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CORPORATE SOCIAL RESPONSIBILITY OF OIL MULTINATIONAL CORPORATIONS: A FOCUS ON THE CHALLENGES OF ENVIRONMENTAL

Abstract:

The purpose of this paper is to draw attention to the ever alarming constraints and challenges faced due to oil extraction in the Niger Delta region of Nigeria. The Niger Delta is one of the poorest regions in Nigeria due to underdevelopment and the nonchalant attitude on the part of the government to make provision for economic and infrastructural development in the region. The paper argues that while the Corporate Social Responsibility (CSR) of oil Multinational Corporations (MNCs) has not reached its full capacity, government on the other hand, not only lack the intellectual “know-how” of tackling the operations and activities of the oil MNCs, but also refrains from rendering suitable solutions to restiveness in the region. Under-development in the region is tilted from the part of the oil MNCs’ push for exploitative susceptibilities which has invariably led to environmental degradation, poverty, displacement, and a high level of restiveness. Also the issue of excruciating poverty and the quality of life of the people have not been properly dealt with as government has not done much to diversify the natural resources of the nation into other key productive areas. Hence, the general belief that organizations and the society gain when social responsibility on the part of organizations is exhibited is therefore questioned.

Keywords:

Corporate Social Responsibility, Environmental Degradation, Niger Delta, Nigeria, Oil Multinational Corporations (MNCs), Poverty.

JEL Classification: M14
1. Introduction

The Niger Delta region of Nigeria is considered one of the most sensitive and attractive regions because of the influx of MNCs; most especially MNCs in the oil and gas sector (Jike, 2004). Since crude oil was discovered in the region in 1956 (Omofoomnwa and Odia, 2009), the exploration and exploitation of oil and petroleum products have been on the increase, causing devastation and unhealthy living due to very low concern on the part of the oil MNCs and neglect on the part of the government (Eregha and Irughe, 2009).

The region is very attractive to oil MNCs because of its richness in natural resources but it has been plagued over the years due to environmental hazards and poverty. It has been argued that eighty-five percent of the communities in the region depend majorly on fishing and farming and other informal enterprises for their major source of livelihood (Nigeria National Report and UNDP, 2012) but exploration and exploitation of petroleum products have gravely impacted the area. Issues of poverty and environmental degradation cannot be overstressed as they are considered central and important to the overall living conditions of the people and development in the region. This is basically the reason for the low productivity in other areas of businesses such as agriculture (Aaron, 2006).

The role of government in trying to put together the struggles of oil MNCs that exhibits social responsibility have been emphasized by Tavis (1982). According to Tavis, communities within which oil MNCs operate respond positively to improved and sustainable conditions if CSR is well applied. Hence, the concept of CSR from the perspectives of oil MNCs has been seen as very sensitive with controversial concerns (Jamali, 2008).

2. The Concept of Corporate Social Responsibility: Western Versus African Concepts

Onward from the 20th century, there have been huge debates on the concept of CSR. This can be traced from the times of Bowen (1953) when he gave a definition on the concept from his work on Social Responsibilities of the Businessman. This area of research was labelled ‘Business and the society’ (Schwartz and Carroll, 2008). It was argued by Carroll that evidences from this research was only restricted to societies where companies carry out their business activities and the society at large (Carroll, 1999). Drawing from the management field, this definition has been used by a lot of researchers (Valor, 2005) and this has brought about a great impact on the concept in itself (Gulyas, 2009; McGehee, Wattanakamolchai, Perdue and Calvert, 2009; Park and Lee, 2009; Young and Thyil, 2009). The concept has been seen and taken as an approach which companies adopt towards giving back to the society voluntarily, having in mind that they are not only obligated to their shareholders alone (Amao, 2014). Nowadays it is considered an important part of the global business environment as it addresses both social and environmental issues of both organizations and the society at large (Frynas, 2009).
Putting its definitional construct into a more acceptable one has not been an easy task for scholars in the field of study. While major essentials of the concept remain the same, other areas relate to the nature, importance, industry, and location from which it is being defined and referred (Atuguba and Dowuona-Hammond, 2006). For instance, from the context of developing countries, the concept is seen as the process of adding value to governance, and the improvement of ethical, social, and environmental situations of developing countries through formal and informal means of philanthropic givings while adhering to the social norms, culture and religious practices of the country (Visser, 2006). Therefore from a localized setting, the concept has to deal with the prevalent perceptions, ideas, and ways of the practices of CSR with regards to an organisation’s response to its socio-economic environment (Amaeshi, Adi, Ogbechie and Amao, 2006). From the African context, it is basically concerned with philanthropic giving and initiatives, such as investment in education, health, provision of roads, investments in community initiatives etc.

Looking at the concept from a general point of view, it is seen as the relationship between an organisation and the society in a whole spectrum, with the organisation’s principles being aligned with the society’s expectations (Atuguba and Dowuona-Hammond, 2006). While some scholars have argued that CSR is different from corporate philanthropy (Crainer and Dearlove, 2004), others have opposed the notion that philanthropy is a part of corporate culture in Nigeria having both cultural and historical ties (Idemudia and Ite, 2006). Hamann (2003) tries to put together three major components that have evolved from the definition of CSR, these are: (a) CSR goes beyond philanthropic giving, (b) importantly, CSR should be infused into fundamental activities and companies’ goals to embrace the socio-economic and environmental facets of sustainability in an all-inclusive or holistic manner, (c) CSR has overtime shifted from confrontation towards constructive and sometimes integrative engagement.

3. Description of the Niger Delta Region

Situated at the south-south geopolitical zone of the country, the Niger Delta shares its borders with the Atlantic Ocean and Cameroun. With a surface area of about 112,110 square kilometres including a population of about 31 million inhabitants, the region is densely populated (Alabi and Ntukekpo, 2012). Made of nine states, namely; Abia, Akwa Ibom, Bayelsa, Cross Rivers, Delta, Edo, Imo, Ondo and Rivers states, the region is occupied with more than 40 ethnic groups and 250 different languages (Alabi and Ntukekpo, 2012). The area is mostly blessed with both human and natural resources but this seem to be a curse in the minds of the inhabitants as the pattern of activities (exploration and exploitation) of oil MNCs has gravely impacted the communities negatively. Agriculture was the main livelihood of the people before the discovery and exploration of oil in the region in 1956 (Omofonmwa and Odia, 2009). Oil exploration has since become an environmental concern and this has led to the inhabitants’ uneasy access to fishing and general agriculture in terms of arable farmlands and products. The neglect on the part of the oil MNCs and the nonchalant
attitude on the part of the government have brought the region to a state of chaos. There is so much restiveness in the region; people have migrated from their homes due to air pollution, poverty, poor housing, lack of clean water, etc. Hence a great concern to not only Nigerians but also to the International community.

4. **Describing the Oil and Gas Industry in the Region**

The region houses the 10th largest oil reserve in the world (CIA World Factbook, 2012), making it one of the most attractive regions for MNCs to do business. Over the past five decades the region has been one of the highest economic base in Africa since oil was discovered in the Oloibiri community in 1956 (Inyang and Simeon, 2012). It is a blessed region with amiable natural resources (Duru, 1999). In 2006, the country’s total oil production which includes natural gas and crude oil was averaged to be 2.45 million barrels per day (bpd) plus oil reaching 2.28 million bpd (Alabi and Ntukekpo, 2012). Due to discrepancies and failure on the part of government to give a proper account of such production, it is difficult to state how much has been accrued to the country in the past five decades (Emmanuel, 2004).

Unfortunately, the region is plagued with environmental pollution which deals heavily on the environment, making it very challenging for businesses other than those in the oil industry to thrive successfully. This is due to the over concentration of oil exploration and extraction in the region. Nevertheless, the industry has three major stakeholders, namely, the Federal Government of Nigeria (FGN), the MNCs and the Host communities (Idemudia and Ite, 2006) although the host communities being part of this concept is a new phenomenon. The industry is controlled by two out of these three main stakeholders which are the Federal Government of Nigeria and the MNCs while the host communities remain silent to such control and the decision making process (Idemudia and Ite, 2006). On the part of the Federal Government being a major stakeholder, this is due to the fact that a few laws and decrees such as the “Land Use Act of 1978” and the “1969 Petroleum Act” are binding towards it. This makes the government a legitimate authority towards the oil exploration process both with the Upstream and the downstream sectors. This authority is exercised through the use of “Joint Venture (JV)” Partnership Agreements, marketing, the splitting of contracts between the oil MNCs and the government etc. Oil MNCs also pay taxes and royalties to the FGN.

5. **Environmental Degradation**

5.1. **The Outcome of Gas flaring and Oil Spillage**

The Niger Delta region was basically rich in farming and fishing both locally and commercially before the advent of oil discovery in 1956 in the Oloibiri community. The region accounted for a lot of agricultural products including wildlife which made it unique from all other regions in the country. This made it record a substantial amount of commercial businesses in general agriculture (Afinotan and Ojakorotu, 2009) most especially before the late 1970s. Subsequently, the advent of oil exploration has been a curse rather than a blessing for the region. It has led to destruction of farmlands,
rivers, vegetation and displacements from human settlement. The outcome from oil spillage, deforestation, and gas flaring has been a huge feature of the oil companies operational in the region (Sagay, Edo, and Awuorome, 2011). The reoccurrence of gas flaring in the communities has been well condemned. A vivid example of where such practices were very prominent is the Ogoni community. The year 2000 recorded 95% of natural gas that was flared in the Ogoni community; this is unimaginably high compared to a measly 0.4% that is being flared in the whole of the United States (Abdul-Gafaru, 2006). People in the communities where gas is flared are mostly exposed to carcinogenic diseases which can be well traced to the effects of radioactive elements from gas flaring (Akoroda, 2000). Hence, oil companies make use of the option of monetary penalties as a form of recompense towards the communities through the government rather than make a committed effort to discontinue the flaring of gas (Evo, 2002). Also another environmental hazard which is of huge concern to communities is oil spillage. Communities are seldom blamed for this type of occurrence as pipelines are vandalised and blown out. However a significant amount of oil spills have been very synonymous with corrosive pipelines, carelessness and nonchalantness on the part oil companies (Natufe, 2001) to check and carry out consistent maintenance exercise on their pipelines. A major amount of the mangrove forest which is a very productive ecosystem both economically and commercially in the region has been ruined by oil spillage. Oil toxicity due to the operations of the oil companies has made it very difficult and unlikely for sustainability of the mangrove forest in the region. Consistent oil spillages have destroyed the mangrove forests and there are so much of leakages which further result to erosion (Abdul-Gafaru, 2006). Therefore the opportunity for commercialization of others from fishing, timber and plant products, coastal protection as well as tourism is no longer available.

5.2. Poverty in the region: The struggle for survival

As a multidimensional problem which goes beyond economic, social, political, and cultural issues, poverty does not only result in the lack of human want but also in long-term conflict and insecurity (Ikejiaku, 2009). Theorists such as Burton (1997) have argued that poverty could lead to individuals being stripped off their biological and psychological needs. This is particularly so in the Niger Delta region of Nigeria. It is possible because of the constant conflicts and instability in the region due to oil exploitation. Although most of the country’s wealth hails from the region as a result of the oil boom (UNDP Report, 2006), people in oil producing communities most often still find it challenging to take care of their basic needs such as shelter, food, security, electricity, water, education etc (Ikejiaku, 2009). For the past few decades, the people of the Niger-Delta have had hard times notwithstanding the enormous availability of arable natural resources in the region (Oviasuyi and Uwadia, 2010). It is therefore regarded as one of the deprived regions in the country even though it is rich in crude oil. The advent of oil exploration has actually not brought about any significant increase in the living standards of the communities (UNDP Report, 2006). The rise of poverty and other kinds of insecurity in the region can be traced to the beginning of oil
exploration. There are also proven indications that Nigeria is significantly plagued with the “resource curse” (Sala-i-Martin, and Subramanian, 2003) and despite the oil wealth, of the economy, the Niger-Delta continues to deteriorate in a significantly negative manner. A good amount of inhabitants in the region still live without basic amenities such as electricity, clean water, health care centres and hospitals, good roads and shelter etc (Osuntokun, 2000). Other factors that have led to abject poverty in the region are unemployment, corruption, and theft among various government officials etc (Ebegbulem, Ekpe, and Adejumo, 2013).

5.3. Issues of Displacement, forced evictions and Over-crowded Settlements

Researchers both in the field of sciences and the social sciences have argued that overcrowding is hazardous to health. It could lead to the transfer of infectious diseases (Abrams, 1966; Clinnard, 1966). Similarly, increased mass of human settlements which is usually the outcome of population growth could go past the capability of the local ecosystem to absorb waste or renew itself (Ekop, 2000). Thus, community members find themselves in often uncomfortable situations whereby finding a means of livelihood becomes very difficult. This often results to conflicts between the communities and the oil companies (International Displacement Monitoring Centre, 2009). These conflicts which basically last for longer periods increase the chances of austerity for the younger generations and bring about deprivation of a better future (Niger Delta Human Development Report, 2006). A common example of such conflicts is the popular Ogoni case with Shell Petroleum Development Company in 1995. Displacement is not only a loss of one’s current place of residence by means of force but also a loss of other basic resources needed for survival (Michael, 2000; Michael and Kanbur, 2002). This sadly has been the case for most communities in the region. Nigeria continues to lack reliable statistics regarding the number of internally displaced persons in the Niger Delta region and in the country in general (IDMC, 2009).

Overcrowding on the other hand, has been a huge challenge for inhabitants in the region. This has led to the communities living in abject poverty and slums which in part has degraded the region (World Bank Report, 1996). There is the urgent need to provide a tolerable urban environment for healthy living and also because of the huge rise in population of inhabitants. The value of the region can only reflect positivity if and when the environment is without slums and overcrowding.

6. CSR Initiatives of Oil Companies in the Niger Delta

While some CSR initiatives have been seen to being conducted by oil companies in the Niger Delta region, expectations are also being awaited by communities on government’s responses towards giving its social responsibility. Some of the major CSR initiatives by oil companies in the region include the construction of roads, building of schools and hospitals, the provision of clean water and rendering of scholarships to community members (Amaeshi et al, 2006). Meanwhile, arguments abound amongst scholars about CSR of oil companies not reaching its full capacity (Edoho, 2008; Frynas, 2009; Akpan 2006; Tuodolo, 2009) in the region and in the
country in general. Thus, the argument that the above CSR initiatives by the oil firms are not proportional to the amount of hazards caused in the region (Lisk, Besada and Martin, 2013). Nonetheless, even when CSR is given, communities still suffer from the environmental hazards caused by oil companies, therefore, oil companies are far from reaching their full potential in terms of their social responsibility.

7. Efforts made by the Federal Government to curb the Difficulties of the Niger-Delta Region

While some CSR initiatives have been seen to being conducted by oil companies in the Niger Delta region, expectations are also awaited by communities on government’s responses towards giving its social responsibility to a visible extent. Efforts have been made by the Federal Government since the independence of the nation state of Nigeria in 1960 to curb some of the major problems faced in the Niger-Delta region. To start with, the government initiated the Niger-Delta Development Board (NNDB) in 1959 to handle the developmental issues of the country (Esikot and Akpan, 2013). This board was dissolved due to the civil war in 1967. Just before establishing the “Oil Mineral Producing Areas Development Commission (OMPDAEC)” in 1992, various developmental agencies were set up; for instance, the “Niger Delta Basin Development Authority (NDBDA)” which was established in 1965 (Osuoka, 2007) to bring rapid development in the Niger Delta (Ering, Bassey and Odike, 2013). These commissions were established to independently manage the issues of the oil producing communities. Unfortunately, the OMPADEC was futile and could not meet its goal to aid sustainable development in the region (Akinyele, 1998). Similarly, in the year 2000, the government set up the “Niger Delta Development Commission (NDDC)” to help with improvement in the region but so far, the commission has been criticised for fraudulent acts and not handling issues of the region appropriately (Oviasuyi and Uwadiae, 2010). Consequently, in 2009 the “Ministry of the Niger Delta (MND)” was set up with the aim of seeing to the infrastructural development of the region. So far, the ministry has not been effectively functional due to lack of funds and proper administrative support. It is hoped that the ministry will rekindle once these issues are dealt with.

8. Conclusion and Recommendation

This paper has highlighted the perils faced in the Niger-Delta region of Nigeria as a result of oil exploitation of oil companies and the intensity on the inhabitants in the region as well as their socio-economic well-being. The region has suffered intense environmental degradation which has led to abject poverty, air pollution, water pollution, displacement, as well as loss of farmlands from gas flaring and oil spillage.

The paper also indicated that oil exploration and exploitation activities in the region has resulted to environmental hazards hence the varieties of social and economic issues confronting the inhabitants in the region and the country in general. Challenges confronting the government and its agencies were examined. The challenges mentioned above cannot be dealt with without putting in place the proper mechanism
and having the political stability to tackle them. Also, the government has done little or nothing on the sustainability of its governing agencies to monitor oil exploration and take care of the issues of the communities where oil is being explored. Therefore as a matter of urgency, strategies like the creation of a sustainable model suitable for both the oil MNCs and government to work with should be set up to see that the oil producing communities as well as the entire Niger-Delta region in general regains normalcy in terms of living conditions and preservation of the environment.

References


