Cadernos de Estudos Africanos (2014) 28, 119-140

Corporate Social Responsibility and Chinese Oil Multinationals in the Oil and Gas Industry of Nigeria: An appraisal

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This article focuses on the extant corporate social responsibility (CSR) practices in the oil and gas industry in Nigeria. The oil and gas sector of Nigeria has been beset by a lot of problems not limited to violence, kidnappings, eco-terrorism, and maladministration amongst others. One way of curing the inherent problems is the use of CSR by many oil multinational corporations (MNCs) operating in Nigeria. This article focuses on the Chinese oil firms operating in the oil and gas industry in Nigeria and investigates if they operate on the same basis as the Western firms. It seeks to determine whether the variants of CSR practised by non-Western firms in Nigeria have had negative or positive impacts in the oil and gas industry especially with China's contribution to Nigerian economy.

Keywords: corporate social responsibility, Nigeria, multinationals, Niger Delta, oil industry, gas industry, environment

Responsabilidade social empresarial e multinacionais chinesas do petróleo na indústria de petróleo e gás da Nigéria: Uma avaliação

Este artigo aborda as práticas atuais da responsabilidade social empresarial (RSE) na indústria do petróleo e do gás na Nigéria. O sector do petróleo e do gás da Nigéria tem sido marcado por muitos problemas não limitados à violência, raptos, ecoterrorismo e má-administração, entre os outros. Uma forma de fazer face a tais problemas é o uso da RSE por muitas empresas multinacionais (MNC) petrolíferas que atuam na Nigéria. Este artigo foca as empresas chinesas de petróleo que atuam na indústria do petróleo e do gás na Nigéria e procura investigar se elas operam com as mesmas bases que as ocidentais. Este trabalho irá tentar perceber se as variantes da RSE praticadas por empresas não-ocidentais na Nigéria têm tido um impacto negativo ou positivo na indústria do petróleo e do gás, sobretudo no que diz respeito à contribuição da China à economia nigeriana.

Palavras-chave: responsabilidade social empresarial, Nigéria, multinacionais, Delta do Níger, indústria do petróleo, indústria do gás, meio ambiente

Recebido 16 de abril de 2014; Aceite 27 de outubro de 2014

Corporate Social Responsibility (CSR) is the idea or theory that companies have a duty towards the society beyond its primary obligations to its shareholders or owners and it is said to be voluntary (Amao, 2014). CSR is an increasingly important part of the international business environment. Globalisation of world trade and the rise of powerful companies are mainly responsible for the rise of CSR practices. Thus, CSR is "a business approach for addressing the social and environmental impact of company activities" (Frynas, 2009, p. 1).

Apparently CSR emerged from an area of research termed 'business and society' (Schwartz & Carroll, 2008). Carroll posited that CSR can be traced to evidence of businesses' concerns for society over the centuries (Carroll, 1999). Gregorio de Castro alluded that the industrial revolution in Europe was a catalyst for responsible business behaviour (Castro, 2008). Castro further alluded to Robert Owen who in the early part of the 19th century set up social villages close to textile mills; the villages then catered for the general welfare (health and education amongst others) of the staff and family of the mills (*ibid.*). This concept known as 'Owenism' was later exported to the United States of America in the early 20th century. As President Theodore Roosevelt stated in 1901: "All the same, corporations must recognize their responsibility not merely to their shareholders but to the community at large" (Dieux & Vincke, 2005, p. 13).

Formal writing on CSR started in the 20th century and exploded over the past 50 years. The modern manifestation can be traced to Bowen (1953). Carroll (1999) called Bowen the "father of CSR" (p. 270) and Bowen (1953) defined the responsibilities of businessmen as "the obligations to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (p. 6). Present-day notions of CSR are said to include concepts such as corporate citizenship, corporate sustainability and the stakeholder theory amongst other competing concepts. Wood posits that the CSR field or paradigm aims at investigating the relationships between business and society and the contributions they make in enhancing the quality of life of people (Wood, 1991). The major underlying factor common to the various manifestations of CSR in corporations (not excluding profit making) is that corporations should also be engaged in actions or operations that appear to further some social good, beyond the interests of the firm and that which is required or expected by law (McWilliams, Siegel & Wright, 2006).

Catherine Pedamon argues that 'corporate social responsibility' and 'corporate responsibility' espouse the same idea and that in doing business, companies values "such as profitability, and efficiency should work together with ethical values such as honesty, integrity and transparency" (Pedamon, 2010, p. 173). In implementing ethical values, corporations need to assess their actions (or inactions) against the triple bottom line of CSR (people, planet and profits) which comprises of the social, economic and environmental impacts of business activities (Pedemon, 2010). Thus, ethics and accountability play a major role in CSR paradigm.

The major problems besetting CSR include lack of an acceptable definition and the use of various academic frameworks to measure its spread and influence. The next part of the article will dwell on the elusive search for an acceptable definition of CSR.

Defining CSR

Multiple Interpretations of Corporate Social Responsibility

Interpretations	Authors
Business ethics and morality	Stark (1993), Freeman (1994), Bowie (1998), Phillips (1997, 2003), Phillips & Margolis (1999), Fulop *et al*. (2000)
Corporate accountability	Owen *et al*. (2000), O'Dwyer (2005)
Corporate citizenship	Carroll (2004), Matten & Crane (2005), Andriof & Waddock (2002)
Corporate giving and philanthropy	Carroll (1991, 2004)
Corporate greening and green marketing	Hussain (1999), Crane (2000), Saha & Darnton (2005)
Diversity management	Kamp & Hagedorn-Rasmussen (2004)
Environmental responsibility	DesJardins (1998), Rugman & Verbeke (1998)
Human rights	Cassel (2001), Welford (2002)
Responsible buying and supply chain management	Drumwright (1994), Emmelhainz & Adams (1999), Graafland (2002), Amaeshi (2004), Spekman *et al*. (2005)
Socially responsible investment	Warhurst (2001), Jayne & Skerratt (2003), Synnestvedt & Aslaksen(2003), McLaren (2004)
Stakeholder engagement sustainability	Freeman (1984, 1994), Donaldson & Preston (1995), Andriof *et al*. (2002), Korhonen (2002), Amaeshi & Crane (2006), Bansal (2005)

Table adapted from Amaeshi and Adi (2007, p. 5)

There is a plethora of definitions of CSR. Some of the definitions include the World Business Council for Sustainable Development, which defines CSR as ''the continuing commitment by business to behave ethically and contribute 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" (Blowfied & Frynas, 2005, p. 499; Amao, 2014, p. 118). CSR makes corporations responsive to a lot more stakeholders other than just its shareholders. These stakeholders could include suppliers, customers, shareholders, and the environment, and communities amongst others. Thus, the corporations are expected to take responsibility for their actions (if any) on the aforementioned stakeholders. CSR explores issues relating to human rights, labour rights or standards, bribery and corruption amongst others (Amao, 2008). In essence, CSR extends beyond the traditional and legal requirements expected of corporations with regard to its impact on its stakeholders.

Furthermore, the European Green Paper on CSR defines it "as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholder on a voluntary basis" (Amaeshi & Adi, 2007, pp. 5-6). Thus, one manifestation of CSR might be self-regulation of MNCs.

CSR is a widely accepted concept in the business world. Campbell argues that the major reason why there is no acceptable definition of CSR is the absence of an acceptable normative basis underlying CSR practice (Campbell, 2007). Whitehouse, who is in tandem with the above view, argues that:

> the apparent failure of CSR to fulfil its potential in remedying the adverse impact of corporate activity is due in part to the failure on the part of its advocates to establish a universally accepted definition of the term and the normative grounding necessary for effective regulation (Whitehouse, 2003, p. 300).

In furtherance of this, Frankental posits that "CSR is a vague and intangible term which can mean anything to anybody, and therefore is effectively without meaning" (Frankental, 2001, p. 20). Thus, CSR is highly subjective and its meaning is dependent on the area of specialisation it is being defined from. Thus, a universally applicable definition is unachievable. Hence, the concept of CSR is also seen (at times) as fuzzy, contested and unclear (Amaeshi & Adi, 2007). Okoye (2009) argued that CSR is a highly contested concept because of the numerous definitions, arguments and counter-arguments inherent in its numerous definitions. Furthermore, CSR is seen as an elusive term, with a multiplicity of definitions (Votaw, 1972), thus lacking theoretical integration (Post, Preston & Sachs, 2002) and a dominant paradigm (Jones, 1983; Jonker & Foster, 2002) amongst others.

There are three major views on CSR in businesses or companies. The first view was encapsulated by Schwartz and Carroll (2008) who opined that business is obligated only to make profits within the boundaries of minimal legal and ethical compliance. Thus, CSR is seen as a disincentive to businesses. It goes against the tenets of sound business ideals and weakens its focus on the traditional function of business with regards to profit or wealth creation (Murray, 2005). In 1970, Milton Friedman famously stated that companies should have no social responsibilities other than to maximise returns to their shareholders. This article is not in tandem with the above assertion by Friedman. This is referred to as the accountability school of thought (Idemudia, 2008, p. 93). Thus, CRS is constrained by the traditional tenets of business (profit making) and firms will maximise profits over making meaningful contributions via the instrumentality of CSR initiatives.

On the other hand, the social responsibility of business embraces the economic, legal, ethical and discretionary aspirations that society has of organizations or firms at a given point in time (Carroll, 1979; Jamali & Mirshak, 2007). In essence, firms need to look beyond their narrow prism of traditional stakeholders (shareholders) and focus on other members of society. Thus, CSR is said to add value to a company. Furthermore, it is said that CSR holds that only by acting in such a way, can businesses meet 'society's expectations', and earn from 'society' their informal 'licence' to operate (Henderson, 2001). CSR initiatives have been adopted by a considerable number of MNCs, NGOs, commentators, ordinary business organizations amongst others (*ibid.*).

The third notion of CSR has been described as the enabling environment view (Utting, 2003; Fox, 2004). This school of thought argues that CSR "encourages and provides incentives for business activities that minimise environmental and social cost while at the same time maximising economic gains" (Utting, 2003; Fox, 2004; Idemudia, 2008, p. 94).

The notion of CSR or stakeholder management is not fool-proof. It has been suggested that accountability or ethics is a major hindrance. In ordinary companies, the company is accountable to its shareholders. In a stakeholder or socially responsible firm, it is argued that managers, employees or other agents could be said to be stakeholders (Ho, 2010). Arguably, this would be contrary to the tenets of good corporate governance. Thus, corporate governance which encompasses "accountability of directors to shareholders and the accountability of corporate employees and other corporate agents to the corporation... yet the theory is inimical to both" (*ibid.*, p. 208). Ho further argued that a company being accountable to every stakeholder would be unjustified and therefore, unworkable. Thus, in the words of Sternberg (2004, p. 135), "an organization that is accountable to everyone is accountable to no one". CSR is said to be a popular fad and a convenient label that encourages people to be dictatorial because any kind of government or state intrusion can be justified on the basis of stakeholder theory.

Andy Gouldson (2006) posits that CSR initiatives have two dimensions and these dimensions are substantive and procedural. Procedural dimension of CSR encompasses the gamut of procedural manifestation of CSR. He gave examples of the way companies develop policies, management systems and their interaction with relevant stakeholders (Gouldson, 2006). Thus, it is about the processes companies engage in as a means of actualising their CSR objectives. The substantive dimension of CSR initiatives encompasses the practical manifestations or implications of corporate activities. This may involve environmental impacts of a corporate activity, human rights issues or poor labour standards amongst others. The stakeholders are not just keen on CSR practices but how "they (stakeholders) have gone to influence the social and environmental outcomes that are experienced by different social groups in the diverse contexts in which companies operate" (*ibid.*, p. 3).

CSR and its ideals are seen from the Western- (USA and Europe) influenced perspective and do not seem to take into account the unique cultural, socio-economic and political differences in the developing countries (Ako, Obokoh & Okonmanh, 2009). This theme will be further developed in a later part of this article.

Notwithstanding the plethora of definitions of CSR, this article will align with the definition as enunciated by Blowfield and Frynas (2005, p. 503) that CSR is the umbrella term for a variety of theories and concepts. They define CSR as follows:

> (a) that companies have a responsibility for their impact on society and the natural environment sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); and (c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society.

African conceptualisation of CSR

Promotion of business ethics and social dimensions is not new. It can be traced to the pre-Western Christian thinkers and many of the existing religions condemned bad business practices in the early times (Blowfield & Frynas, 2005; Frynas, 2009, 2012). However, the modern manifestation of CSR is a Western influenced or imposed concept. CSR is more prominent or pronounced in the developed world (Visser, Matten, Pohl & Tolhurst, 2010; Muthuri, 2012, 2013). Thus, "the mainstream CSR agenda has largely been driven by Northern actors and therefore reflected the priorities and concerns of Western societies without sufficient room for other concerns" (Idemudia 2011, p. 2). Arguably, the mainstream CSR discourse neglects the local concerns of developing countries especially African societies.

To cure the inherent defects in the mainstream CSR discourse, "a Southern perspective to CSR that will help highlight where and how corporate responsibility can best contribute to sustainable development and poverty eradication in developing countries" (Idemudia, 2011, p. 2; Fox, Ward & Howard, 2002) has been advocated by scholars.

It will be difficult to produce a generic definition of an 'African' conceptualisation of CSR due to a number of factors including the circumstance that African countries have distinct colonial, religious and historical antecedents amongst other barriers. However, similarities can be gleaned in the manifestation of CSR in African countries especially from the development perspective (Okoye, 2012; Idemudia, 2014). In South Africa, issues such as apartheid, injustices and inequality have influenced the manifestation of CSR. Thus:

> the responsibility of the company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the legitimate interest and expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the company and practiced in its relationships (Kings III Report, 2009, p. 51; Muthuri, 2012, 2013).

In Kenya and Zambia, "the concept of CSR is sometimes used as shorthand for business contribution to sustainable development (and) that a number of core developmental issues are already central to the International CSR Agenda […] labour standards, poverty reduction, conflict and environmental impacts" (Kivuitu, Yambayamba & Fox, 2005, p. 1; Okoye, 2012, p. 367).

In Nigeria, Folusho Phillips argued that Africa (Nigeria)'s strong communal kinship, collective approach to dispute settlement and philosophy presuppose that Africans were an "inherently socially responsible race of people" (Phillips, 2006, p. 23). He further argued that in Africa, the motivation for CSR comes from the institutional failure of the government, unlike in USA and Europe, where government pressure on MNCs has gone a long way in shaping CSR initiatives. An obvious example is the recent BP oil spill in the Gulf of Mexico in the USA. The response of the American governments to the disaster led BP to make arrangements for substantial compensation to the affected people.

Amaeshi, Adi, Ogbechie and Amao (2006) have argued that the Nigerian conception of CSR is remarkably different from the Western version. They defined CSR in the Nigerian context as:

> CSR in Nigeria would be aimed towards addressing the peculiarity of the socio-economic development challenges of the country (e.g. poverty alleviation, health care provision, infrastructural development, education, etc.) and would be informed by socio-cultural influences (e.g. communalism and charity). They might not necessarily reflect the popular Western standard/expectations of CSR (e.g. consumer protection, fair trade, green marketing, climate change concerns, social responsible investments, etc.) (p. 9).

Philanthropic initiatives as CSR by companies are prevalent in Nigeria. Thus, in developing countries, the absence of government action in providing amenities for its citizens accentuates the roles of multinationals in CSR and philanthropy is not regarded as CSR in Western countries (Frynas, 2009). Muthuri (2012), relying on the extant literature on CSR in Africa, posited that the CSR issues prevalent in Africa include poverty reduction, community development, education and training, economic and enterprise development, health and HIV/AIDS, environment, sports, human rights, corruption and governance and accountability.

The next section focuses on the oil and gas industry where CSR by oil MNCs is paramount to their activities.

Overview of the oil and gas industry in Nigeria

The Nigerian economy is heavily reliant on the oil sector. The International Monetary Fund estimates that the oil and gas sector in Nigeria accounts for over 95% of the foreign export earnings and about 65% of the Nigerian government revenue (IMF, 2013). The *Oil and Gas Journal* posits that Nigeria had an estimated 37.2 billion barrels of proven oil reserves as of January 2011 (EIA website[1]).

The Niger Delta where oil multinational corporations maintain a significant presence has become a theatre of incessant violent conflicts. The Federal Government is in joint-venture agreements with the oil MNCs operating in the oil and gas sector in Nigeria. The Federal Government controls and owns the land including its natural resources in the subsoil. This is a major source of conflict in

[1] http://www.eia.gov/countries/cab.cfm?fips=NI

the Niger Delta. Lands can be acquired by the government for over-riding public purposes by virtue of the Land Use Act 1978.

The negative impacts of the activities of the multinational companies in the oil and gas industry in Nigeria include gas flaring, oil spills, environmental pollution, negative social impacts, conflict and violence amongst others. However, in CSR literature (generally) "many MNCs are now seen not only as obstacles to development but also as sources of solutions to some of the pressing problems facing the people in developing countries" (Muthuri, Moon & Idemudia, 2012, p. 356).

CSR in the oil and gas industry in Nigeria

Multinational corporations are involved in a plethora of CSR activities in the Niger Delta and other parts of Nigeria. CSR initiatives in Nigeria may include the building of hospitals, schools, markets and provision of pipe borne water amongst others (Amaeshi *et al.*, 2006). In Nigeria, academics such as Edoho (2008), Frynas (2009), Akpan (2006), Tuodolo (2007, 2009) and others have argued that the CSR process in Nigeria is not far reaching or deeply entrenched. Thus, it has been contended that some of these CSR initiatives are not carried out on a coherent basis and not always sustained (Amaeshi *et al.*, 2006). Arguably, despite the adoption of various CSR mechanisms by oil companies in Nigeria, the oil-producing communities "have received a proportionately low amount of benefit compared to the high social and environmental costs of extractive activities" (Lisk, Besada & Martin, 2013, p. 20). Notwithstanding the minimal contributions of CSR to oil producing communities in the Niger Delta, many communities still suffer from various ills including gas flaring, oil spillage and violence amongst others.

On the other hand, Idemudia and Ite (2006) and Eweje (2006) support CSR initiatives, arguing that CSR is making tremendous progress in the area of local community initiatives in Nigeria. To further elucidate these assertions, Eweje (2006) illustrates that it is becoming increasingly apparent to oil companies that pollution prevention pays while pollution does not and under pressure from stakeholder groups, oil companies now routinely incorporate environmental impact assessments into their corporate strategy.

Factors that affect the CSR activities of oil MNCs in Nigeria may include the ideological and political system and the economic system of the oil MNC's home state. Amaeshi and Amao (2009) argued that in respect of codes of conduct of Nigeria, declarations by such firms are affected by the economic system in the home country of the MNC. Thus, if the home country is a mixed economy, its codes of conduct operational in Nigeria will be influenced by its political or economic background. Furthermore, Amao (2011) on the other hand, argued that the model currently followed in Nigeria, based on the Anglo-Saxon/US contractarian private, shareholder-wealth-maximization model, has proved irrelevant in addressing the issues raised by the operations of MNCs.

CSR in Nigeria is culture specific and affected by the local context. Thus, CSR in Nigeria is product of historical and cultural influences (Idemudia & Ite, 2006). Culture can be defined as "shared motives, values, beliefs, identities, and interpretations or meaning of significant events that result from common experiences of members of collectives that are transmitted across generations" (House, Javidan, Hanges & Dorfman 2002, p. 5). As a furtherance of this, philanthropy is seen to be a cultural driver for CSR activities in Nigeria. Amaeshi *et al*. (2006) found out in their study of CSR in Nigeria that Nigerian companies practise philanthropy in the guise of CSR as a way of addressing the economic and development issues in Nigeria. Thus, the study confirmed that CSR is part of corporate culture in Nigeria.

Transparency in the oil and gas sector in Nigeria

The Nigerian government is a signatory to some international agreements that espouse the philosophy of CSR activities. A prime example is the Extractive Industries Transparency Initiative (EITI). The EITI sets a global standard for transparency in oil, gas and mining (EITI website[2], 2014). It aims at promoting transparency and accountability in payments made by extractive corporations to government and government agents (EITI website). In Nigeria the initiative is called NEITI (Nigeria Extractive Industries Transparency Initiative) and it has been domesticated into Nigerian law. A number of oil MNCs that have signed up to this include Chevron Group, BG Group, Shell, Statoil, Total, CNOOC (China) and ONGC (India) amongst others (NEITI website[3]). The EITI Board designated Nigeria as EITI Compliant on 1 March 2011.

In furtherance of its objectives, the NEITI has carried out regular audits of the Nigerian extractive sector. The aim of such regular audits is to reconcile the amounts the companies pay to the federal government and the amount the government states it gets from the companies (*ibid*.). Since the inception of NEITI in Nigeria, three phases of audits have been conducted and they were all in the

2 http://eiti.org/node/22

3 http://eiti.org/Nigeria

oil and gas sector (NEITI website b[4]). The period covered by the various audits included first audit was for the period 1999-2004, the second audit was in respect of 2005 and the third audit covered the years 2009-2011.

The first audit report was the first ever financial and physical analysis of tax receipts or payments by the oil MNCs operating in the Nigerian oil and gas industry and it covered the period between 1999 and 2004. The report alluded to the discrepancies in the amount of money paid by the oil companies and the amount the government said it received amounting to $300 million (Idemudia, 2009). This amount was subsequently reconciled to about $6 million, in other words, unaccounted for (*ibid.*). Thus, political pressure was applied by the Nigerian government on the NEITI board to reconcile the differences in the payment receipts or amounts declared.

In August 2007, the second NEITI Report highlighted numerous issues that call for urgent attention and action by all stakeholders. Part of the report states thus:

> NEITI will ensure that the benefits due to the Nigerian government, agencies and above all the people of Nigeria, from the industry duly accrue to them, in accordance with the principles of transparency, accountability, and sustainable development... NEITI will facilitate this process of remediation, working in collaboration with all stakeholders (NEITI website).

In March 2012, a third audit was commissioned by NEITI to be conducted on the oil and gas industry in Nigeria (*ibid.*). One objective of the audit was to promote and maintain transparency and accountability in the oil and gas sector of Nigeria. This audit covered the period between 2009 and 2011. Arguably, the publication of audit reports promotes accountability and fairness in the oil and gas sector of Nigeria. However, this is not the case. In both the second and third audit reports, the NEITI is said to be "increasingly becoming toothless and institutionally moribund" (Anthony, 2010, p. 146). Thus, NEITI has not achieved much in the Nigerian oil and gas industry. Corruption in the oil and gas industry, lack of political will on the part of the government to implement the NEITI amongst other inherent difficulties have accentuated the conundrum.

Furthermore, the Nigerian government promotes CSR impliedly through the National Economic Empowerment and Development Strategy (NEEDS) (Nigerian National Planning Commission, 2004). The private sector is expected to play a major role in updating the strategy. The private sector is expected to create jobs, enhance productivity, quality of life and be more socially responsible with regards

[4] Ten years of NEITI reports - What have we learnt. Available online at http://www.neiti.org.ng/sites/default/files/publications/uploads/ten-years-neiti-reports.pdf

to the activities in Nigeria (*ibid.*). Thus, MNCs are expected to contribute their own quota to the corporate, economic and social development of Nigeria. Nigeria is also part of the International Standards Organization National Committee on Social Responsibility ISO26000 (ISO website[5]) (which was approved and launched in November 2010) and the Global Compact Network (Global Compact Nigeria Network website[6]).

However, the Nigerian government has been blamed for the parlous state of the regulatory framework with regards to MNCs. Idemudia (2010a) posits that the structural and systemic deficiencies inherent in CSR practices limit the effectiveness of CSR as a vehicle for conflict prevention and reduction in the Niger Delta. Nigeria is said to a 'rentier state' (Omeje, 2006; Idemudia, 2010b). Thus, the nature of the Nigerian economy and problems of the Nigerian state, in addition "to the contested nature of CSR have prevented the Nigerian government from providing an enabling environment for CSR, which together with oil companies' failures, undermine the possibility of corporate social development in the Niger Delta" (Idemudia, 2010b, p. 147). One way of remedying the inherent deficiencies in CSR practices in Nigeria is that CSR should be "seen as a useful framework within which new ways of collaboration and partnerships among corporations, government, and civil society can be established, creating innovative mechanisms for addressing existing governance deficits" (Idemudia, 2010b, p. 153).

Chinese MNCs and CSR in Nigeria

The major oil MNCs operating in the oil and gas sector of Nigeria include Shell, ExxonMobil, Chevron, Total, Eni, Addax amongst others (US EIA website[7]). These MNCs are either in joint-venture or production sharing arrangements with the Nigerian National Petroleum Corporation (NNPC). In Nigeria, Shell operates through its local 'affiliates' Shell Petroleum Development Company of Nigeria (SPDC) and the Shell Nigeria Exploration and Production Company Limited (SNEPco). SPDC is the largest company operating in the oil and gas sector in Nigeria and it is a joint-venture arrangement between NNPC (55%), Shell (30%), Elf Petroleum Nigeria Limited – a subsidiary of Total – (10%) and Agip (5%) (*ibid.*). Thus, the Western oil MNCs that are operating in the oil and gas sector control a considerable share of it. However, Chinese companies are also investing tremendously in the oil and gas sector in Nigeria. For example, China Petroleum

5 International Standards Organization website at http://www.iso.org/iso/pressrelease.htm?refid=Ref1299

6 https://www.unglobalcompact.org/NetworksAroundTheWorld/local_network_sheet/NG.html

7 http://www.eia.gov/countries/cab.cfm?fips=NI

and Chemical Group (Sinopec) which is a state-owned Chinese oil MNC and the largest in Asia and third largest in the world, recently acquired Addax Petroleum (a Canadian oil MNC) operating in the oil and gas sector of Nigeria (Addax website[8]). Also, in November 2012, Sinopec acquired Total's 20% stake in a Nigerian offshore oilfield (BBC News website[9]). Another major non-Western oil MNC in the oil and gas sector in Nigeria is Petrobras (Petróleo Brasileiro SA), the Brazilian state-owned company which began operations in the Niger Delta area in 1998 (Petrobras website[10]). Furthermore, many Western oil MNCs are reducing their investments in the oil and gas sector of Nigeria. For example, Shell, Total and NAOC (Agip) have withdrawn from certain parts of the Niger Delta (Saharareporters website[11]). Also, due to the security concerns in the Niger Delta and Nigeria, only Chinese state-owned companies are recent investors in the oil and gas industry in Nigeria (Akinosho, 2013 in Saharareporters website). Also, some non-Western companies are withdrawing from the oil and gas industry in Nigeria. For example, recently in March 2013, Petrobras announced its intention to sell off some of its investment or stake in the oil and gas sector in Nigeria (Nwachukwu, Eboh, Obasi & Kalejaye, 2013). The value of the stake in the oil and gas sector, which Petrobras intends to dispose of, is estimated at $5 billon and this sale is expected to lead to an upsurge of investment by Asian MNCs in the oil and gas sector of Nigeria that are interested in acquiring the assets of Petrobras (*ibid.*). The divestment of foreign oil MNCs has led to lower outputs in the oil and gas industry leading to lower revenue for the government of Nigeria.

China is a major investor in the Nigerian economy. For example, in the area of international trade, from about $2 billion in 2000, trade between China and Nigeria rose to around $18 billion in 2010 and between 2003 and 2009, Nigeria was second largest recipient in Africa (second to South Africa) of foreign direct investment from China (Egbula & Zheng, 2011).

Addax is an example of a non-Western MNC which is prominent in the oil and gas sector of Nigeria. In its code of conduct, Addax posits that it has commitments to the following stakeholders: contractors, regulators, joint venture partners, clients, colleagues, suppliers and shareholders. Addax Petroleum also seeks to be a good corporate citizen and its CSR principles were developed in line with the international instruments such as the UN Global Compact, UN Universal Declaration of Human Rights and ILO Conventions. Addax' long term vision can

[8] http://www.addaxpetroleum.com/about-us

[9] http://www.bbc.co.uk/news/business-20397492

[10] http://www.petrobras.co.uk/en/countries/nigeria/nigeria.htm

[11] http://saharareporters.com/2013/04/15/thenews-interview-flawed-implementation-amnesty-programme-cause-oil-theft-niger-delta

be extrapolated into six core areas: corporate governance, ethical business conduct, fair employment practices, health and safety at the work place, environmental protection, corporate philanthropy and socio-economic development.

The CSR practices espoused by Chinese firms in Africa are accentuated by its cultural and regulatory background (Bu, 2010). Thus, Chinese firms promote CSR with Chinese characteristics in Africa (Whelan & Muthuri, 2014). For example, non-interference and philanthropy are the corner stones of Chinese foray into Africa.

Addax CSR Activities

The Sinopec-Addax Petroleum Foundation is a mechanism or strategy utilised by the company in its delivery of CSR initiatives in Nigeria. It is "an independent non-profit foundation established by the Addax Petroleum Corporation and registered in Geneva, Switzerland. Active since 2008, the foundation was renamed in 2011 following the acquisition of Addax Petroleum by the Sinopec Group" (Addax website[12]). The CSR or social investment by the foundation is influenced by the Millennium Development goals and national development goals (*ibid.*).

Addax foundation's main project is 'Rainwater to fight water shortage' in the Ikorodu area of Lagos state. The premise of the project is:

> to mitigate this situation in schools, which are deeply deprived of basic infrastructure, the Foundation works in partnership with the International Rainwater Harvesting Alliance (IRHA). The aim of this cooperation is to offer access to water and sanitation, as well as improve environmental conditions in the Luwasa Primary School (Addax Foundation website[13]).

Furthermore, Addax operates a code of conduct in the oil and gas industry in Nigeria (Ekhator, 2016). In the oil and gas sector in Nigeria, many multinational corporations (both Western and non-Western firms) operate codes of conduct which regulate their activities (*ibid.*). The Western firms including Shell and Exxon Mobil promote human rights in their codes of conduct unlike Addax which appears not to emphasise human rights in its codes (*ibid.*). One plausible explanation is that the firms are affected by their ideological and cultural background in the delivery of the CSR practices or initiatives in Nigeria. This is especially the case in respect of non-Western MNCs operating in Nigeria. Amaeshi and Amao (2009) analysed the impact or influences of the home countries (Western coun-

12 http://www.addaxpetroleum.com/about-us

13 http://www.addhopefoundation.org

tries) of the oil MNCs in their localisation of codes of conduct in the oil and gas industry in Nigeria. Their conclusion was that "corporate codes of these MNCs operating in Nigeria, to a large extent reflect the characteristics of their home countries' model of capitalism, respectively, albeit with certain degree of modifications" (*ibid.*, p. 225). Furthermore, in applying these assertions (by Amaeshi and Amao) to the Chinese oil MNCs, this article believes that Addax Petroleum will not seek to promote human rights standards in its operations. For example, there is a consensus in academic literature that Chinese MNCs operating in Africa attach little importance to human and labour rights in their sphere of operations (Bu, 2010). Furthermore, the behaviour or actions of Chinese MNCs are affected or accentuated by its cultural, political and regulatory background. For example, in the Congo "Chinese MNC's behaviour in Congo represents an epitome of value and culture inherently originating from China, whose regulatory infrastructure is normally not subject to the degree of criticism as encountered in the West" (*ibid.*, p. 487). Thus, in the West, MNCs activities are constrained by a plethora of actions such as the activities of NGOs, judicial activism, public perception/consumer power and government regulation amongst other factors. This is not the case in China. In China, it has been argued that many of the state-owned or controlled MNCs do not have a tradition of transparency in their business operations (*ibid.*). Chinese MNCs owe their duty of transparency to their home government and not to the shareholders or other stakeholders of the company. Thus, it is contended that Chinese MNCs have trigged a race to the bottom by African states (Bosshard, 2007).

Furthermore, Addax Petroleum has developed technical skills acquisition programmes in host communities in Nigeria (Addax website). The objective of Addax skills acquisition programme is "to contribute to National Development towards improving quality of manpower for national economy and enhancing entrepreneurship among vulnerable youths so as to achieve a key component of the Millennium Development Goals (MDGs), and to eradicate poverty in our communities" (*ibid.*). In furtherance of these objectives, since 1980s Addax have helped 3,539 Nigerians to acquire university education and it has also sponsored 3,283 youths of host communities to acquire secondary school education (*ibid.*). Also, Addax has trained 460 youths to acquire vocational training and successful participants from the training schemes are given grants and tools to commence their business ventures (*ibid.*), thereby providing alternative means of livelihood for restive youths in the host communities.

Addax and NGO partnership

In May 2013 in Switzerland, the Addax foundation held its first Addhope forum. Some of the themes of the forum included establishing guidelines for effective collaborations and building partnerships with NGOs (Addax foundation website[14]). This was an invitation only event. It included representatives from different stakeholder groups such as the private sector, media, private foundations, political leaders, investor community, NGOs and experts (*ibid.*).

The CSR philosophy of the Addax foundation is encapsulated in the following statement by M. Zhang, Chairman, Sinopec-Addax Petroleum foundation and CEO, Addax Petroleum Corporation who posits that "Philanthropy should not be limited to its financial engagement… In order to be efficient, philanthropy should go beyond the pecuniary aspect and rather take the approach of sharing competencies" (*ibid.*).

Weaknesses of the CSR regime of Addax

A major weakness in the CSR initiatives is that there appears to be no apparent networking with local communities in the delivery of CSR activities in Niger Delta. Addax major CSR project (Rainwater to fight water shortage) is located in Lagos state in the western part of the country. Such projects ought to be sited in the Niger Delta which is the epicentre of the oil and gas industry in Nigeria. Thus, the contention of this article is that if the members of the communities wherein the activities of Addax are localised in the Niger Delta were adequately consulted, probably the project would have been located in a Niger Delta community.

Furthermore, at the Addhope forum, it appears that local (Niger Delta) communities (or their representatives) were not invited.

In respect of the training acquisition programmes, it can be contended that they are not far-reaching. Arguably, many host communities and youths are not involved in the training schemes. Also, it appears that women who constitute a sizeable part of the population are neglected in the training schemes.

Promotion and protection of human rights of the local communities in the activities of the Addax is neglected in its codes of conduct.

Recommendations

The Nigerian variant of CSR should be reflected in Addax initiatives in Nigeria. The Monrovia principles which is an African conceptualisation of CSR should be reflected in CSR activities in Nigeria (Ekhator, 2016).

Local communities should be consulted more often. The most successful CSR initiative in Nigeria has been the Akassa model in Bayelsa State in the Niger Delta area (Frynas 2005; Ako, 2011). The strength of the Akassa initiative was that "it was based entirely on grass-roots priorities, driven not by outsiders deciding which specific initiatives should be implemented but largely by the local people" (Frynas, 2005, p. 593).

Conclusion

Presently, Chinese firms are operating from a point of advantage in CSR initiatives in Nigeria. However, they should learn from the mistakes of the Western MNCs in order to embed sustainable CSR initiatives in the oil and gas industry in Nigeria.

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