead in poverty alleviation, especially in developing

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countries. It is now gradually accepted that multinational corporations (MNCs) can have positive impacts in developing countries, through CSR initiatives in sustainable development, the promotion of labour and human rights, funding of local projects, and co-operation with civil society (see for example, Hopkins, 2001). However, as Swift and Zadek (2002) noted, although there is powerful potential for CSR to make a positive contribution to addressing the needs of disadvantaged communities, there are ways in which CSR could, whether by mistake or design, damage the same communities.

Proponents of CSR are keen to demonstrate that business has responsibilities beyond the production of goods and services and profit making, and that socially responsible business can help to solve important social and environmental problems. On the other hand, the counterarguments attempt to show that CSR distorts the market by deflecting business from its primary role of profit generation (Henderson, 2001), and this is seen as potentially quite dangerous (Wolf, 2001). Such arguments further maintain that the role of business determines its responsibilities. In other words, business has no social responsibility beyond compliance with the law and maximizing returns to its shareholders.

This paper uses a specific case study to contribute to the debate on the role of MNCs in poverty reduction, especially in a resource-rich developing country as Nigeria. The Shell Petroleum Development Company (SPDC) is the dominant oil MNC. Several studies and reports (e.g. Human Rights Watch, 1999; Clark *et al*., 1999; Duruigbo *et al*., 2001; Okonta and Douglas, 2001; Christian Aid 2004; Friends of the Earth, 2004) have examined the problem of poverty and the impact of oil exploration on development in the Niger Delta, Nigeria (Figure 1).

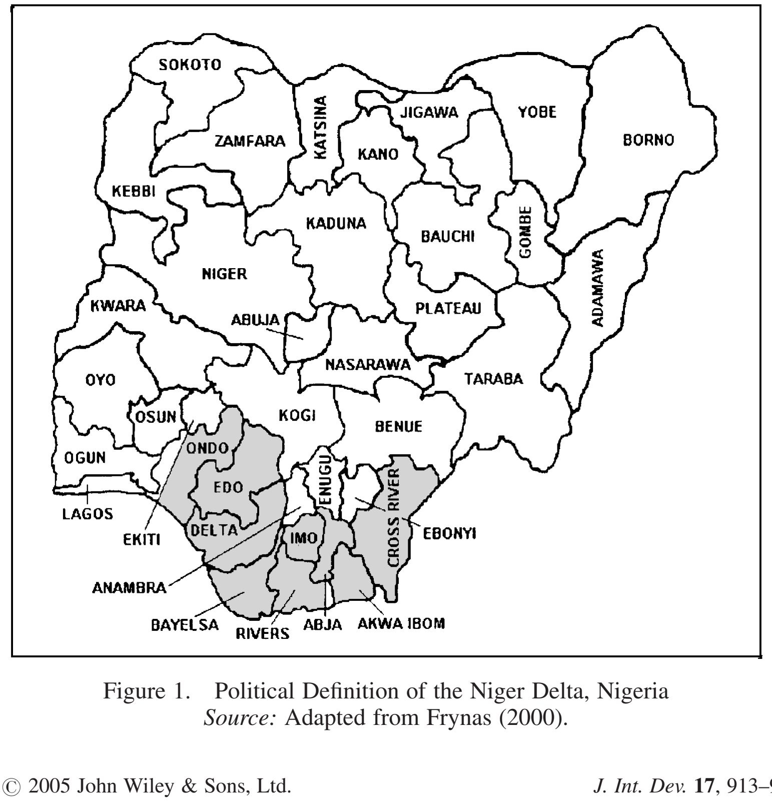

Figure 1. Political Definition of the Niger Delta, Nigeria
Source: Adapted from Frynas (2000).

Two main issues are usually addressed by many of these studies and reports. Firstly, the oil MNCs in the Niger Delta are usually seen as part of the problem of poverty, as opposed to the solution. As a result, the oil MNCs (especially Shell) are now undertaking a critical examination of their activities, responsibilities and impact in the region (see SPDC, 2004; Shell International, 2004). Secondly, the socio-economic development initiatives and operating environmental standards of the oil MNCs are perpetually perceived as generally below internationally accepted standards.

Yet very few of these studies and reports have critically looked at the role of the Nigerian government *vis-à-vis* the contributions of the oil companies in the reduction of poverty in the Niger Delta. Against this background, the specific objectives of this paper are:

(i) To critically examine the role and contributions of the Nigerian government and the SPDC towards poverty alleviation in the Niger Delta;
(ii) to determine the extent to which the SPDC can be considered as part of the problem or solution to poverty in the Niger Delta; and
(iii) to consider the wider implications, of MNCs' leadership of initiatives to alleviate poverty in resource-rich developing countries.

2 THEORETICAL FRAMEWORK

Two main theoretical perspectives are relevant to the understanding of state (and government) dependency and utilisation of rents from natural resources. These are the rentier state and resource curse theses. Both are parallel universes that have applicability to the situation in Nigeria.

2.1 The Rentier State Thesis

The theory of the rentier state is useful for examining the patterns and problems of development specific to petroleum-rent-dependent states in the developing world. The theory posits that the conditioning factor of economic stagnation and political authoritarianism in oil-dependent states is the corrosive effect of external rent. In other words, underdevelopment in the oil producing states is caused by their condition of dependency (Yates, 1996). The theory broadly regards rentier states as countries that receive on a regular basis substantial amounts of economic rent. As such, the external rent liberates the state from the need to extract income from the domestic economy. The rentier state is often characterized by authoritarian, arbitrary, and extractive rule. Power is highly personalized, emphases is on connections and loyalty, rather than merit or efficiency, loyalty is rewarded and opposition is repressed (Obi, 1997).

Nigeria has been a rentier state since the 1970s (Khan, 1994; Yates, 1996; Ikein, 1998). The economy is heavily dependent on the oil sector, which accounts for nearly 80 per cent of government revenues, 90–95 per cent of export revenues, and over 90 per cent of foreign exchange earnings. As Obi (1997) noted, the term 'rent' captures the non-involvement of the state in the actual process of oil production, and its dependence on a share of the proceeds from oil sales to the global market. Not only is the state vulnerable to the fluctuating fortunes of a single commodity; the rentier economy has over time undermined the real sectors of the Nigerian economy. With very little productive activities taking

Table 1. Chronicle of political leadership in Nigeria

Period of Rule	Head of State	Type of Government	Ethnic origin	How the rule ended
1960–66	Balewa	Civilian	Hausa	Attempted Coup/Assassination
1966	Ironsi	Military	Ibo	Coup/Assassination
1966–75	Gowon	Military	Angas/Middle Belt	Coup
1975–76	Mohammad	Military	Hausa	Attempted Coup/Assassination
1976–79	Obasanjo	Military	Yoruba	Elections
1979–83	Shagari	Civilian	Fulani	Coup
1984–85	Buhari	Military	Fulani	Coup
1985–93	Babangida	Military	Minority Group in the Niger State	Elections results nullified in June 1993, stepped down in August 1993
1993	Shonekan	Civilian	Yoruba	Head of Interim Government, Coup
1993–98	Abacha	Military	Kanuri	Presumed heart attack
1998–99	Abubakar	Military	Middle Belt Group	Elections
1999	Obasajo	Civilian	Yoruba	

Source: Frynas (2000).

place, power calculations in Nigeria revolve around the control and distribution of oil rents by a small hegemonic group (Khan, 1994; Suberu, 2001). For example, political leadership in Nigeria has been mainly provided by a succession of military governments (see Table 1).

2.2 The Resource Curse Thesis

Several broad cross-national studies have shown that oil wealth contributes strongly to both non-democratic government and poor economic performance (see for example, Auty, 1993; Auty, 1998; Sarraf and Jiwanji, 2001). The theory side of the resource curse literature seeks to explain the relatively weak performance of resource abundant economies. Several explanations have been advanced, which offer a range of economic factors both internal and external to the economy (Sarraf and Jiwanji, 2001). These include effects on production and investment structures within the economy and the price of volatility of international primary markets. Some authors also argue that the root of the problem is political in that incorrect policy choice leads to the same outcomes and that resource booms inspire rent-seeking activities (Sarraf and Jiwanji, 2001). There is no single reason for the resource curse and not all the suggestions in the literature apply to each resource-abundant country. However, supporters of resource curse thesis recognize that the problem does not necessarily lie in the existence of natural resources but in poor management, lack of linkages that mining generates with the rest of the economy and in the incorrect use of mining rents.

Evidence from the current state of development in Nigeria supports the main arguments of the resource curse thesis. In the early 1970s, Nigeria experienced a large, temporary trade (i.e. oil) windfall which was unanticipated and then regarded as permanent. This gave rise to powerful macroeconomic (or general equilibrium) effects that in turn had consequences for the incidence of poverty in Nigeria (Collier, 1987). With its vast physical and human resources, Nigeria is much better placed than many other African nations to address the problem of poverty. However, due to various policy distortions that have characterised its economic history, Nigeria has been crippled in its efforts to effectively address poverty (Canagarajah and Thomas, 2001).

3 POVERTY ALLEVIATION IN THE NIGER DELTA: ROLE OF NIGERIAN GOVERNMENT

Poverty is a pervasive problem in the Niger Delta, which constitutes nine states of the federation. These are Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers States. Covering approximately 70 000 km^2 of land, the Niger Delta has an estimated population of 20 million people. The region accounts for over 90 per cent of national export earnings and up to 70 per cent of revenues accruing to the Federation Accounts, mainly from oil production and exportation. According the World Bank (1995), the GNP per capita in the region is below the national average of US$280, combined with severe habitable land constraints. Similarly, health indicators are low and lag far behind the country average. There are disproportionately high fatality rates from water-borne diseases, malnutrition, and poor sanitation. Overall, the quantity and quality of housing and infrastructure are deficient in much of the region. The high incidence of poverty is in sharp contrast to the region's critical importance to the Nigerian economy. Yet, after over 40 years of oil exploitation, the region has received little attention from successive administrations, particularly in the areas of socio-economic and infrastructural development. The long years of neglect and deprivation has created a volatile atmosphere characterised by protest, agitation and community conflict (Frynas, 2001).

3.1 Policy Efforts and Strategies

The special circumstances and development needs of the Niger Delta area has always been recognized. However, several Nigerian government attempts to alleviate poverty in the region have often ended in failure. Three of the major initiatives are briefly evaluated here.

Firstly, in the 1950s, Her Majesty's Government set up the Willink's Commission to recommend the best strategies for the development of the region. The Commission's report submitted in 1958 specifically recommended that the Niger Delta deserves special developmental attention and should, therefore, be made a special area to be developed directly by the Federal Government. Based on the Commission's report, the Federal Government established the Niger Delta Development Board (NDDB) in 1960 to cater for the unique developmental needs of the area. The NDDB was responsible for agricultural development projects in the Niger Delta and was regarded as a little more than a public relations exercise (Frynas, 2000). Nonetheless, the NDDB, which had a 15 per cent revenue contribution from the Federal Government, was at best moribund before the outbreak of the Nigerian civil war in 1967.

Secondly, the Oil Mineral Producing Areas Development Commission (OMPADEC) was created in 1993. More than its predecessors, OMPADEC appeared better established to make some impact on the development of the region. However, it suffered from a myriad of problems including the lack of a Master Plan to define its developmental objectives and strategies, inadequate funding, official profligacy and corruption. Although its development projects were spread throughout the Niger Delta region, OMPADEC was scrapped in 1999 due to its failure to deliver development to the Niger Delta communities (Obi, 1997; Suberu, 1999; Suberu, 2001). The failure of OMPADEC to channel resources to the oil producing areas illustrates the use of public oil revenues for the private benefit of specific individuals at the expense of the village communities affected by oil operations on the ground (Frynas, 2000). The widely held perception within the Niger Delta communities has been that OMPADEC was ‘more or less an organization by the Federal Government to siphon money back to the money-bags, especially as most of the contracts that were given at that time were given to people outside the states and more to the north’.[1]

Thirdly, the Niger Delta Development Commission (NDDC) was established in 2000 by an Act of the Nigerian National Assembly to replace OMPADEC. Its broad mandate includes providing infrastructural development in the Niger Delta area and, more generally, catalysing and facilitating socio-economic development in the region. In December 2001, the NDDC launched an ambitious programme to produce a development Master Plan for the Niger Delta. After three years (i.e. in 2004), the draft plan prepared by GTZ (a German consulting firm) was finally presented for public debate and consultation. Although there are built-in mechanisms for accountability to other levels of government, the NDDC proposals and master plan fall short of community demands for greater resource control. Early indications strongly suggest that the NDDC is very likely to suffer from the set of problems of its predecessors, especially OMPADEC.[2] There are also growing concerns among that the NDDC is likely to perform worse than OMPADEC.[3]

3.2 Government as Part of the Problem

The above overview of policy efforts and strategies strongly demonstrates that the Niger Delta has a history of non-performing environment and development institutions, with implications for the high incidence of poverty in the region. This failure is due in part to corruption, poor governance and lack of accountability within the Nigerian political system and public administration. These issues are further explored below.

3.2.1 Culture of blame and weak institutions

It is a common political characteristic of the Nigerian government and its elites to blame oil MNCs (a potential vehicle and partner for development in the Niger Delta), for the problem and incidence of poverty in the region. On their part, the Niger Delta communities have perceived the past tendency of oil companies in using their resources to buy the cooperation of leaders at all levels of government, rather than attempt to work with communities to address problems resulting from oil-related activities. As a result many inhabitants of the region have been left with a deep-rooted distrust of government institutions and the oil companies (see also World Bank, 2002).

The culture of blaming oil MNCs has manifested in community protests (sometimes with government support) as well as indicting statements by state governors and members of the Nigerian National Assembly. This is predicated on the increasing national and

[1]Francis N, Nzeshi O. 2002. Derivation: Niger Delta May Secede, Says Ejoor. *This Day News*, Lagos, Nigeria, 5 August 2002.
[2]See for example, Adebayo S. 2002. Clark chides oil firms over excuses on 3 per cent NDDC dues. *The Vanguard*, Lagos, Nigeria, 6 August 2002.
[3]Olaiyan Y. 2002. You’re worse than OMPADEC, Alamieyeseigha tells NDDC. *This Day News*, Lagos, Nigeria, 10 September 2002.

international perceptions that the 'oil companies in Nigeria are massively exploiting their host communities in the Niger Delta, but giving too little or nothing in return to the people'.[4] However, a closer examination will show that poverty and underdevelopment in the Niger Delta can be linked to corruption, poor governance and the lack of accountability on the part of the Nigerian government, its leaders and statutory agencies. A particularly good example is the failure of the Nigerian National Petroleum Corporation (NNPC) to effectively regulate and supervise the oil industry on behalf of the Nigerian government (see Ite, 2004). Against this background, it can be argued that poverty resulting from environmental degradation in the Niger Delta region can be attributed to both the multinational oil firms as well as the failure of the Nigerian government and its statutory agencies.

3.2.2. Governance, transparency and accountability

Pervasive official corruption has robbed Nigeria of vast resources that are urgently needed for development. As Yates (1996) observed, a feature of the rentier state is the fact that the few control the inflow of economic rent, posing a temptation for the formation of a rentier class. There are several examples of corruption in the Nigerian political record with regards to the oil industry. For example, in 1979, an internal audit revealed that US$5 billion was 'missing' from the NNPC accounts (Yates, 1996). The lack of transparency in accounting for the proceeds of the oil industry leaves considerable room for official corruption, with implications for the incidence of poverty in the Niger Delta. This is clearly evident in the number of abandoned and/or uncompleted government-sponsored development projects that litter the landscape of the region.

The general perception, understanding and feeling among communities in the Niger Delta is that the benefits of government-funded projects hardly reach the intended communities. The perceptions manifested in various kinds of protests (i.e. peaceful or violent) by organised groups (e.g. youths and women) within the Niger Delta communities. It is pertinent to note here that these protests (sometimes with government support) are very often directed at the oil multinationals. Nonetheless, the government frequently intervenes (with military force) when it feels the protests and disruption of oil exploration activities are leading to considerable loss of oil revenues.

3.2.3. Revenue mobilization and allocation

Revenue sharing is a politically sensitive issue in Nigeria. This is further compounded by the lack of consensus on the criteria of distribution, the absence of reliable socio-economic data, the rapid rate of constitutional and political change, and the extent to which revenue distribution is tied to perceptions of regional ethnic dominance. The continued appropriation of a disproportionate share of the Federation Account by the Federal government at a time of expanding administrative costs and increasingly unsustainable spending obligations at the state and local government areas (LGA) levels have galvanised fervent nationwide opposition to the revenue sharing system (Suberu, 2001).

The current advocacy for the need to redistribute central revenues to the states and LGAs arises from the fact that, while the centre controls the most important revenue sources, the sub-central governments (i.e. states and LGAs) bear the primary responsibility for such essential, expansive, and expensive social services as education, health, agriculture and water. Consequently, Nigerian states and LGAs have come to rely heavily

[4] *The Guardian* 2002. Ibori, Senator, unhappy with oil firms. *The Guardian*, Lagos, Nigeria, 31 August 2002.

on the statutory allocations from the centre for their operational revenues. It is estimated that up to 80 per cent of the 36 states' revenues are derived from monthly allocations from the Federation Accounts (Suberu, 2001).

In summary, the failure of the Nigerian government to provide and actively encourage social and economic development in the Niger Delta, or anywhere else in Nigeria, has led to the heavy reliance (directly and indirectly) by the government and the Niger Delta communities on the oil MNCs. These MNCs require the social licence to operate, especially in a conflict zone like the Niger Delta, and have accordingly increased the level of their CSR activities since the late 1990s (see, for example, Frynas, 2001). Unfortunately, Nigeria's economic and social policies as well as public administration mechanism have clearly accentuated poverty in the Niger Delta, more than in other regions of the country. This is evident in the lack of a firm and clear government commitment to the development of the Niger Delta. The result has been the colossal failure of the major institutions (e.g. NDDB, OMPADEC, etc) set up by the Nigerian Government to deal with the development problems of the region. In addition, it is now evident that the Federal Government, and some of the oil MNcs have consistently failed in their responsibility to make statutory payments to the NDDC.[5] This has significantly restricted the flow and availability of funds the NDDC requires for development activities, projects and programmes in the Niger Delta.

4 SHELL AND POVERTY ALLEVIATION IN THE NIGER DELTA

The SPDC is the largest oil and gas company in Nigeria. It accounts for 40 per cent of the country's oil production, and 53 per cent of Nigeria's hydrocarbon reserve base. The SPDC is the operator of a joint venture involving the NNPC, which holds 55 per cent, Shell (30 per cent), Elf (10 per cent) and Agip (5 per cent). The partners fund the operations in proportion to their shareholding. SPDC's operations are concentrated in the Niger Delta (i.e. onshore) and adjoining shallow offshore areas where it operates in an oil mining lease area of around 31 000 square kilometres. The company has more than 6000 kilometres of pipelines and flowlines, 87 flowstations, 8 gas plants and more than 1000 producing wells. Shell employs more than 10 000 people, of which 4000 are full time staff. Up to 95 per cent of the full time staff are Nigerians.

As a corporate citizen, SPDC has been involved with the development of the communities in the Niger Delta since 1937. Its earliest form of involvement dates back to the 1960s when the company supported efforts aimed at improving the livelihood of the largely agrarian communities of the region. For example, Okunmadewa *et al*. (2002) found that:

> In Ughoton, the SPDC is ranked the number one institution by a group of elderly men and women, reflecting the importance of the company's activities for the development of the community in the past. Currently, the only oil well in the village has been abandoned because it dried up. The presence of SPDC in the community is conspicuous. While villagers report that they are affected negatively by air and water pollution caused by Shell, the company is widely seen as having helped the physical development of the community. SPDC built a paved road to connect the village with

[5]Ajani J. 2004. Niger Delta and the funding NDDC deserves. *The Vanguard*, Lagos, 1 July 2004 (Accessed at http://allafrica.com/stories/printable/200407010220.html, 5 July 2004)

the hinterland, and the company has also provided funding for building secondary schools and for training village youth' (Okunmadewa *et al.*, 2002, p. 93).

In spite of the above, it can be argued that the SPDC has been both part of the problem and the solution to poverty in the Niger Delta. This assertion is based the evaluation of the nature and focus of the company's past and present CSR policies and practices as well as their approach to community relations (see for example, Ite, 2002b; SPDC, 2000; SPDC, 2001; SPDC, 2002; SPDC, 2003; SPDC, 2004). These issues are further elaborated in the sub-sections that follow.

4.1 Shell as Part of the Problem

For the purposes of contributing to the socio-economic development of the Niger Delta communities, Shell initially adopted the community assistance (CA) approach to development, which emphasised corporate philanthropy. It was essentially about 'giving things' to the communities. These included projects and programmes on water and sanitation, health care, voluntary training, education, agriculture, micro-credit and business development as well as provision of infrastructure such roads and rural electrification projects.

In other words, Shell placed emphasis on one-time 'gifts', rather than support for sustainable development programmes. The initiatives consisted of a set of *ad hoc* projects rather than coordinated plans. It focused on what Shell felt the communities lacked or on Shell's perception of poverty within the communities (Ite, 1996; Ite, 2002a). As a result, the communities perceived themselves as helpless victims of circumstances, rather than capable actors in the development process, especially as they bore the direct negative impacts of Shell's activities, including pollution, deforestation and loss of farmlands (see also Bird, 2002). Gradually, the dependency culture became established and the communities saw the development infrastructure provided by Shell as not as charity, but as a form of rent for Shell's use (and abuse) of their environment and resources. The result has been the evolution of a mind-set and culture of dependence on Shell. In the process, the oil producing communities have resorted to demanding and expecting 'development' from Shell and other oil MNCs in the Niger Delta. The CA strategy as described above is a good example of the top-down approach to development, which has been found to be largely ineffective for poverty alleviation.

4.2 Changing Times and Strategies

The aftermath of Shell's complicity in 1995 with human rights abuses in Nigeria resulted in the proactive internalisation within Shell of the business case for CSR and effective stakeholder management (see for example, SPDC, 1998; SPDC, 2002; SPDC, 2004). As Boele *et al.* (2001b) observed the Royal Dutch/Shell Group placed itself in a leadership position among MNCs by moving beyond simplistic notions of 'license to operate'—i.e. the lowest tier of the CSR models. Since 1995, Shell has recognized the need for cultural change. As a result, a more sophisticated attitude to 'political' questions of human rights, environmental responsibility and CSR emerged (Boele *et al.*, 2001a). In the light of these changes, it can be argued that Shell's current socio-economic development efforts in Niger

Delta can be considered to be more than a public relations exercise (Ite, 2002b). These changes are explored further below.

4.2.1 Approach to socio-economic development

In 1998, Shell departed from the community assistance (CA) mode to the community development (CD) approach to development (SPDC, 1999; SPDC, 2004). The CD approach placed emphasis on the empowerment of communities with a view to significantly reducing their dependency on Shell for socio-economic development. The new approach embodied the social capital of the various communities, including their traditional knowledge, skills and adaptive strategies, and sought to ascertain changes and adjustments that people often make.

Several communities in the Niger Delta were empowered to produce community development plans (CDPs) with the full participation of population segments of the communities (SPDC, 1999). The empowerment process involved Shell's Community Development Advisers or designated partners assisting the communities to assess their own needs through Participatory Rural Appraisal (PRA) techniques. Thereafter, further support was provided as the communities create their own community development plans (CDPs) through a Participatory Learning and Action (PLA) approach. This process resulted in coordinated plans, rather than a set of *ad hoc* projects, which offered a unique opportunity for synergy, rational planning and cost-efficiency. The CDPs were designed to solve the communities' most pressing economic, environmental and social problems, and provide a comprehensive development programme covering virtually all sectors (e.g. gender, health, income-generation) that donors usually address in isolation from one another.[6] As such, the most significant predicator of the success of Shell's CD programme remains the fact that these CDPs were the results of the bottom-up and not the top-down approach to development (SPDC, 1999).

4.2.2. Increased social responsibility

Since 1995, Shell has assumed more responsibility for major socio-economic development initiatives within the Niger Delta, and seems to do a better job than many Nigerian government development agencies. Accordingly, to support the wide variety and range of community development projects in the region, Shell's social investment expenditure increased steadily since 1997 (Figure 2). Shell has spent a total of $336.8 million on community development projects and programmes in the Niger Delta between 1997 and 2003. This amount does not include compensation payments to local communities or public relations expenditures incurred by the company in the course of doing business in Nigeria. The highest expenditure ($67 million) was recorded in 2002 and the lowest ($30.8) was in 2003. The total amount spent each year is also influenced by several factors, including internal (Shell) budgetary constrains arising from the joint venture agreement and the price of oil.

In the last forty years, the Nigerian government has received substantial oil rent (up to US $230 billion), generated by Shell and other oil companies operating in the Niger Delta. In 2003 alone, Shell in Nigeria along with its joint venture partners paid about $1.86 billion as tax to the Federal Government of Nigeria. This amount included the payment of $1.2 billion as Petroleum Profit Tax (PPT) and $600 million as royalty (SPDC, 2004).

[6]Ogwezi JO. 2002. Moving towards sustainable livelihoods in the Niger Delta region. [http://ksgnotes1.Harvard.edu/BCSIA/forum.nsf/proj/nigerdelta, Accessed on 23 August 2002]

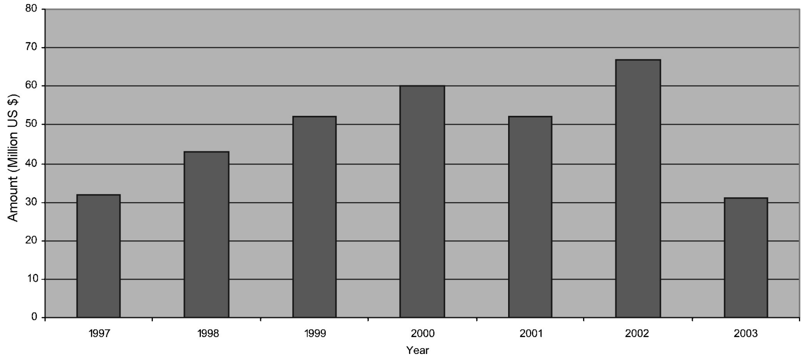

Figure 2. SPDC Community Development Expanditure: 1997–2003
Source: SPDC Annual Reports (1997–2003).

Unfortunately, very little of the Nigerian oil revenue has been utilised in the provision of social services and development infrastructure for the communities in the Niger Delta. As Boele *et al*. (2001a) noted, Shell does not hold the solution to community demands for more amenities, development, employment and control over oil revenues. These are primarily a government responsibility. From Shell's perspective, the Nigerian government has failed to deliver development rights to the Niger Delta region. As such, Shell has gone beyond what was necessary and delivered benefits to the communities precisely because of government failure. By choosing to deliver these development projects, Shell is recognising its obligation to the communities in which it is operating (Boele, *et al*., 2001b).

4.2.3. Accountability, communication and openness

To some extent, Shell has made significant efforts to place emphasis on transparency and social accountability in its operations in the Niger Delta. The spirit of openness and transparency has been encouraged by several factors and supported with practical initiatives including the publication of an annual report on the company's social and environmental performance (i.e. the SPDC *People and the Environment* report) as well as a yearly Stakeholders' Consultation Workshop to review SPDC's programmes and performance (SPDC, 2000; Holliday *et al*., 2002).

To demonstrate its commitment to public and community accountability, Shell commissioned in 2001, an independent evaluation of its community development projects in the Niger Delta (Shell International, 2002). The evaluation report criticised the projects for being too centralized, and for essentially buying off the local communities with gifts. Overall, it was judged that less than one-third of the projects were successful, with about another third partially successful (*The Economist*, 2001). Although the criticisms were probably justified, they hardly reflect badly on Shell. According to Thornton.[7]

> How many other agencies in Nigeria or anywhere else in developing countries for that matter, submit their projects to this sort of external review? Few if any, and

[7]Thornton J. 2001. Shell and development in Nigeria. 20 May 2001. [www.igreens.org.uk/shell_and_development_projects_i.htm, Accessed on 18 July 2002]

> when they do they also are often found to be centralised, short-termist, badly planned and of moderate success at best.

As Thornton further argued, the failure of development projects undertaken by charities, NGOs and governments are usually covered up in self-congratulatory reports and results followed by demands for yet more money. However, some MNCs (like Shell) are more interested in the results of their efforts have been brave enough to submit themselves to such independent reviews.

Shell strongly supports the principles of the Extractive Industries Transparency Initiative (EITI), which the current Nigerian government (i.e. the Obasanjo administration) has embraced. On its part and to implement this initiative, Shell has continued since 2002 to disclose the taxes, royalties and other payments made to the Nigerian Government and its agencies (SPDC, 2004). In February 2004, the Nigerian Government established a stakeholder-working group to guide the development of EITI in Nigeria (DFID, 2004). However, a group of civil society organizations in Nigeria expressed concern over the lack of a clearly defined timeline for its implementation. From all indications, Shell has already taken the lead in the implementation of EITI. The Nigerian government now has to follow in Shell's footsteps.

5 EMERGING ISSUES AND WIDER IMPLICATIONS

There is no doubt that Shell has contributed (directly and indirectly) to poverty in the Niger Delta. For example, an internal SPDC consultancy report by WAC Services published in June 2004 was very critical of Shell's role in the region. As a result, Shell accepted that its presence in Nigeria had inadvertently fed poverty, violence and corruption (SPDC, 2004; Shell International, 2004). On the other hand, Shell did not accept the conclusions of the report, which suggested that Shell would have to pull out of Nigeria's onshore production by 2008 in order to stay true to its business principles.

Prior to 1995, Shell's CSR strategy in Nigeria encouraged unsustainable community development and a culture of community and government dependency on Shell. However, through changing times and strategies, the company began the process of making realistic contributions to poverty alleviation in the Niger Delta (Ite, 2004). In the process, there seems to be a gradual shift of the social responsibility for socio-economic development in the Niger Delta from the Nigerian government to Shell. This was not a wilful gesture on the part of Shell, but by default due to the failure of the Nigerian government to adequately address the root causes of poverty in the Niger Delta. Although there is a good business case for Shell to contribute to poverty alleviation in the Niger Delta, there is also a danger that in the long-term, Shell could effectively be leading the pace of, and directing the paths to, development in the region with little or no contribution from the Nigerian government.

This paper contends that business leadership of poverty alleviation initiatives in developing countries can create a tendency for local communities and their governments to depend on external agencies and organizations for development initiatives that are the legitimate responsibility of the respective sovereign national governments and their people. There is no doubt that governments and MNCs need each other. On the one hand, governments need MNCs to generate material wealth and provide jobs for their citizens. Conversely, MNCs need governments to provide the infrastructural basis for their continued existence: both physical infrastructure in the form of the built environment and social infrastructure including the legal protection of private property and institutional mechanisms (Dicken, 2003). Governments are containers of distinctive business practices and cultures within which firms are embedded, as well as the regulators of business activity. A high level of dependence on foreign enterprises (i.e. MNCs) potentially reduces the host country's sovereignty and autonomy, especially its ability to make decisions and implement them. Where foreign firms effectively control much of a host country's economic activity, non-national goals may well become dominant. It may be extremely difficult for the host government to pursue a particular economic policy if it has insufficient leverage over the dominant firms (Dicken, 2003).

Shell makes a significant contribution to Nigeria's economy, through payments to the Nigerian Government in the form of taxes and royalties, and through the Government's equity stake in the joint venture. Although Shell is not the only oil MNC operating in the Niger Delta, it is evident that there is total dependence (by the government and the local communities) on Shell, simply because of the size and scale of its operations. This makes it difficult for the Nigerian government to significantly challenge Shell's dominant position in Nigeria's political economy. As Frynas *et al.* (2000) noted, the weakness of the Nigerian state has allowed Shell to maintain a position of dominance in the oil industry in particular and the Nigerian economy in general. Against this background, it can be argued that if MNCs like Shell increasingly undertake and/or lead socio-economic development activities that should be the responsibility of governments, there is a possibility that such governments could easily, gradually and ultimately abandon their social responsibilities and obligations to its citizens.

6 CONCLUSION

Multinational corporations (MNCs) like Shell are capable of making significant indirect contributions to poverty reduction in resource-rich developing countries. However, national macro-economic planning and management, backed by equitable resource allocation, have significant implications for the effectiveness of CSR policies and practices of adopted and implemented by the MNCs. On the one hand, if the macro economy is under-performing due to government failure, there is a likelihood that the contributions of MNCs to poverty alleviation could fail to achieve the desired outcomes. On the other hand, it can be argued that if CSR by MNCs is only encouraged and promoted in successful economies, then the problem will go away, but the MNCs will not be an inch closer to solving the problem of poverty in failed economies.

The tendency for MNCs to take over more of the state (i.e. government) functions is very problematic. However, it is important to examine why this has happened and whether the forces that have pushed MNCs in this direction can be reversed. The increased role of MNCs in CSR is a direct response to a continuous weakening of the state, especially in resource-rich developing countries. It is also evident that CSR is a response to increased shareholder activism and in particular to NGO pressure. For example, recent corporate accounting scandals have focused significant attention on companies' commitment to ethical and socially responsible behaviour. The public and various stakeholders now have even higher expectations of businesses. As a result, the private sector is increasingly expected to assist with myriad complex and pressing social and economic issues. There is also a growing ability and sophistication of activist and NGO groups to target corporations perceived to be socially irresponsible. Public demonstrations, boycotts, shareholder resolutions, and attacks on company websites are now widely used by these groups as a means of communication and calls for changes in global business practices.

None of the above forces are or would be easy to reverse. As such, MNCs are mostly likely to carry and grapple with them for a very long time. However, to ease the burden and to continue to operate with less difficulty, MNCs would have to adopt a different management approach to deal with the emerging forces of change. The multi-stakeholder and partnership approach to social issues management (within the general framework of CSR) is a step in the right direction. Within the context of poverty alleviation in developing countries, this approach should ensure that the major stakeholders (i.e. governments, MNCs, NGOs, etc) in the development process are clearly identified and the roles, responsibilities and obligations of each stakeholder is well articulated. There is also a need for each stakeholder to recognise and accept that no single development actor (i.e. government, civil society, business) or sector of the economy (i.e. private or public) can be expected to provide solutions to all social problems.

This paper therefore firmly supports Tavis (1982) view that even though business and government may share in the responsibility for economic and social development, the primary assignment for MNCs is still productivity or wealth creation, while the government's main charge is to represent society in the distribution of that wealth and in ensuring equitable treatment of the various groups involved in its creation.

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