

Original Article

Corporate Social Responsibility & Poverty Reduction in Bayelsa State, Nigeria: A study of Shell Petroleum Development Company CSR Strategy

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Abstract - The prevalent incidences of poverty in Nigeria, presumably caused by the activities of oil and gas prospecting companies, pose a serious development challenge. Oil and gas multinationals have deployed several community investment strategies to mitigate the negative impact on their host communities stemming from their production and exploration activities. This study focuses on the social investment strategy deployed on the platform of SPDC's Global Memorandum of Understanding (GMoU) with the specific aim of reviewing its structure, deployment process, and effect on incidences of poverty in SPDC's host communities in Bayelsa State. Structured and semi-structured questionnaires were used to collect primary data for the study. Descriptive statistics were mainly used to analyze field data. Findings show that the structure and the implementation process of GMoU have significantly ameliorated incidences of poverty. As such, it was recommended as the most effective and, thus, the preferred framework for deploying social investment projects and programmes.

Keywords - Global Memorandum of Understanding (GMoU), Shell Petroleum Development Company (SPDC), Social Investment Strategy, Poverty.

1. Background

The Niger Delta region is notoriously known for its deplorable development state. The bulk of the blame has been shifted to the exploratory activities of oil and gas multinationals, whose activities have negatively impacted the natural habitat of their host communities, leading to the pollution of their environment through oil spills and gas flaring. The livelihood support systems of these impacted oil and gas-bearing communities such as streams and farmlands are decimated, making life unbearable for the people. It is in light of those mentioned earlier that [1] concluded that the persistent disputes between oil and gas multinationals and oil and gas bearing communities are attributed to and are a manifestation of the unprecedentedly high levels of poverty in the region occasioned by the nonchalant manner with which these companies have decided to conduct their business.

The ongoing conflicts between oil-bearing communities and multinational corporations precipitated the development of various Corporate Social Responsibility (CSR) strategies aimed at facilitating the impact of their activities by engendering economic development through the implementation of developmental programs and projects. As a consequence of the above, companies are expected to be granted unhindered access to operate within the region. Following the fallouts in communities and constant interruptions in its operations, Oil and Gas Multinationals such as Chevron Nigeria Limited (CNL) and Shell Petroleum Development

Company (SPDC) introduced strategic intervention in the form of community investments aimed at mitigating the community's plight being the main sufferers of the effect of their operations. However, the real rationale for these interventions is to gain unhindered access to its facility. Therefore, the thrust of this study is to review the development interventions of SPDC, which has been deployed on the Global Memorandum of Understanding (GMoU) framework, and to evaluate its effects on the poverty indices of oil-bearing communities in Bayelsa State, Nigeria.

1.1. Research Questions

The study aims to proffer empirical answers to the following research questions

1. What is the awareness of SPDC's presence in its communities in Bayelsa state?
2. What is your assessment of SPDC's strategic deployment of community investment projects and programs on selected poverty indices in Bayelsa State?

2. Conceptual Framework

The study attempt to investigate whether or not the community investment strategy employed by oil and gas multinationals has been impactful in tackling incidences of poverty. The Global Memorandum of Understanding (GMoU) was initially introduced by Chevron Nig. Limited (CNL), later adapted by Shell Petroleum Development Company, is the preferred conceptual framework used for this study.



2.1. Corporate Social Responsibility (CSR)

Owing to the multifaceted effects of business activities on society and the environment, the concept of Corporate Social Responsibility (CSR) has attracted several interpretations and meanings by both practitioners and academics alike; thus, there is hardly a universally acceptable definition of CSR among scholars and practitioners. For instance, the classical view of the concept of CSR maintains that a business's primary business is business. In other words, businesses exist only to promote and serve the interest of the firm and its shareholders [2]. Consequently, for a long time, this philosophy had guided the policies and actions of companies, especially oil and gas multinationals doing business in the Niger Delta region of Nigeria, whose operations had a direct and pervasive impact on the environment. Thus, [1] argued that the above view of CSR, "the primary business of business is business," was the underlying philosophy of oil and gas operations within the Niger Delta which inevitably resulted in the continuous agitation and resistance activities (both organized and unorganized) to Oil and Gas (O&G) operators within the region.

Stemming from this view is the idea that CSR is, therefore, an act of philanthropy by business organizations since, in the view of these proponents, such activities do not add any economic value to shareholders [4]. In other words, the act of business embarking on interventions aimed at improving the well-being of society is purely voluntary and not a quid-pro-quo sort of venture.

CSR has also been viewed as potentially an effective driver of the *triple-bottom*. This view suggests that every business entity must consider the potential impacts of its activities on not just the economy of shareholders but also the business environment and society within which such business operates [5]. Such impacts must be positive on all three fronts if they operate smoothly and profitably. It is in line with those mentioned earlier that [6] postulated that CSR is a strategic approach aimed at making organizations accountable for their impact on all stakeholders.

For our purpose, however, we share the Stakeholder view of CSR, which advocates an institutionalized robust stakeholder engagement policy for long-term value creation. According to this view of CSR, as much as shareholders' interest remains indispensable in a business entity's general conduct, firms need to see the stakeholders as partners in business whose views and dispositions are also key to the business's success. This view argues that the interaction of business and stakeholders will likely create a mutual understanding which has implications on the cost, revenue, reputation management, and risk. This view of CSR is the benchmark that defines SPDC's CSR philosophy.

2.2. The Concept of Social Investment

Social investments are the instruments or tools used to enhance people's human capital and increase their capacity

to be involved and contribute substantially to the country's economic, social, and political activities.[7]. The above definition suggests that social investment transcends expenditure on infrastructural projects. Rather, it encapsulates all projects geared towards improving people's capacity and ability to be involved in the economic activity of their community. In line with those mentioned above, [8] reiterated that social investment entails improving "the social investment state" through human capital development rather than costs incurred on the erection and maintenance of capital projects. This return comes from a satisfied corporate image, improving working conditions and environment for business operations, etc. Not all social investment efforts yield maximum results. As such, firms have deemed it wise to carry out social investment activities more strategically. Hence, the diplomatic and proactive deployment of social investment could be called "strategic social investment."

2.3. Community Investment

International Finance Corporation [9] defines community investment as;

"Voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment, in sustainable ways supporting business objectives."

As the name implies, returns on investment are expected to be a quid-pro-quo venture for the investment made by the company in the long run. These returns, however, come in the form of the entrenchment of a harmonious relationship between the company and its local stakeholders, fostering sustainable economic development, and creating an environment conducive to its operations. Besides the above, it has been proven that the activities of firms that tend to pollute the environment contribute immensely to the level of poverty; thus, it is only fair that they embark on development projects to lessen the negative impact of their activities[10].

Corporate social responsibility is a broad concept that comprises all the activities (development intervention projects and programs) undertaken by the company to give back to society, irrespective of whether or not such a gesture will precipitate any returns. Both social investment and community investment are sub-sets of corporate social responsibility.

3. Community Investment Strategy Continuum

Though business expansion directly impacts economic growth, its effects on poverty reduction can only be tangible if their CSR programs are driven with the right orientation. Thus, organizations should strive to carry out their businesses responsibly [11]. This will have a short-run effect of giving them unhindered access to their facility, thus improving productivity. Secondly, it will

serve the purpose of boosting the reputational value of the company in the long run. There is no unanimity in the disposition of organizations towards embarking on social investment, given the initial cost outlay (monetary and otherwise) that such endeavor requires. The magnitude of a company's social investment disposition ranges between obstructionist and proactive strategies.

3.1. Obstructionist Strategy

Organizations' social investment strategies antagonistic to the people's social demands fall within this stratum. Any developmental intervention that falls outside the organization's (business) interest is vehemently resisted at this level. It is predicated on the belief that having met the major requirement for its operation, it will thus, be wasteful to channel resources towards meeting the social needs of the people, especially if it does not foster business interest.

3.2. Defensive Strategy

At this continuum, organizations, in addition to satisfying the minimum requirement for their operation, pay attention to social needs only when that need is pressing and cannot be overlooked. They are not opposed to the needs of the people but will not commit totally to addressing those needs without being forced to.

3.3. Accommodative Strategy

Organizations operating within this stratum, in addition, to meeting the minimum ethical requirement for operations, attempt to appeal to the prevailing norms and values in dealing with their host community. They are likely to do the needful because of external pressure. The above strategy is akin to the "pay-as-you-go " adopted in the early 1950's when oil was first discovered in commercial quantity. Communities were kept at bay while oil and gas companies gained the right of way to exploit their resources [12].

3.4. Proactive Strategy

The proactive strategy is the end of the stratum. It entails organizations being more proactive in deploying their social investment strategy by pre-empting issues, challenges, and possible impasses between them and the host and developing ways to forestall such stalemate before it even occurs.

The Global Memorandum of Understand (GMoU) deployment can be said to be under this stratum. Little wonder it has produced such mind-blowing results in the past and continues to do so. See below a diagrammatic view of the social investment strategy continuum.

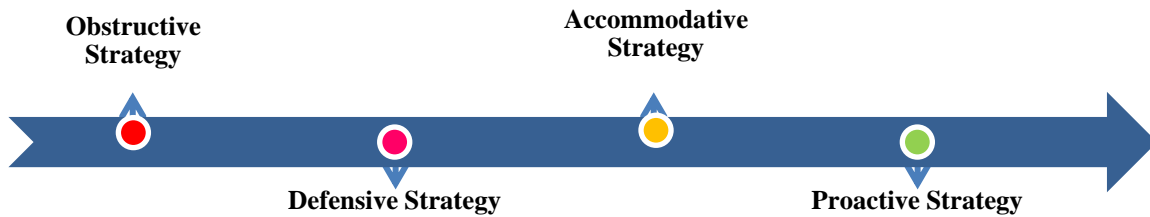


Fig. 1 Social Investment Strategy Continuum

4. SPDC'S GMoU Framework

The exploration and production activities of oil and gas companies within the Niger Delta region have destroyed their main source of livelihood. Thus, causing unprecedented economic hardship to individuals and families in these communities. It has been argued that the persistent disputes between oil and gas companies and their host communities manifest poverty. Accordingly, this has led to several conflicts and resistance issues between both parties leading to the vandalization of oil and gas company's facilities, obstruction of its operations, and in extreme cases, the abduction of its field operatives. To address the challenges mentioned earlier, several efforts have been made by several oil and gas companies to pacify these communities by entering into a Memorandum of Understanding (MoU). According to [13], social responsibility is an instrument through which firms can reduce the level of poverty by collaborating with key stakeholders. One of such efforts was the formulation of a Global Memorandum of Understanding conceived and deployed by Chevron Nigeria Limited (CNL). However, since its deployment, other multinational companies have attempted to adapt the GMoU to suit their operations.

Consequently, several Memorandum of Understanding (MoU) is used by companies in deploying their social investment programs and projects.

In 2006, the GMoU framework was adopted by Shell Petroleum and Development Company (SPDC). It was designed to deploy her community development component of Social Investment (S.I.) programs in the host communities. As the name implies, it is a 5-year agreement between SPDC and a set of clustered (or grouped) communities based on a local government area or clan. The GMoU is a collaborative model that brings all critical stakeholders (communities, state government, and NGOs) under one umbrella called the Cluster Development Board (CDB) to foster sustainable economic development and engendering cordial relationship between itself and its host communities.

The framework has emerged as a standard practice in the Niger Delta region of Nigeria that, in most cases, precedes the commencement of new business opportunities in the field and types of cement existing relationships. The

GMoU aims to ensure the sustainable development of host communities and maintain peaceful coexistence while guaranteeing the uninterrupted operations of SPDC's activities. The GMoU is guided by four (4) key principles: good governance, inclusiveness, transparency, and accountability. The following are some features of the SPDC GMoU;

1. It is a 5-year understanding entered into by SPDC and its host communities. This understanding contains stipulations regarding the rights as well as obligations of the communities.
2. The GMoU adopts a bottom-up approach to deploying its social investment projects and programs. The GMoU structure ensures that the host communities participate in the decision-making process leading to the selection of the development intervention project or programs to be embarked upon by SPDC. The community is given the leverage to drive its development. It is in contrast to the top-bottom approach, where the companies decide what the community needs and deploy the same without the community's input.
3. The framework is operated on the principle of accountability and transparency, which precludes or, to a large extent, facilitates the possibility of some privileged few in a community hijacking the process to forward their selfish interest at the expense of the community.
4. A multi-stakeholder community engagement interface to drive the implementation of the GMoU
5. The GMoU encourages the involvement of all community members in the decision-making process this include but is not limited to the men's group, women's group, youth groups, etc. It indirectly builds the capacity of these individuals as they are made to function in the GMoU structures such as the community trust, the community development board, and the Adhoc committee.
6. The use of local contractors to execute intervention programs and projects is a testament that the framework is geared towards developing local capacity and creating a pool of future entrepreneurs and captains of industries.

5. Appraisal of the GMoU Performance

Persistent rise the community resistance and conflict between oil and gas multinationals are sheer manifestations of poverty which is the consequence of unguided production and exploration of the latter's activities [1]. The destruction of flora and fauna of the environment from which the people earn a living without putting measures in place to mitigate their suffering leaves

them with no other option than to confront the source of the problem, which in this case is the oil and gas companies.

However, there has been a drastic reduction in host community-company conflicts since the deployment of the GMoU, unlike what was obtainable in the pre-GMoU era. Several developmental intervention projects and programs on various themes such as; health, education, infrastructure, etc., have been successfully delivered in host communities through the SPDC's Strategic social investment platform of the Global Memorandum of Understanding (GMoU). There are hardly any of SPDC's host communities where you will not find their project. \$258 million to communities through the GMoU framework [15].

As much as it is practically impossible to eliminate conflict, one can safely conclude that the drastic fall in the rate of community resistance issues and conflict between SPDC and its host community is not unconnected to the developmental intervention projects implemented on the GMoU platform.

6. Empirical Evidence

Since the inception of the GMoU in 2006, a total of \$239 million (N44.36 billion) has been disbursed to over 39 SPDC's GMoU clusters in Rivers, Delta, Bayelsa, and Abia State for the funding of development projects such as health, education, construction of stalls, walkways, sanitation, and community town halls, etc.[15].

[3], carried out a study of the impact of the GMoU framework on rural poverty across selected communities in the Niger Delta Region. A comparative analysis of the rate of poverty incidences in the Pre-GMoU and Post-GMoU eras was done using structured and semi-structured questionnaires. Poverty indicators were measured using the following parameters; food and nutrition security, domestic water supply, health and health care, sanitation and hygiene, housing, clothing and energy, education, gender, and social inequality. Findings show that there was a significant reduction in incidences of poverty in SPDC's host communities after the introduction of the GMoU framework. Also, the framework is best suited to tackle the micro-needs of the people and the business interest of the sponsoring company. However, it is deficient in tackling big-ticket projects.

[1] findings align with the above stance. They researched to ascertain how impactful (or otherwise) SPDC's corporate social responsibility has been in alleviating poverty in the Niger Delta region. They collected and collated relevant secondary data, which was analyzed using content analysis. They concluded that SPDC, through its CSR program, has contributed immensely to the region's development.

7. Method of Study

7.1. The population of the study

SPDC has facilities across the eight (8) Local Government Areas in Bayelsa State. Under the current GMoU structure, these communities have been grouped into several Clustered communities. These Clustered communities are the target population of the study.

7.2. Sample & Data Collection

The purposive sampling technique was used in selecting 200 community members across clustered communities in Bayelsa State. The 200 members comprise the respective board members, community leaders, men and women of various income levels (low, middle, high), and students. Due to the challenges of the area's terrain, structured mail questionnaires were designed and distributed. Out of the 200 questionnaires distributed, 174 were returned. It represents an 87% response rate. Thus,

the 174 retrieved questionnaires form the basis of our investigation.

7.3. Data Analysis

The study used descriptive statistics such as percentages, charts, and means to analyze field data.

8. Results and Discussion

In the following section, a detailed analysis of the collated data from the field survey shall be presented in line with the stated study objectives.

8.1. Research Question 1

What is the awareness of SPDC's presence in its communities in Bayelsa state?

Questions were asked to ascertain the awareness of the activities of SPDC in the E.A. host communities. The responses are as tabulated in Table 1 below.

Table 1. Community's Awareness of SPDC's Presence in the community

S/N	Research Question	Yes	%	No	%
1	Are you aware of SPDC's presence in your community?	152	87	22	13

Source: Authors Computation from field Data (2022)

The measure of community awareness of the presence of SPDC being a host to their facilities was elicited and tabulated in table 1 above. As seen, 152 respondents representing 87% of correspondents, alluded to the fact that they are aware of the operations of SPDC in their region. In comparison, 22 respondents representing 13%, denied having any knowledge of the company's presence in their terrain.

8.2. Research Question 2

What is your assessment of SPDC's Strategic Deployment of Community Investment Projects and Programs on selected poverty indices in Bayelsa State?

Community residents' perception of the impact of SPDC's community investment strategy on selected poverty indices such as food and nutrition, domestic water supply, health, and health care, sanitation and hygiene, housing, clothing and energy, and education was collated from 152 persons that are aware of the presence of SPDC in their community. Below are the descriptive statistics of the perception appraisal of SPDC's community investment strategy for poverty reduction.

The impact of SPDC's community investment strategy on selected poverty indices is highlighted in figure 2 above.

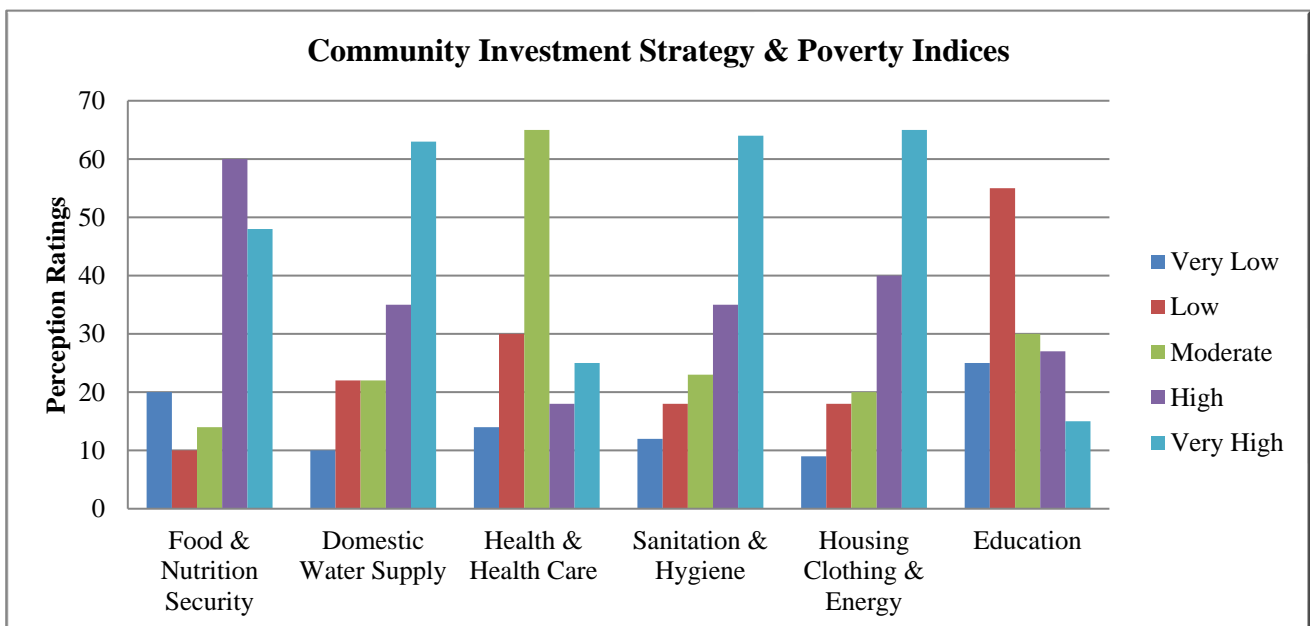


Fig. 2 Perception Appraisal of Community's Investment Strategy & Poverty Reduction

Source: Authors Computation from field Data (2022)

The ratings of the impact of SPDC's Community Investment activities on poverty reduction, domestic water supply, sanitation, and hygiene, as well as housing, clothing, and energy, were rated very high by respondents. At the same time, food and nutrition were rated high. On the other hand, Education and Health care were both

scored low and moderate, respectively. It implies that SPDC's Community Investment Strategy is impactful in reducing the incidence of poverty. It tends to be ineffective when executing big-ticket projects due to government regulations and restrictions.

Table 2. Analytic Descriptive Poverty Indices Schedule

POVERTY INDICES	IMPACT RATINGS					Mean (\bar{x})
	(1)	(2)	(3)	(4)	(5)	
	Very Low	Low	Moderate	High	Very High	
Food & Nutrition Security	20	10	14	60	48	3.7
Domestic Water Supply	10	22	22	35	63	3.8
Health & Health Care	14	30	65	18	25	3.1
Sanitation & Hygiene	12	18	23	35	64	3.8
Housing Clothing & Energy	9	18	20	40	65	3.9
Education	25	55	30	27	15	2.7

Source: Authors Computation from field Data (2022)

Table 2 shows the respondent's ratings of the impact of SPDC's corporate social responsibility on selected poverty indices in Bayelsa state. Housing clothing and energy topped the list of the impact area with a mean value of 3.9. This is followed by domestic water supply, sanitation, and hygiene, with a mean value of 3.8. Also, Food and Nutrition Security and health and health care have mean values of 3.7 and 3.1, respectively. Education is the least, with a mean value of 2.7. The low rating of health care and education further buttresses the limitations of SPDC's Global Memorandum of Understanding (GMOU) in executing big-ticket projects.

9. Conclusion

Ever since the introduction of the Global Memorandum of Understanding in 2005 by CNL and its refinement and subsequent adoption by SPDC in deploying its social investment programs, it has recorded huge success in communities where it has been deployed. As

seen from the above result, the GMOU strategy has facilitated the incidence of poverty in communities where it has been deployed. Thus, there has been a drastic reduction in resistant issues, a key manifestation of poverty. Also, because of its ability to foster development in rural communities and grant firms hitch-free access to operate, other indigenous oil and gas exploration and production companies are adopting the GMOU framework.

Therefore, the study recommends that the Nigerian government adopt this strategy in deploying its development projects and program to drive sustainable development. Also, the government should collaborate with oil and gas multinational companies and its host communities to implement big-ticket projects, which the GMOU strategy has failed to achieve due to their peculiarity. Human capital development is key in alleviating poverty by empowering individuals to be independent [17]. Thus, human capital programs should be given priority.

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