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Resource Enclavity and Corporate Social Responsibility in Sub-Saharan Africa

The Case of Oil Production in Ghana

Abigail Efua Hilson (née Ackah-Baidoo)
Doctor of Philosophy in Management

Aston University
October, 2014

Abigail Efua Hilson, 2014 asserts her moral right to be identified as the author of this thesis.

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Aston University

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THESIS SUMMARY

Why has Corporate Social Responsibility (CSR) yielded such disappointing outcomes in oil-rich sub-Saharan Africa? Over the past decades, a sizable body of literature has emerged which draws attention to the shortcomings of oil-related development and complementary CSR exercises in the region. Most critiques on the topic, however, assess specific interventions and/or policies but fail to evaluate the complex decision-making processes, dictated heavily by setting, which produce such actions altogether. This thesis attributes CSR outcomes in oil-rich sub-Saharan Africa to the unique context in which the decisions underpinning actions take place. In doing so, the analysis borrows ideas from a diverse body of literature spanning the international development, accounting, management and political science disciplines.

To explore these ideas further, the thesis focuses on the case of Ghana. The most recent “addition” to sub-Saharan Africa’s oil club, Ghana provides a rare glimpse of how decisions underpinning CSR have been identified, evolved and reshaped from the outset. To provide a comprehensive picture of CSR in the sector and its impacts at the local level, interviews and focus groups were conducted with a range of stakeholder groups. As is the case throughout sub-Saharan Africa, in Ghana, oil production occurs in offshore “enclaves”, which are disconnected geographically from local communities. This thesis argues that these dynamics have important implications for CSR. Findings point to companies also being disconnected ideologically from local development needs, which, in part explains the questionable CSR that has become such a contentious issue in the debate on oil and development in sub-Saharan Africa in recent years. The enclave-type setting in which oil production occurs appears to have stifled creativity and innovation in the area of CSR. This, along with institutional weaknesses, regulatory deficiencies and the Government of Ghana’s failure to adequately respond to local-level concerns, has produced these outcomes.

Keywords: Offshore CSR, Legitimacy, Stakeholders, economic development, accounting
DEDICATION

This thesis is dedicated to my parents, Rev. and Mrs Ackah-Baidoo, whose tireless efforts at ensuring that I had a good educational foundation has paid off. Thank you for instilling in me exceptional values which have contributed to this piece of work. I hope I have made you proud!
ACKNOWLEDGEMENTS

It has been a long and arduous four year-period. In the process, I have learnt, *inter alia*, to think critically and to multi-task. My foremost thanks goes to God for his grace, sustenance and favour that has kept me through this period. I am grateful for the opportunities that this work has created for me.

I am grateful to my supervisors Professors Stuart Cooper and Alan Lowe whose unqualified guidance, encouragement and critique have helped to produce this document. I could not have asked for a better team of supervisors. Even in the last few days when they were bombarded with chapters, they took time out of their busy schedules to attend to me. I am eternally grateful for your patience and commitment to see to it that this work was completed.

Special thanks to my husband, Gavin, aka ‘Kobla boy’, for critiquing my work and for motivating me to finish this thesis (‘he courtin’?). To my lovely daughter Maisie, without whom this thesis would probably have been completed a year ago, I say thank you for forcing ‘mummy’ to learn how to multitask.

Thank you to Atta (aka ‘trustees and co.’) and Emmanuel the driver. I know that what you witnessed in the local communities has transformed your opinions about life. I hope that this work will also facilitate much-needed policy changes in Ghana. Jacob: thank you for driving me around Accra. I still think you made the Guinness Book of Records for the slowest driver on the Cape-Coast-Takoradi road! To my sister Eunice, brother-in-law Nana Yaw, my niece Charlene and nephew Casey, I say thank you for accommodating the entire Hilson clan during my fieldwork; Auntie Merle, Sister Grace, Auntie Tawiah, Kukua, Bridgette, Adwoa, Sister Kukua and Kobby thank you for cooking and taking care of us; to my Toronto peeps, Lorraine, Mike, Philip, Effe, Kaiden, Patti, Joc, Esther, Paa, Ehita, Jim Jim, Barima and Grace, I thank you very much for keeping me on course; and to Dr Paul Kalmongera, thank you for taking time to read through my thesis and providing critical feedback.

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Finally I would like to express my heartfelt gratitude to Professor Thomas Akabzaa, Joyce Owusu-Mahanuka and Ama Kaful Dei-Tutu for providing contacts for some of the key respondents in this study. I am also grateful to all interviewed agreeing to participate in the study; officials from the Ministry of Finance, Ministry of Energy, Environmental Protection Agency and Fisheries Commission; fishermen, fishmongers and carpenters; District Chief Executives and Assembly men; Civil Society officers; and company officials. Without your inputs, this work would not have come to fruition.
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<td>ABFA</td>
<td>Annual Budget Funding Amount</td>
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<td>APR</td>
<td>Annual Percentage Rate</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DCE</td>
<td>District Chief Executive</td>
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<td>EBS</td>
<td>Environmental Baseline Survey</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EIS</td>
<td>Environmental Impact Statement</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EPA</td>
<td>Environmental Protection Agency, Ghana</td>
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<td>FPSO</td>
<td>Floating, Production, Storage and Offloading</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GHC</td>
<td>Ghana Cedi</td>
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<td>Ghana Heritage Fund</td>
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<td>GNPC</td>
<td>Ghana National Petroleum Corporation</td>
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<td>MOFEP</td>
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<td>Non-Governmental Organisation</td>
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<td>NPP</td>
<td>New Patriotic Party</td>
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<tr>
<td>OGP</td>
<td>Association of International Oil and Gas Producers</td>
</tr>
<tr>
<td>PIAC</td>
<td>Public Interest Accountability Committee</td>
</tr>
<tr>
<td>PRMA</td>
<td>Ghana Petroleum Revenue Management Act</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Papers</td>
</tr>
<tr>
<td>PWYP</td>
<td>Publish What You Pay</td>
</tr>
<tr>
<td>RWI</td>
<td>Revenue Watch Institute</td>
</tr>
<tr>
<td>SAP</td>
<td>Structural Adjustment Programme</td>
</tr>
</tbody>
</table>
SME Small and Medium Scale Enterprises
SME Small-Medium Scale Enterprise
UN United Nations
USD United States Dollar
1 **INTRODUCTION**

1.1 **INTRODUCTION: SETTING THE SCENE**

In June 2007, 600 million barrels of light oil were discovered offshore in the West Cape Block in Ghana.¹ One of the largest oil finds in Africa in recent memory, the discovery of oil ignited a flurry of exploration activity, which has determined that the country’s offshore oil reserves could exceed 1.5 billion barrels. Ghana is expected to net as much as US$1.3 billion annually from its oil, a figure which represents 40 percent of the country’s total revenue earned in 2009. Following the discovery, more than US$6.5 billion was invested by oil companies over a period of less than four years to bring Ghana’s first oil field into full-scale operation, an unprecedented amount of money for a country which, at the time, had never produced oil. Production began in December 2010 at a modest level of 70,000 barrels/day, with the expectation of consistently achieving nearly double this output (120,000/day) within a few years – although due to logistical challenges and unforeseen circumstances, this has not yet been achieved. But once this does happen, Ghana will join elite company: moving alongside Angola and Nigeria as Africa’s leading oil producers (Oxfam, 2011; Mitchell, 2012).

The build-up to Ghana’s ‘First Oil’ (van Alstine, 2012) was characterised by much excitement and hype. The euphoria was initiated by the country’s policymakers, who appeared oblivious, at the time, to how oil has failed to transform the rest of sub-Saharan Africa economically. Commenting on the newfound resource, John Kufuor, the-then incumbent president of Ghana, told the BBC in an interview:

> Oil is money, and we need money to do the schools, the roads, the hospitals. If you find oil, you manage it well, can you complain about that?...Even without oil, we are doing so well, already. Now, with oil as a shot in the arm, we’re going to fly…²

A report published by the Accra-based Centre for Policy Analysis (CPA, 2010) just prior to ‘First Oil’ (van Alstine, 2012) elaborated on the rather strange build-up to production. Its authors reasoned that ‘there are, justifiably, optimistic expectations about the role of oil in the development of Ghana’, and observed that ‘since the announcement of the discovery of oil in commercial quantities in 2008, both the government and the public at large have had heightened expectations about how the exploitation of the oil resources will propel Ghana to the path of accelerated economic growth and development and the achievement of international middle-income status’ (p. 1). At the time of ‘First Oil’, Ghana was sandwiched in among most African nations in the bottom third (‘Low Human Development’) of the United Nations Human Development Index, ranking 130 out of 169 nations on the 2010 report (UNDP, 2010). Its salient features included a high percentage (40) of people living below the national poverty line; a low Gross National Income per capita at US$1385; and a disproportionately large share of the population (87 percent) without access to basic sanitation. Certainly, if harnessed effectively and used

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prudently, newfound oil wealth could help Ghana address many of these problems; and, put it in a position to tackle some of its financial woes, and perhaps help it reduce its dependency on donors. During the formative years of Ghana’s oil industry, optimists placed a heavy premium on the country’s storied political successes, believing, prior to ‘First Oil’, that its ‘bona fide democracy — uncommon in resource-rich but conflict-plagued Africa — evidenced by another peaceful presidential election and transfer of power when John Atta Mills was sworn into office on Jan. 7’\textsuperscript{3} would facilitate an equitable distribution of revenues and development more generally.

This optimism was, for the most part, unfounded because, as indicated, oil has failed to catalyse anticipated economic development and deliver much-expected prosperity elsewhere in sub-Saharan Africa. The most illustrative examples of this are Angola and Nigeria. In the former, regularly described as the world’s ‘richest poor state’, President dos Santos, who has ruled the country with an iron fist since 1979, has used oil to solidify his grip on power (De Oliveira, 2007; Ovadia, 2012; Power 2012). The latter, home to the infamous Niger Delta, is regularly portrayed as the most corrupt country in the world, where oil production has divided societies, enriched elites and destroyed pristine landscapes (Obi, 2010; Ovadia, 2013). But the problem is by no means confined to Angola and Nigeria. In countries such as Chad, Equatorial Guinea and Cameroon, oil discoveries have also yielded equally disappointing development outcomes, in the end, nourishing autocratic regimes as opposed to facilitating development. Ghana, optimists believed, would avoid such outcomes: that its democracy would help to catapult it on to the positive growth path which has eluded so many other African petro states. Although history is certainly against it, Ghana may indeed defy the odds and transform oil into positive development outcomes, and in the process, offer a viable blueprint for the rest of oil-rich sub-Saharan Africa.

This thesis is concerned with the management strategies employed by oil companies operating in sub-Saharan Africa, particularly moves made in the name of Corporate Social Responsibility (CSR), often lauded as an umbrella of potential difference-making strategies for the many thousands of people inhabiting communities affected by production. For the purpose of this study, the definition of CSR ‘is the acknowledgement by companies that they should be accountable not only for their financial performance, but for the impact of their activities on society and/or the environment’\textsuperscript{4}. As will be explained in the subsequent sections of this chapter and elaborated on further in the literature review presented in Chapter 2, the region’s environments in which so many multinational corporations now find themselves operating can stifle creativity and prevent effective delivery of CSR. The case of Ghana provides a rare opportunity for tracking CSR from its inception, and analysing how it and related managerial decisions are arrived at in oil-rich sub-Saharan Africa, and for critiquing ‘outcomes’. As will be explained, the optimism surrounding its political success notwithstanding, Ghana exhibits all of the hallmarks of a ‘rentier’ state, incapable of managing its oil rents, and central to the investigation in this

thesis, an environment conducive to CSR outcomes that are little different to the disappointing experiences of most petro states in sub-Saharan Africa.

1.2 ‘Rentier’ Politics, Multinationals and the Oil ‘Curse’

A major issue which this thesis seeks to draw attention to is the setting in which oil and gas extraction takes place and how this potentially influences CSR ‘outcomes’. As indicated, sub-Saharan Africa has a high concentration of ‘rentier’ oil-rich states. ‘Rentier states’, Mahdavy (1971) explains in his landmark analysis, are ‘those countries that receive on a regular basis substantial amounts of external rents’, typically originating ‘from foreign individuals, concerns or governments’ (p. 428).

A number of scholars (e.g. De Oliveira, 2007; Colom-Jaen and Campos-Serrano, 2013; Ebohon, 2013) have since explored the ideas presented by Mahdavy (1971) in oil-rich developing countries. In these settings, Karl (2004) explains, ‘generally, oil rents produce a rentier state – one that lives from the profits of oil rather than from the extraction of a surplus from its own population’ and where ‘economic influence and political power are especially concentrated, the lines between public and private are very blurred, and rent seeking as a wealth creation strategy is rampant’ (p. 663). Conclusions drawn by Ross (2001), based on analysis of time-series cross-national data from 113 states, still very much hold true: that ‘oil does hurt democracy’, ‘oil does greater damage to democracy in poor states than in rich ones’, ‘a given rise in oil exports will do more harm in oil-poor states than in oil-rich ones’, and ‘oil inhibits democracy even when exports are relatively small, particularly in poor states’ (p. 356). The main explanations given in support of these points include the fact that large oil revenues free ‘rentier’ states from having to rely on taxing their citizenries for income; that rents accrue directly to host governments, enabling them to repress or control political opposition; and that oil wealth spawns social structures not particularly conducive to democracy (Sandbakken, 2006).

In sub-Saharan Africa itself, the behaviour of governments in oil-rich states has been noticeably ‘pathological’. Revisiting points raised in Section 1.1, when Ghana entered the fold, with the exception of Nigeria – which, as indicated, is widely regarded as one of the most corrupt countries in the world – all petro states in sub-Saharan Africa were autocratic. In these countries, explain Anyanwu and Erhijakpor (2013), leaders have become ‘rentier’ because ‘a great proportion of their national wealth comes from the export of oil and a few political elite collects the revenues from the oil export and use the money for cementing their political, economic and social power by controlling government and its bureaucracy’ (p. 5). It is not the intention here to caution that Ghana is destined to follow a similar political path – that its democratic structures are destined to deteriorate and that the country will become another despot. The specific ‘rentier’ characteristics now strongly associated with oil-rich sub-Saharan Africa – its autocracies, lax taxation strategies and lack of focus on development – have come about because of its weak institutions. Scholars in the fields of political science, economics and others branches of the social sciences (e.g. Stevens and Dietsche, 2008; Hilson and Maconachie, 2009; Kolstad and Wiig, 2009;
Bjorvatn et al., 2012; De Medeiros and dos Santos, 2013) have devoted considerable time to showing how weak institutions have inhibited economic growth and development in resource-rich developing countries. This burgeoning body of work has singled out oil as having a particularly debilitating effect on government institutions in developing countries. There is now broad agreement that few government institutions in developing countries have the capacity to cope with, and to ultimately manage the mass influxes of revenues received from, oil production. Unlike mining projects, which develop over a lengthy period, and therefore provide governments with some time to adjust, plan and prepare themselves for the rents they will receive down the road, the arrival of oil revenues tends to take place much more suddenly, potentially ‘shocking’ a fragile institutional structure and producing ‘rentier’ behaviour. In the case of Ghana, the government started extracting revenue from oil production less than four years after the discovery was announced.

The point being made here, in line with Anyanwu and Erhijakpor (2013), is, rather, that ‘Oil is not the main reason for the lack of democracy in [these] resource-rich states in Africa’: there are ‘many factors – economic, cultural and political tradition, religion, geography, colonial past and others – [which] impede development of democracy and democratic institutions’. This is why there is little chance of a country such as Ghana, with its newfound oil reserves, morphing into an autocracy because of the discovery. But there is still reason for concern, because as research has shown, Ghana’s institutions are chronically weak and impotent. As Throup, Cooke and Downie (2011) explain, ‘the combination of Ghana’s system, of patronage politics and its weak institutions has a deleterious effect on public life, encouraging corruption, fueling ethnic rivalries, and leading to bad governance’ (p. 8). Gyimah-Boadi and Yakah (2012) provide a more comprehensive picture of the extent of the problem, issues which proponents of ‘oil for development’ in Ghana have barely acknowledged:

Governmental accountability and transparency are severely inadequate. To date, the salaries and other conditions of service attached to the position of the president, ministers of state, parliamentarians and other key state functionaries are shrouded in secrecy. Institutional checks-and-balances remain weak, as power is legally and constitutionally over-concentrated in the executive branch, especially the presidency and governing political party. The rule of law also remains poorly entrenched, and access to justice is inadequate, especially for ordinary citizens in the rural and peri-urban areas, which partly explains the high incidence of mob justice and vigilantism [p. 3].

There has been some speculation about what implications this could have for governance and development more generally. Buchberger (2011), for example, questions whether ‘Ghana’s institutions are able to assure that the revenues are spent wisely, so that the country reaps the biggest returns possible’, concluding that ‘while the revenues could be used to ameliorate some of the institutional weaknesses, they have also the potential to aggravate them’ (p. 10). Throup, Cooke and Downie (2011) also cast doubt on the situation, explaining that ‘the GNPC [Ghana National Petroleum Corporation] retains its contradictory position as both the state-owned corporate and the primary regulatory agency in the oil sector’, and that ‘the dangers of this situation are compounded by the fact that the GNPC’s leadership is made up of influential members of the ruling NDC party and it is
considered to be one of the most politicized government institutions’ (p. 11). This is why, in the authors’ view, ‘Ghana’s transition into a major oil producer will force the government to make important decisions about how to absorb and responsibly invest the enormous influx of foreign exchange revenue’ (p. 10). There is a real danger, therefore, of Ghana following the path of, say, Nigeria, where oil revenues have produced another strain of ‘rentier’ politics, manifesting as corruption, embezzlement and fortified patronage networks.

This is the setting in which the executives of multinational oil and gas companies find themselves fine-tuning and implementing their CSR programmes. As will be explained in the next section of the chapter and examined further in Chapter 2, these political conditions spawn and preserve what are referred to in the literature as resource ‘enclaves’ (Ferguson, 2006), productive pockets of primary sector activity which are disconnected from wider society. In Nigeria, the corruption, nepotism and conflict that the opening up of the oil industry has fuelled has negated the CSR (see e.g. Amandi and Abdullah, 2012; Musa et al., 2013) that has been carried out by multinational corporations over the years. Frynas (2005), Idemudia and Ite (2006), Lompo and Trani (2013) and others have critiqued the CSR strategies adopted by these companies in the Niger Delta, condemning their – though principally, those of Royal Dutch Shell – approach altogether. It is argued here, however, that the decision-making processes followed by oil and gas multinationals operating in sub-Saharan Africa are much more complex than these scholars have diagnosed. It is expected that, the tracking of the gestation and implementation of CSR strategies in Ghana’s oil and gas sector will reveal that resource enclavity and ultimately, ‘rentier’ politics, shape decisions made in this area.

1.3 NEGOTIATING THE ENCLAVE

The main theme underpinning this thesis is, again, resource enclavity, in this case, that which proliferates in the offshore oil and gas industry. Specifically, how do the settings – those in developing countries and more specifically, sub-Saharan Africa – where oil and gas multinationals find themselves operating influence decision-making, in this case the ideas which germinate in the area of CSR? The resource enclave argument, explains Hanssen (2014), ‘essentially holds that natural resource seeking FDI [foreign direct investment], contrary to what is the case with market and efficiency seeking FDI, will tend to create isolated enclaves in the host economy with few linkages to local products, financial and labour markets and with only small contributions to economic growth’ (p. 14). In the 1950s, a handful of pioneering and extremely forward-thinking economists tabled a series of ideas (see e.g. Singer 1950; Prebisch 1950; Hirschman 1958). These have since been popularized and developed further, and now serve as the foundation for the enclave thesis. The argument here is that these dynamics potentially condition development ex post, including work carried out under the auspices of CSR programmes.
Three influential works in particular stand out, helping to shape the concept of enclavity applied contemporarily to resource-rich developing countries. The first was a United Nations text (Prebisch, 1950) – published originally in Spanish – which reflects on the general development trajectories of Latin America and simultaneous emergence of the United States as the world's dominant economy following World War II. It argues that ‘the enormous benefits that derive from increased productivity have not reached the periphery [developing countries] in a measure comparable to that obtained by the peoples of the great industrial countries’ and that ‘the outstanding differences between the standards of living of the masses of the former and the latter and the manifest discrepancies between their respective abilities to accumulate capital, since the margin of saving depends primarily on increased productivity’ (p. 1).

The second was the landmark work of Hirschman (1958) who called on developing countries to ‘do what they were good at’, and to develop ‘linkages’, which he argued to be keys to facilitating economic development. These ‘linkages’, the author explained, can be grouped as follows: 1) consumption, or linkages between consumers and productive sectors of the economy; 2) fiscal, or linkages between financial and productive sectors – that to spark development, rents must be transformed into investments; and 3) direct, which are forward and backward linkages to other productive economic sectors, seen to be essential to spurring manufacturing. The final contribution, by Singer (1950), very importantly segregated developed and developing countries according to perceived function, articulating, for the first time, the notion of ‘core-periphery’ in a parasitic context. On this point, the author observed that ‘the industrialized countries have had the best of both worlds, both as consumers of primary commodities and as producers of manufactured articles, whereas the underdeveloped countries had the worst of both worlds, as consumers of manufactures and as producers of raw materials’ (p. 479). The reason given, and a point which will be revisited and elaborated on further in the context of oil and gas enclavity in Section 2.4, is that ‘the economy of the underdeveloped countries often presents the spectacle of a dualistic economic structure: a high productivity sector producing for export coexisting with a low productivity sector producing for the domestic market’ (p. 474). These ideas would fuel the rise of and subsequently shape – both directly and indirectly – Dependency Theory and World Systems Theory, two theories which would gain considerable popularity in the 1960s, 1970s and 1980s as explanations for growing global inequality and the growth struggles of developing countries (see e.g. Frank, 1978; Cardoso and Faletto, 1979; Bornschier and Chase-Dunn 1985).

When these ideas were first applied to extractive industries, foreign-backed oil and gas activity was rooted in, and expanding rapidly across, the developing world. Building on the aforementioned ideas, Ferguson (2005) is credited with first drawing attention to how the phenomenon of resource enclavity has played out in the oil and gas sector. The author argues that the unique capital flow in and out of oil ‘enclaves’ in developing countries and sub-Saharan Africa in particular further inhibits development in settings already plagued by ‘rentier politics’. The author famously stated, with reference to the region’s petro economies, that ‘it is worth noting that the movement of capital that is entailed in such enterprises is
‘global’ in the sense that it crosses the globe, but it does not encompass or cover contiguous geographic space’, furthermore arguing that ‘The movements of capital cross national borders, but they jump point to point, and huge areas are simply bypassed’ (p. 379). The implications this setup has for development are quite significant, captured succinctly by Hanssen (2014):

The apparent enclave nature of extractive FDI derives from several factors, e.g. that extractive operations typically are located in remote areas where there are weak infrastructures and weak industrial capacity; that the comparative advantages sought by extractive investors typically are unrelated to the industrial capabilities of the host country; or that the technology gap to local industry is too large to bridge due to the technological, organizational and capabilities superiority of extractive MNCs [multinational corporations] [p. 14].

To what extent has this enclavity influenced CSR ‘outcomes’? This thesis will examine how, focusing on the case of Ghana.

To answer this question, there are two rather unique aspects of this dynamic that must be considered, each of which will be unpacked systematically in Section 2.3 of Chapter 2. The first aspect is the industry in question. Oil and gas companies are often considered trailblazers of CSR (Ackah-Baidoo, 2012; Garcia-Rodriqut, 2013). As Utting and Ives (2006) explain, ‘they [the companies] responded quickly to the pressures and contexts outlined above, not only through vigorous advertising but also by adopting codes of conduct, strengthening environmental management systems, promoting dialogue with NGOs, investing in renewables, increasing their support for local community projects, producing sustainability reports, certifying environmental management systems and joining or collaborating with various national and international CSR initiatives and institutions’ (p. 15). On the one hand, on the surface, such proactivity makes sense, given the abnormally large footprints these companies have. But on the other hand, given the financial power and influence of the industry’s shareholders vis-à-vis the cash-strapped – and equally importantly, ‘rentier’ – countries being targeted for operation, the rationale for pursuing comprehensive CSR strategies remains unclear. Any arguments tabled in support of CSR in the industry become even less convincing when the extractive industries’ abysmal track records in the areas of environmental management and community relations are taken into account (Garvin et al., 2009).

This leads to the second aspect, which are the arguments themselves. A synthesis of the literature identifies a number of ‘drivers’ of CSR which will be presented and explored in Section 2.3 as follows: 1) The Business Case, or the belief that engaging in CSR makes practical economic sense; 2) The Social License to Operate, or the idea that operators need ‘permission’ from communities and wider society to operate; and 3) Regulation, Accountability and Performance, or the belief that operations are adequately regulated or that if they breach regulations, host governments are capable of holding companies accountable. It is unclear, however, how these arguments apply to an industry such as oil, if at all; whether or not the settings – the ‘rentier’ new frontiers of sub-Saharan Africa – being targeted for operation impact CSR strategy; and how ideas (for CSR) gestate within, and are implemented outside of, companies’ operating enclaves.
These uncertainties raise important questions for research, including:

1. How have oil companies operating in the offshore ‘enclave’ environments of sub-Saharan Africa diagnosed and conceptualize the CSR challenge?

2. How do stakeholders perceive the impact of CSR programmes, and how do stakeholder identification, engagement and salience strategies in the area of CSR play out in these oil enclaves? and

3. How do these strategies influence legitimating practices in the industry?

It is against the background of the uncertainty of the role, application and delivery of CSR in oil-rich sub-Saharan Africa and the aforementioned, and interrelated, unanswered questions that this thesis will critically examine the sector’s stakeholder engagement process and further investigate ‘outcomes’ of CSR. Ghana is an ideal case \textit{a priori} for interrogating these questions, given the country’s recent entry on to the oil-producing scene, which provides a rare glimpse of how CSR is conceived and why decisions are made altogether. The specific objectives of the thesis are as follows:

1. To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualize the CSR challenge.

2. To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments.

3. To critically reflect on the implications offshore oil production has for stakeholder design, accounting and development overall.

In sum, these research objectives will broaden understanding of what happens in the area of CSR when international oil and gas companies encounter ‘rentier politics’ whilst operating within the confines of an insulated offshore enclave.

\textbf{1.4 ORGANISATION OF THIS THESIS AND RESEARCH CONTRIBUTIONS}

Addressing these objectives requires a thorough understanding of the CSR literature, which is overflowing with contributions from the international development, management, geography and political science disciplines. Chapter 2 synthesises this body of scholarship, identifying three key pillars of CSR which help to frame the study, as well as builds on the points raised in Sections 1.2 and 1.3 on enclavity, ‘rentier politics’ and the performance of the extractive industries in sub-Saharan Africa more generally. This analysis sets the stage for Chapter 3, which provides an overview of the theoretical framework adopted for this research. It draws heavily on the accounting literature on the social and environmental performance of organisations in an effort to provide a better idea of why companies chose to disclose
details about their performances. The chapter draws on elements of Stakeholder Theory, Legitimacy Theory and Grievance Theory to explain the decisions which shape CSR ‘outcomes’ in oil-rich sub-Saharan Africa. Elements of the framework developed are presented in Chapter 3 are revisited in Chapter 8.

Chapter 4 proceeds with a description of the methods, methodological approach and analytical techniques adopted for the research undertaken. Chapter 5 provides a brief introduction to the Ghana case, laying out its political, social and economic structure, and is followed by Chapter 6, which presents the preliminary findings of the research. This chapter critically reviews the policy and institutional environments of the country and makes the case for a better understanding of the settings International Oil Companies (IOCs) now find themselves working. The overview provided in this chapter sets the stage for the analysis of CSR strategies adopted by Ghana’s IOCs, presented in Chapter 7. The discussion places particular emphasis on stakeholder engagement, identification and prioritisation. Chapter 8 considers the same issues discussed in Chapter 7 but from the perspectives of the IOC’s stakeholders. It attempts to capture the voices of community-level stakeholders, supplementing this analysis with feedback from representatives of civil society and the government. Chapter 9 draws upon the findings presented in Chapters 6, 7 and 8 to highlight the implications of the findings for development, accounting and management in general. It revisits the three pillars of CSR put forward in Chapter 2 and the theoretical framework developed in Chapter 3 to provide insights on how CSR is operationalised in an offshore oil enclave.

Chapter 10 provides concluding remarks and presents ideas for future research on CSR. As will be explained, the thesis makes the following four major contributions to research: 1) an improved understanding of how enclave development influences CSR decision-making; 2) insight into how CSR unfolds in the extractive industries in developing countries more specifically; 3) more comprehensive explanations for how Stakeholder Theory and Legitimacy Theory shape CSR ‘outcomes’ in the extractive industries in developing countries; and 4) new contributions to Grievance Theory, specifically, a more nuanced understanding of how community-level disputes surface – how economic development strategies linked to the extractive industries are largely a product of a complex set of interactions and decisions influenced heavily by the unique settings in which activities take place. The study also has important policy implications, both in Ghana and wider sub-Saharan Africa, potentially yielding more constructive dialogue in the area of local economic development and donor strategy, and more effective CSR in the oil and gas industry.
2 CORPORATE SOCIAL RESPONSIBILITY IN OIL-RICH SUB-SAHARAN AFRICA: A CRITICAL OVERVIEW

‘Since 1990 alone, the petroleum industry has invested more than $20 billion in exploration and production activity in Africa…The oil companies will often say that they would like to invest in infrastructure or schools, but they don’t have the expertise…That's glib. ExxonMobil is making billions and can hire consultants. They could do more. They don't have to usurp the role of government to do something useful in the countries where they are operating…

- Ghazvinian, 2007

2.1 INTRODUCTION

This chapter frames the case study of Ghana examined in this thesis by critically reviewing the literature on CSR and the oil and gas industry in sub-Saharan Africa. It is the first of two interconnected literature review chapters; the second outlines the conceptual framework used in the study. The present chapter pulls together analysis spread across the management and development studies disciplines, introducing the key themes which underpin the present investigation.

Sub-Saharan Africa has fast become an important regional oil producer, attracting considerable attention from the global ‘oil and gas consortium’ in recent years. It is the location of an estimated 127.7 billion barrels of oil, or approximately 9.6 percent of the globe’s total proven reserves (Gismatullin, 2010). Over 30 countries in the region have proven oil reserves, of which 13 are currently in production. Of particular importance strategically is the Gulf of Guinea region, which holds 33.8 billion barrels of proven oil reserves, or 3.1 percent of global proven reserves (see Table 2.1 for an overview of selected oil producers in sub-Saharan Africa).

Table 2.1: Oil reserves in selected African countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil Reserves (billion barrels)</th>
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<tbody>
<tr>
<td>Nigeria</td>
<td>3.7</td>
</tr>
<tr>
<td>Angola</td>
<td>4.5</td>
</tr>
<tr>
<td>Gabon</td>
<td>0.8</td>
</tr>
<tr>
<td>Namibia</td>
<td>0.3</td>
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5 Is used loosely here as a label for ‘Big Oil’, or the world’s six largest publicly-owned oil and gas companies, and their followers. These companies are: BP, Royal-Dutch Shell, ExxonMobil, Total, ConocoPhillips and Chevron. These companies collectively control over 5% of the world’s oil and gas reserves, and are the trailblazers of everything in the sector, including CSR.
7 Retrieved from http://www.businessweek.com/magazine/content/10_44/b4201018226924.htm (Accessed 10 November 2010).
As shown in Table 2.2, in a number of the region’s countries, oil accounts for a significant share of national GDP. The most extreme cases are Nigeria and Angola: in the former, as a percentage of total exports, oil accounts for approximately 95 percent, while in the latter, it generates 95 percent of foreign exchange earnings.\footnote{\url{http://www.opec.org/opec_web/en/about_us/167.htm} (Accessed 5 May 2011).} The vast revenue generated from oil production in this region of the world, however, has failed to catalyze much development. Despite booming production, oil-rich sub-Saharan Africa remains one of the most economically-depressed regions of the world. It is also –ironically– one of the most energy-impoverished: two-thirds of its households do not have access to electricity and three-quarters lack access to cooking fuel, instead relying on charcoal and various fuelwood for subsistence (World Energy Outlook, 2008). Little wealth has ‘trickled down’ to local populations, largely because the region’s oil producing economies rank among the most rentier and corrupt countries in the world.

Table 2.2: Contribution of oil to national GDP in selected African countries

| Source: Takebe and York, 2011 |

But as will be argued in this chapter, the orientation and dynamics of oil production is contributing to this problem, nourishing and further empowering corrupt and/or autocratic regimes. Much of the region’s oil production takes place in offshore ‘enclaves’ which are relatively isolated from local populations and whose staff come into very little contact with local people. The literature has demonstrated, quite convincingly, that this structure has important implications for development in these countries. The explanation commonly given is that the usable ‘capital’ channelled into resource-rich sub-Saharan Africa ‘hops’, as opposed to flows, from the investor country into the host nation, leading to ‘booming’ production – in this case, in offshore enclaves – but with little accompanying development (Ackah-Baidoo, 2012). It is argued here, however, that this structure also has important implications for the design, execution and impact of CSR programmes and policies. While incoming oil multinationals pledge considerable sums of money toward CSR, goals can change rapidly from the confines of an offshore ‘enclave’, particularly in settings where host governments offer little in the way of guidance and direction. The latest addition to the African ‘oil club’, Ghana offers rare insight into how companies embrace the CSR challenge ‘on the fly’ in the ultimate extractive industry enclave environment – an offshore oil rig – in a ‘rentier’ political setting (see Chapters 5 and 6).

The chapter begins by examining the antecedents of CSR in the extractive industries, reviewing well-covered terrain in an effort to frame subsequent analysis of their activities. Section 2.3 builds on this
foundation, constructing the case for CSR in the oil and gas sector, and examining its application and how it has played out in a developing world context. Section 2.4 revisits the theme of ‘enclavity’ introduced above and the overarching theme of this thesis, offering further insight on the policy environments in which CSR practices in oil-rich sub-Saharan Africa typically evolve. Concluding remarks are then provided.

2.2 Corporate Social Responsibility (CSR): A Historical Overview

Before critically unpacking the issue of enclavity, and exploring at greater length how it influences community development outcomes in oil-rich sub-Saharan Africa, it is instructive to first review the history of CSR. This provides some understanding of its recent rapid ascension on the extractive industries agenda. Although its history spans many centuries, CSR began gaining currency in industrial circles in the 1970s, coinciding with the emergence of several exploratory and conceptual analyses. Scholars, in their ‘timelines’, correctly reference this period as a key turning point in the public perception of, and industry’s response to, CSR (see for example, Eilbirt and Parket, 1973; Fulmer, 1971; Ostlund, 1977).

Significantly, however, the ‘brand’ of CSR being promoted at this time was very different from the many ideas in circulation today, particularly those adopted by certain industries. In the case of the present investigation, there are three key points which cannot be overlooked when reviewing this early literature on CSR. The first is that, at no point was CSR ever tabled with a complex, international sector such as oil and gas in mind. Most of the early analysis on CSR was little more than exploratory in outlook. Second, there was little, if any, thinking at the time on how CSR applied to impoverished regions of the world such as sub-Saharan Africa. It was – and to a large degree still is – a Western construct, initially conceptualized for use in developed world settings. Third, initial assessments of CSR were being made of companies which did not have anywhere close to the global reach industry has today. Multinationals have since expanded rapidly in an era of globalization to all corners of the world, inhabiting locations with very different policy environments to those of the countries in which they are headquartered and where CSR policies were conceived. Thus, while these early ideas have certainly helped to shape a contemporary discourse, it is important to clarify that in the context of the extractive industries – and more specifically, the oil and gas sector – in developing world settings, CSR has largely been an adopted as opposed to an adapted concept and discourse.

2.2.1 Antecedents of the Contemporary CSR Agenda

Although in many ways a radical departure from its roots, the contemporary CSR agenda that has played out in the extractive industries – and in oil-rich sub-Saharan Africa more specifically – can be traced back to the eighteenth century. At this time, major industrialists and philanthropists such as John H. Patterson and Norman Rockefeller began to lay important groundwork for the welfare movement.
This led to a reconceptualisation of the impacts of the industrial revolution on working class families (Visser, 2010). There is broad agreement in the literature, however, that the foundations of the contemporary CSR movement were, indeed, laid in the 1950s and 1960s. Moura-Leite and Padgett (2011) provides a useful account of this literature, which includes the seminal works of Bowen (1953) and Drucker (1954). The former is said to have spawned the modern period of CSR by asking the question: ‘What responsibilities to society are businessmen reasonably being expected to assume?’ The text sought to spark debate by underscoring the importance of the several hundred largest businesses at the time to ‘centres of power and decision making’, furthermore highlighting how ‘the actions of these firms touched the lives of citizens at many points’ (p. 4). The latter, explain Moura-Leit and Padgett (2011), helped to advance the importance of including ‘public responsibility as one of the eight key areas in which business objectives should be set’ (p. 530), famously asserting that managers must ‘consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony’ (Drucker, 1954, p. 388). This foundational work provided an impetus for scholars such as Frederick (1960), and Eells and Walton (1961) to develop working definitions of CSR which aligned closely with the business ethics of the day.

Again, most of this analysis, although landmark, was little more than conceptual. Specific discussion concerning how CSR applied to international companies, particularly those with a presence in developing countries, and to dynamic, rapidly-expanding and capital-intensive operations such as those of the extractive industries would not surface for nearly three decades. The ideas which did emerge in the 1960s, however, continue to resonate in, and shape debates on, CSR today, including critiques on its role and impact in impoverished oil-rich sub-Saharan Africa. One of the more notable contributions was that of Freidman (1962), who famously declared that ‘few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can’ (p. 133). Many of the issues which Friedman (1962) raised in his interrogation of the emerging CSR dialogue at the time continue to shape present-day debates on community development and ethics in the extractive industries in developing countries. Foremost among these are a ‘social license to operate’ and the sector’s business case for CSR, each of which is reviewed in Section 2.3 of this chapter.

Friedman’s (1962) highly-criticised analysis proved timely, and would have lasting traction because it was tabled at a time when the environmental movement was gaining considerable momentum in the United States and Europe. Landmark texts such as Rachel Carson’s Silent Spring (Carson, 1962) and subsequent reports such as Limits to Growth (Meadows and Meadows, 1972) captured the public conscience, helping to spark a radical overhaul of environmental regulations, as well as facilitating a change in the general attitude toward industrial pollution worldwide. Regulators, under pressure from the general public and the environmental movement more generally, began to scrutinize the activities of large corporations for the first time. This provided an impetus for scholars to explore more closely, also for the
first time, CSR’s ‘place’ in industry through surveys. Prominent among these efforts was Lorig’s (1967) survey of 300 companies, which provided insight on who top executives felt they were most responsible.

Findings by Lorig (1967) – *inter alia*, that 84 percent of surveyed executives identified stockholders as the group to which they owe greatest responsibility – reinforced Friedman’s (1962) sentiments, which he subsequently echoed in his now-famous *New York Times Magazine* article: that CSR is ‘fundamentally subversive of the true responsibility of business, namely to enhance profitability and shareholder value’ (Friedman, 1970). The polarizing positions on CSR at the time were on display at the two-day *Conference on Corporate Social Responsibility: Profits and the Public Interest* in Washington DC in 1971. Holden (1971, p. 920) captured the views resonating at this event, which he described as ‘a cavalcade of stars from the consumer protection movement and a cross section of businessmen, lawyers, bureaucrats, and investment managers to discuss how business can be made more responsive to the needs of society’:

The conflict between the urge to make profits and the need to put money into non-revenue-producing activities such as antipollution equipment or job training was dismissed as non-existent by some consumer advocates…But there are many firms that would question this conclusion, which sweeps away the key issue: Does the market system, solidly based as it is on the motive of profit and the goal of continuous growth, possess the flexibility and the will to put social welfare on an equal footing with profit, and to redirect itself toward qualitative rather than quantitative growth?

This debate continued to play out in the literature throughout the 1970s and early-1980s. Recognizing and at times further legitimising Friedman’s position, a number of scholars continued to maintain that CSR had no place in the business sphere – that it contradicted the *raison d’etre* of business. Prominent among these critics was Ostlund (1977), who reflected on how CSR was a radical departure from the firm’s ‘central economic mission’, reporting that, ‘in reaction to pressures on all fronts, corporations are being called upon to direct attention and resources to social problems… demands (which) are vague, even though forceful, and conflicting even though worthy’ (p.35). Bowman and Haire (1975) offered a more detailed critique sympathetic to the investor, projecting CSR as a barrier to economic development:

It has become an increasingly perplexing problem for corporate strategists to find an appropriate posture for what may be called corporate citizenship or social responsibility. Among the things that make it difficult are two prevalent myths: the activities in this area are in fundamental conflict with the interests of the investor, and that resources committed to such activities come, net, out of the equity holder’s pocket; and that the motivation for such activities lies only in a sense of noblesse oblige on the part of the group formulating the strategy, and again, is an interest not directly related to the equity holder’s welfare [49].

Apart from the aforementioned Lorig (1967), studies conducted at the time lent some credence to these views, capturing the essence of the dilemma facing the corporate executive in a changing regulatory environment. Notable among these was a study by Fulmer (1971) who, in a survey of over 1500 business executives, reported that 94 percent of respondents echoed Friedman’s sentiments – that business exists solely for one purpose (to make profits) and that the ‘spiritual and moral consequences of the businessman’s actions are none of his concern’ [p. 48]. Shanklin (1976), reflecting on experiences in the United States of America, also cast doubt on CSR but from a different vantage point, proposing that ‘A
plethora of laws and regulations, at all levels of government, has put many of the major corporate social responsibilities beyond voluntary actions’. The author even went as far to state that new legislation, particularly standards set for pollution control and safety, ‘is a major reason why executive interest in corporate social responsibility is waning’ (p. 75).

Toward the mid-1970s, however, a much broader body of analysis – one more positive in outlook – began to take shape. A large share of this literature (e.g. Wilson 1974; Bowman and Haire 1975) popularised the perceived merits of CSR. A series of complementary studies argued how, contrary to their profit-making motives, large businesses were indeed beginning to show a willingness to address, more proactively, environmental and social concerns. Eilbirt and Parket (1973) were among the first to bring to light the internal changes taking place in big businesses in their efforts to operationalise CSR, arguing that ‘as companies attempt to alter their structure to meet the new societal challenges they face, the corporate responsibility officer is appearing on an increasing number of charts’ [p. 11]. Close to 55 percent of firms that participated in the authors’ survey, conducted in 1971, reported having established a corporate responsibility ‘position’, the balance indicating that they used a committee to manage community development and environmental concerns. Some studies (e.g. Mason and Maxwell, 1975) went as far to suggest that a number of firms at the time were openly embracing CSR beyond potentially-cosmetic personnel changes.

Perhaps most significantly, however, these proponents of CSR sought to align their arguments with those of skeptics, working diligently to prove that embracing mounting societal and environmental demands was in the best interest of business. For example, Gavin and Maynard (1975) credit Drucker (1969) with initiating work aimed at reconciling ‘these seemingly paradoxical attitudes’ and first drawing attention to how ‘socially-responsible behaviour actually serves the self-interest of business’ (p. 378). But it was the conceptual work of Archie Carroll (Carroll 1974, 1978, 1991; Carroll and Beiler, 1975) that truly galvanized investigation into whether CSR was in the best interest of large business, and which would facilitate the marked changes in industry attitudes toward community development and environmental management that would surface in the 1980s. Carroll (1991) developed the ‘Pyramid of Corporate Social Responsibility’, a hierarchical model of the various responsibilities of business which he outlined as economic responsibilities (the foundation of all other business activities), legal responsibilities, ethical responsibilities and philanthropic responsibilities at the apex. Carroll’s pioneering model, which, even today, many works (e.g. CEBC 2010; Visser 2008, 2010) still portray as landmark, spawned a new genre of CSR scholarship. Although again, the context on which this analysis was based was very different, the insights it offered today serve as the foundation of the case for CSR presented by oil and gas companies operating in impoverished areas of the developing world, including sub-Saharan Africa.

Towards the end of the 1970s, the once-prominent traditional skeptical view of CSR – those who believed that ideologically, ethical responsibility and profit-making could not be reconciled – began to lose
considerable momentum. The sudden popularisation of CSR coincided with the implementation of stringent environmental regulations, particularly legislation aimed at combating air pollution, in North America and Europe. Hilson (2012) rather cynically reflects on the nature of this change, arguing that ‘The very managers of the profit-making enterprises who, only a decade earlier, had questioned the role of CSR in business and seemed willing to violate regulations in order to maximize profits, were now openly embracing it’ (p. 131). But with fines having been built into freshly-implemented legislation, executives had little choice: they need to embrace change and make the best out of their new situations, however challenging they may have been.

2.2.2 Accounting for, and Reporting on, CSR: Initial Movements

It is difficult, if not impossible, to pinpoint when, exactly, the oil and gas sector – and for the matter, the extractive industries more generally – began to engage in CSR. Important groundwork was laid, however, in the late-1970s and 1980s, when companies began reporting on CSR. The literature at the time mirrored this very significant change, presenting ideas that extended beyond the conceptual and which reflected on the potential benefits of disclosing details on, and communicating information about, CSR strategy in a rapidly-changing regulatory environment. With improved communications, specifically through reporting and stakeholder engagement, the many arguments presented in support of CSR that will be outlined in later sections of this chapter, including the business case and social license to operate, began to develop and gain currency rapidly. Again, there is no direct evidence in the early literature on CSR that shows when the oil and gas industry began engaging in reporting or, for that matter, if it did at all. But it certainly offers insight on the challenges facing large companies being pressured by governments and society to improve their images and become more transparent. Many of these ideas form the basis of arguments regularly tabled by oil and gas companies today for ‘going green’ and being proactive on the CSR front.

For a sector such as oil and gas – with its potentially enormous environmental and community ‘footprint’ – to have gained access to the territories it has in such a short period of time, the correct policy formula was needed. This required that a series of important changes be made, the first being the aforementioned reporting: some level of disclosure on practices was clearly needed, given the increasing public enlightenment concerning the environmental and social impacts of industrial activity. Reporting on the environment has long been viewed in industry circles as a means for companies to demonstrate their commitment to stewardship and as a strategy for gaining approval from key stakeholders for operation (Azzone et al. 1996; Davis-Walling and Batterman 1997). Many companies no longer focus exclusively on the environment in their stakeholder communication strategy; they have rather expanded their focus to include community development concerns. These companies identify CSR reporting as a ‘mechanism through which companies can account for their social and environmental policies and performance to a variety of stakeholders’ (Bouten et al., 2011, p. 190).
Studies confirm that corporations, including those in the oil and gas sector (see e.g. Guenther et al. 2006; Dong and Burritt 2010; Alazzani and Wan-Hussin, 2013), use CSR reporting as a buffering strategy – specifically, protection from public scrutiny. Content analyses of corporate reports, which reveal the depth of information being disclosed by companies to the public, confirm this to be the case. Such studies, explains Matthews (1997, p. 504), are ‘valuable as a record of the current state of organizational disclosure, and therefore, of the distance that remains to be travelled along the path to full accountability by economic actors’. Scholars have carried out comprehensive content analyses of CSR reports for nearly four decades. Towards the end of the 1970s, a series of studies emerged which, building on earlier conceptual analysis, provided a glimpse of the progress being made in the area of CSR reporting, as well as offered a ‘snapshot’ of the concerns on the minds of executives. These studies furthermore reflected on the merits of large companies disclosing details of their CSR strategies in their reports, as well as shared a multitude of views on why doing so, as well as planning for sustainability, was in the best interests of companies.

From surveying this body of literature, it becomes clear that from an early stage, reporting was a main ‘expression’ of CSR. Bowman and Haire (1975) produced one of the first such analyses, examining the content of reports produced by 82 food-processing corporations. While it was obvious to the authors that respondents’ level of treatment of social and environmental issues in their reports varied markedly, all provided some notable level of coverage of issues that have since become the centrepieces of CSR debates in the extractive industries: pollution abatement, philanthropy, community development and consumerism. The authors rather optimistically conclude by stating that ‘Disclosure’ has already started for the ‘realistic investor’ [p. 49].

This certainly appeared to be the case, as confirmed by a series of additional early content analyses. As indicated, towards the late-1970s, public scrutiny of industry was mounting rapidly, as evidenced by the mobilisation of lobby groups. This did not bode well for ambitious CEOs who had sights on expanding industrial operations overseas. Heard and Bolce (1981) capture the essence of the ‘sea change’ in public opinion unfolding at the time, focusing on the events in the United States. Growing public expectations over disclosure made improved reporting inevitable for the prospective globalising firm:

Through research, litigation and lobbying, activist organizations have been instrumental in calling attention to issues such as product quality and safety, environmental protection, employment discrimination and occupational safety and health. Advocacy groups and research organizations that concentrate on corporate social performance deserve special mention, for they have had a substantial impact on the development of social measurement and social reporting by major corporations in the United States. The activities of advocacy groups have helped to spotlight significant social issues to which major corporations have had to respond publicly [p. 248].

The content analyses of reports which followed Bowman and Haire (1976) suggest that firms had become preoccupied with public disclosure, seemingly-concerned about appeasing stakeholders. For example, Trotman (1979), in a survey of the 100 largest Australian companies, found that an increasing
number of companies was disclosing information about social responsibility: 26% in 1967, 48% in 1972 and 69% in 1979. In follow-up research (Trotman and Bradley, 1981), the author began further profiling the corporations which reported on CSR, concluding that the ‘companies which provide social responsibility are on average, larger in size, have a higher systematic risk and place stronger emphasis on the long term than companies which do not disclose this information’ (p. 358). These observations are consistent with recent analysis (e.g. Aaron 2012; Du and Vieira 2012) of the performance of the oil and gas industry, which similarly points to its globalised companies – also large and capital-intensive – engaging proactively in CSR reporting to appease a growing number of stakeholders. Complementing Trotman’s work was a series of enlightening content analysis studies which chronicled the progress of social reporting in the Republic of Germany (Schreuder 1979; Dierkes 1979), long regarded as one of Europe’s environmental leaders. These studies provide a glimpse of the many concerns being voiced by the public at the time and the responses of internationalising firms. The issues profiled include employee welfare, pollution control and energy security – all of which are core concerns addressed in detail by oil and gas companies in their CSR reports today.

A second necessary change was the in-house modifications needed to ‘operationalise’ newly-minted CSR goals and measures, many of which are outlined in reports made available to the public. The early CSR literature documents a number of key changes in managerial strategy being made in large companies, placing considerable emphasis on social accounting and auditing. Among the more comprehensive studies produced at this time was that of Crumbley et al. (1977), who outlined tax provisions which, in their view, encourage CSR. San Miguel et al. (1977) offered complementary detailed insight on progress made by US companies on developing internal auditing systems for the sole purpose of improving corporate accountability. The authors concluded, in their survey of the country’s 200 largest corporations on the 1975 Fortune 500 List, that managers were improving auditing systems for enforcing management and social accountability. Other notable contributions include Lindsey’s (1979) study on social auditing in hospitals and McIntyre’s (1983) analysis of environmental auditing. The latter in particular presents convincing arguments in favour of managerial changes, explaining, inter alia, that ‘Extensive government regulation (federal, state, and local) of industry along with strong public concern and awareness of environmental matters has resulted in an atmosphere in which industry consciously strives to act as a responsible’. The author furthermore contested that ‘The magnitude, scope, and complexity of environmental regulations affecting a given firm can be tremendous’, and cautioned that ‘Firms which do not conduct business in this manner risk large fines, litigation expenses, imprisonment of company officers, long term erosion of the company's image among consumers, and impaired employee morale’ (p. 911).

A final necessary change, it is maintained here, was an attitudinal shift toward CSR across the private, public and NGO sectors, and within the general public itself. Such change was certainly evident by the beginning of the 1980s, when once again, scholars congregated toward the conceptual and
definitional, revisiting the many tenets of CSR identified by scholars in the late-1970s to articulate how these very ideas applied to more ‘enlightened’ companies. Despite the rallying calls for CSR, however, some apprehension remained among a number of industrialists and scholars. Benston (1982), for example, while recognizing that corporations are seen variously as accountable to shareholders, stakeholders and society at large, cautioned that there are limitations on managerial discretion to act other than in the interests of the former. The points raised by the author in support of this included marketing constraints for goods and services, managers’ preoccupations with maximizing shareholder wealth, markets for finance and corporate control, and markets for managerial services. Similarly, Sohn (1982), in reflecting on a working definition given for CSR at the time, namely ‘the obligation of the corporation to balance its impact on and contribution to its various constituencies: customers, employees, suppliers, shareholders and the larger society’, cautioned that ‘balance’ in this context ‘is of course the loaded word here’ (p. 141). The reasoning behind the author’s skepticism stemmed from a poor understanding of ‘How a company evaluates and compares the interests and claims of the different constituencies, what constitutes a balance, [and] where priorities lie given limited resources and capabilities’.

But for the most part, the reengagement by scholars in CSR research was a sign that attitudes were indeed changing. As the 1980s progressed, countless studies (e.g. Moser 1985; Manheim and Pratt 1986; Zahra and Latour 1987; Khan and Atkinson 1987) would emerge which affirmed that companies were viewing CSR more dynamically, as well as showed that it was capturing the public’s imagination. Scholars began raising more dynamic questions in their research in an attempt to articulate more clearly the rationale behind the pronounced shift in attitude towards CSR. Jones (1980) offered a particularly enlightening explanation:

The world begins where academe leaves off. Corporate managers do not advance by answering abstract questions but by making the pragmatic, specific decisions that confront them in the operation of their businesses. In short, they need to know how to use the principle of corporate social responsibility. What they need then is a rule or set of criteria to help them make socially responsible decisions in specific instances [p. 60].

Many of the surveys and analyses (e.g. Diffenbach 1983) that would be undertaken over the course of the decade, therefore, would ask more comprehensive questions, informed by the very discussions dominating debates in government and NGO circles, as well as the general public, at the time. Scholars also began to make bold claims in support of CSR, including condemnations of the views expressed by Milton Friedman a decade earlier (see e.g. Mulligan 1986; Anderson 1986) and impressing that the term had a place in developing world settings (see Teoh and Thong 1984; Khan and Atkinson 1987), where regulation, monitoring and enforcement were – and to some extent, still are – comparatively weak. Scholars such as Stoud et al. (1986) had even gone as far to suggest that, even at this early stage of its development, there were grounds for viewing CSR paradigmatically. The authors, reflecting on the rapid regulatory changes at the time, claimed that ‘Social responsibility at first connoted those actions corporations performed voluntarily for society…[and] corporations then experienced an era where
responses to societal demands were mandated...[but] Recently the third phase of evolution has occurred – a newly emerging era of corporate social responsibility’ (p. 22).

To recapitulate, in the 1980s, CSR experienced unprecedented fanfare. Moura-Leite and Padgett (2011) accurately summarise what unfolded during this decade, by the end of which, the concept of CSR was sufficiently mainstreamed (as will be seen in Sections 3.2-3.6), and on the verge of becoming the featured topic on the websites and in the annual reports of thousands of multinational corporations. The authors describe the decade as a time during which ‘business and social interests came closer and firms became more responsive to their stakeholders’ (p. 532). But it was also a time when the skeptics and proponents of CSR appeared to permanently switch positions: on the one hand, the corporate executives and managers, who at one point failed to see how profit-making could be reconciled with stewardship, began to embrace the idea, while on the other hand, stakeholders such as communities and NGOs, which had long called on companies to become more proactive, began to question the sudden motivations of companies’ enthusiasm and the genuineness of their intentions. This has certainly been the case with the CSR agenda in the extractive industries, and the oil and gas sector more specifically, which, as the section that follows captures, have attracted a range of – often polarised – viewpoints. A particular contentious issue is the performance of the sector in developing countries, a debate in which the case study of CSR in Ghana profiled in this thesis is couched. The oil and gas sector has managed to proliferate in poverty-stricken but resource-rich landscapes across sub-Saharan Africa because the aforementioned three changes were made, yielding a policy environment conducive for its rapid growth.

2.3 CORPORATE SOCIAL RESPONSIBILITY IN THE EXTRACTIVE INDUSTRIES: PERSPECTIVES ON ITS ADAPTATION AND ‘FIT’ IN A DEVELOPING WORLD CONTEXT

The two areas of concern for this thesis – 1) CSR in the extractive industries, and 2) its application, evolution and impact in the developing world economy – have been fiercely debated by scholars in recent years. Significantly, however, the burgeoning dialogue on both issues is, as indicated, highly-polarised. On the one hand, there are mainly business, economic and management scholars, who, through detailed case studies and theoretical assessments of the anatomy of the multinational corporation (e.g. Warhurst 2005; Muthuri et al. 2012), have skillfully built a case for CSR in the extractive industries, and in the developing world more specifically. Their analysis has highlighted, inter alia, the positive relations companies have forged with communities, the many development interventions they have financed, and the financial contributions they make to host governments. On the other hand, the development studies literature has been highly critical of the ‘brand’ of development that the multinational corporations populating the extractive industries sector have implemented in impoverished areas of the world, foremost sub-Saharan Africa (see e.g. Agbonifo 2011; Bardy et al., 2012). The case many development scholars have made is that CSR, as largely a Western construct, is at odds with the needs of impoverished countries: that the very elements which proponents have argued make it an everyday reality
of doing business – or at least addressing the issue – in the likes of Europe, North America and Australia, do not exist in developing world settings such as sub-Saharan Africa, where governance is weak, the enforcement of laws is poor, and the monitoring of industrial activities is irregular.

But numerous question marks and unrelenting criticism have not prevented the extractive industries from becoming a poster-child for CSR in recent years. Buoyed at times by a very sympathetic management and business literature, the sector’s leading companies, including Royal-Dutch Shell, BHP Billiton and Newmont, have deftly used imagery and reporting to project positive images to, and influence the opinion of, the general public (see analyses by Wei-Skillern 2004; Ite 2007; Gifford et al. 2008, 2010; Courand and Kromann, 2011). The counterargument and response, spearheaded by the NGO community and captured effectively in the development studies literature, has been that these actions have been little more than corporate ‘greenwash’, a façade which fails to accurately take into account the realities on the ground. The next section of the chapter pulls together the key elements of the debates presented in these polarised bodies of literature. It frames the discussion that follows on the key constituents of CSR in the case of oil and gas, and comes to grips with the context in which key decisions in this area are made.

2.3.1 Perspectives on CSR in the Extractive Industries in Developing Countries: An Overview

Both issues – CSR in developing countries, and CSR in the context of the extractive industries – received very little coverage in the literature in the 1980s. The explanation for the dearth of analysis is fairly obvious: with globalisation, the chief proponents of which have been the World Bank and IMF, still in the process of taking hold at the time, multinational companies in the extractive industries were only beginning to spread their tentacles into developing countries. New conceptualisations of CSR, based on selected experiences in Western environments, needed time to develop, given the newness of the setting (developing countries) and dynamic nature of the industry (mining, oil and gas activities) in question. But as will be shown – and something which has ultimately proved to be the source of contention and intense debate – proponents are of the view that the very arguments which underpin the case for CSR in the extractive industries in developed countries also apply in developing countries, despite the rather obvious differences in settings. Significantly, and although drawing upon a suite of very different examples, Halme et al. (2009) do a good job of building a case for how CSR outcomes can be influenced by such differences, pulling together evidence to make the case that ‘contextual factors and institutional environments influence corporate responsibility norms and practices’ (p. 3).

The issue of context is central to understanding how CSR has manifested in Ghana’s oil industry, and more generally, in areas of rural sub-Saharan Africa where large-scale extractive industries are now rooted. A large number of the assessments presented in the management literature on CSR in developing countries (e.g. Jamali 2007; Jamali et al., 2008; Ozen and Kusku 2008; Azmat and Samaratunge, 2009;
Lindgreen et al., 2010) are fairly conceptual in design. Other critiques in the management literature (see e.g. Vogel 2005; Schreck 2011) attempt to come to grips with how the core arguments on which the case for CSR is built – each of which will be reviewed in turn later in this section of the chapter – apply to developing countries. Revisiting the issue of context, Dobers and Halme (2009), offer a sympathetic critique of corporations engaged in CSR in developing world settings. The authors imply that a ‘lowering of the bar’ in settings where, as Foo (2007) points out, ‘the cultures and institutions that regulate market activity are different [in that they] are less dependent on formal rules but rely heavily on informal constraints’ (p. 383), may be appropriate.

In support of their argument, Dobers and Halme (2009) draw attention to how, ‘in a number of emerging economies and developing countries with weak institutional environments underlined by arbitrary enforcement of law, bureaucratic inconsistency, insecurity of property rights and corruption, CSR may get a very different twist’ (p. 242). The authors elaborate on these points:

Unlike in market economy countries with strong institutional environments, where CSR is typically considered as policies and activities going beyond the immediate economic and legal requirements, …in developing countries a range of economic and legal factors deserve attention in the pursuit of CSR. In weak institutional environments, where non-compliance, tax evasion, and fraud are a norm rather than an exception, abiding by the rules and regulations may well be a manifestation of a responsible corporation. In such environments the contribution of companies is called for in areas such as enhancing capacity in detecting tax fraud, antitrust and the unveiling of corrupt cases. [author's italics]

This is precisely what many development studies scholars are at odds with. Frynas (2005) captures effectively the essence of the position shared by a large segment of the discipline, presenting a host of examples which reinforce how, under the auspices of CSR programmes, ‘such simple gestures sometimes end up as failures’ (p. 587). These scholars contest that the political and economic conditions in developing countries are a main reason why, in the words of Frynas (2005), so many ‘white elephant projects’ emanate from CSR policies and programmes: that the absence of ‘checks and balances’ allow companies to be lackadaisical, enabling them to avoid having to follow through with and continuously monitor community development interventions. It certainly raises the question of why companies choose to operate in developing countries altogether, a topic which, as will be shown, has been fiercely debated in the literature of late.

In fact, the debate on CSR in developing countries has, not surprisingly, focused almost exclusively on the enterprising multinational, which, through globalisation, has gained access to previously hard-to-reach territory, including many regions of the developing world. Calling upon a group of companies with profit-making motives and which also have had a long history of questionable performance, as evidenced by the Exxon Valdez Oil Spill and the disaster in Bhopal, to drive economic growth has proved contentious, particularly among development scholars. As Fritsch (2008) explains, in an era of globalization, multinationals have earned the dubious reputation for being ‘footloose’, ‘exclusively profit and productivity driven’, ‘unpatriotic’, ‘unsocial’ and ‘not democratically legitimated’. The recent rapid growth of multinationals, a chief manifestation of economic globalisation, has therefore
‘placed them in the global spotlight’ (Lombo and Trani, 2013, p. 243), and has sparked discussion on the extent to which the locating of operations is influenced by a ‘Race to the Bottom’. Whilst companies would argue otherwise, there is growing agreement in a highly-critical development studies literature (Frynas, 2005; Baram, 2009; Dong et al., 2012) which supports the idea that powerful multinationals are, indeed, ‘playing states off against each other in their global quest for low tax and wage levels as well as lax environmental protection, social security standards or prescribed working conditions’ (Fritsch, 2008, p. 1). A willingness to do business with autocratic regimes (Putrevu et al. 2012; Driffield et al., 2013; Kolk and Lenfant 2013), perpetuate ‘rentier’ state politics (see e.g. De Oliveira, 2007; Losman, 2010) and forge relations with governments responsible for numerous human rights abuses (Williams Jr., 2011; Aghedo, 2013) has only reinforced this position. An additional source of concern stems from what critics believe is a continued lack of effective regulation of multinationals at the international level: specifically, the ‘lack of recognition in international environmental agreements of the role of TNCs [multinationals]’ is believed to be responsible for environmental problems (Newell, 2001, p. 909).

Today, the extractive industries are at the centre of the debate on CSR in developing countries. Their behaviours constrained by global geology, in an era of globalisation, the scramble for mineral and fuel resources has indeed forced multinationals into new territory. In many cases, however, economically-fruitful journeys to new environments have been responsible for a legacy of community-level problems (Lo, 2010; Pegg and Zabbey, 2013). Nowhere has this been more the case than in sub-Saharan Africa. But in the face of mounting concerns over human rights abuses and environmental destruction, the multinational mining and oil and gas companies with operations across the region have skillfully constructed CSR programmes with the aim of deflecting criticism (Lombo and Trani 2013; Warnaars 2012; Newenham-Kahindi 2011). The movement of international mining and oil and gas companies into the region’s resource-rich states has been somewhat buoyed by a range of newly-implemented international sustainability frameworks (See Table 2.3), each grounded in its own ideas of ‘ethical’ and generally preoccupied with macro-level concerns. These companies have committed to being transparent, adhering to corporate reporting practices and ensuring that a larger share of resource rents is awarded to host countries. Critics (e.g. Frynas, 2005; Bondy et al., 2008), however, have drawn particular attention to how these measures are woefully inadequate to catalyze improvements in the communities where activities take place, largely because they only require companies to forge deals with governments, many of which are again corrupt and unrepresentative, and not have to initiate dialogue with the very groups which stand to be most affected by activities.
Table 2.3: Selected international sustainability frameworks, guidelines and ‘best practices’

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Year Conceived</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Reporting Initiative</td>
<td>1997</td>
<td>A non-profit organization that promotes economic, environmental and social sustainability by providing companies and organizations with a comprehensive sustainability reporting framework.</td>
</tr>
<tr>
<td>United Nations Commission on Sustainable Development Framework</td>
<td>2002</td>
<td>Three mutually reinforcing pillars of sustainable development (social, economic and environmental) were incorporated into the 2002 Johannesburg Plan of Implementation and the 2002 Earth Summit</td>
</tr>
<tr>
<td>Equator Principles</td>
<td>2002</td>
<td>A credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions.</td>
</tr>
<tr>
<td>UN Global Compact</td>
<td>2000</td>
<td>A strategic policy initiative for businesses that are committed to aligning their operations and strategies with the ten accepted principles in the areas of human rights, labour, environment and anti-corruption.</td>
</tr>
</tbody>
</table>

Sources: Labuschangne et al., 2005; Fritsch, 2008

Companies have managed to detract attention from the geographical context by projecting positive images of ‘community development’ and ‘environmental management’ in localities affected by operations. This has been accomplished through innovative reporting (Jenkins and Yakovleva, 2006; Nielsen and Thomsen, 2007; Mobus, 2012); extensive public engagement; the assembling of dynamic corporate relations departments; and the skillful manipulation of the local media, including the use of ‘paid insertions’, or ‘anecdotal accounts in many countries of reporters and editors being paid to run (or suppress) certain stories’ (Behrman et al., 2012, p. 92). These efforts, however, have only provided a partial buffer against mounting criticism of the extractive industries in sub-Saharan Africa. Here, rapidly-expanding mining activity and oil and gas extraction has caused a range of environmental and social problems, highlighted by events in the Niger Delta (Akpan, 2008; Idemudia, 2010; Lompo and Trani, 2013), and gold mining communities in the likes of Ghana and Tanzania (Hilson, 2007; Garvin et al., 2009; Armah et al., 2012). What has also not helped the industry shed its critics is its failure to demonstrate any ‘thinking outside of the box’. Specifically, rather than adapting ideas accordingly, multinational mining and oil and gas companies seem content with building the sector’s case for CSR in developing countries on conventional ideas formulated in Western settings. Even the staunchest supporters of CSR in the extractive industries would struggle to embrace fully these arguments, which show little recognition of both the unique attributes of the sector, as well as the geographical and political characteristics of the countries in question. The recent spate of studies on CSR in the extractive industries in sub-Saharan Africa (e.g. Evuleocha, 2005; Edoho, 2008) reflects this hollow thinking. Most focus on the actions being taken by individual companies in the areas of community development and environmental management, at the same time failing to adequately interrogate the arguments on which the industry has built its case for CSR in the region and the developing world more generally.
Although not explicitly stated in the literature, the main pillars on which the case for CSR in the oil and gas sector is built are by no means unique. Generally, the oil and gas sector has been silent on how CSR applies to these most unique operations. Its major players, including Royal-Dutch Shell, Chevron-Texaco and ExxonMobil, have rather adopted the conventional arguments for CSR. The vast majority of these explanations have surfaced in response to experiences in Western service and manufacturing industries, without explanation as to how they apply to primary extraction activities spread across a range of different geo-political settings.

It is no coincidence, however, that oil and gas companies on the whole benefitted greatly from the groundwork laid by their counterparts in the mining sector in the 1990s. The lengthy development period of a mining operation and its ‘visibility’ have forced multinationals such as Newmont, AngloGold Ashanti, Barrick Gold and BHP Billiton to adopt innovative CSR reporting and community development measures during the earliest phases of their global expansions. As documented in the literature (Warhurst, 1992; Epps, 1996; Andrews, 1998; Cragg, 1998; Low and Gleson, 1998; Labonne, 1999), emerging tensions between communities and mines run by such companies in developing countries stimulated a critical ‘re-think’ in approach, and concurrent shift in reporting and communication strategy. The seriousness of the issue triggered the launch of the Global Mining Initiative (GMI) in 2001, a landmark attempt ‘to shape the dis-course on corporate responsibility and, ultimately, to influence the policies and practices of mining companies around the world’ (Dashwood, 2005, p. 978).

The oil and gas sector’s CSR agenda has, to a large degree, evolved without much criticism because it has done so in the shadow of the mining industry. The impacts of an internationalising oil and gas industry only began to capture the attention of scholars at the turn of the century, when events in Nigeria’s Niger Delta began to garner the global spotlight (see e.g. Boele, 2001a, 2001b). With attention now focused on the sector, it has become clear that it has ‘borrowed’ heavily from the ideas which underpin the case made for CSR in mining (see Hamann, 2004; Hilson 2011, 2012). The discussion that follows weighs in on each of these pillars in turn.

2.3.2 Pillar 1: The Business Case for CSR

In its most general sense, the business case for CSR is the idea that ‘doing good’ generates shareholder value. In societies where consumer demands are numerous and complex, community pressures are abundant and ever-present, and competition is fierce, a case could certainly be made that the enhanced social and environmental performance of a firm gives it an edge. But even in such a setting, the relationship between CSR and shareholder value is by no means as linear as the literature often projects (see e.g. Torres et al., 2012; Flammer 2013). Assumptions that the improved performance of a firm necessarily yields greater economic returns are both erroneous and baseless (Schreck, 2011).
As Vogel (2005) explains, the business case for CSR is not new, although for decades, most discussions on the subject were quite subtle. The reality is that the idea that ‘doing good’ makes practical business sense for the firm has always been – albeit, at times, implicitly – at the heart of CSR debates. The basic tenets of the business case, as articulated by Carroll and Shabana (2010), are as follows: 1) the belief that cutting-edge practices will lead to cost and risk reduction; 2) that win-win outcomes emerge through synergistic value creation; 3) that there are legitimacy and reputational benefits to performing ‘well’; and 4) the view that there is a competitive advantage with embracing CSR on the whole. The business case for CSR crystallized in the mid-1990s, following the coining of the ‘Triple Bottom Line’, a landmark and welcome addition to the corporate sustainability lexicon (Milne and Gray, 2013). It was Elkington (1997) who, in his seminal text, Cannibals With Forks: The Triple Bottom Line of the 21st Century, is credited with popularising the ‘Triple Bottom Line’. The author’s now-famous ‘People, Planet, Profit’ triangle extended the boundaries of the business case for CSR. At the time, it was one of the boldest attempts made to date to show how, in societies where public pressures placed on and expectations of industry are constantly increasing, it is only the companies that prepare these three ‘bottom lines’ which are taking into account the full cost of doing business. The dialogue underpinning the ‘Triple Bottom Line’ would shape policy interventions such as the Global Reporting Initiative and the Dow Jones Sustainability Indexes, as well as find its way into the reports of numerous international firms, including AT&T, Dow Chemical, Royal-Dutch Shell and British Telecom (Norman and MacDonald, 2004).

Vogel (2005) highlights a series of influential texts which have built on the arguments raised by Elkington (1997), a long list which includes Walking the Talk: The Business Case for Sustainable Development (Holliday et al., 2002), The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line (Willard, 2002), and Cause for Success: Ten Companies That Have Put Profits Second and Come in First (Arena, 2004). Each contains informative examples of savvy CEOs who have used CSR as a platform for putting their companies in a more advantageous position to maximize profit. These texts, along with the body of literature on ‘corporate citizenship’ (see e.g. Palacios, 2004; Crittenden et al., 2011; Bhanji and Oxley, 2013) they have spawned, have not only overzealously portrayed CSR in a positive light and linked it to financial benefit, but have also exaggeratedly described the motives and impact of corporate philanthropy (e.g. Leisinger, 2007; Sasse and Trahan, 2007; Sasse et al., 2007). Most significantly, this literature falls short on explaining how the business case applies to an internationalising industry such as oil and gas, instead drawing most of its examples from Western settings. This brings into question Schreck’s (2011) argument about whether the assumption that there is a business case can be justified: specifically, why and under what circumstances it would be in the interest of companies considering CSR concerns.

This, however, has not stopped oil and gas companies from portraying the business case as significant. Companies hint at the connection in their CSR reports. ExxonMobil, for example, states in a recent Corporate Citizenship Report that, ‘As the world’s largest publicly traded oil and natural gas company, ExxonMobil’s primary role is to responsibly provide the energy needed to sustain and improve
standards of living for people worldwide, while delivering a return to our shareholders’ (ExxonMobil, 2011, p. 6). Executives at ConocoPhillips have echoed the same message, explaining that the company ‘has a long-standing commitment to comply with the law wherever we operate and to conduct all business activities with the highest ethical standards...[because] In today’s business environment upholding this commitment is critical for our continued success in the global marketplace’ (ConocoPhillips, 2013a).

Managers at British Petroleum have even attempted to use the Gulf of Mexico ecological disaster to improve rapport with shareholders by skillfully illustrating, in a recent annual report (BP, 2012), how failure to operate at a high standard socially and environmentally leads to substantial financial losses. The report reflects on lessons learned, indicating that ‘During the year we made progress in our priority areas of enhancing safety and risk management, restoring trust by meeting our commitments in the Gulf of Mexico and delivering higher returns for shareholders, as evidenced by the increases in quarterly dividend announced in 2012’ (p. 22).

Schreck’s (2011) reference to circumstances is extremely important when it comes to understanding how the business case applies in developing world settings, particularly in the case of the oil and gas sector. Specifically, the circumstances under which the corporations populating the industry have converged on impoverished areas of the world are very different than the factors needed to drive the growth of their operations in the likes of Europe, North America and Australia – the developed countries where they are headquartered. Typically, governments lure multinationals to oil-rich but underdeveloped locations such as sub-Saharan Africa by offering a series of tax breaks and generous sharing agreements (Ghazvinian, 2007). The resulting development, it is believed, provides a much-needed foundation and catalyst for economic growth. But it is this very context which, as Blowfield (2005) hints, is irreconcilable with any stated business case for CSR:

There are broad issues to do with how far it is possible and desirable to make a business case for development goals, and what can be done to ensure that goals for which there is not a business case remain legitimate. But, perhaps more importantly, we need to be constantly alert to how a ‘business-like’ mindset affects the way we think about development, and the consequences for the poor and marginalized of managing development in a ‘business-like’ fashion [p. 521].

The business case becomes even more tenuous when the locations being targeted by the international oil and gas companies are taken into account, a point touched on earlier in this chapter. As Spence (2011, p. 70) explains, and building on points raised in Section 2.3.1, in the quest to secure reserves, ‘IOCs [international oil companies] must travel farther and work harder to find and produce energy’, a journey which leads to ‘places where laws are few, governments are relatively corrupt or inefficient, and violent conflict is endemic’. It is within these ‘difficult environments’, the author further explains, that ‘modern IOCs concerned about protecting reputations must discern just exactly what governments, international NGOs, and local neighbours expect of them, and just how many of those expectations the company can meet’.
What, then, has the business case become in such settings? From the literature, three rather obvious changes in the strategy of oil and gas companies are discernible, each of which adversely impacts CSR ‘outcomes’. The first is that unlike developed world settings, where proactive CSR has become routine and associated with strong financial performance, in poverty-stricken areas of the world such as sub-Saharan Africa, social initiatives generally come to fruition because of negative experiences. Frynas (2005, p. 585) accuses companies of only taking action ‘following bad publicity’, highlighting examples from Nigeria, where Royal-Dutch Shell only engage in community development exercises – repairing damaged infrastructure, constructing new buildings and restocking facilities such as hospitals – when pressured by NGOs. When viewed more sympathetically, however, it merely reinforces a concern raised by Wheeler Fabig and Boele (2002): whether ‘strategic corporate social responsibility intent is transferable to operational reality within acceptable time scales or whether there remain barriers (for example, lack of appropriate strategy, management capacity or institutional will) which will prevent this transfer in certain operations conditions’ (p. 300).

The second is a distinctively more reservationist approach to development projects, which Frynas (2005) correctly attributes to the notion of ‘delivering development…not [being] a primary motive for companies to engage in social initiatives’ (p. 587). But whilst the author is quick to condemn the likes of Royal-Dutch Shell for the litany of failed infrastructural projects which have resulted from oil companies viewing CSR in developing countries with increasing trepidation, the issue may be more nuanced than believed. It could simply be a case of oil companies not wanting to undertake tasks which its management believes are the responsibilities of government. This has already been observed and reported in the mining sector, where as Hamann (2003) points out, the industry’s tendency to operate in remote, relatively unmonitored areas of developing countries often gives rise to a situation in which the company ‘becomes a sort of de facto government’.

The third change is the emphasis (or more precisely, the de-emphasis) of the strategy itself: it appears that with their growing presence in developing world settings, international oil and gas companies have increasingly aligned their CSR policies with ‘international best practices’ or the default option. An illustrative example of this is the heightened importance being placed by oil and gas companies on the GRI. More than 4000 firms now use the GRI as guidance for their reporting, including those comprising the international oil and gas consortium.⁹ But it is the oil and gas companies which seem to be publicising the most about their efforts to do so, despite the fact that the GRI is no longer regarded as a distinguishable example of ‘best practice’ (Brown et al. 2007; Frost et al. 2005). Managers at Total, for example, have drawn attention to how, in 2011, the company ‘completed a full GRI report for the first time and the GRI performed an application level check and confirmed level A+’ (Total, 2013). Executives at Royal-Dutch Shell have reported much of the same. In addition to reporting ‘in accordance with the Global Reporting Initiative (GRI) and in line with oil and gas industry guidelines developed by

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the International Petroleum Industry Environmental Conservation Association (IPIECA), the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (OGP), they have made considerable effort to publicize the company’s ‘results’: namely that the ‘GRI confirmed our A+ reporting level for the information in the Royal Dutch Shell plc Sustainability Report for 2011, Annual Report and Form 20-F for 2011, and on our corporate website’ (Royal-Dutch Shell, 2011). The challenges with operating in developing countries seem to have put a damper on the creativity of oil and gas companies and/or discouraged executives from expending the extra effort needed to make CSR effective and a reality in these environments. Has this perhaps led these companies to overhype and overemphasise what have come to be recognized as standard CSR practices?

As is the case in the mining sector (see Hilson, 2011), although a featured element of the dialogue, is unclear how the business case for CSR applies to oil and gas industry in developing countries.

2.3.3 Pillar 2: The Social License to Operate

The second pillar on which the case for CSR in the oil and gas sector is built is the ‘Social License to Operate’, an issue discussed briefly in Section 2.2 of this chapter. Howard-Grenville et al. (2008) capture the essence of the phrase, furthermore explaining why it has gained currency in recent years in the eyes of the business community:

Increasingly, corporate environmental practices are seen as the result of multiple, possibly firm specific, drivers that interact with each other, including those originating in regulatory, international, resource, and social domains as well as in the marketplace … One way of conceptualizing these myriad pressures on a firm is as a ‘license to operate.’ This label has been widely used by companies, analysts, journalists, and scholars to refer to the idea that industrial facilities must comply with tacit expectations of regulators, local communities, and the public in order to continue operations…Some have noted, importantly, that these aspects of the license to operate are not simply imposed on a firm; they are at least partially subject to negotiation and revision by the firm’s own actions [p. 77].

A corporate construct, the ‘Social License to Operate’ implies that a company must secure a social ‘contract’ – a metaphor for endorsement or permission – from the communities potentially affected by its planned operations. It is alleged to be typically ‘informal and intangible’ and ‘granted by a community based on the opinions and views of stakeholders, including local populations, aboriginal groups and other interested parties’ (Yates and Horvath, 2013, p. 2). This can only be achieved, it is believed, if the said company has demonstrated, through past efforts, a strong commitment to environmental management and community development.

As Wilburn and Wilburn (2011) explain, the ‘Social License to Operate’ was largely a response to the United Nations move to establish a platform for ‘Free, Prior and Informed Consent’ (FPIC), specifically, the view that ‘All peoples have the right of self-determination,…[and] By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development’, that ‘All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based
upon the principle of mutual benefit, and international law’, and that ‘In no case may a people be deprived
of its own means of subsistence’. The regular association of the social license to operate with FPIC in
the context of natural resource extraction in developing countries (see e.g. McKay, 2004; Anderson, 2011)
implies that subsistence communities have a choice, which is generally not the case. Slack (2008) elaborates
on why this association is problematic:

Although social license has a positive ring to it, and seems consistent with new corporate social responsibility
standards, when pressed, corporations are rarely willing to equate it with community consent – that is, not
operating in places where communities are opposed to their presence…The distinction between social license
and consent is critical because accepting community consent as a basic operating standard sets a higher bar. If
a community’s actual consent is required before operations begin, companies must treat the community as
more of a partner in project development, rather than as an obstacle to overcome. It also implies that a
company must engage more holistically with a community, providing them access to critical information and
allowing them adequate time to assess their needs and interests before making a decision about whether to
accept a company’s presence. The more vaguely defined social license does not necessarily imply these things.

However, despite doing very little over the years to clarify this tenuous association, the number of
resource-based corporations that maintain ‘that attention to social license is beneficial for their long-term
prospects in a region’ (Yates and Horvath, 2013, p. 3) is rapidly growing.

The long list includes those which make up the international oil and gas consortium. The social
license to operate is now well-integrated into the CSR dialogues and policies of its major firms. In the
eyes of BP executives, for example, a ‘social licence depends on people being able to judge us openly and
trust us in relation to all these impacts’ and ‘broadly equates to trust’, which they ‘group’ into ‘four areas:
1) being trusted to provide energy; 2) being trusted to do so safely; 3) being trusted to do so with care for
the environment; and 4) being trusted to be a force for good in the communities where the company
operates (BP, 2013). At its annual meeting with stockholder in 2013, senior management at
ConocoPhillips echoed much of the same, reassuring that ‘ConocoPhillips’ ability to maintain its social
license to operate and therefore gain access to new reserves…The risk of extractive companies infringing
on human rights for indigenous peoples is well-known…We believe ConocoPhillips is now putting in
place corporate policies to mitigate these risks and avoid doing harm’ (ConocoPhillips, 2013). These
views, it is believed, apply to the international firm as well, underpinned by the position that ‘it is a twenty-
first century fact that any institution that does business and pays taxes within a country is a legitimate
corporate citizen of that country’ (Ohmae et al., 1991, p. 129). In support of the ‘social license to operate’
argument, proponents often draw upon selected examples of where companies which have failed to
adequately dialogue with local communities have encountered considerable problems with operations, and
in some cases, have been forced to abandon activities (See Table 2.4 for a list of selected cases).

But for international oil and gas companies, particularly those operating in sub-Saharan Africa, it
is unclear how the case for the ‘social license to operate’ applies for a number of reasons. First, and
revisiting Slack’s (2008) point that corporations have not been very forthcoming about equating the social

license to operate with community consent, the assumption being made is that affected populations have a voice. As Slack (2008) explains, doing so ‘would mean accepting loss of access to areas that would otherwise be highly favorable from an economic perspective’ which is ‘still ‘a bridge too far’ for some companies, particularly in the natural resources sector, where areas of operation are dictated by geology’. With the actions of natural resources companies, in this case, oil and gas firms, being governed – or more appropriately, restricted – by prized but limitedly available reserves, it begs the question of how significant the social license or community’s ‘say’ is in so-called ‘new frontiers’ (see Anderson and Bieniaszewska, 2005). In other words, parallels cannot be drawn, on the one hand, between the experiences of the Coca Cola plant in Kerala or Nestle in Michigan for overconsumption of drinking water (Wilburn and Wilburn, 2011), two companies that are, for the most part, free to locate production facilities in any country, and on the other hand, internationalising oil and gas firms which are, in the words of Slack (2008), ‘dictated by geology’. In such cases, economics will always put the ‘social license to operate’ argument to the test.

Table 2.4 Selected cases of ‘relinquished’ Social Licenses to Operate

| Source: NEI Investments, 2008 |

Second, the ‘social license to operate’ is contingent upon communities being able to express opinion freely and openly resist the growth of industrial activities, which in oil-rich sub-Saharan Africa, a region plagued by dictatorial rule, is hardly the case. One way of gauging this ‘expression’ – and ultimately, the strength of the ‘social license to operate’ argument – is through grievance or resistance. While Paul Collier (Collier et al., 2004; Collier and Hoeffler, 2004) is rightly credited with making the association between grievance and civil violence, it was Gurr (1970) who first explored the issue in terms of individuals’ deprivation, investigating, in his landmark text, Why Men Rebel, how disputes arise when people believe there is a significant discrepancy between what they receive and what they are entitled to. In the context of natural resources such as oil and gas, grievance-related disputes are linked with ‘motive’, and are generally about ‘justice-seeking’ (after Holden et al., 2011). Grievance Theory, as articulated by Gurr (1970), Collier et al. (2004), Collier and Hoeffler (2004) and others (e.g. Holden and Jacobson, 2007;
Murshed and Tadjoeeddin 2009), constitutes a major strand of the conceptual framework of this thesis. Its underpinnings and applicability to low-intensity resource disputes such as those witnessed in much of oil-rich sub-Saharan Africa in recent years are examined at greater length in Chapter 3, which again introduces the conceptual framework adopted in this thesis. But the key point of concern here is, again, the ‘expression’ of grievance, which serves as an important indicator of the extent to which companies can be held responsible for their actions by local populations.

The experiences which international oil and gas companies often draw upon in support of their case for a social license to operate are mostly from countries where community resistance is well-organised and/or supported, and where the grievances which are effectively the manifestation of this resistance cannot be easily suppressed. In the case of Indonesia, for example, Yates and Horvath (2011) have praised the efforts taken by BP to develop a comprehensive community development programme at its natural gas project in the Bintuni Bay area of Papua. Similarly, Kurlander (2001) draws attention to the efforts of the international gold mining giant, Newmont, to ensure that relations with the country's Batu Hijau community remain cordial throughout. But crucially, such authors fail to take stock of the lengthy history of galvanised resistance and organised protest waged against extractive industries projects – mainly mining activities – in the Asia-Pacific Region, including in the likes of the Philippines (see e.g. Bravante and Holden, 2009; Holden et al., 2011) and Papua New Guinea (see e.g. Kirsch 2008; Kepore and Imbun 2011). In fact, it was largely the cases of community backlash reported in this region that prompted publication of The Gulliver File (Moody et al., 1992), a landmark compilation of cases which, as Ali and Behrendt (2001) explain, paints ‘for better or for worse anti-mining activism’ as a ‘global social movement’. In Indonesia itself, heading the long list of community-extractive industries disputes is the Aceh conflict. The natural gas reserves in Northeastern Aceh, discovered in 1974, were used by the government to enrich its military base, not Aceh itself, which consequently experienced rapid economic decline, in turn sparking grievances among a relatively homogenous population against government oppression (Wennman and Krause, 2009). These experiences have clearly affected the strategies of mining and oil and gas companies that have targeted the Asia-Pacific Region for investment: here, the ubiquity of well-organised pockets of community resistance makes arguments in support of the ‘social license to operate’ somewhat credible, forcing companies to approach particular situations with some trepidation. However, in oil-rich sub-Saharan, with the exception of perhaps the Niger Delta, no such homogenous, galvanised forms of local-level opposition are known to exist. This casts doubt on the applicability of the ‘social license to operate’, or whether community ‘approval’ is needed altogether, in this region of the world.

Another area often singled out by the oil and gas industry in support of the case for a ‘social license to operate’ is Latin America. But this – for its own unique reasons – is also an exceptional case, and therefore offers very few lessons for sub-Saharan Africa. One of the more frequently cited cases is the Chevron’s Oriente project in the remote northern Amazon region of Ecuador, which is home to an
assortment of indigenous peoples. In 1993, several of these communities took then-producer Texaco – which Chevron acquired in 2001 – to court over alleged environmental contamination and substandard practices, for which an Ecuadorian court found Chevron liable for US$18 billion (Amazon Watch, 2012). Chevron has since put together an aggressive counter-litigation and public relations campaign against Ecuadorian plaintiffs, but as Bullinness and Lewis (2011) point out, in all likelihood, ‘[i]t will backfire and prove to be a long-term barrier to the company’s obtaining the legal right and social license to explore and operate in new regions’ (p. 4). Such a response, however, has become the norm in Latin America, where as a number of scholars explain, community resistance towards extractive industries is dynamic, cohesive, extremely fortified and backed by highly-influential local leaders (Gordon and Weber 2008; Dougherty 2011).

But the level of community resistance and more broadly, the scale of local interrogation, in the more ethnically-fractionalized landscapes of sub-Saharan Africa do little justice to Moody et al.’s (1992) claims. This even applies to the Niger Delta, where resistance led by the Ogoni people, despite being successful in mobilising neighbouring villages also affected by oil extraction, lacks the ingredients capable of challenging incoming international corporations; through lobbying and resistance, placing demands on their management; and where necessary, facilitating changes in their practices. As Slack (2009) explains, one of the more distinguishing attributes of parallel movements in Latin America is that many have the backing of influential national leaders, including senior members of the Roman Catholic Church. Another very crucial element characteristic of the Latin American uprisings is, as Buturo (1994) explains, reliable support from the NGO community:

The political stance of many African NGOs contrasts with that of their Latin American counterparts…Many Latin American NGOs have had a history of directly and openly supporting social movements in opposition to military regimes. NGOs in Africa have not taken that high a political profile. For many African NGOs, politics is a forbidden and dangerous area. They argue that the best way for them to fulfill their development roles is to remain apolitical. Yet this is an unrealistic strategy, not least because many NGOs’ operational activities are themselves political in that they seek to shift existing inequities in favour of the poor. Instead, they prefer to promote democracy by supporting grassroots organizations with resources, training and information.

The NGO community in Latin America is much more cohesive, likely finding it much easier to support the region’s more uniform community efforts than in the more ethnically-divided landscapes of sub-Saharan Africa (Slack, 2009). In the former, NGOs have historically functioned in opposition to government, strengthening community support, whereas the latter has only recently experienced its NGO movement, which, for the most part, is struggling to find traction (Banks and Hulme, 2014).

In summary, Howard-Grenville et al. (2008) are correct in claiming that ‘One way of conceptualizing these myriad pressures on a firm’ – the reality that ‘Increasingly, corporate environmental practices are seen as the result of multiple, possibly firm-specific, drivers that interact with each other, including those originating in regulatory, international, resource, and social domains as well as in the marketplace’ – is ‘as a ‘license to operate’ (p. 77). But this is contingent upon affected communities being
able to openly resist and challenge industry, or, as the next subsection of this chapter explains, to hold individual companies accountable. From the evidence in the literature, there are doubts as to whether in oil-rich sub-Saharan Africa, this ‘space’ is sufficient and by extension, whether a case can be made for the ‘social license to operate’ being a major pillar of the sector’s CSR case can be made altogether.

2.3.4 Pillar 3: Regulation, Accountability and Performance

A third pillar of CSR in the context of the international oil and gas sector concerns the overall performance of companies vis-à-vis the regulatory environment in which they operate. This relates specifically to the issue of ‘context’ broached initially at the beginning of this section. To what extent do the different regulatory environments in which international oil and gas companies operate influence their performance, and do they in any way affect the ‘bar’ for CSR in the sector?

The executives of oil and gas companies insist that context has no impact on strategy – that international ‘best practice’ is pursued regardless of setting. The following quotation from the CEO of ConocoPhillips is a telling example of the type of rhetoric being espoused by the oil and gas consortium on this particular issue:

ConocoPhillips has a long-standing commitment to comply with the law wherever we operate and to conduct all business activities with the highest ethical standards. In today’s business environment, upholding this commitment is critical for our continued success in the global marketplace. The ConocoPhillips governance body ensures the company serves the interests of shareholders and other key stakeholders with the highest standards of responsibility, integrity and compliance with all laws [ConocoPhillips, 2013].

Heisler and Markey (2013) caution against such optimism, drawing attention to the importance of recognising that the CSR strategies of internationalised resource sectors – in this case, oil and gas – are formulated within a neoliberal framework. The ‘roll-back’ of the state in the liberalised economies of the developing world has placed heightened reliance on the CSR programmes of incoming multinationals to ensure that resource wealth and ancillary benefits filter down to local communities and that in the process, the quality of life of local residents is improved overall (after Crisp and Kelly 1999). Borrowing ideas presented by Sadler and Lloyd (2009), the authors argue that this dependence has established an ‘in-between’ policy space, setting new ‘extra rules for corporate activity’ (p. 616) but which is, significantly, being ‘created outside of official policy spheres, where political leverage, recommended practices, and negotiations dominate how corporations, governments, and local communities interact’ (Heisler and Markey, 2013, p. 389).

This brings to light three very important issues, each of which revolves around the theme of context. The first is the state of regulatory apparatuses in the economically-depressed regions of the world, such as sub-Saharan Africa, where the operations of international oil and gas corporations are rapidly expanding. As is made clear in the literature, many of the countries being targeted by the consortium are weak. The argument posed is that in such environments, the limited resources of states constrain their ability to regulate industrial activities effectively. Drawing on experiences from the mining sector with
specific reference to environmental concerns, Warhurst (1992) was one of the first scholars to draw attention to how globalising resource industries’ selection of operational destinations could potentially be fuelled by a ‘Race to the Bottom’ – specifically, the idea that countries desperate to secure FDI are willing to ‘loosen’ regulatory requirements and assign fewer ‘responsibilities’ to companies:

Should the developing country pose less onerous environmental burdens on the potential investor to improve the terms of the investment by implying lower compliance costs or a greater assumption by the state of the environmental costs associated with mineral development projects? Or will a clear and strict regulatory regime be more likely to facilitate credit flows from increasingly more environmentally conscious lending agencies? Developing countries desperate for investment in their stricken mineral sectors will need to determine what terms the market can stand and how such terms can be structured to reduce to the minimum risk premium the investor will seek for a given tax or regulatory burden [p. 40].

The issue of concern, explain Dobers and Halme (2009, p. 242), is that because ‘CSR is located in wider systems of responsibility in which business, governmental, legal and social actors operate according to some measure of mutual responsiveness’, in weak institutional environments, ‘where non-compliance, tax evasion, and fraud are a norm rather than an exception, abiding by the rules and regulations may well be a manifestation of a responsible corporation’ (authors italics). Specifically, a lack of a visible legislative benchmark affords a multinational with significant room to maneuver and, in the absence of pressure, the freedom to develop its own CSR practices based on conceived definitions of ‘responsibility’ and ‘ethics’. The pressures are, as Foo (2007) points out, in ‘western countries such as the US’, where ‘western corporations are often burdened by expensive before-the-fact-legal contracting and after-the-fact litigation’ (p. 382).

Elaborating on points raised by Warhurst (1992), it is the cost associated with operating in developed countries, which many believe, is fuelling the expansion of Western-based – and more recently, Chinese-backed – resource industries in developing countries, including the scramble for oil in sub-Saharan Africa. It is against the background of this scramble that scholars have drawn attention to the willingness of multinationals to relocate to so-called ‘pollution havens’ and ‘pariah’ states to avoid the burden of costs associated with complying with stringent regulations in the developed countries where they are headquartered. Put bluntly, the ‘Major concerns have been the weak institutional capacity of [these] governments to enforce corporate regulations and the power of MNCs to influence host governments to support weak regulatory regimes of corporate conduct’ (Mzembe and Meaton, 2013, p. 3-4). There is little to speak of in the form of international legislation to buffer against these legislative inadequacies. As will be explained in Section 2.4, this has important bearing on the international oil and gas industry, which again, now flourishes in states recognised as having the weakest institutional structures in the world.

This leads to the second issue, which is the performance of multinationals themselves in these impoverished, legislatively-incapacitated and ‘rentier’ settings. This is a much-debated issue in the literature, even among development scholars themselves. The focus has been placed on determining not only if corporations themselves take advantage of operating in developing countries with below-standard
regulations and in the process, chart a new course for their CSR, but also whether regulations and
government expectations in the areas of environmental management and social development influence
where an internationalising firm operates. In the case of the former, a number of scholars in both the
development studies and management fields appear somewhat sympathetic towards internationalising
firms, believing that relocation and operation in unregulated environments presents a formidable
challenge. The fact that ‘in developing country environments, legal standards may be weak or non-
existent, and governments may be corrupt, inefficient, or both’, explains Spence (2011), ‘poses a dilemma
for oil companies [in particular], once they have come to understand through a sometimes painful learning
process’ (p. 71). The author highlights the experiences of Royal-Dutch Shell in Nigeria, where dealings
with and monies funneled to an autocracy in the 1960s-1980s failed to generate much benefit for local
communities. This, the author further contests, is the reason why Royal-Dutch Shell has endured such
criticism of late: that despite efforts to ‘address its reputational problem by undertaking social investment
and making concerted efforts to cultivate positive relationships with all of its important stakeholders in
Nigeria’, and ‘pouring resources into social projects and stakeholder relations in Nigeria in the 1990s and
early 2000s, protests against Shell became stronger and more organized’, by which time, ‘much of the
reputational damage had been done’ (p. 72). This position is somewhat supported by a body of
scholarship (see e.g. Qian et al., 2008; Kim and Trumbore, 2010; Bloom et al., 2012; Yang et al., 2013)
which suggests that multinationals generally do not succumb to any temptation to ‘underperform’ in
developing world settings, and/or are operating in accordance with international ‘best practices’.

On the issue of multinationals performing in line with international best practices, the literature
presents extremely polarized views. Several scholars (Eskeland and Harrison, 2003; Cole and Elliot, 2005;
Spatareanu, 2007) offer convincing analyses that buffer against mounting criticism that multinationals’
decisions – spearheaded primarily by the NGO community – to operate in developing countries is greatly
influenced by the ‘Race to the Bottom’. These studies question the quality of available data, contesting
that there is no evidence to suggest that countries deliberately lower environmental and social standards to
attract multinationals. They furthermore refute claims that CEOs move into so-called ‘pollution havens’
where there is considerable flexibility to devise, in settings devoid of regulation and enforcement, their
own CSR practices because doing so presents an opportunity to reduce costs. Significantly, however, this
body of analysis tends to concentrate heavily on macroeconomic issues, at the same time failing to present
a comprehensive complementary grassroots, community-level perspective on multinationals’ performance
and actions. Experiences from the garments and clothing industry, particularly detailed accounts of the
scores of international companies that have, in the past three decades, relocated their production facilities
to various countries across Asia, suggest otherwise (see e.g. Khanna, 2011; Hoang and Jones, 2012). As
reported widely in the literature, companies such as Gap Inc., Nike and Reebok have flourished in settings
such as Bangladesh, India and Thailand, where there are questionable labour standards and few
expectations in the context of CSR (Harrison and Scorse, 2006; Islam and Deegan, 2010; Doorey, 2011).
Much of the same applies in the extractive industries, particularly multinational-funded large-scale mining activities, the management of which has been accused of paying poor compensation to locals, dislocating populations and damaging the resources on which indigenous peoples depend for their livelihoods (Garvin et al., 2009; Walter and Martinez-Alier, 2010; Banks et al., 2013). But the oil and gas sector has also been heavily criticised about its performance in developing countries, accused of failing to deliver adequate benefits to the communities indigenous to the areas where it operates. The most illustrative example of this, at least in the case of sub-Saharan Africa, is, again, Nigeria. Despite claims by Spence (2011) and a handful of others who sympathise with Royal-Dutch Shell’s ‘predicament’ (e.g. Ite 2004, 2007a, 2007b; Amadi and Abdullah, 2012), the broad consensus (Tuodolo, 2009; Renouard and Lado, 2012; Idemudia, 2012) is that the company’s seemingly endless flow of profits from its operations in the Niger Delta is largely a result of it having the freedom to work outside of regulations and not being penalized for doing so. Edoho (2008) and Ruffin (2012) capture the scale of this noncompliance and its implications for community development, and the essence of the general lackadaisical approach taken by Royal-Dutch Shell and other oil giants operating in the Niger Delta toward CSR. In sharp contrast to international best practices, between 1976 and 2000, there were 5733 oil spills, responsible for a collective discharge of over 2,567,966 barrels of crude, in the Delta. The region has also suffered from unprecedented gas flaring at 117 sites, the combined emissions from which are responsible for 25 percent of Africa’s greenhouse gas emissions. Despite the well-documented impacts of gas flaring in the Delta (Edino et al., 2010; Oghenejoboh, 2010; Elkpo and Obia, 2010) and the strict regularly-revised regulations implemented to legislate against it, Royal-Dutch Shell has repeatedly escaped prosecution because of the preferential treatment given to it by Nigeria’s government.

Garcia-Rodriguez et al. (2013) attribute the debacles witnessed in oil-producing regions of the developing world, such as the Delta, to oil companies’ tendency ‘to replicate CSR programmes without paying sufficient attention to local culture and context’. The experience in the Delta reinforces Galbreath’s (2006) claims that ‘understanding the cultures of the countries and regions a firm is seeking to operate in is very important’ and that ‘if they [firms] plan global expansion, they must operate within the context of national and even region cultures of another country’ (p. 180). However, the increased community agitation linked to expanding industries across the developing world – including in the oil and gas sector – calls into question whether multinational corporations engage as innovatively with CSR strategy as they do in developed countries. Specifically, are the pressures in sub-Saharan Africa sufficient to force oil and gas companies to think more innovatively about their CSR practices?

The leads to the third and final issue, which is the types and locations of the communities being targeted for CSR by the multinationals in question, in this case, those which make up the international oil and gas companies. Owen and Kemp (2013) observe how, ‘over the past decade, the notion of ‘social license’ has become embedded within core mining industry vernacular’ (p. 30). This tends to apply in even the most impoverished of settings and/or where regulations are lacking. The same cannot be said
about oil and gas, however, because of its comparatively unique setup. Unlike mining activities, which, as mentioned earlier, have a lengthy gestation period and consume vast tracts of land and as a result, likely force management to address community concerns even where government presence is lacking, oil and gas activities, at least in sub-Saharan Africa, occur predominantly in offshore environments, the key exceptions being Nigeria, Chad, South Sudan and potentially, Uganda. As Ackah-Baidoo (2012) explains, the offshore context raises important questions for research, namely:

- How does operating in these ‘enclaves’, in environments free of regulation, affect CSR ‘outcomes’? and

- Which communities are targeted in the CSR exercises of these companies, what criteria are used to identify the individuals targeted, and what is the nature of the social ‘contracts’ devised?

‘Enclavity’ and ‘offshore CSR’ are largely unique characteristics of the international oil and gas sector, and the main themes which underpin this thesis. The section that follows examines each more closely, in turn, framing the analysis of how the three ‘pillars’ of the case for CSR in the oil and gas sector, as articulated in the literature, apply in offshore environments in sub-Saharan Africa.

### 2.4 Enclavity and ‘Offshore CSR’ in Oil-Rich Sub-Saharan Africa

How have conventional conceptualisations of the pillars on which the case for CSR in the oil and gas sector have been built played out in sub-Saharan Africa? Again, the region’s contribution to global petroleum production is still rather small, accounting for approximately 13 percent of global oil output and supplying roughly 5 percent of the world’s natural gas (World Energy Outlook, 2008; Baumuller et al., 2011). But while production may be a fraction of that of the Middle East, Russia, Brazil and North America, it is increasingly becoming a destination of choice for a host of European and US oil and gas firms. Ghazvinian (2007) outlines the reasons why. The first, and perhaps most important, is its geographic advantage. In addition to its reserves being mainly surrounded by water, which reduces transportation costs, its proximity to both the US and Europe allows for rapid transport to major cities via inexpensive sea-lanes. Second, the oil found offshore is regarded as ‘light’ and ‘sweet’, meaning that it is low in sulphur and density, and therefore easier and less expensive to refine than most other crudes. A third advantage is that sub-Saharan Africa is a tremendously favourable contractual environment. Unlike in the Middle East, for example, most countries in the region have in place production-sharing arrangements that allow a company to search for petroleum on the condition that it covers all production and exploration costs, and if oil is discovered, will share the revenues with the host government but only after initial costs are recovered. The fourth and a rather obvious advantage is that it has potential as a gateway for reducing reliance on supply from the politically-challenging Middle East.

The ‘scramble’ for oil and gas in sub-Saharan Africa has not only buoyed output in established producers, such as Nigeria and Angola, but has also led to an opening up of ‘new frontiers’. The likes of
Uganda, Kenya, Ghana, Niger and quite possibly, Sierra Leone and Liberia, are set to ‘redraw sub-Saharan Africa’s oil and gas map over the next five years, contributing to a significant increase in output’ by potentially ‘producing an additional 400,000 bpd by 2018, taking the region’s total crude output to 6,600,000 bpd’.11 A large share of current production, however, takes place in offshore ‘enclaves’; as will a significant percentage of projected future production. These ‘enclaves’ are unique operational environments, typically catalyzed through partnerships forged with host governments of weak states. The geographical – and by extension, ideological – positioning of these enclaves has important implications for CSR and more broadly, development, in oil-rich sub-Saharan Africa.

2.4.1 Conceptualizing ‘Enclavity’ in the Context of the Extractive Industries

Ferguson (2005) is credited with popularising the notion of ‘enclavity’ in the context of the extractive industries in sub-Saharan Africa. It is the nature of the transactions forged with the region’s host governments which spawn this development:

The movements of capital cross national borders, but they jump point to point, and huge areas are simply bypassed. Capital does not ‘flow’ from London to Cabinda; it hops, neatly skipping over most of what lies in between. When capital is invested in spatially segregated mineral-extraction enclaves, the ‘flow’ of capital does not cover the globe, it connects discrete points on it. [p. 379]

The ‘enclave-like nature of the highly productive sector’ and the ‘minuteness of its associated domestic multiplier’, argue Weisskoff and Wolff (1977), explain why developing countries such as those found across sub-Saharan Africa ‘fail to realize gains from their trade’ (p. 608). Industry – in this case, the extractive industries – is, as Singer (1950) puts it, little more than ‘domestic investment on the part of industrialized countries’ (p. 475). A brief historical analysis of the rise and dynamics of industrial ‘enclavity’ in sub-Saharan Africa provides an important basis for understanding the context in which present-day decisions are made in the region’s oil sector, including those concerning CSR.

The siting and distribution of these enclaves is determined largely by capital flows which, Ferguson (2005) explains, “hops” over ‘usable Africa,’ alighting only in mineral-rich enclaves that are starkly disconnected from their national societies’ but which bypass other areas entirely that ‘are indeed in many ways excluded from the global economy’ (p. 380). In making this point, the author draws on the work of Reno (1999), who laid out the two very different types of governance that applied to the two different ‘Africas’ which French colonialists once distinguished: l’Afrique utile and l’Afrique inutile (usable and unusable Africa). With continuous flows of capital nourishing these enclaves, export-led production has reached unprecedented levels. But at the same time, because of their isolated nature and disconnected from local communities, resource enclaves provide few benefits to the general population outside of the government officers company officials have forged their contracts with.

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What implications does this have for CSR and community development more generally? With enclavity being the ‘mode’ of industrial activity most compatible with the rentier politics found throughout oil-rich sub-Saharan Africa (examined in greater detail later in Section 2.4.2), any effort to effect change through CSR would require operating outside of regulatory and policy frameworks. Even if willing to do so, operating within an enclave – with accounts conjuring images of ‘operating in another world within a world’ or ‘inside of the box’ – could put a damper on creativity in the area of CSR. MacEachern (2005) offers one of the most illustrative glimpses of life inside such enclaves, drawing upon personal experiences from Chad:

More proximately, during the period between 1999 and 2009 I was involved in various capacities with the cultural heritage management programme of the Chad Export Project...Through that period, I spent months living and working in the ramifying archipelago of protected camps, cleared rights-of-way, helicopters and chauffeured Toyota Land-Cruisers that Exxon had established in this part of Central Africa...Participation in the project involved fieldwork in Cameroon and also in southern Chad, one of the poorest places on Earth, where the average life expectancy is about 47 years, infant mortality rates are approximately 10 per cent, and other demographic indicators are similarly catastrophic...On the other hand, life inside the wire included Skippy peanut butter and Louisiana hot sauce brought in to stock the cafeterias, private air-conditioned trailers with hot showers and satellite television, and in Chad a posse of armed guards for any movement beyond the camp gates. Ferguson’s term ‘enclave’ is perhaps too mild: this was life on a submarine...[p. 249]

The CSR practices implemented across oil-rich sub-Saharan Africa are, for the most part, conceived from within the confines of these enclaves, which could go a long way toward explaining ‘outcomes’.

The region’s recent spate of oil projects have become nestled within landscapes long scarred by inequality. It was Singer (1950) who, over 60 years ago, drew attention to this problem in the context of ‘enclavity’, focusing on the themes of ‘ownership’ and ‘opportunity cost’. The author observed that the booming industrial production surfacing across poor regions of the world, such as sub-Saharan Africa, was, at times, illusory because ‘the productive facilities for producing export goods in underdeveloped countries are often foreign owned as a result of previous investment in these countries’ (p. 474). The vicious cycle of global inequality being observed at the time began to take hold during the period of protracted European exploration and trans-Atlantic slavery. It intensified under colonial rule, when indigenous subsistence populations became confined to poor regions and called upon to supply European farms and subsequently, manufacturing industries in South Africa, Rhodesia and Kenya with labour (Amin, 1972). Priority emphasis was placed on export-led growth, with comparatively little emphasis on developing African colonies themselves. For example, between 1923 and 1964, the British Treasury collected £40 million in taxation from Northern Rhodesia but over the same period, had spent only £5 million on development (Lanning and Mueller, 1979, p. 198). This policy environment spawned a series of industrial enclaves, most notably, the Zambian Copperbelt, where, as O’Faircheallaigh (1984, p. 97) explains, ‘a high proportion of the industrial goods and services used by the mines were imported,...few linkage industries emerged, and those which did (power generation, rail transportation, timber and metal
products) failed to achieve self-sustaining growth’, and ‘because of the Copperbelt’s geographical concentration, mine infrastructure did little to stimulate other economic activities’.

Singer (1950) offered a more detailed insight of the inequalities emerging in sub-Saharan Africa at the time, broaching the idea of enclavity, albeit implicitly:

Could it not be that in many cases the productive facilities for export from underdeveloped countries, which were so largely a result of foreign investment, never became a part of the internal economic structure of those underdeveloped countries themselves, except in the purely geographical and physical sense? Economically speaking, they were really an outpost of the economies of the more developed investing countries. The main secondary multiplier effects, which the textbooks tell us to expect from investment, took place not where the investment was physically or geographically located but…they took place where the investment came from…Thus the fact that the opening up of underdeveloped countries for trade has led to or been made possible by foreign investment in those countries does not seem a generally valid proof that this combination has been of particular benefit to those countries. [p. 475]

Little changed following African independence with respect to the orientation of this development. During the 10 years before Northern Rhodesia’s independence in 1964, for example, Anglo American and the Rhodesian Selection Trust, the two copper mining groups operating in the colony at the time, repatriated an estimated £260 million in dividends, interest and royalty payments. Although actual annual amounts were not disclosed, Limpitlaw (2011) recounts that these companies were profitable during this period. The companies continued to remit considerable sums of money after independence, repatriating £125 million between 1964 and 1968 alone (Lanning and Mueller, 1979). Economic deprivation of equivalent magnitude occurred in the Gold Coast Colony, where between 1898 and 1946, the mills and treatment plants of the Ashanti Goldfields Corporation produced 5.75 million ounces of fine gold, the bulk of profits from which were channeled to its core group of foreign-based ‘well-to-do shareholders’ (Dumett, 1988, p. 505-506). Such experiences would come to inform Dependency Theory and World-Systems Theory, which depict the world as being comprised of underdeveloped states located on the ‘periphery’ and supply labour and resources to the ‘core’ wealthy states but at their expense (Frank, 1967; Kapoor, 2002). Although an exhaustive discussion of these theories is beyond the scope of this thesis, they do nevertheless reinforce points raised by Singer (1950), helping to explain the impetus beyond the formation of industrial enclaves – in this case, offshore oil production in sub-Saharan Africa – and their orientation.

In present-day sub-Saharan Africa, as Ferguson (2005) explains, ‘the clearest case of extractive enclaving (and no doubt the most attractive for the foreign investor) is provided by offshore oil extraction, as in Angola, where neither the oil nor most of the money it brings in ever touches Angolan soil’. Despite being Africa’s largest oil producer, ‘virtually all the production’, continues Ferguson (2005), occurs offshore (and increasingly in very deep water operations)...[and] very little of the oil wealth enters the wider society’, which explains why, despite ‘some 25 years of booming oil production, Angolans today are among the most desperately poor people on the planet’ (p. 378). The ‘Angolan’ offshore oil model, however, now persists across West Africa, from its newest producer, Ghana, through to Congo-
Brazzaville and Cameroon, and down to the aforementioned Angola. In 2007, conventional oil production in sub-Saharan Africa reached 5.6mb/day, of which 5.1mb was exported. The estimated cumulative ‘government take’, for the period 2006-2030, from this and allied gas extraction is projected to be as high as US$4.1 trillion (World Energy Outlook, 2008). Yet, the social conditions of the countries in which these offshore oil-producing enclaves surface are, much like Angola, poor (De Oliveira, 2007). As the next section of the chapter explains, such settings are characteristic of locations marked by rentier politics and where institutions are weak and rife with corruption. How does CSR apply in these environments and for proactive firms, what is the incentive for ensuring that programmes are, indeed, effective?

2.4.2 Rentier Politics and Weak Institutions

In many developing countries, extractive industry enclaves, such as offshore oil rigs, have attracted the limelight because of the lack of attention paid by host governments to pressing development needs. Specifically, the failure of policymakers in oil-producing developing countries, such as those found along Africa’s West coast, to use resource rents for the benefit of the population has magnified the enclavity export-led growth issue. The literature on the ‘resource curse’ – the idea that counter-intuitively, developing countries endowed with natural resource wealth have negative or negligible economic growth – offers some clarity on why this is the case. While an exhaustive examination of the resource curse is beyond the scope of the present investigation, some reference to the burgeoning body of analysis on the subject is necessary, as it provides a broader understanding of the socio-political context in which oil-producing enclaves in sub-Saharan Africa materialize.

Since publication of Auty’s landmark studies (1990, 1993, 1994a, 1994b, 1994c), the resource curse has attracted considerable scholarly attention (Ross, 1999; Atkinson and Hamilton, 2003; Papy rakis and Gerlagh., 2004; Luong and Weinthal., 2006; Nili, 2011), including an appreciable level of coverage in the business, management and economics literature in recent years (Mikesell, 1997; Sachs and Warner, 2001; Kronenberg, 2004; Konte, 2013). Of particular importance in the case of oil-rich sub-Saharan Africa is what Hilson and Maconachie (2009) refer to as the ‘institutional strand of the resource curse debate’. This is the idea that weak institutions and corruption have contributed enormously to the perpetually poor economic performance of resource-endowed regions of the world, such as oil-rich sub-Saharan Africa (Mehlum et al., 2006; Robinson et al., 2006).

Ite (2005) was among the first to ‘locate’ the region’s oil producers in this analysis, explaining that ‘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’ (p. 915). These countries, however, are, as indicated, among the least democratic in the world, their regimes siphoning oil rents to enrich their position and to increase their strangleholds over the general populace. De Oliveira (2007) refers to these dictatorial but lucrative countries as ‘successful failed states’, and uses the case of Angola to illustrate why:
Contemporary Angola presents two trends that seem contradictory and not to intersect. On the one hand, despite being sub-Saharan Africa’s second largest oil producer, Angola is one of the worst governed states, with negligible levels of social expenditures, epidemics of mortal diseases galore, famously sticky-fingered elites, and a public administration unable to perform basic sovereign tasks or cover much of the nominal Angolan territory...it is, in many ways a very weak or ‘failed’ state, at least from the viewpoint of the vast majority of its citizens...On the other hand, Angola’s enormously wealthy rulers have successfully withstood major external and internal challenges, created the armed forces of a regional superpower, and developed strong and diversified networks of international support that are likely to guarantee incumbency for years to come...In other words, Angola is what one could describe as a ‘successful failed state’. [Oliveira, 2007, p. 609]

International oil and gas companies seem willing to broker negotiations with these governments. As Ferguson (2005) explains, ‘countries with what are, in conventional normative terms, the ‘worst’ and ‘most corrupt’ states, even those in the midst of civil wars, have often attracted very significant inflows’ (p. 380). Inflows of oil revenue have simply fueled ‘rentier politics’ in these settings.

Income inequalities have become very pronounced in these settings, often forcing oil and gas companies to deal directly with aggrieved populations. Hirschman (1973) provides perspective on how communities conceptualise these inequalities and ultimately why they become agitated:

Suppose that I drive through a two-lane tunnel, both lanes going in the same direction, and run into a serious traffic jam. No car moves in either lane as far as I can see...I am in the left lane and feel dejected. After a while the cars in the right lane begin to move. Naturally, my spirits lift considerably, for I know that the jam has been broken and that my lane's turn to move will surely come any moment now. Even though I still sit still, I feel much better off than before because of the expectation that I shall soon be on the move. But suppose that the expectation is disappointed and only the right lane keeps moving: in that case I, along with my left lane co-sufferers, shall suspect foul play, and many of us will at some point become quite furious and ready to correct manifest injustice by taking direct action...[p. 29]

The ‘injustice’, in this case, is the lack of benefit derived from a ‘booming’ oil economy. Facing aggrieved populations, oil and gas companies have the unenviable task of designing and implementing CSR programmes in a context of rentier politics, in and around the ‘boundaries’ of weak institutions, and from the confines of their enclaves.

2.4.3 Conceptualizing ‘Offshore CSR’

To recapitulate, and as detailed in Section 2.3 of this chapter, CSR in the oil and gas sector has three distinctive pillars: 1) the business case; 2) the social license to operate; and 3) regulation, accountability and performance. The extent to which these arguments apply to oil-rich sub-Saharan Africa, however, is open to debate. As indicated, in a number of the region’s countries, production takes place in insulated ‘enclaves’ located several miles offshore. These offshore producers, for the most part, operate in regions characterised by rentier politics and/or autocratic rule. To what extent have these dynamics shaped CSR decision-making and outcomes in these settings? More specifically, how has the international oil and gas consortium conceptualised and responded to the CSR challenge in oil-rich sub-Saharan Africa, where the policy and regulatory framework seems to place very little premium on, and at times discourage oil and gas companies from, being proactive stewards in the areas of environmental management and community development?
Perceptions of the CSR strategy of oil and gas companies in sub-Saharan Africa vary. On the one hand, despite these obvious challenges, the reported actions taken by the international oil and gas companies to implement CSR in the countries in sub-Saharan Africa where companies have offshore projects suggest that proactive, effective and innovative strategies are being implemented. As Du et al. (2012) explain, ‘in presenting their CSR information on the web, oil companies employed a variety of methods, or framing mechanisms to enhance the salience of CSR messages’, namely, improving the accessibility of CSR-related information on websites, using multi-media technology to enhance media richness, and using social media to promote stakeholder involvement (p. 419). The impression conveyed in reports and other corporate media is that the foundation of CSR practices in this region is, similar to the home-based operations of these companies, the three aforementioned pillars of CSR (See Table 2.5).

On the other hand, there are those who believe that international oil and gas companies are performing at a different level in African offshore settings (Idemudia, 2009a, 2009b; Eweje, 2006; Frynas, 2008; Blowfield and Frynas, 2005). Despite their long production histories, most oil economies in sub-Saharan Africa continue to occupy the lower echelon of the UN Human Development Index, as indicated, and have a number of pressing social needs. Oil production and corruption as well as the community unrest that typically surfaces as a result of poorly-crafted CSR programmes have been reported in Gabon (Soderling 2006), Nigeria (Frynas 1998, 2001), Angola (Le Billon 2005) and Equatorial Guinea (Frynas 2004; Wood 2004), the implication being that the strategy being followed is yielding inappropriate and unpopular ‘development’. The sector’s CSR, explains Agbonifo (2011), ‘is typically expressed through the provision of school blocks, clinics, roads and scholarships’, which are often not positively received in settings which have far more pressing needs, as Table 2.6 indicates. For instance, some companies provide school blocks and renovate community clinics but without overseeing the installation of teachers or health officials and equipment. These projects quickly become what Frynas (2005) terms ‘white elephants’ (p. 587). Some scholars (e.g. Dam and Scholtens, 2008) are of the view that this approach is a result of companies taking advantage of the poorly-regulated and comparatively pressure-free environments in which they are operating – that if they were to apply their headquarters’ standards to their subsidiary operations, then poverty would no longer be a serious problem in developing countries.

The view here, however, is that the causes of these CSR ‘outcomes’ are far more complex than corporations simply dismissing the needs of populations. As Matten and Moon (2008) correctly point out, the precise manifestation and direction of CSR lies at the discretion of the corporation: on the one hand, the programmes being implemented by some companies are likely influenced by headquarters’ stipulations and instructions, while on the other hand, certain companies have adopted a fresh approach based on context-specific requirements. The uniqueness of the operating environment of oil-rich sub-Saharan Africa means that CSR strategies must be dynamic if they are to be effective. To simply provide corrupt governments with the funds to, *inter alia*, construct schools, revamp hospital services, pave roads and
establish educational funds without any monitoring is clearly insufficient and bound to yield minimal development.

**Table 2.5:** Examples of CSR practice in selected locations in oil-rich sub-Saharan Africa

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>CSR ‘Pillar(s)’</th>
<th>Details of CSR Practice(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>Moho-Bilondo, Congo Brazzaville</td>
<td>Social License to Operate Regulation, Accountability and Performance</td>
<td>Supplied a medical imaging scanner to Pointe Noire Hospital in 2008; Employs 900 people from ‘local communities’ in exploration and production activities</td>
</tr>
<tr>
<td><a href="http://www.chevron.com/countries/nigeria/inthecommunity/">Chevron-Texaco</a></td>
<td>Angola, Nigeria</td>
<td>Social License to Operate Regulation, Accountability and Performance</td>
<td>Has pledged US$30 million over three years to support malaria programmes in Nigeria, Angola, South Africa, the Philippines and Indonesia; Contributed US50 million to the <a href="http://www.eglng.com/National_Development/Community_Relations/">Niger Delta Partnership Initiative Foundation</a>, which seeks to address socio-economic challenges in the Delta</td>
</tr>
<tr>
<td><a href="http://www.eglng.com/National_Development/Community_Relations/">Chevron</a></td>
<td>Chad</td>
<td>Business Case Social License to Operate Regulation, Accountability and Performance</td>
<td>Administered polio vaccines in local communities; Training and mentoring Chadian employees; Working closely with local communities and issuing local contracts for maintenance, supplies and other goods/services</td>
</tr>
</tbody>
</table>


13 EG LNG Holdings is 60 percent owned by Marathon Oil, the Texas-based oil producer.
<table>
<thead>
<tr>
<th></th>
<th>Chad</th>
<th>Congo Brazzaville</th>
<th>Côte d'Ivoire</th>
<th>Ghana</th>
<th>Nigeria</th>
<th>Cameroon</th>
<th>Equatorial Guinea</th>
<th>Liberia</th>
<th>Sierra Leone</th>
<th>Gabon</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDI ranking</td>
<td>184</td>
<td>142</td>
<td>168</td>
<td>135</td>
<td>153</td>
<td>150</td>
<td>136</td>
<td>174</td>
<td>177</td>
<td>106</td>
</tr>
<tr>
<td>Urban Electrification Rate (%)</td>
<td>N/A</td>
<td>54</td>
<td>85</td>
<td>85</td>
<td>78</td>
<td>73</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>64</td>
</tr>
<tr>
<td>Rural Electrification Rate (%)</td>
<td>N/A</td>
<td>10</td>
<td>32</td>
<td>35</td>
<td>23</td>
<td>14</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>34</td>
</tr>
<tr>
<td>Means Years of Schooling (Years)</td>
<td>1.5</td>
<td>5.9</td>
<td>42</td>
<td>7.0</td>
<td>5.2</td>
<td>5.9</td>
<td>5.4</td>
<td>3.9</td>
<td>3.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Maternal Mortality Rate (deaths per 100,000 live births)</td>
<td>1100</td>
<td>560</td>
<td>400</td>
<td>350</td>
<td>630</td>
<td>690</td>
<td>240</td>
<td>770</td>
<td>890</td>
<td>230</td>
</tr>
<tr>
<td>Population vulnerable to poverty (%)</td>
<td>61.9</td>
<td>17.7</td>
<td>23.8</td>
<td>21.6</td>
<td>17.8</td>
<td>9.6</td>
<td>N/A</td>
<td>9.7</td>
<td>53.2</td>
<td>n/a</td>
</tr>
<tr>
<td>Population on less than US$1.25/day (%)</td>
<td>44.1</td>
<td>22.9</td>
<td>15.3</td>
<td>28.6</td>
<td>68.0</td>
<td>19.3</td>
<td>N/A</td>
<td>83.8</td>
<td>53.4</td>
<td>n/a</td>
</tr>
<tr>
<td>Population in severe poverty (%)</td>
<td>44.1</td>
<td>54.1</td>
<td>39.3</td>
<td>11.4</td>
<td>33.9</td>
<td>30.4</td>
<td>N/A</td>
<td>57.5</td>
<td>31.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Physicians per 1000 people</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.4</td>
<td>0.2</td>
<td>0.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Percentage population with secondary education (% &gt;25)</td>
<td>N/A</td>
<td>46.2</td>
<td>22.1</td>
<td>53.8</td>
<td>N/A</td>
<td>27.9</td>
<td>N/A</td>
<td>27.3</td>
<td>14.8</td>
<td>44.4</td>
</tr>
<tr>
<td>Child labour (%)</td>
<td>48</td>
<td>25</td>
<td>35</td>
<td>34.0</td>
<td>29.0</td>
<td>31.0</td>
<td>28.0</td>
<td>21</td>
<td>48</td>
<td>n/a</td>
</tr>
<tr>
<td>Freedom Index Ranking – Repressed</td>
<td>45.2</td>
<td>43.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom Index (50-59.9, ‘Mostly Unfree’; 60-69.9, ‘Moderately Free’)</td>
<td>54.1</td>
<td>61.3</td>
<td>55.1</td>
<td>52.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>57.8</td>
</tr>
</tbody>
</table>

*Sources: IEA, 2012; UN, 2013; The Heritage Foundation, 2013*
For executives keen on making a difference with CSR programmes in oil-rich sub-Saharan Africa, however, the challenge can be daunting. Revisiting Ferguson (2005), the capital from oil and gas companies is truly ‘hopping’ in and out of the region’s offshore enclaves, ‘flowing’ through very few hands in the process. This makes ‘identification’ all the more challenging: specifically, which ‘affected’ communities should be the main beneficiaries of the roads, hospitals and other infrastructure that normally surfaces under a CSR programme? ‘The community’, a discourse that is typically at the heart of CSR dialogues, is far more convoluted in the context of offshore oil and gas production in sub-Saharan Africa than has been articulated in the annual reports of the companies operating in the region. To whom should revenues earmarked for CSR be channeled? The corporations operating in the region often cite consultations with stakeholders as one of the key motivations behind the implementation of CSR programmes. Indeed, almost every industry website now boasts of a country-level CSR programme, the development of which, it is typically claimed, was informed from consultations with local communities. There seems to be some interplay between corporate objectives and the results derived from consultations with stakeholders. A key omission from this corporate literature, however, is clarification of how these consultations are conducted and their outcomes, as well as who was consulted and why.

The ‘disconnect’ between the supposed CSR approaches of the international oil and gas companies operating in offshore environments across sub-Saharan Africa on the one hand, and the interventions which emerge on the other hand, underscores the need to undertake more research on the policy process and company strategy. The fact that companies have free reigns to pursue their own programmes, in combination with reports of community grievances over petro-dollars failing to materialise in positive development, certainly raises questions about the efforts being made and approaches taken by oil multinationals operating in sub-Saharan Africa in the area of CSR. There are obvious difficulties with implementing a comprehensive CSR agenda in oil-rich sub-Saharan Africa in enclave-type resource extraction environments, particularly in areas where offshore production takes place. A lack of government support, uncertainty surrounding which groups comprise the community, and an overall disconnection with mainland cultures and populations could go a long way toward explaining why the numerous social development programmes designed ‘inside the box’ fail to facilitate development, and end up being the latest examples of what is referred to throughout this thesis as ‘offshore CSR’.

2.5 CONCLUDING REMARKS

This chapter has critically reviewed the managerial and development literature on CSR in the extractive industries, in the process, framing the case study of Ghana examined in later chapters. It has introduced and examined at length the key themes which underpin this study: ‘enclavity’, CSR in developing countries, and CSR in the context of the extractive industries. The chapter has laid the essential groundwork for the case study.
The chapter began by tracing the antecedents of CSR, and subsequently examined different perspectives on its application and impact. It then profiled more closely the case for CSR in the extractive industries, with special emphasis on developing countries. The chapter concluded by unpacking the theme of resource ‘enclavity’, examining its implications for development in general and CSR more specifically. It introduced the term ‘offshore CSR’, which will be used throughout this thesis as a euphemistic label for low-impact development policy and interventions.

The critical, thought-provoking analysis here provides an important foundation for the discussion presented in next chapter. Chapter 3 outlines the conceptual framework adopted in this thesis, and concludes by discussing Grievance Theory which, together with the enclave thesis, Legitimacy Theory and the Stakeholder Identification and Salience Framework, provides the groundwork for studying CSR in Ghana’s oil and gas industry.
3 THEORETICAL FRAMEWORK

3.1 INTRODUCTION TO THE THEORETICAL FRAMEWORK

... my fear is that all this talk of ethics is just that—talk; new forms of corporate self-presentation that have no reference to or influence on what is practiced in the name of the corporation, beyond those associated with good public relations. In this form, corporate social responsibility is cheap and easy; a sort of prosthesis readily attached to the corporate body that repairs its appearance but in no way changes its actual conduct.

- Roberts, 2003, p. 250

The discussion presented in the previous chapter shed light on the unique policy environment within which firms in the oil and gas industry operate, particularly in sub-Saharan Africa. The institutional frameworks commonly found in the developing world, which are characterised by inadequate transparency, monitoring and accountability, often catalyze the formation of oil and gas enclaves. Within these settings, activities exhibit certain operational characteristics which, it is argued here, potentially negatively influence CSR programmes and outcomes. Some of the distinguishing features of offshore oil and gas enclaves more specifically include a disconnection with communities surrounding operations; transactions and dialogue which extend to relatively few stakeholders outside of government; and capital-intensive activity, facilitated by tax breaks and policies, which does not encourage local procurement or facilitate community development (see Section 2.4).

The unique dynamics of extractive industry enclaves – and offshore oil and gas operations more specifically – in developing countries raise a number of questions concerning CSR, foremost: how do companies operating in these environments go about identifying and prioritising stakeholders, and, by extension, how are community development programmes designed? Corporate sustainability reports cast some light on how stakeholders are identified and CSR programmes are crafted. Several scholars in the accounting discipline (Abbott and Monsen 1979; Cooper and Owen 2007) have drawn attention to how legitimating practices embed these reports, the implication being that Legitimacy Theory helps to explain the motivations for publishing and the decisions taken on the type of content included in these public documents. Stakeholder Theory also provides a useful lens for understanding the dynamics of the decision-making process underpinning CSR interventions and outcomes. Companies often convey, through their sustainability reports that their CSR decision making strategy is bottom-up in design, guided by Stakeholder Theory, and project rhetoric throughout to legitimise their activities. The position taken here is that both Stakeholder Theory and Legitimacy Theory help to explain the CSR decision making process adopted by companies operating in offshore oil and gas enclaves, particularly in sub-Saharan Africa.

At its point of departure, this chapter examines the importance of the social and environmental strand of accounting. The enduring focus of the accounting discipline on financial stakeholders has
created a lopsided lens for companies when it has come to fulfilling their obligations under the ‘social contract’ which they verbally pledge to. This has ultimately led to the marginalisation of non-financial stakeholders in decision-making processes, a shortcoming reflective in many CSR programmes. Following the discussion on accounting’s role in the CSR decision-making process, aspects of Stakeholder Theory and Legitimacy Theory, and their application to the current study, are examined.

3.2 MARGINALIZING THE NON-FINANCIAL STAKEHOLDER IN ACCOUNTING

Before laying out the framework on which this study will be based, it is instructive to first review the factors which have enabled organisations to operate without a real connection to the social and environmental structures impacted by and surrounding their operations. In this thesis, the role of accounting is central to understanding the status quo and is therefore discussed in this section.

For centuries, the financial reports of corporations have been the chief indicator of profitability and efficiency for organisations. Users of economic data such as owners, investors, creditors and regulators have relied heavily upon the financial statements of corporations to make investing and lending decisions (Deegan and Rankin 1997; Milne and Chan 1999; Teoh and Shiu 1990). It has been in the interest of business, therefore, to present financial information that shows profitability and efficiency. This helps to ensure survival.

The focus of traditional accounting on financial data, however, neglects the wider impacts of business on society and the environment. Organisations have conducted business without paying any meaningful attention to the social and environmental impacts of their activities. Significantly, this mindset has dominated the economic transactions of the world and has become challenging to change. Young (2006) puts this into perspective:

…the difficulty of changing the purpose(s) we assign to accounting within the existing political and economic environment cannot be overestimated. However, change certainly cannot occur if decision usefulness remains taken for granted as the primary purpose of accounting with its assumption that financial statements users desire only information of the type outlined in the conceptual framework [p. 597].

Young’s (2006) argument is that this method of accounting for organisational impact ignores the broader implications of the activities of a business. The assumption made here is that even the financial stakeholders to whom the financial reports of organisations are tailored also require some coverage of social and environmental information in order to make better informed decisions.

This assumption is highly contested in accounting, however, as current practice does not support this view. Despite extended calls for organisations to produce sustainability reports, it still remains a voluntary exercise which many companies have yet to embrace. Nonetheless, certain environmental and social impacts for which organisations could become liable may not be captured in financial reports (Fraser, 2012). For instance, for years, Royal Dutch Shell chose not to recognise its responsibility to the
Ogoni people in Nigeria where it operates, despite causing significant oil spills which have been detrimental to marine and human life (Watts 2001; Pegg 2003, 2006; Dibua 2005; Ikelegbe 2001; Eweje 2006). The events that followed the exposure of its activities, however, forced management to think differently about its production strategy as local communities began to seek redress through the kidnapping of employees, destruction of oil pipelines, negative publicity and social unrest (Frynas 1998, 2001; Ukiwo 2007).

Nonetheless, there are potential benefits to reporting nonfinancial information. It can add value and mitigate risk by providing a richer account that considers more ‘forward-looking’ aspects in decision making (Fraser, 2012). Profitability aside, the externalities of business should not be left unattended. Unfortunately, because the current basis for measuring efficiency does not encompass these externalities, companies do not necessarily prioritise these issues. Gray (2006b) reinforces the argument against the current measurement of organisational efficiency, explaining that ‘Few ideas could be more destructive to the notion of a sustainable planet than a system of economic organization designed to maximise those things which financial reporting measures’, and furthermore contended that ‘few notions could be more fundamentally antagonistic to financial reporting and all its cosmetic adjustments than a planet wishing to seek sustainability’ (p.794).

For Gray (2006a), financial reporting in its current state is ‘taken for granted’ and the practice of challenging its assumptions is rare (p.795). The author maintains that all of the value indices for accounting need to change for it to be able to address the issues of the world today. This means, for businesses to become truly sustainable, accounting as it is known must change. This can only be achieved if the current accounting methods used to report on an organisation’s efficiency are altered to include elements of sustainable practices. Accomplishing these promises to be herculean, especially in the case of extractive industries such as oil and gas, in which organisational externalities have severe and lasting impacts on social and environmental stakeholders.

Social and environmental accounting has emerged to help stimulate change in traditional accounting methodologies. Progress made in this area of accounting is exemplified by the increasing volumes of corporate sustainability reports disclosed by companies today, and the extension of auditing firms into areas of sustainability assurance (Owen, 1990; O'Dwyer and Owen 2005; O'Dwyer et al. 2011). This shift has been engineered by increasing pressure on companies to address the non-financial impacts of their business activities, including climate change issues, and other environmental and social impacts. Despite these efforts, it has been widely argued that sustainability reporting leaves much to be desired, as it is purely a voluntary exercise and organisations use these reports mainly to their advantage (Perez-Batres et al. 2012a; Perez-Batres et al. 2012b; Abbott and Monsen 1979; Abdullaha and Aziz 2011; Bessire and Onnée 2010).
The accounting literature has produced vibrant discussion and debates on the motivations for engaging in corporate disclosure (Neu et al., 1998; Adams et al., 1998; Magness 2006; Bessire and Onnée 2010). The increase in CSR reporting activity has been attributed to ‘mimetic isomorphism’ (after DiMaggio and Powell 1983), the idea being that organisations disclose their CSR activities because others in their industries are doing the same (Adams et al. 1998; Deephouse 1996). Another idea suggested by these studies is that these reports are attempts by corporations to gain/enhance legitimacy (Adams et al. 1998; Chu et al. 2013; Campbell, Graven and Shrives 2003). The size of organisations also influences the decisions concerning whether or not to disclose social and environmental information (Adams et al., 1998). When consolidated, these findings signify that organisations choose to disclose sustainability activities in an effort to establish or enhance legitimacy. But as enlightening and stimulating as these debates on the motivations for corporate sustainability disclosures have been over the years, there is still a lack of commensurate observation and discussion on the actual corporate behaviour or decision making process which informs the choices managers make with respect to sustainability issues. For instance, why would a company such as BP, despite publishing annual voluntary sustainability reports, neglect its sustainability commitment in the Gulf of Mexico until a major oil spill occurred in 2010? Is such behaviour to be expected of an industry that operates in an enclave, and do all companies in the oil and gas industry have a similar reactive approach to sustainability? The literature fails to adequately articulate how managers make decisions on sustainability in enclave environments, and by extension, CSR. It is this gap in the literature which this study attempts to bridge.

Cooper and Owen (2007) challenge the general belief that sustainability reports are tailored to other users of financial information, contesting that they are targeted solely at shareholders. If this is the case, it reaffirms the pessimistic view in the environmental management literature that sustainability reports are sometimes simply ‘window dressing’ and, in the spirit of corporate ‘green washing’, produced to deflect criticism about a lack of transparency and sustainability (Weaver, Trevino and Cochran 1999; Unerman and O’Dwyer 2007; Lin 2010; Schaltegger 2012; de Villiers and van Staden 2006). If this is the case in the oil and gas industry, it would be disconcerting, given its large environmental footprint and influence on local communities. The case of Ghana examined in this thesis will lead to a better understanding of companies’ selection of and rationale for pursuing particular CSR programmes.

Furthermore, Clarkson’s (1995) categorisation of stakeholders into ‘primary’ and ‘secondary’ implies that organisations accord merits to particular actors. Assignment of different statuses would be dictated by the stakeholders to whom organizations see themselves accountable. In addition to Clarkson (1995), how these merits are accorded has been examined – albeit, rather abstractly – by several authors (e.g. Hybels 1995; Pesquex and Damak-Ayadi 2005), who point to stakeholders being ‘ranked’ or categorized by organizations. In the case of oil-rich sub-Saharan Africa, however, apart from what can be gleaned from analyses of the direct and indirect impacts of operations, the literature offers little insight on how companies both identify stakeholders and develop their CSR programmes. But if stakeholder groups
had to be ranked in these settings, the evidence in the literature suggests that host governments would be the most highly-prioritised. Debates on CSR in oil and gas enclaves in the region have certainly exposed the role of governments in the industry, in the absence of transparency and accountability (Vines and Weimer 2009; Soros 2003; Le Billon 2001). As Chapter 2 highlighted, oil and gas rents have perpetuated despots in the region, specifically Angola (Le Billon, 2005), Equatorial Guinea (Wood 2004; Frynas and Paolo, 2007) and Gabon (Soderling, 2006). Based on these developments, therefore, it is anticipated that governments are viewed as one of the biggest threats to business continuity in the region and, consequently, in the case of oil and gas production, are, as indicated, the most important – and possibly seen as the only relevant – stakeholder in such environments.

Hart and Sharma (2004) assert that MNCs are incapable of knowing who the stakeholders of their organisations are when they commence business in a new country. In such situations, the authors explain, ‘it is not practically possible to involve every stakeholder potentially affected by a corporation in the decision process’ (p.8), the implication being that organisations engage only known and powerful stakeholders in their CSR programmes. Under such conditions, the stakeholders ‘on the periphery or at the ‘fringes’ – the poor, weak, isolated, non-legitimate, disinterested and even non-human’ (p.8) – would be ignored. Ironically, despite this gap in the literature, most research on stakeholder management has focused almost exclusively on the former: primary groups that are considered critical to a firm’s survival. These include investors, employees, customers, suppliers, and the government, and others whose claims are considered ‘powerful, urgent, and legitimate by managers’ (p.9). Hart and Sharma (2004) reinforce the argument against the current methods of accounting for efficiency. It is the supremacy accorded to the primary stakeholders which organisations perceive they are accountable to that potentially drives CSR decision-making in enclaves. This study will provide clarity in this area by identifying whom the oil and gas industry in Ghana considers itself to be accountable to.

Decisions made in the area of CSR are underpinned by intrinsic goals, themselves informed by theories of CSR. The next section of the chapter introduces these theories, which frame the present study and help to rationalise the motivations behind CSR ‘outcomes’. These are Stakeholder Theory and Legitimacy Theory. Both were crucial points for departure in this study.

### 3.3 Decision Making Theories and CSR

Any review of corporate sustainability reports will reveal that companies make claims of having undergone substantial consultations with their stakeholders before deciding on a direction for their CSR programmes. The image that organisations project of themselves is akin to the provisions underpinning Stakeholder Theory. However, Stakeholder Theory does not prescribe steps that companies should follow. An extension of Stakeholder Theory, the Stakeholder Salience and Identification Framework, put forward by Mitchell et al. (1997), provides a conceptual framework for determining ‘Who or What counts’ in the realm of corporate decision making. An ancillary investigation of the legitimating practices
embedded in CSR decision making processes, as prescribed by Legitimacy Theory, has since taken place. Legitimacy Theory had been widely publicised as an explanation for why organisations engage in CSR and why they even report altogether. While each of these theories has elements of substance, individually, they are incapable of explaining the decision-making processes followed in the area of CSR for the oil and gas enclaves found across sub-Saharan Africa. When taken together, however, they provide a much more comprehensive framework for understanding CSR ‘outcomes’ and the decisions and strategies underpinning them in Ghana’s oil and gas sector (refer to Figure 3.3).

Stakeholder Theory and Legitimacy Theory evolved from conceptualisations of the political economy (Gray et al., 1995; Deegan 2002) formulated in the eighteenth century which sought to determine the breadth of governments’ roles in the welfare of citizens. The foundation of Political Economic Theory is the extent of the state’s involvement in satisfying the needs of citizens. It also sought to identify the point at which private enterprises should be entrusted with providing social services at a premium. The inability of governments to address the needs of their citizens efficiently provided an opportunity for private corporations to deliver these services at a cost to citizens. In performing their activities, businesses have to compete for limited resources, the efficient management of which is a key to generating financial returns for owners; and, the yardstick by which corporations are measured. The emphasis on financial prowess meant that corporations could conduct their businesses without addressing the externalities that surface during the course of doing business, provided that they obey the law. These include environmental damages, human rights violations and community dislocation. Adverse environmental problems, as highlighted by disasters such as Los Alfaques, the Exxon Valdez Oil Spill, the Bhopal disaster and Chernobyl, have collectively helped to raise awareness of how much business affairs can impact the environment and society. Stakeholder Theory and Legitimacy Theory provide a basis for understanding how corporations formulate strategy in response to growing stakeholder demands.

It is expected that the strategies adopted in the area of CSR by the oil and gas companies operating in offshore enclaves of the developing world, particularly sub-Saharan Africa, in the area of CSR are unique. The broad consensus in the literature and general conclusion reached when browsing through the reports of the international oil community is that CSR strategy is both responsive and reactive. Research has consistently shown that disclosures of environmental and social information in the sector typically occur in response to increased public pressure or questions that surface following an accident – information which is typically brought to the attention of citizens and lobbyists by the NGO community. As Pesqueuz and Damak-Ayadi (2005) explain, problems such as ‘the denunciation of the environmental spoliation being caused by oil, mineral and chemical companies, etc.’ have led to ‘Well-publicized trials by media [which] have progressively mutated into greater collaboration with the companies involved’ (p. 7). How these dynamics have played out in oil-rich sub-Saharan Africa, where, as Chapter 2 highlighted, governance is weak, the enforcement of regulations is limited and corruption is widespread, is likely to go a long way toward explaining CSR ‘outcomes’.
3.4 TOWARDS A STAKEHOLDER APPROACH TO CSR DECISION MAKING

How do oil and gas companies go about identifying stakeholders from the confines of an offshore enclave? Stakeholder management is a relatively recent phenomenon in the literature, its origins dating back to about three decades ago. While the term ‘stakeholder’ had been used as early as 1963 by the Stanford Research Institute (Parmar et al., 2010), the notion of stakeholder management would not gain prominence in the management literature until the 1980s, when it was formally used to frame a strategic management approach to decision making. Stakeholder Theory was first articulated by Freeman (1984) in his landmark text, *Strategic Management: A Stakeholder Approach*. It is the most commonly used theoretical framework for informing CSR research (Perdesen and Neergaard, 2009) and, over the course of the past two decades, has been employed in a number of seminal works (e.g. see Sternberg 2009; Agle et al 1999; Russo 2010; Donaldson and Preston 1995; Mitchell, Agle and Wood 1997). These studies build on Freeman’s ideas by identifying the motivations behind the adoption of particular CSR practices and providing guidance to managers on best practices for approaching community and environmental challenges.

There is broad consensus that Freeman’s work and the product of his research – Stakeholder Theory – was a genuine attempt to facilitate the inclusion of ethical values in managerial decision making (Goodpaster 1991; Garriga and Melé 2004; Secchi 2007). As such, its underlying assumption is that values are a part of and necessary for doing business (Phillips, Freeman and Wicks 2003; Freeman 2004). The view here is that values are central to managing a business; and, that such values push managers to look beyond the notion of shareholder maximisation when fulfilling corporate objectives. The theory takes the stance that the ‘traditional’ notion of the organisation, as it exists for the benefit of its owners, customers, employees and suppliers in strategy formulation, neglects the influence of the broader group of organisations – government, pressure groups, communities, prospective customers and employees as well as competitors. It holds that the neglect of such groups has dire implications for organisations.

Freeman (1984) defines a stakeholder as ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’ (p. 46). This definition (as made clear in Figure 3.1) seems far-fetched as there could be a long list of groups and/or individuals affected by the activities of a corporation, some known and some unknown. Furthermore, new stakeholders could emerge and old ones disappear throughout an operation’s lifecycle. Anticipating the demands of such groups then would put the organisation in a competitive position but putting it in a position to identify who future stakeholders will be is no easy feat.

The stipulations of the theory, although laudable, in that it entreats managers to cast their nets wide before arriving at strategic goals, begs the question of whether or not the degree of influence individuals or groups wield determine how such corporate decisions are carried out. It is for this reason that Stakeholder Theory has its share of criticisms.
3.4.1 A Multi-paradigm Critique of Stakeholder Theory

It has been argued quite persuasively that Stakeholder Theory has limited applicability to strategy formulation and hence CSR decision-making (Sternberg 1997; Jensen 2002). One of the biggest criticisms leveled at the theory has been that it is normative and does not provide any guidance on how to identify or manage the stakeholder groups it speaks of (Berman et al. 1999). It is perhaps this overarching view of stakeholders which led to the criticism that it offers limited benefit to corporations (Key 1999; Sternberg 1997). What is the purpose of identifying all the stakeholders of an organisation if there is no mechanism for determining which parties’ needs should be attended to with the limited resources of the organisation? Stakeholder Theory falls short of describing how the resources of an organisation should be allocated among stakeholders.

Another major criticism which has been leveled against the theory is the fact that it signals that organisations should have more than one bottom-line. This is what was further expounded by Elkington (1994) and dubbed the ‘Triple Bottom Line’ reporting of organisational performance, an idea introduced in Chapter 2 (Section 2.3.2) – namely, that organisations should report on their social and environmental performance in addition to their financial performance. Argenti (1997), in critiquing the theory, asserts that ‘there must be a single ‘bottom line’’ (p. 443). For the author, multiple corporate perspectives negatively influence the focus of managers and are unnecessary for corporations’ survival. Argenti (1997) build on the arguments of Friedman (1962) who, as indicated in Chapter 2, contested that the only social

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responsibility of business was to service the needs of its stockholders through maximizing its profits. Beaver (1999) takes a bolder step in arguing that the stakeholder model is ‘dead’ because ‘it looks like the people who hold the shares are still number one in the mind of corporate America’ (p. 8). The author also sees hostile takeovers as a clear sign for the need to return absolute value to the shareholder and no other stakeholder because in such situations, employees, for example, who are considered important according to Stakeholder Theory, are laid-off without consideration. In the same vein, Jensen (2002) argued that ‘what is commonly known as Stakeholder Theory, while not totally without content, is fundamentally flawed because it violates the proposition that any organization must have a single-valued objective as a precursor to purposeful or rational behaviour’ (p.234). This view is shared by Marcoux (2003) who sees the fiduciary duty of the organisation as one held only by the shareholder. It is this lop-sided view of the raison d'être of an organization that has given rise to the need for better accountability. Corporate scandals such as the Barclays libor fixing, WorldCom and Parmalat affected the very shareholders who have been classified as the only relevant stakeholders of organisations.

These scandals show that the sole focus of organisations on shareholders is not enough to facilitate CSR outcomes which meet the approval of the full spectrum of stakeholders. It is now recognised that certain social and environmental parameters must be used to help inform business activities. For firms in the extractive industries, such parameters are particularly significant because, as highlighted throughout the thesis thus far, their business activities can have significant impacts on the environment in the form of pollution, displacement of marine habitats, climate change, soil and water contamination, and society, including displaced settlements and the destruction of livelihoods. Stakeholder Theory calls for more accountability from corporations, albeit without stating how such accountability should be practiced.

It is the view of corporations being accountable not just to shareholders that led Jensen (2002) to conclude that in fulfilling the economic objectives of the organisation, the firm may also have to satisfy the needs of other constituents. The author recognised the need for accountability, although he sets out to highlight the flaws of Stakeholder Theory. Prior to this work, Marens and Wicks (1999) had argued much of the same, noting that in the process of meeting an organisation’s fiduciary duties, the needs of other stakeholders are fulfilled. The authors champion the adoption of a holistic approach to management – specifically, a strategy which emphasises value-added for shareholders but in ways in which the externalities of business activities are kept at a minimum. However, as Sundaram and Inkpen (2004) explain, having more than one objective could be confusing for the managers called upon to execute such a task. The authors even argue that ‘to suggest that managers must juggle multiple goals in a complex hierarchy is wishful thinking’ (p.355), maintaining that Stakeholder Theory does not help to identify which stakeholders should matter. If this analysis is extended to the oil and gas companies operating in offshore African environments, this could have serious impacts on local communities. The implication is that if
asked but not pressured to think dynamically about stakeholders, managers could quite readily side-line various groups if the consequences of doing so are not seen to be too severe.

3.4.2 Salvaging Stakeholder Theory

The idea of managers taking various stakeholders into account in strategy formulation, although laudable, had attracted severe criticism in the literature, as outlined in Section 3.4.1 above. It remains to be seen whether this theory could be salvaged or whether it is too weak to generate any meaningful debates aimed at refining it. In the 1990s, various scholars attempted to make contributions to the theory in an effort to make it more appealing. Clarkson (1995), for example, called for a division to be drawn between primary and secondary stakeholders. The former, maintained the author, are groups whose participation is vital to the functionality of the corporation. Examples include shareholders, customers, employees and investors and suppliers; public stakeholders, including law makers and people in authority; and the communities which provide markets and infrastructure to organisations. The latter, according to the author, are groups that are affected and could affect organisations but which are not necessarily critical – at least directly – to the survival of an organisation, key examples being the media and special interest groups. The author furthermore argues that an organisation is a system of primary stakeholders and that this is the stakeholder group which can affect the going concern of the company and therefore, the group which managers should be chiefly concerned about. To Clarkson (1995), secondary stakeholder concerns are what he refers to describes as ‘social issues’, namely those which organisations cannot be held responsible for.

Significantly, however, the author’s analysis is based on a static picture, at the same time failing to recognise that both organisations and stakeholders evolve. On the one hand, members of the group he identifies as primary stakeholders could become as unimportant to an organisation at one point in time. On the other hand, groups which he classifies as a secondary stakeholder could become of primary significance to an organisation’s wellbeing. Clarkson (1995) nevertheless made a landmark contribution to Stakeholder Theory through his typology of primary and secondary stakeholders, and would spawn thinking along the lines of how organisations would consider individual groups in their decision-making processes, at the same time, attracting deep criticisms for some of the conclusions he drew. For instance, Hillman and Keim (2001) built on the work of Clarkson (1995) by testing the relationship between shareholder value, stakeholder management, and social issue participation. They concluded that shareholder value may be affected differently, depending on the type of social cause chosen. That is, investing in stakeholder management can create sustainable competitive advantage by creating value for the shareholder and the organization’s key stakeholders such as customers, employees, suppliers and communities. This is a view of social responsibility that has gained prominence in the marketing literature: namely, the belief that well managed CSR initiatives can lead to increased customer loyalty and by extension increased profitability (Carroll and Shabana 2010; Bhattacharya, Korschun, Sen et al. 2009; Doh et al. 2010).
Hillman and Keim’s (2001) conclusions added an alternative spin on the stakeholder management argument: specifically, the idea that engaging in CSR activities provides some benefit to the corporation. This issue has been widely debated within the marketing and finance literature, appropriately dubbed the business case for CSR, described in Chapter 2. This study does not concern itself with this extension of the Stakeholder Theory as the view is held that attaching a financial or non-financial benefit to CSR limits the effectiveness of the exercise in its entirety. A focus on how Stakeholder Theory informs decision-making in CSR irrespective of the benefit or lack thereof to the organisation is what this study is concerned with.

Over time, Stakeholder Theory continued to attract criticism, as different forms of the theory developed. Argandona (1998), for instance, argued that it was ‘lacking a solid philosophical, sociological and economic foundation that would be acceptable to a variety of schools of thought’ (p.1093). Donaldson and Preston (1995) echoed these sentiments, arguing that there is confusion over the nature and purpose of Stakeholder Theory and that although not entirely empty, it appears descriptive. The authors contest that most of the substance of Stakeholder Theory is implicit. Its many variations, which Donaldson and Preston (1995) group as ‘normative’, ‘descriptive’ and ‘instrumental’ stakeholder theories, also began to garner criticism. Descriptive Stakeholder Theory (after Kochan and Rubenstein, 2000; Jawahar and McLaughlin, 2001; Phillips, Freeman and Wicks, 2003; Pajunen, 2006) explains and describes specific corporate characteristics and behaviours (p.70) – the past, present and future state of affairs of corporations and their stakeholders; Normative Stakeholder Theory (after Maren and Wicks 1999; Hendry 2001; Velamuri and Venkataraman, 2005; Kaler 2003) outlines the moral and philosophical guidelines for the operation and management of corporations; and while Instrumental Stakeholder Theory (after Jones, 1995; Agle, Mitchell and Sonenfeld, 1999; Berman et al. 1999; Hillman and Keim, 2001) identifies the connections, or lack of connections between stakeholder management and achievement of traditional corporate objectives (p.71).

These distinct strands of Stakeholder Theory did nothing to enhance its significance or rebuild its reputation with critics. Cludts (1999) responded to these variations by asserting that Normative Stakeholder Theory is meant precisely to give voice to all stakeholders of the corporation and especially to protect the weaker stakeholders from the ambitions of the more powerful ones (p.676). Cludts (1999) looked at the relationship between stakeholders and the outcomes or desirable outcomes such as profitability and performance, concluding that ‘the instrumental case for stakeholder management cannot be satisfactorily proved’ (p.86). Although Cludts (1999) sets out to defend Stakeholder Theory by stating that it gives provides a voice for the weak, his argument rather reinforces an inherent shortcoming of weakness in the theory, specifically that having a voice does not necessarily determine a stakeholder’s salience. Weak stakeholders have to gain legitimacy and/ or power to become salient to organisations.
In responding to the criticisms of Stakeholder Theory, Jones and Wicks (1999), called for a Convergent Stakeholder Theory. In their view, neither of the emergent strands of Stakeholder Theory is complete without the other and that Convergent Stakeholder Theory, which combines normative and instrumental elements, meets many of the criteria for successful integration of normative and empirical theory. Donaldson (1999) reinforces the views of Jones and Wicks (1999), who argue that there is a methodological avenue for a Convergent Theory of the instrumental and normative aspects of the theory while criticising them for not being able to achieve their goal. Donaldson (1999) attempts to do so but his attempt was met with equal criticism by Friedman and Miles (2002), who contend that trying to find a congruent Stakeholder Theory cannot occur, given the lack of appreciation for differing/conflicting perspectives of organisations vis-à-vis those of the stakeholder.

In recent years, a broader categorisation of Stakeholder Theory has surfaced. On the one hand, some advocates of CSR believe that organisations should show fairness in the execution of their CSR programmes. The idea here is that those considered weak or marginal stakeholders should all benefit from an organisation’s CSR programme. This strand has been dubbed ‘Ethical Stakeholder Theory’ by the likes of Phillips (1997), Phillips et al. (2010), Clarkson (1995), Van Buren (2001) and others. On the other hand, there is the managerial strand of Stakeholder Theory (Ullman 1985; Buhr 2002; Bailey, Hart and Sugden 2000; Gray, Owen and Adams 1996) which maintains that due to competing demands on an organisation’s resources, managers tend to attend to the needs of powerful stakeholders. This study takes the position that as a result of managers attending to the needs of more influential parties, they neglect legitimate but marginalised stakeholders. In a developing world context, where institutions are weak, does this managerial approach differ? The idea is to highlight the flaws, if any, inherent in this managerial approach to stakeholders by juxtaposing managerial perspectives with those of local communities. Interestingly, the rhetoric typically projected in corporate sustainability reports points to organisations following an ethical stakeholder approach. What is clearly missing, however, are empirically-grounded validations of these claims.

Freeman’s (1984) idea of Stakeholder Theory has been enlightening with respect to instigating a consideration for a broader spectrum of individuals and groups in organisational decision-making. But it has also attracted intense criticism, as indicated. The view here is that the theory helps to improve understanding of how organisations go about identifying their stakeholders. The theory does not, however, offer guidelines on how organisations should prioritise stakeholder needs. Evidently, CSR decision-making involves balancing conflicting stakeholder interests which Stakeholder Theory provides no guidance on (Orts and Strudler, 2009). This leaves considerable scope for interpretation when it comes to its application as a decision-making framework.

Legitimacy Theory has been promulgated as an alternative to stakeholder theory as it introduces the issue of prioritization (Basu and Palazzo 2008; Mitchell, Agle and Wood 1997). The general
conviction is that some claims have legitimacy over others and must therefore be accorded higher importance and level of priority. The following section will discuss the implications of this theory for CSR decision-making in the context of oil-rich sub-Saharan Africa.

3.5 Stakeholder Prioritization: A Case of Legitimacy?

Legitimacy Theory arises from the contention that organizations have a social contract with society (Lez Rayman-Bacchus 2006; Chaffee 1985; Suchman 1995; Dowling and Pfeffer, 1975; Magness 2006), a manifestation of which is the ‘social license to operate’, reviewed at length in Chapter 2. The theory is accredited to Suchman (1995) who defines legitimacy as ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (p.574). The underlying assumption of the theory is that organisations have no inherent right to exist. This right is rather conferred onto an organisation by society (Magness 2006) as a single unit and not as an aggregate of various stakeholders. The right is bestowed upon an organisation when the implied or explicit social values expected of them and the norms of acceptable behaviour are harmonised (Dowling and Pfeffer, 1975). At this point, it is said that organizational legitimacy is has been achieved (Dowling and Pfeffer, 1975).

The concept of legitimacy has advanced over time as the traditional view of organisations has evolved. In sharp contrast to the pre-1960s view of organisations as ‘closed systems’ with clearly defined boundaries, organisational boundaries are now considered porous and problematic. There is broad agreement among proponents of Legitimacy Theory that cultural norms, beliefs, symbols and rituals now define these boundaries, making them ‘open systems’ (Suchman 1995; van Marrewijk 2003; Scott 1987; Deephouse 1996). Proponents profess that society has both a codified an uncoded contract with business. The former comprises the formal laws which govern business activities while the uncoded law is implicit in the contract.

The terms of the uncoded laws are that organisations are given the right to exist in exchange for fulfilling certain obligations. The contract requires business to operate in a manner that will have a positive impact on society as a whole. When businesses act in accordance with what society expects of them, they are perceived or assumed to have gained legitimacy in the eyes of society. That is to say that the actions of an entity are desirable, proper or appropriate within some socially-constructed system of norms, values, beliefs and definition (Suchman 1995, p. 574). Compliance with the norms, values and beliefs of society results in organisations gaining a social license to operate, as discussed in Chapter 2, Section 2.3.3.

A ‘governance gap’ has arisen as a result of organisations’ neglect of their commitments to fulfilling the uncoded laws of the social contract. This gap has been aggravated by globalisation, which has seen organisations expand, particularly in developing countries, where, as explained in Chapter 2, laws and regulations are often not enforced, and are sometimes non-existent (Gifford, Kestler and Anand,
2010). Such expansion carries with it risks to both society and business, and in the absence of proper monitoring and good governance, businesses have often conducted their affairs with disdain (Watts 2001; Le Billon and Levin 2009). Such conduct has resulted in pollution and destruction of the natural environment and marginalisation of the weak in society. This has, in turn, perpetuated poverty and disease, and has caused the destruction of plant, marine and animal habitats (Watts 2001; Le Billon and Levin 2009; Pegg 2006; Hilson 2011).

To bridge this gap, non-governmental organisations and activists have surfaced to pressure organisations into addressing their uncodified obligations to society. Organisations, in turn, have embraced CSR in an effort to legitimise their business affairs and evade the criticism of activists. In the process, CSR has therefore become a legitimisation tool for organisations. Corporate sustainability reports, which detail the contributions of organisations to the social agenda, have been touted as a tool which companies use to gain or enhance their legitimacy (Georgiou and Jack 2011; Benn et al. 2009; Alcantara et al. 2006; Cho and Patten 2007).

3.5.1 CSR as a Source of Legitimacy

As explained in Chapter 2, there is growing consensus in the literature that companies in the extractive industries have come to recognise the significance of gaining a ‘social license to operate’ – seen as an outcome of legitimacy – before commencing their activities. In fact, in the extractive industries, the ‘social license to operate’ is increasingly being linked to legitimacy: proponents see the mounting resistance to large-scale mining and oil and gas projects referenced in Chapter 2, such as that engulfing areas of Bolivia (Eckstein and Merino, 2001; O’Connor 1990) and Ecuador (Kuecker, 2007), as proof for why it is essential for companies to identify, familiarise themselves with and cater to key stakeholders. In this case, it would appear that gaining informal ‘consent’ from affected communities prior to investment was imperative, if companies were looking to legitimise its activities and maximise profits over the long-term.

Several scholars have commented on Legitimacy Theory generally, analysis which has come to underpin discussion on the ‘social license to operate’ in the extractive industries. Most of this discussion deviates very little from the inaugural critique, such as the work of DiMaggio and Powell (1983), who contended that ‘organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness’. Proponents believe that this need to gain legitimacy drives corporations to engage in activities which ensure that legitimacy is achieved. For organisations, gaining legitimacy is seen by a number of scholars as a competitive advantage (Zimmerman and Zeitz, 2002; DiMaggio and Powell 1983; Deephouse and Carter 2005) while a breach of legitimacy could have dire repercussions for a company (Deegan, 2009). Such a breach, it is maintained, could result in ‘legal, economic or other social sanctions’ (Dowling and Pfeffer, 1975, p. 122). ‘Good’ models of legitimacy, explains Hybels (1995, p. 243), will therefore examine the relevant stakeholders and how ‘each influences the flow of resources crucial to the organizations’ establishment, growth, and survival, either through direct control or the communication of good will'.
The argument posed here, however, is that the severity of these sanctions and ultimately how they factor into planning for legitimacy depend on the geographical, political and economic context – that there is by no means a ‘one size fits all’ approach, and that Hybels’ (1995) notion of ‘goodwill’ ultimately varies, depending on the location. Perhaps nowhere is this more evident than in extractive industry enclaves, which tend to feature an element of unpredictability when it comes to responding to CSR. They exhibit a broad spectrum of CSR practices, shaped heavily by the political and economic dynamics which characterise the settings where activities take place. On the one hand, there is the Exxon Valdez Oil Spill and more recently, BP’s oil spill in the Gulf of Mexico, which show how failure to consider the social and environmental implications of business activities can have disastrous results. Proponents of the ‘social license to operate’ would interpret such outcomes as a failure of legitimacy. To cope with the disaster and impending lawsuit, BP has allegedly put aside US$42 million.15 On the other hand, oil companies in countries such as Nigeria have, as indicated, been accused of gas flaring and oil spills, which have gone largely unnoticed because of the geographic location of their activities. Laws and repeated threats made by regulators for companies such as Royal-Dutch Shell to stop gas flaring have failed to facilitate much change in operation (Idemudia, 2010).

The literature attributes such behaviour to companies having satisfactorily legitimised their activities in the eyes of particular stakeholders, the most effective avenue being sustainability disclosures through reporting. These reports tend to spell out companies’ efforts at stakeholder engagement and addressing stakeholder needs. The legitimacy of stakeholders also plays a crucial role in these engagement practices. As already discussed, Stakeholder Theory does not lend itself to determining which stakeholder should be given priority in CSR decision making. Legitimacy Theory, however, takes the debate one step further, complementing the tenets of Stakeholder Theory (Van der Laan Smith et al., 2005). Tullberg (2013) summarizes it succinctly when he states that ‘a reasonable demand for being a stakeholder is to have a stake in the company’ (p. 128), the implication being that a broad identification of stakeholders – potentially a diverse group of actors – is counterintuitive.

Referring back to Hybels’ (1995) assessment, the view here is that what constitutes ‘good’ legitimacy is dependent on context, in this case, the fact that activities occur and decisions ultimately take place within the confines of an enclave. History has shown that in the area of CSR, the extractive industries have been more reactive rather than proactive, and that few companies use reporting – specifically, the disclosure of information – as a tool for achieving legitimacy more skilfully than those found in the mining, and oil and gas sectors. Generally, few would dispute the importance for companies to determine who has a stake, whether financial or non-financial, in their business, and that there must be a ‘reciprocal link’ between the organisation and the stakeholders identified (Tullberg, 2013). For the profit-making entity, identifying parties with legitimate claims to the organisation trims down the wide range of stakeholders that it potentially has to contend with. Such an approach, however, means that

certain groups with no legitimate claims to an organisation but which are indirectly or directly affected by activities will not necessarily benefit from CSR programmes.

Nearly four decades ago, Shanklin (1976) asserted that the focus on CSR has resulted in executives becoming less interested in the process of delivering it. An emphasis on outcomes, in turn, leads to organisations adopting a narrow view when making CSR decisions, the effects of which can be detrimental when it comes to the disempowered, marginalised stakeholder. In the case of the extractive industries and oil and gas companies more specifically, a lot can be learned about legitimising strategies from analysing outcomes. For companies in industries and geographic regions where activism is prolific, there is little disputing that CSR has become a major tool by which organisations build or enhance their legitimacy. The accounting literature has discussed extensively the role that voluntary sustainability disclosure plays in an organisation’s efforts at gaining or enhancing legitimacy (Gray et al 1995; Guthrie and Parker, 1989; Mobus 2005; Neu et al. 1998; Deegan, Rankin and Voght 2000; Buhr 2012). Mahoney et al. (2013) go one step further when they contest that organisations with strong CSR programmes use sustainability reports to emphasise superiority in the area of CSR. In the case of oil and gas, the specific ‘disclosure patterns of the companies in reaction to a legitimacy threat’ (Summerhays and de Villiers 2012, p. 107) were certainly on display following the Exxon Valdez oil spill in 1989. As Patten (1992) and subsequently, Deegen et al. (2000) explained, following the disaster, there were increased self-laudatory environmental disclosures, focusing heavily on preventative measures and emergency response, which, as Darrell and Schwartz (1997) demonstrated, were made purely in response to heightened public pressure.

In summary, there are clearly elements of legitimacy on display in the CSR strategies of oil and gas companies: they are shaped heavily by the enclave settings of activities and are potentially tailored, quite creatively, to the groups of stakeholders which potentially threaten the viability – and not necessarily those most affected by – operations.

### 3.6 Stakeholder Identification and Salience

The previous section shed light on the importance of legitimacy in the stakeholder identification process. However, there are some stakeholder groups such as governments and civil society organisations who are sometimes given priority although they may not have a direct legitimate claim. The motivations behind such choices cannot be explained by Legitimacy Theory. There seems to be other criteria which organisations draw on when identifying and prioritising stakeholders in their CSR programmes. The previous section detailed the inability of Stakeholder Theory to explain the nuances of CSR decision-making as it influences outcomes, identifying this as one of its fundamental shortcomings. As a result, Legitimacy Theory has been used widely to fill the gap. Although this theory, too, is missing some critical pieces when it comes to understanding corporate decision making, the management literature has made considerable progress over the years in refining it. Stakeholder Theory, however, has not been given the same level of attention.
One of the few attempts made to extend the boundaries of Stakeholder and Legitimacy Theories meagerly beyond their normative focus was, as indicated, the Stakeholder Identification and Salience Framework put forward by Mitchell et al. (1997). In this seminal paper, the authors work from Freeman’s (1984) definition of ‘stakeholders’ so as not to exclude any group/individual but proceed to use attributes such as power, legitimacy and urgency as those which ‘define the field of stakeholders: those entities to whom managers should pay attention’ (p.854). They argue, while recognizing the normative flaw of Stakeholder Theory, that:

..stakeholder salience – the degree to which managers give priority to competing stakeholder claims – goes beyond the question of stakeholder identification, because the dynamics inherent in each relationship involve complex considerations that are not readily explained by the stakeholder framework as it currently stands [p.854].

The authors make the assumption that certain attributes define the salience of different groups of stakeholders, and against the background of this assertion, offer a framework that managers can use to prioritise stakeholders. They argue that managers have their perceptions of stakeholder legitimacy and it is this perception that influences how they prioritise stakeholders. By combing through the existing literature on stakeholders, they identified themes detailing the relationship between firms and their stakeholders. They unearth the following:

1. That an actual relationship or a potential relationship exists. In this relationship there are claimants (legitimate and illegitimate) and influencers.

2. There is a power dependence relationship where either the firm dominates, or the stakeholder dominates or there is a mutual dependence.

3. There is a basis for legitimacy in the relationship. The idea is that the stakeholder has a claim on the company, a contractual relationship exists between the firm and stakeholders, the stakeholder has a moral claim to the firm, and the stakeholder has something at risk.

4. There is a stakeholder interest but such interest has no basis for legitimacy.

Based on this categorisation, the authors argue that although the narrow interests of legitimate stakeholders (p.862) need to be served in order to ensure the survival of the organisation, it is equally important to ‘recognize the legitimacy of some claims over others’ (p.863). This means that even though a stakeholder may have legitimacy, such legitimacy may not necessarily determine the stakeholder’s salience amidst the myriad of stakeholder claims that an organisation will typically be faced with. In effect, power and legitimacy become important attributes in the identification and prioritisation of stakeholders. But even where power exists, some claims take precedence over others as they carry immediate damaging or favourable implications. Hence, urgency becomes a very important attribute in the prioritization phase.
Relationships between *legitimacy, urgency* and *power* were therefore proposed by the authors as a possible framework for ‘stakeholder identification and salience’ (See Figure 3.2). To define legitimacy, the authors draw on Suchman’s (1995) interpretation, already discussed in Section 3.5. They treat *legitimacy* as separate to power, acknowledging that certain legitimate stakeholders such as minority stockholders in a closely-held company do not yield salience in the eyes of managers.

The authors refer to *power* as ‘the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance’, drawing on Weber’s (1947) definition. *Power* can be gained by exercising ‘coercive, utilitarian or normative control within a relationship’ (p. 865). *Urgency* is defined as ‘the degree to which stakeholder claims call for immediate attention’ (p.867). It is based on the attributes of ‘time sensitivity’ and ‘criticality’. Both of these attributes of legitimacy have to be present for a claim to be considered urgent.

In the framework, the interplay between *power, urgency* and *legitimacy* enables the company to identify and prioritise stakeholders. In this typology, as outlined in Figure 3.2, stakeholders possessing only one attribute are *latent* (stakeholder salience is low), those possessing two attributes are *expectant* (stakeholder salience is moderate), while those possessing three attributes are *definitive* (stakeholder salience is high). It was further explained that stakeholder attributes are variable and are socially constructed, not objective reality, and that consciousness and willful exercise may or may not be present.

**Figure 3.2**: Stakeholder Typology: One, Two, Three Attributes Present


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16 This classification is drawn from Etzioni (1964).
Latent stakeholders include dormant, discretionary and demanding stakeholders. The dormant stakeholders have power but without a legitimate stake in the business, cannot exercise it fully. Interaction with the firm is low. Discretionary stakeholders have legitimate claims in the company but also do not possess the power to wield them. Demanding stakeholders have claims to the company but are ‘mosquitoes buzzing in the ears’. Without power, such stakeholders do not garner the attention of managers. Expectant Stakeholders include dominant stakeholders whose influence is assured as a result of the attributes they possess; dependent stakeholders can only exercise their power through the influence of powerful stakeholders. Dangerous stakeholders lack legitimacy but have the power and urgency to influence managers’ decisions. A definitive stakeholder, however, has all three attributes and therefore a high degree of salience. Shareholders are a main definitive stakeholder of an organization.

Mitchell et al. (1997) argue that the degree of perception given to a stakeholder by a manager is socially-constructed but not necessarily based on an objective reality. This observation has implications for what happens in developing countries. If applied to the case of the Niger Delta, for example, it can be easily discerned that managerial perceptions of stakeholders led Royal Dutch Shell to abandon the environment and the communities affected by their operations because these two stakeholders were not perceived by managers to have power.

The authors put forward an interesting synthesis of ideas which enables thinking along the lines of the impact of a mélange of variables which influence managerial decision-making. In the words of Aaltonen et al. (2008), the stakeholder identification and salience typology is aimed at facilitating an ‘understanding of how to manage stakeholders in increasingly turbulent and unpredictable environments’ (p. 510). Verification of the efficacy of the typology, however, can only be determined by testing the theory. Unfortunately, the typology has received minimal attention in the organisational studies literature, perhaps as a result of its roots in Stakeholder Theory and its philosophical orientation. Few studies have tried to build on the ideas put forward by Mitchell et al. (1997). Some are discussed briefly below.

Agle et al. (1999) tested the applicability of the framework within family firms by examining how CEO perceptions of stakeholders influenced critical organizational outcomes. They discovered that CEOs’ perceptions of stakeholder power, legitimacy, and urgency influenced their position on stakeholder saliency, but found little evidence to support the notion that stakeholder saliency influences such outcomes as profitability, employee relations, community relations, or environmental stewardship. In another study, Henriques and Sardosky (1999) measured the environmental commitment of managers by gauging their perceptions of stakeholders using the typology put forward by Mitchell et al. (1997). They found that managerial perception of stakeholders is critical to the level of importance given to a stakeholder but fell short of measuring the attributes separately.

Interestingly, in a related study, Sharma and Henriques (2005) found that stakeholders who do not control resources critical to the focal firm's operations are able to pressure a firm indirectly via other
stakeholders on whose resources the firm is dependent. They make an important contribution to the debates on stakeholder salience by concluding that it can indeed be enhanced through empowerment by more powerful and legitimate stakeholders. This finding is an important contribution to understanding stakeholder salience as it brings to light the impetus behind the elevation of the natural environment to the status of very salient organisational stakeholder. Reynolds et al. (2006) also applied the typology of stakeholder salience in a study of how managers balance competing stakeholder interests in decision-making, observing that resource constraints and relative saliency of stakeholders limit managers’ ability to balance stakeholder interests effectively. They also found that stockholders are not necessarily given preferential treatment when it comes to managerial decision-making. These studies provide a level of authentication for the typology put forward by Mitchell et al. (1997). However, they also raise some important questions about how context comes to play in the course of CSR decision-making. For instance, and of particular relevance here, how do social and environmental factors in different regions of the world influence CSR decision-making?

In addition to this limitation of context, Driscoll and Starik (2004), criticise Mitchell et al. (1997) on the grounds that the environment, which is a primordial stakeholder, is not given this status within the Mitchell et al. (1997) typology. Driscoll and Starik (2004) argue that when the natural environment is plugged into the framework, it only possesses attributes of legitimacy and urgency and is therefore not considered salient to managers unless a stakeholder with power exercises this on behalf of the natural environment. They criticise Stakeholder Theory and the Stakeholder Salience framework for focusing predominantly on human interactions. This is an issue that Orts and Strudler (2002) also criticise the theory for, noting that the environment is ignored because of the bias towards social relationships. Driscoll and Starik (2004) further argue that the natural environment holds the balance of power in its relationship with business. The power of natural environment, they assert, is context-specific. The authors use examples such as hurricanes and depletion of fish to show how business and the natural environment interact and show how the power of the natural environment becomes evident. They theorise that ‘the greater the proximity, the greater the likelihood of the development of stakeholder relationships, ceteris paribus’ between the firm and the natural environment (p.64). Finally, they introduce the concept of ‘embedded proximity’. This is where organisations ‘share the same or similar ideas, approaches, and actions, that is, they are proximate to one another in concept or practice or that they occupy the same “field”’ (Bansal and Roth, 2000 quoted in Driscoll and Starik, 2004 p.64). Here, two stakeholders share the same physical space. When applied to enclave-type environments, analysis of proximity helps to unearth an additional attribute which could signal a higher degree of salience for communities and the natural environment in oil and gas operational settings in sub-Saharan African more specifically. In this study, the issue of proximity was broached, as communities share a common space (the ocean) with the oil and gas companies. Figure 3.3 shows succinctly how the central ideas of the enclave thesis were fused with legitimacy and the Stakeholder Salience Framework in order to articulate the CSR decision making processes in Ghana’s oil and gas industry.
3.7 CSR Decision Making in Sub-Saharan Africa

Generally, the conventional belief is that economically-productive environments where there is political stability and minimal operational and reputational risk, is essential for businesses to thrive. Sub-Saharan Africa has historically been an unpredictable environment due to political unrest and malfunctioning institutions; yet the extractive industries have flourished in the region. Mitchell et al.’s (1997) typology provides a significant stepping stone toward understanding the stakeholder identification and salience in Ghana’s oil and gas industry explored in this thesis. An initial cursory ranking and allocation of stakeholder attributes is laid out in Table 3.1. In the table, primary stakeholders are determined by the classification picked up from the academic literature. All other stakeholders who do not fall into the primary category are treated as secondary stakeholders in the table. The table provides an idea of how stakeholders were perceived by the researcher prior to conducting fieldwork. Historically, primary stakeholders (Clarkson 1995; Hart and Sharma 2004) have been ranked by organisational scientists according to perceived importance (Hine and Preuss, 2009; Henriques and Sardosky, 1999). Shareholders have often been seen as the most important stakeholders (Carroll 1991; Cooper and Owen, 2007) given that they are the owners of organisations. In outlining a ‘Pyramid of Corporate Social Responsibility’, Carroll (1991) asserts that ‘all other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations’. This assertion brings to light the importance of shareholders, without whom an organisation would not exist. Customers are ranked second, as they keep the company in business; employees are ranked next as they are required for the survival of the business; the next in line is government (policy makers); and the least influential group is the community (individuals, associations and community leaders, and civil society...
organisations). Given that business environments in developed countries were the loci of studies surrounding these rankings of stakeholders, there leaves much to be desired in the application of these to the Ghana situation. The remaining groups of stakeholders are all considered secondary and attributes are allocated on the basis of perceived salience. The researcher notes that there are various stakeholders of the oil companies operating in Ghana who have not been captured in Table 3.1. For example, employees, contractors, the industry and the general Ghanaian public have not been listed. This study targeted solely the constituents of affected community (members, leaders, chiefs, etc.), civil society organisations, government, multilateral organisations and corporations themselves.

Table 3.1: Assumed Stakeholder Identification Structure in Ghana’s Oil and Gas Industry

<table>
<thead>
<tr>
<th>Type of Stakeholder</th>
<th>Stakeholder</th>
<th>Attribute</th>
<th>Salience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>Government – Ministry of Energy</td>
<td>Power, Legitimacy, Urgency</td>
<td>Definitive</td>
</tr>
<tr>
<td>Primary</td>
<td>Energy Commission</td>
<td>Power, Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Primary</td>
<td>Shareholders</td>
<td>Legitimacy, power, urgency</td>
<td>Definitive</td>
</tr>
<tr>
<td>Primary</td>
<td>Customers</td>
<td>Power, urgency</td>
<td>Dangerous</td>
</tr>
<tr>
<td>Primary</td>
<td>Partners</td>
<td>Power, Legitimacy, Urgency</td>
<td>Definitive</td>
</tr>
<tr>
<td>Primary</td>
<td>World Bank/IFC</td>
<td>Power, Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Primary</td>
<td>Regulators</td>
<td>Legitimacy, power</td>
<td>Dominant</td>
</tr>
<tr>
<td>Secondary</td>
<td>Communities</td>
<td>Legitimacy, proximity</td>
<td>Dormant</td>
</tr>
<tr>
<td>Secondary</td>
<td>Chiefs and Local Leaders</td>
<td>Power</td>
<td>Dormant</td>
</tr>
<tr>
<td>Secondary</td>
<td>Civil Society Organizations</td>
<td>Power</td>
<td>Dormant</td>
</tr>
<tr>
<td>Secondary</td>
<td>EITI/PWYP(^{17})</td>
<td>Power, Urgency</td>
<td>Expectant</td>
</tr>
<tr>
<td>Secondary</td>
<td>Environment</td>
<td>Legitimacy, urgency, Proximity</td>
<td>Dependent</td>
</tr>
</tbody>
</table>

With the categorization in Table 3.1, it can be deduced that CSR decision-making in the case of Ghana’s oil and gas industry will be skewed towards the most salient stakeholders, specifically, the government, the Equity Partners and the shareholders of the oil companies. Overall, CSR outcomes are a product of managerial decisions. Such decisions, as discussed in the previous section, result from managerial perceptions of stakeholders. These perceptions shape how stakeholder needs are prioritised. Figure 3.3 outlines the theoretical framework informing the study. The being presented here is that the oil companies’ CSR programmes will be informed by Stakeholder Identification and Salience Framework, the Enclave Thesis and Legitimacy Theory. Decisions made about CSR will have two outcomes: favourable

\(^{17}\) EITI/PWYP is a culmination of the outcomes of debates among institutional stakeholders. The campaign represents donor agencies, the Ghanaian government, major extractive oil companies and civil society organizations.
and unfavourable. Favourable outcomes, according to the literature presented above, will give the organisations legitimacy or enhance their existing legitimacy. Historically, unfavourable CSR outcomes in sub-Saharan Africa’s (Frynas 2001) oil and gas enclaves have resulted in grievances, which in some cases have affected legitimacy. The findings of the study will be critiqued using the framework presented in Figure 3.3.

3.8 CSR OUTCOMES: GRIEVANCE VERSUS LEGITIMACY

The CSR outcomes associated with the oil and gas industries of sub-Saharan Africa have attracted significant criticism from both academic and civil society organisations. Oil and gas companies in Nigeria in particular have been widely condemned for their CSR programmes, which have fallen short of their stipulated objectives (Otosanya 2011; Frynas 2005; Muller and Kolk 2009; Wiig and Kolstad 2009a, 2009b). These criticisms have been leveled largely because of the approach taken during the conception of the programmes and in some cases their delivery. The outcomes of CSR decision-making could be favourable or unfavourable, as indicated. The concept of grievance will be discussed briefly in this section to provide an understanding of the effects of the latter.

Grievance Theory, as indicated in Chapter 2, can be traced to the work of Ted Gurr, whose seminal text, Why Men Rebel (Gurr, 1970), linked disputes concerning developments to the notion of relative deprivation. The author posited that such disputes arise when affected people believe there to be a significant difference between what they receive on the one hand, and what they are entitled to, on the other hand. The work of Gurr (1970) has clearly informed a collection of seminal papers produced by Paul Collier and colleagues (see e.g. Collier and Hoeffler 1998; Collier and Hoeffler 2004), who unpack the issue of grievance further in an attempt to offer explanations for why underdeveloped natural resource-rich states experience civil violence.

Murshed and Tadjoeddin (2009) developed a taxonomy of drivers by applying Grievance Theory to low-intensity conflicts. These drivers can be placed into three broad categories, the first being the abovementioned deprivation, which can have ethno-communal, regional or class underpinnings. The second is polarisation, which ‘occurs when two groups exhibit great inter-group heterogeneity combined with intra-group homogeneity’, the idea being that groups of people feel alienated from one another, which is fuelled by the feeling of ‘within group identity’ (p. 97). A final and very common set of drivers fall under the category, ‘horizontal inequality’, or inequalities between groups shaped by ethnic, religious, linguistic and/or tribal differences. These can manifest in a variety of ways, including discriminations in public spending and taxation, high asset inequality, economic mismanagement, and disputes over the allocation of resource rents. While the literature on grievance is vast and at times, unclear on certain issues, there is broad agreement that disputes falling in this category (of grievance) – whether violent or nonviolent – are almost always linked to ‘motive’.
These motives are generally about justice-seeking, and typically emerge over environmental and/or social concerns. The former has quite commonly been associated with the large-scale mining activities that have expanded rapidly across the developing world in recent decades (Holden et al., 2011). Activities have a large environmental footprint, particularly in locations where regulatory enforcement has been substandard. These effects disrupt the resources upon which local people subsist, and can even displace them outright, ‘thus generating grievances among people that act to further generate conflict’ (Holden and Jacobson, 2007, p. 477). Much of the same has taken place in the Niger Delta, where the aforementioned gas flaring and oil spills – the main perpetrator in most cases being Royal Dutch Shell – have agitated communities and are generally recognised by scholars as a main driver of the militancy of some local factions (Inokoba and Imbua, 2010). The ‘environmental justice-seeking’ generally associated with such cases surfaces when poor, marginalised groups ‘have demanded the recognition and protection of their culture, livelihood and territorial rights’ (Urkidi et Walter 2011, p. 685). With social issues, events tend to unfold in a similar manner and for a number of reasons. In places such as the Solomon Islands, for example, community-level grievances have surfaced over property rights and land (Allen 2012; 2013), while in Tanzania, disputes between foreign large-scale miners and indigenous operators over parcels of mineralised land are now widespread due to the latter believing they cannot secure access to land as easily as the former (Carstens and Hilson, 2009).

In many cases, however, it is a combination of social and environmental issues which has ignited disputes. This seems to be the pattern in oil-rich sub-Saharan Africa: one set of issues magnifies another set of problems, consequently perpetuating and deepening existing tensions. One of the most illustrative cases is, again, the Niger Delta, where the aforementioned gas flaring and spillage have led local peoples to critically reflect on what contributions the oil sector is making to wider society. With there being very little ‘trickle down’ to local people in the form of taxes and royalties, and nothing being done to repair the damages to the waterways that they depend on for their livelihoods, grievance-related conflict has surfaced. Common to all grievance-related disputes is a feeling of discontent which, as Carstens and Hilson (2009) explain, typically ‘resonates among local populations over the performance of a large-scale extractive industry project’ (p. 304). Groups tend to ‘band together’, unified over a common marginalisation, and as a collective unit, express their grievances.

There have been very examples of positive extractive industries-driven development in the region. One of the few success stories is Botswana, the world’s largest producer of diamonds. Mining began in the country in 1867. Botswana has managed to largely avoid the Dutch Disease (Pegg, 2010; Acemoglu et al., 2001; Leith 2005; Samatar 1999; Sarraf and Jiwanji 2001) which has plagued most extractive economies in sub-Saharan Africa. The nation of Botswana receives 50% in mining rents some of which are used to finance budgetary spending and deposited into a futures fund. The case of Botswana stands in sharp contrast to what has happened elsewhere in the region. The view here, however, is that Ghana, being new
to the oil and gas scene, has a real opportunity to avoid the debacle that has unfolded in the Niger Delta and other oil and gas economies in the region.

3.9 **JUSTIFICATION FOR CHOICE OF THEORIES**

There is merit in understanding how Legitimacy Theory and Stakeholder Theory (and, by extension, the Stakeholder Identification and Salience framework) apply in the Ghanaian setting. With respect to Legitimacy Theory, as already explained in Section 3.5, the accounting literature attributes voluntary sustainability disclosure to legitimating practices by companies. Legitimacy Theory was, therefore, selected for this study because the researcher was interested in identifying the motivations which drive oil and gas companies in regions with weak institutional frameworks to engage in CSR and exactly what type of legitimating practices embed the selection of CSR programmes.

As explained in Section 3.4, over time, Stakeholder Theory has evolved and attracted considerable criticism. This criticism underscores why it is important to understand how, precisely, Stakeholder Theory applies to the Ghana’s oil and gas industry. Despite the grave critique that Stakeholder Theory has drawn over the years, it is noteworthy that companies allude to following a ‘stakeholder approach’ in their sustainability planning; specifically, the rhetoric in sustainability reports is suggestive of organisations taking an inclusive stakeholder engagement approach. Below is a selection of content from the sustainability reports of three of the top twenty oil and gas companies in the world:

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Our operating managing system requires our businesses to have a process for receiving communications from key communities and stakeholders, and to document responses.18

ExxonMobil builds relationships with a diverse group of stakeholders through timely and transparent communication. Energy issues are complicated, and our stakeholders represent multiple viewpoints. The dialogue we develop with our stakeholders helps us understand all points of view and maintain a global perspective on our most material issues. This, in turn, helps us continue to improve our company and remain a responsible corporate citizen.19

The issues of interest the stakeholders serve as a basis for developing the sustainable development report concept...20

The above excepts demonstrate that, irrespective of the extent of engagement, there seems to be general recognition by organizations that there is a need to engage with not only primary stakeholder but also all other stakeholders, as the Stakeholder Theory suggest. Additionally, to achieve the objectives of this study (see Section 4.2), it was prudent to have a framework against which to gauge how the perception of stakeholders’ salience influences the choice of CSR programmes. To this end, the Stakeholder Identification and Salience Framework (see Section 3.6) proved invaluable.
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Finally, there is sufficient evidence in the accounting literature that organisations gain legitimacy or enhance their legitimacy when sustainability programmes (Section 3.5.1) are well-received by beneficiaries. However, the impact of such choices on aggrieved stakeholders which Grievance Theory (see Section 3.8) sheds light on has not featured in the accounting literature. This study sought to understand how grievances develop as result of non-inclusive CSR programmes. Grievance Theory, therefore, provides a potentially-invaluable lens for gauging and understanding such occurrences.

### 3.10 CONCLUDING REMARKS

This chapter has discussed the theoretical foundations which underpin this study. The chapter began by examining the social and environmental strand of accounting, and laid the foundation for a more holistic, critical examination of the externalities of organisations’ activities. It further traced the rise of Stakeholder Theory and Legitimacy Theory and highlighted the relevance of the Stakeholder Identification and Salience framework in understanding how CSR decisions are arrived at. The final part of the chapter was concerned with the literature on grievance – the side effect of negative perceptions of CSR outcomes. Figure 3.3 summed up the theoretical framework for the study. The next chapter details the methodological approach adopted. An assessment of data collection and data analysis methods employed in the study is also provided.
4 METHODOLOGY

‘Lacking an ‘absolute truth’ from which to approach the world, we create via social consensus an absolute reference point, our paradigm.’ Gummesson (2000, p. 18)

4.1 INTRODUCTION

The critique of CSR presented in Chapter 2 revealed numerous research gaps, particularly how the concept applies to and is operationalised in the extractive industries – and the oil and gas sector, more specifically – in sub-Saharan Africa. It has already been established, in previous chapters, that despite increased calls for oil and gas companies to address the social and environmental impacts of their business activities, most are not in tune with the needs of major stakeholders, especially those marginalised by their activities. The situation is further aggravated by the priority accorded to company profitability and efficiency in financial markets, which provides no avenue for anticipating the potential marginalisation of stakeholders and the impacts of such oversight. Historically, the success of organisations has been typically measured using strict quantitative financial indicators. At the same time, little attention has been paid to developing complementary qualitative indicators of corporate success. The outcry for a reform to what constitutes ‘value’ within an organisation (Gray 2006a; 2006b) makes an in-depth investigation of the motivations for pursuing a particular social and environmental agenda imperative.

The Stakeholder Identification and Salience Theory (Mitchell et al., 1997), again, a variation of Stakeholder Theory and Legitimacy Theory, provides a theoretical lens for evaluating and understanding CSR outcomes, in this case, those linked to Ghana’s oil and gas economy. In order to assess how these theories apply to, and understand how relevant policies are formulated in, this new but expanding sector of industry, the thesis employed a qualitative research approach featuring a case study design to investigate stakeholder identification, engagement and salience in CSR programmes. As shown in Chapter 2, the research was informed and framed by an interdisciplinary platform, drawing on elements from the management, development studies and political science literature.

After describing the methods used and the methodological approach adopted in this thesis, the chapter details the study’s research design. It further explains how the study was executed and the data analysed. The chapter concludes by outlining issues concerning the reliability, validity and limitations of the study.

4.2 AIMS AND OBJECTIVES

Given the tenuousness of the case for CSR in oil-rich sub-Saharan Africa, it is unclear why companies would choose to implement programmes which benefit communities, particularly if there is little to gain financially and they are not mandated to do so. On the one hand, most of the oil companies operating in the region provide detailed accounts, in their annual reports and on their websites, of their
involvement with communities, suggesting that comprehensive CSR programmes are in place in the impoverished yet largely-unregulated settings where they typically operate in the region. But on the other hand, the ‘outcomes’ of such efforts have, with few exceptions, yielded mixed results and at times, have had minimal impact altogether, suggesting that the ‘delivery’ of CSR in such environments is more complex than believed. This uncertainty raises important questions for research, in particular, how have oil companies operating in the offshore ‘enclave’ environments in sub-Saharan Africa diagnosed and conceptualised the CSR challenge? Moreover, how do stakeholders in the offshore oil ‘enclave’ environments in sub-Saharan Africa perceive the impact of CSR programmes, how do stakeholder identification, engagement and salience strategies in the area of CSR play out in the region’s oil enclaves, and how do these strategies influence legitimating practices in the industry? Finally, do regions where there are weak institutions necessitate the treatment of government as the ultimate stakeholder when determining CSR programmes as there is no urgency to address the concern of marginalised stakeholders?

It is against the background of the uncertainty of the role, application and delivery of CSR in oil-rich sub-Saharan Africa and these unanswered questions that this thesis aims to document first-hand the sector’s stakeholder engagement process and to further explore the outcomes of company-community interactions, focusing specifically on the case Ghana. Building upon the analysis presented in Chapter 2, the specific objectives of the thesis are as follows:

1. To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualised the CSR challenge. The intention is to understand the rationale for embracing the three ‘pillars’ of CSR, identified in Chapter 2, to determine how companies arrive at key CSR-related decisions, and to cast light on how they go about identifying ‘the community’ and why, in the unique operating environments of Sub-Saharan Africa.

2. To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments. After identifying key stakeholders, viewpoints on CSR programmes will be solicited. Special emphasis will be placed on community-level perspectives and gauging the extent to which these are taken into account in an ‘enclave’-type offshore oil-producing setting. The perspectives gathered here will be considered through the lens of power, legitimacy, urgency and proximity (after Mitchell et al., 1997; Driscoll and Starik, 2004).

3. To critically reflect on the implications offshore oil production has for stakeholder design, accounting and development overall. The idea is to broaden understanding of the challenges with developing effective CSR programmes from the confines of an offshore enclave, as well as the extent to which it affects decision-making processes and influences ‘outcomes’ overall.

The objectives and corresponding method(s) of data collection are presented in Table 4.1
Table 4.1: Summary of Research Objectives and corresponding approach to data collection

<table>
<thead>
<tr>
<th>Objective</th>
<th>Method of Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualised the CSR challenge</td>
<td>Interview</td>
</tr>
<tr>
<td></td>
<td>Documentary Analysis</td>
</tr>
<tr>
<td>To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments</td>
<td>Interview</td>
</tr>
<tr>
<td></td>
<td>Focus Group Discussion</td>
</tr>
<tr>
<td></td>
<td>Life History</td>
</tr>
<tr>
<td>To critically reflect on the implications offshore oil production has for stakeholder design, accounting and development overall</td>
<td>Documentary Analysis</td>
</tr>
</tbody>
</table>

4.3 JUSTIFICATION FOR THE SELECTION OF THE METHODOLOGICAL APPROACH

For an exploratory study in a nascent oil and gas industry such as that emerging in Ghana, it was instructive to consider the most appropriate methodological approach which would yield the deep insights the researcher was seeking. A number of methodological approaches can be employed in academic research (Lowe, 2004). Each has different ontological (understanding of the nature of the world) and epistemological (how to go about studying the world) foundations (Burrell and Morgan 1979; Snape and Spencer, 2003; Bryman, 2008; Hammond and Wellington, 2013). These schools are divided according to differing perceptions of ‘reality’, how ‘reality’ is to be studied, and the method employed (Hopper and Powell, 1985).

The qualitative research paradigm generally comprises all work that views the human element as a limiting factor in approaching research from a purely natural science perspective. To the qualitative researcher, ‘reality’ is socially constructed (Locke and Golden-Biddle, 1997, p. 1025). In other words, humans are born with no knowledge of their world but over time, see the world through the lenses of the people around them (Singleton et al. 1993; Lee and Lings 2008; Chua, 1986; Bernard 2000; Blaxter et al. 2001). Qualitative research offers meanings and descriptions of the social world of respondents. The quantitative research paradigm, on the other hand, is said to flow from the natural science approach to research which is said to be marked with high precision and is grounded in mathematical logic (Cryer, 2006, p.77). In the quantitative research paradigm, ‘reality’ is seen as being independent of the researcher. The researcher approaches ‘reality’ objectively, employing statistical tools in hypothesis testing in arriving at value-free, measurable, universal and generalisable findings (Van de Ven, 2007; Lee and Lings, 2008). It is this view of quantitative research that is identified as its main criticism, namely it risking a failure to recognise that what can be counted is not always important, and what is important cannot always be
counted’ (Parker 2012, p. 54-55). The nature of the issues explored in this thesis required the researcher to scope debates on CSR in the oil and gas industry by surveying the perspectives of representatives of corporations, policymaking bodies, communities and civil society organisations. The research problem provided the impetus for adopting qualitative approaches: as Frankel and Devers (2000, p.252) put it, ‘distinct goals require distinct research design’.

A main reason for selecting a qualitative methodology in this thesis was, indeed, ‘the nature of the research problem’ (Strauss and Corbin, 1998, p. 11), namely, its intention to describe and interpret information collected from respondents, and, more specifically, the fact that ‘why’ and ‘how’ questions underpin this thesis (Section 4.2). Because of its reliance on numerical standards of measurements, quantitative research is unable to unearth the answers to such questions (Vaivio 2008). This is why, explains Hentschel (1999, p. 69), proponents of qualitative research methodologies frequently question ‘the usefulness of quantitative methods’: largely because ‘the complex network of factors and human experience...is lost in the search for establishing empirical generalisations for the sake of presenting reliable results (Pedersen, 1992, p. 39). Qualitative methods ‘are often misunderstood by researchers with backgrounds in science and positivist methodology’ (Ezzy, 2001, p. 294), as they mainly offer interpretation instead of focusing on numerical data analysis. But it is in providing interpretation that the meanings of the actions or inactions of individuals become bare. For the topic studied here, as noted, it is the ‘why’ and ‘how’ questions which, it was believed, would shed the most light on the relationship between organisational perception and community perceptions of the relevance of CSR programmes.

Studies grounded in qualitative research methods dominate the CSR literature today. Before the new millennium, however, the dominant paradigm was positivism (see e.g. Henriques and Sardosky 1999; Pasquero 1985). This shift in paradigm finds expression in commentary provided by Morgan and Smircich (1980) about how, in the late 1970s, there were calls for a move from quantitative to qualitative approaches without much appreciation for the link between theory and method; and, more importantly, for the assumptions that underlie the latter. The authors’ case for qualitative research is built on the limitations of quantitative techniques, specifically how they merely ‘play a partial role in the analysis and understanding of the process of social change, and in defining the informational properties of a cybernetic field’ (Morgan and Smircich 1980, p.498). This continues to be the general argument today.

The application of qualitative methodologies best positions researchers to gain new insights and broaden their understanding of the meaning or nature of the experiences of respondents through exploring the deeper meanings of their actions or inactions without relying on statistical methods (Strauss 1998; Strauss and Corbin 1998; Skinner, Tagg and Holloway 2000; Stainback and Stainback 1988; Gubrium & Holstein 1997). Whereas quantitative techniques emphasise the measurement of ‘things that can be counted using predetermined categories that can be treated as interval or ordinal data and subjected to statistical testing’ (Patton, 1997, p. 273), qualitative research ‘is primarily designed to describe processes
as accurately as possible in verbal terms, not with numbers or quantitative measurements’ (Nevid and Sta. Maria, 1999, p. 309).

They are particularly effective when surveying the viewpoints of representatives from different stakeholder groups and when ‘constructing or developing theories or conceptual frameworks’, as this research sought to do (Sofaer, 1999, p.1104). ‘All in all,’ explains Flick (2002, p. 9), ‘qualitative research, in its theoretical and methodological developments and its research practice, is characterised by a more or less explicit building of schools which differ in their influence on the general debates.’ Qualitative research simply captures a holistic perspective, through participants’ own words and perceptions, of how they understand, account for and act within the boundaries of everyday life (Miles and Huberman, 1994, p. 10). By using qualitative methods in the research undertaken as part of this thesis, the researcher was able to embrace effectively multiple world views of defined issues by surveying the opinions of different stakeholders.

Although qualitative, the findings collected were, in many cases, the only data available: most of the areas visited are extremely remote, easily overlooked in censuses and demographic surveys. In the absence of a foundation of quantitative data, the information collected is, in a sense, the baseline for these communities. This, however, is consistent with what has been reported in the literature. Statistical agencies in developing countries have often been criticised for not having baseline data on hand (Eele, 1994). The many challenges faced by these agencies when it has come to collecting data have been well-documented, and include – but are not limited to – a lack of funding; a shortage of personnel, particularly statisticians and social scientists; poorly-developed infrastructure such as roads, communications, serviceable buildings and transportation networks; educational deficiencies; and a lack of computer networking and databases (Bulmer 1983; Grosh and Glewwe 1996). It was over three decades ago that Bulmer and Warwick (1983) drew attention to the struggles of social scientists in their efforts to obtain reliable quantitative data in developing countries, detailing the difficulties often encountered with carrying out robust questionnaires and surveys in such settings on their own. As the authors bluntly put it, ‘the conditions under which social science research is carried out in the Third World differ in significant respects from conditions in the industrial world in North America, western Europe and Australia’ (Bulmer and Warwick, 1983, p. ix). Bulmer (1983, p. 4) further noted that, ‘the social data available to governments in the Third World is often highly unsatisfactory [as] development officials often lack adequate data on basic population parameters and indicators of development such as agricultural production or infant mortality’. It is against this background that Ward (1993, p. 139-140) advocates adopting qualitative research, seen as a means for minimising the potential inaccuracy of quantitative data in these environments. This is why, as Crossley and Vulliamy (1996, p. 443) explain, ‘qualitative research may be more appropriate in developing countries, where literacy and numeracy are less prevalent, than it is in the West’.

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Several authors (e.g. Kirk and Miller 1986; Strauss and Corbin 1998; Hall and Rist 1999; Cohen 1999) contend that qualitative research methods are more systematic than quantitative research methods. Qualitative research requires the investigator to think critically and creatively about a research problem vis-à-vis the requisite research methods which will elicit vital responses from respondents. Qualitative research designs, therefore, must be ‘emergent and flexible’, which involve a ‘rough sketch’ rather than a ‘blueprint containing exact specifications or a ‘gold standard’ (Frankel and Devers, 2000, p.253).

These assertions marry well with the research problem identified here. As there were various stakeholder groups targeted, the researcher was forced to think critically about the most effective and cost/time-efficient way to elicit in-depth responses from respondents. A ‘one-size-fits-all’ approach would not have worked in this case as the researcher consulted with a wide range of individuals, including the senior management of companies, representatives from civil society organisations and policy makers. The semi-structured interview, which enables ‘individual respondents some latitude and freedom to talk about what is of interest or important to them’ and ‘allows the conversation to flow more naturally’ (Hessie-Biber and Leavy, 2006, p.126), was identified as the most appropriate mechanism for retrieving the type of information needed from institutional-level stakeholders. For members of the community, the researcher used focus groups, appropriate for eliciting responses (issues raised by the respondents) within small groups in a timely manner.

To summarise, the foregoing discussion has identified the rationale for adopting a qualitative research methodology for addressing the objectives of this thesis. The remainder of this chapter outlines the research design employed, examining in detail the specific methods used to collect data and analyse results, as well as highlights the ethical implications of the research.

4.4 Research Design

Before discussing the methods used to collect the data in detail, it is instructive to outline the framework that guided the research process identified in Figure 4.1. This study was an empirical investigation of stakeholder management in Ghana’s oil and gas enclave. It was cross-sectional, exploratory and descriptive in nature, a comparative case study conducted using a qualitative research lens. The responses received from the ‘providers’ of CSR programmes (oil and gas companies) were compared with the responses received from the ‘users’ of the CSR programmes (communities). Interview data were recorded on Dictaphones and in notebooks. While reviewing literature for the study, it became evident that governments in sub-Saharan Africa as well as civil society organisations influence how resource enclaves develop. During the research, it was observed that multilateral organisations also play a critical role in the shaping of resource enclaves in Ghana. As a result, the researcher also solicited perspectives from the representatives of multilateral organisations. A list of interviewees is provided in Table 4.2.
Figure 4.1: Research Structure

Field Data Collection

Review of Literature
Selection of Case

Interviews
Focus group discussions
Life Histories
Documentary analysis

Data Analysis & presentation

Discourse Analysis
Presentation of Findings
Table 4.2: List of Respondents

<table>
<thead>
<tr>
<th>Institutional Level</th>
<th>Community AX</th>
<th>Community B</th>
<th>Community CP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Affairs Directors</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>CSR Managers</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Community Liaison Officers</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Local Content Managers</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Energy</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Fisheries Communities</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Environmental Protection Agency</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Civil Society Organisations &amp; Extractive Industries Initiatives</td>
<td>5</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>IFC/World Bank</td>
<td>2</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Chief Fishermen</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Chief Fishmongers</td>
<td>2</td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Fishermen (Focus Group)</td>
<td>40</td>
<td>15</td>
<td>14</td>
<td>69</td>
</tr>
<tr>
<td>Fishmongers (Focus Group)</td>
<td>14</td>
<td>6</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>Fishermen (Life Histories)</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>District and Municipal Assemblies</td>
<td>2</td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Western Region Chamber of Commerce</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>65</strong></td>
<td><strong>26</strong></td>
<td><strong>140</strong></td>
</tr>
</tbody>
</table>

The research was carried out over a six-month period, and involved two stages of data collection. Upon arrival in Ghana, it became evident that the best way to approach the study was to gather the information in stages. The fieldwork proceeded as follows:

1. A brief discussion with an executive at the Ministry of Energy in Ghana, who directed the researcher to the communities identified as ‘affected’ or ‘enclave communities’ by the government and IOCs.

2. A preliminary visit to all six of these ‘affected communities’ was made to gauge the scale of interaction with the IOCs’ activities through discussions with fishermen and to determine socio-political characteristics of the communities.

3. A joint focus group discussion with fishermen took place in Community AX and with Company 1’s community liaison officer.
4. A selection of three communities potentially adversely affected by oil drilling activities was made.\textsuperscript{21}

5. Interviews with officials from the Ministry of Finance, Civil Society Organisations 1 and 3, an Initiative Officer, and officials from the Ministry of Energy and Company 1 took place.

6. Return visits to Communities AX, CP and B for interactions with community leaders, fishermen, fish mongers and processors and chief fishermen took place.

7. Follow up interviews with Companies 1, 2 and 3, Fisheries Directorate of the Ministry of Food and Agriculture, Civil Society Organisation 2, Environmental Protection Agency Ghana (EPA) and World Bank/IFC were conducted.

By conducting the research in this manner, the investigator was able to directly query company officials on some of the findings obtained from research conducted in communities. Interestingly, company officials were very aware of the issues prevailing within the communities but were convinced that the problems identified by fishermen (see Chapter 7) were not linked to oil and gas drilling. It was therefore essential to use specific examples from the communities as a foundation for questions. The approach seemed to work: one External Affairs Manager, in response to information shared, asked ‘how come you know so much about the communities?’

\textbf{4.4.1 Unit of Analysis}

The unit of analysis for the study is CSR ‘outcomes’ in Ghana’s oil and gas industry. In order to understand why particular CSR programmes in the country’s upstream (exploration and development) oil and gas industry are chosen, it was important to broaden understanding of the process of programme conception from corporate officials. The idea was to determine how CSR programmes designed for external stakeholders are conceived in a developing world context, and more specifically, Ghana. The investigation entailed a detailed examination of stakeholder consultations in the programme development phase, with special emphasis on ‘affected communities’. By focusing on ‘affected communities’, certain key elements, such as the role of governments, previously identified in the literature (see Watts 2004; Frynas 2005), began to surface. This formed an integral part of understanding how CSR is conceived in these environments and informed questioning relevant to redefining the traditional accounting metrics of organisations.

\textbf{4.4.2 Research Population}

The research population was the oil and gas companies in Ghana and their local stakeholders, with particular emphasis on CSR. At the time when this research was carried out, the oil companies in

\textsuperscript{21} It was later realised that the three communities selected had also been identified by the IOCs as having the potential to be adversely affected by oil drilling activities through the environmental impact assessment that was conducted.
Ghana, which had already commenced drilling, were operating as a consortium of five oil companies (hereafter referred to as the ‘Equity Partners’). The lead company is the operator of the oil field which has responsibility for the CSR programmes initiated by the partners (see Chapter 6 for details of the companies). The operator makes all decisions about CSR programmes, in consultation with the partners. Funds are disbursed to the operator from the other equity members for CSR purposes (see Section 6.2).

Given the small number of companies in operation at the time of the fieldwork, the researcher decided to interview officials from all the five partners. Two of the companies, however, did not have a physical presence in Ghana at the time, and were therefore not available for interview. The CSR reports of, and media publications on, the companies were incorporated into the analysis. The research sample on the company side was, therefore, confined to the three Equity Partners who had a physical presence in Ghana at the time.

Initial documentary analysis led the researcher to segment stakeholders into three categories: 1) local, 2) national, and 3) international and corporate level stakeholders (Figure 4.2). Following the first round of interviews with corporate officials, the stakeholders were further segmented into sub-groups. In effect, the population for the communities comprised the six communities identified as ‘affected communities’. For Ghanaian government agencies and ministries, the population on which the study was based was government agencies with direct responsibility for the oil and gas industry in the country. The list of Ghanaian agencies was ascertained through the Environmental Impact Statement Document of the Equity Partners and verified at the Ministry of Energy. For civil society organisations, the population was organisations involved in oil and gas sector advocacy. The study therefore incorporated the views of these stakeholders in the population of respondents.
The study featured two types of sampling methods: purposive and snowballing (Figure 4.3). Although non-probability sampling methods such as purposive and snowball techniques are largely criticised for having a low likelihood of being representative of a research population (Bryman 2008), they proved very useful in this research, allowing the researcher to strategically target individuals and groups capable of responding to the research questions. Section 4.4.2 of this chapter established the population targeted in this research, explaining that all companies with a physical presence in Ghana were consulted. Within the companies themselves, purposive sampling was used, specifically, individuals with direct responsibility for CSR initiatives (see Table 4.2 for list of company officials interviewed). A purposive sampling method was followed to identify stakeholders (Figure 4.2), including government officials in charge of oil exploration projects in-country; representatives from local-level and international civil society organisations scrutinising oil exploration; and representatives of affected communities (including chiefs, community leaders, district assembly leaders, heads of associations/markets, and fishermen).
Figure 4.3: Sampling Strategy

The sampling process is detailed in Table 4.3. The purposive sampling involved two phases. The initial stage determined the sample that was used while the second stage focused on who within the sample could provide insight on the research questions. Snowballing proved to be a very successful method for identifying other respondents with insights on the research topic. This proved useful in selecting communities and government officials.
Table 4.3: Stakeholder Sampling Process

<table>
<thead>
<tr>
<th>Population</th>
<th>Stage 1A</th>
<th>Stage 1B</th>
<th>Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>Purposive Sample 1</td>
<td>Final Purposive Sample</td>
<td>Snowball</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Affected Communities</td>
<td>3 communities most affected by oil activities based on initial visit to communities</td>
<td>Fishermen</td>
<td>Other fishermen groups, community leaders and Chief fishermen and fish mongers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assembly Men</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chief Fishermen</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fish Mongers</td>
<td></td>
</tr>
<tr>
<td>Government Ministries and Agencies with responsibilities for oil and gas industry</td>
<td>Government Ministries and Agencies with responsibilities for oil and gas industry with potential impact on CSR and oil industry policies</td>
<td>Government Officials with responsibility for oil and gas policy formulation</td>
<td>Directed to other colleagues</td>
</tr>
<tr>
<td>Civil Society Organisations responsible for oil and gas advocacy</td>
<td>Civil Society Organisations with record of established and significant contributions to the oil and gas industry in Ghana</td>
<td>Senior Officers of the Civil Society Organisations</td>
<td>Directed to other stakeholder in the industry</td>
</tr>
<tr>
<td>Lenders</td>
<td>World Bank/IFC</td>
<td>Individuals with responsibility for oil and gas industry</td>
<td>n/a</td>
</tr>
</tbody>
</table>

4.6 Research Methods

As indicated, a qualitative research approach was judged suitable for this study, as it provided the researcher with the flexibility of employing multiple methods (after Creswell, 2009). Using various qualitative methods also enabled triangulation. A qualitative case study strategy, featuring an array of research methods, was therefore employed. Yin (1994) defines a case study as: ‘An empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used’ (p. 13).

As explained further by Hartley (2004, p. 26), the case study is increasingly becoming a ‘rigorous research strategy in its own right’, an in-depth investigation of data collected within a particular context and instrumental in aiding theory development. The author’s claim is further substantiated by Lee and Lings (2008), who observe the increasing prevalence of case study research. They explain how the medical field, for instance, relies on case studies in developing what is accepted today as ‘medical knowledge’. The case study method provided an appropriate avenue for addressing the thesis objectives, as the research was conducted within the ‘real life context’ of CSR in Ghana’s oil and gas industry.
A case study explores ‘a single entity or phenomenon (‘the case’) bounded by time and activity (an event, process, institution, or social group) and collects detailed information by using a variety of data collection procedures during a sustained period of time’ (Creswell, 1994, p. 12). In the same vein, Hartley (2004, p. 24) notes that ‘case studies are useful where it is important to understand how the organisational and environmental context is having an impact on or influencing social processes’. In short, case studies provide the best strategy for a researcher to probe in greater detail the impact of organisational activities on the social environment, in this case, the community. Unlike surveys, case studies are not confined to a laboratory environment, where data are collected at one point in time, at the same time ignoring the changing processes and environment of the respondents. Case studies capture these changes in the organisation and respondents, bringing out timely and richer information.

For Yin (1994), the eclectic methods within a case study facilitate the collection of varied evidence from respondents, leading to an aggregation of multiple responses to a problem. In this study, semi-structured interviews and documentary analysis on oil contracts and existing financial and social reports were used to assess the selection of CSR initiatives undertaken by oil companies in Ghana. Bulmer (1983, p. 9) substantiates this position, noting that in developing countries, the use of the case study method requires, ‘the researcher, rather than briefly interviewing a large number of respondents using a standardised instrument, relies on a repertoire of methods to gather data including informal interviewing, the use of knowledgeable informants in the locale being studied and participation in and observations of events in the setting as and when they occur’. Figure 4.5 summarizes the data sources drawn upon in the case study of CSR in Ghana’s oil and gas sector examined in this thesis.
4.6.1 Semi-Structured Interview: Institutional and Individual

As indicated, the study employed semi-structured interviews, each featuring open-ended questions, which offer ‘flexibility in terms of time and content’ (Lee and Lings, 2008 p. 217). Belal and Owen (2007) call for engagement-based studies, advocating for more interview-based research in developing countries. For this particular research, semi-structured interviews were used to explore the key concepts identified in the literature review (after Horton, Macve and Struyven, 2004; Aguinis and Glavas 2012).

An interview guide, included as Appendix 1, was used to keep the researcher on course (after Lee and Lings 2008; Hesse-Biber and Leavy 2006). Semi-structured interviews were selected because they were well suited to developing countries and have been deployed with success in many qualitative case studies.

Source: Adapted from Yin, 1994, p.93.
on CSR. Although semi-structured interviews are criticised on the grounds that responses are influenced by response/interviewee, interviewer or participation bias (Saunders et al., 2012), the approach proved to be the most appropriate method for deriving rich information from corporate leaders, civil society organisations and government officials in a non-threatening manner. Respondents were asked to provide perspectives on CSR processes. Interviews also afforded the researcher the option to probe on topics of interest to the study. A Dictaphone was used to record discussions, with the permission of the respondents. Only two interviewees requested not to be tape-recorded. Notes were therefore recorded during interviews with these two individuals. During all the recorded interviews, however, the researcher also took handwritten notes to ensure accuracy of the data collected. Throughout the interviewing process, the researcher documented non-verbal cues to aid in the analysis.

4.6.2 Focus Groups and Life Histories

Twelve focus group discussions of seven to 10 participants were conducted at the community level. The focus group discussions only took place in the ‘affected communities’ to ensure diversity and coverage of a broad range of issues. Two of the discussions were gender-neutral while the remaining 10 were organised according to occupation. In order not to stifle the community members (homogeneous group) from articulating their concerns, the discussions with leaders were separated from those with community members.

Focus groups were employed because the topic of discussion was of critical importance to the members of ‘affected communities’. These discussions, therefore, helped to ensure that representative views were gathered. As explained by Lee and Lings (2008), ‘within an organisational research context, focus groups are useful to explore many kinds of issues, such as...organisational policies’. Since the research centred on organisational policies, focus groups were judged to be the ideal forum for collecting the data needed. As explained by Flick (2002, p. 9), focus groups complemented by structured interviews represent one of the major research ‘methods for collecting and analysing (qualitative) data’ (Flick, 2002, p. 9).

Focus groups also enabled the researcher to unearth the ‘issues surrounding the research topic’ by figuring out inductively ‘the key issues, ideas, and concerns’ from the respondent group in one setting (after Hesse-Biber and Leavy, 2006 p.196). Data from these discussions were also collected using tape recorders and notes. The recordings were later transcribed. As Hesse-Biber and Leavy (2006 p.222) explain, ‘focus group transcripts can be analysed in part as a conglomerate of individual responses’. This allows for two levels of analysis, facilitating cross-validation of findings.

Following the focus group discussions, five individuals were selected for more in-depth interviews or ‘life histories’. Each was asked to share more intimate details about their lives, their occupations and the history of their communities. A life history is defined as ‘any retrospective account by the individual of
his [or her] life in whole or part, in written or oral form, that has been elicited or prompted by another person’ (Watson and Watson-Franke 1985 p.2). Lewis (2008) summarises the importance of a life history in qualitative research, drawing attention to how it ‘is about gaining insights into the broader human condition by coming to know and understand the experiences of other humans’ (p. 11). It was the intention of the researcher to better understand how the community and the artisanal fishing industry more specifically had evolved over time. Of particular concern to the researcher was the ability, in the words of Lewis (2008), ‘To understand some of the complexities, complications, and confusions within the life of just one member of a community is to gain insight into the collective’ (p.11). Through these life histories, the researcher gathered information which could be juxtaposed with findings from the documentary analysis and interviews. This helped with identifying inconsistencies in the rhetoric of the government, IOCs and fisher folk.

### 4.7 Documentary Analysis

The research included a review of historical documents, statistical reports from the government, and other grey literature on oil and gas activities in Ghana, including that contained in newspapers, magazines and pamphlets, and on websites as well as relevant audio-visual information. Content analysis (after Krippendorff 1980; Berelson 1952; Kerlinger 1986) was carried out on the published social and financial reports of the companies researched in order to gauge which CSR initiatives they had undertaken and to develop a better idea of how they perceive and project the impact of their stakeholder engagement strategies. An extensive review of the oil and gas contracts also shed light on the policy context within which Ghana’s IOCs are operating.

This research method provided both a starting point and supplementary evidence to support the other research methods mentioned above (Lee and Lings, 2008; Hessie-Biber and Leavy 2006; Hall and Rist 1999). For instance, information gathered from corporate reports was referred to during interviews. Documentary analysis also highlighted mismatches between what was being done on the one hand and what had been published on the other hand. Analysis of these documents also provided a rich background for the researcher when formulating interview plans and devising questions.

### 4.8 Risk Assessment

The researcher did not perceive there to be any serious risk with the work conducted, and it did not involve consultation with vulnerable participants. On the surface, it seemed that the research would be highly sensitive. However, upon arrival in Ghana, and following the first community visit more specifically, the willingness of many people to participate quickly became clear: residents seemed ready to share their perspectives on the points raised. Initially, some of the community members were somewhat guarded, perceiving the researcher to be a politician or journalist looking to take advantage of their situation. But after assuring them that this was not the case, the reluctant individuals began to make
contributions to discussions. Government officials were very vocal about the issues discussed with them. The only group of people who showed slight resistance were the company officials. The researcher had to vigorously pursue some of the corporate officials for interviews.

The research entailed a review of oil and gas agreements and government documents. At the time of going to the field, the oil and gas agreements were protected by a non-disclosure agreement. These agreements would be considered ‘sensitive’ by the ESRC Ethics Framework. It was not until one of the companies filed corporate documentation at the Securities and Exchange Commission, USA (SEC) during the course of the fieldwork that a particular agreement became public. Apart from this document, however, all other oil and gas agreements were in the public domain prior to undertaking fieldwork.

To prevent illness and unnecessary delay, the researcher received vaccinations prior to undertaking fieldwork. Finally, because of the investigator’s familiarity with the terrain and fluency in the local language, no research-specific barriers were encountered during the course of fieldwork.

4.9 ETHICAL IMPLICATIONS

The research was designed in accordance with the policies laid out in the ESRC Research Ethics Framework. As explained by Hesse-Biber and Leavy (2006), adherence to ethics is required to ensure that the ‘research process and a researcher’s findings are ‘trustworthy’ and valid’ (p. 86). Given that this research involved dealing directly with individuals, ‘informed consent’ was sought from respondents before any interviewing or focus group discussions were carried out. Interview respondents were asked to sign an informed consent form (attached as Appendix 2) before each interview. The researcher translated the details of the informed consent document to focus group discussants beforehand. The researcher informed participants of the purpose of the research, its nature, the timeline and requirements. Furthermore, the researcher exercised the utmost care in ensuring that the participants understood the nature of the research in and the need to adhere to the ethical framework. According to Jesson (2005), research participants should be provided with information on the nature and objectives of the project; the methodology of the project and the conditions under which it will be conducted; who is undertaking and who is sponsoring the project; the potential risks/inconveniences that may arise; the management of such risks/inconveniences; the potential benefits from the research; what participation in the research will require; and that participation is voluntary and that individuals were free to withdraw at any time. At all times, the researcher was expected to safeguard the reputations of both himself/herself and the institution he/she represented.

To ensure objectivity, the researcher abstained from interviewing individuals who had some familiarity with the researcher. Because the study was qualitative in nature, the researcher strove to protect the privacy and uphold the confidentiality of respondents. Participants were advised that at any
time during the study, they could withdraw or terminate their participation. Finally, and as explained to all participants, information gathered during the study will not be used to gain undue/illegal advantage.

4.10 ANALYSIS AND INTERPRETATION

The data collected through tapes and notes were inputted into a computer, transcribed, aggregated and analysed. The researcher’s reflections on interviews, focus groups and life histories were also recorded and used in analysis of the data. The analysis and interpretation phase of the research followed the model developed by Hesse-Biber and Leavy (2006 p. 344), as depicted in Figure 4.6.

Figure 4.6: Steps followed in Analysing and Interpreting Data

Source: Adapted from Hesse-Biber and Leavy, 2006, p. 358

The analysis began with a data preparation phase, which involved clearly transcribing data into NVIVO and organising data in a chronological manner. The data entered were then double checked for errors and omissions. The second stage, exploration, involved familiarisation with the data during the transcription process, and thinking through it while reflecting on insights gained from the literature review. The data were then coded and emerging themes were recorded in memos.

As the focus group discussions were conducted in the local dialect, there was the need to translate the data into English. The researcher was proficient in the local language, which enabled easier translation.
of data into English. Following Temple and Young (2004), to avoid researcher bias, the data were analysed in the local dialect and presented in English. In an effort to ensure accuracy in the translation process, the researcher used the services of another native speaker to cross check the translations.

The final stage in the research was presentation of the findings. Graphs, photographs, tables, charts and Wordles were used to present the data. Photographs were used to provide visual support of some of the findings, while graphs, table and charts were used to highlight important indicators. Data from annual reports proved useful in determining the kind of images that IOCs wanted to portray in their annual reports. Wordles were used to determine the frequency of the discussion of issues relating to the key stakeholders of IOCs in annual reports by drawing out key words reported by corporate officials during interviews. This was particularly important, as it contributed to one of the key findings in the study (See Chapter 9).

Unlike quantitative research, which follows experimental or quasi-experimental conditions and the use of a control group, making it to easier to establish validity and reliability of the data, qualitative research seeks to examine meanings from individual perspectives while imposing the researcher’s subjectivity on the interpretation given to the information collected. In this light, reliability and validity from the ‘scientific’ viewpoint is difficult to establish in qualitative research. However, there are a number of ways that data integrity and objectivity can be established through qualitative research. These are discussed below.

4.11 INTERNAL VALIDITY

Kvale (1996, p. 241), notes that ‘validity takes the form of subjecting one’s findings to competing claims and interpretations and providing the reader the stronger arguments for your particular knowledge claim’ (Kvale 1996, p. 241 in Hesse-Biber, 2006, p.62). The way to establish validity, then, is to ensure that the findings can withstand a falsification test by eliminating the sources of invalidity from the research process. Kavle (1996) identifies three levels of validity: (1) validity as the quality craftsmanship, (2) validity as communication, and (3) validity as action (Hesse-Biber and Leavy 2006). In simple terms, the study drew on in-depth insights of the ‘participant’s knowledge and experience’ in the chosen topic (Saunders et al., 2012, p.382). For this study, the data collection process was dynamic, using appropriate research methods to answer the questions posed while appealing to users of the knowledge and making a contribution to policy and academic debates on CSR and multinationals in developing countries. Hesse-Biber and Leavy (2006, p. 63) assert that to validate requires looking for ‘negative’ cases within the study. In the course of the study, the researcher will therefore test patterns on individual cases which do not conform to the pattern so as to establish and note the reasons for deviation.

To ensure validity of the research, the building blocks of the entire study were firmly fitted together, that is to say the research was designed with the aim of finding an appropriate ‘fit’ between the
research problem, the methods selected, the accuracy of the data collected and the interpretation given to the data collected (after Richards, 2006). Another validity measure employed was ensuring that each step of the study could be readily accounted for (after Richards, 2006) while allowing for flexibility in the changing landscape of the study environment. To further establish validity, the researcher used data triangulation (after Denzin, 1970). Triangulation was achieved through validation of claims made during interviews and focus groups vis-à-vis information collected through observations and documentary analysis.

4.12 RELIABILITY

Qualitative research is often criticised for its inability of to be replicated and similar studies not yielding the same conclusions (Merriam 1995; Saunders, Lewis and Thornhill, 2012). However, this perceived ‘flaw’ is seen here as a strength, as the deep insights yielded by qualitative research offer a better understanding of problems than the insights emanating from quantitative research. Reliability referred to here is the extent to which the data collected exhibit ‘consistency and dependability’ (Merriam 1995, p. 57).

In an effort to ensure reliability, certain measures were taken in this study to ensure the integrity of the data collected. For instance, the researcher used a case study protocol to guide the study (Yin 2003). In addition to this, an interview guide (Appendix 1) was used with the aim of collecting consistent information from the respondents. As noted previously, the researcher used a tape recorder and hand written notes throughout to ensure accuracy of data collected.

During the transcribing phase, the researcher ensured reliability by outsourcing the transcription to another individual. The researcher then compared the self-transcribed data with those of the outsourced transcription to ensure that the data were accurately captured.

4.13 LIMITATIONS OF THE STUDY

The proposed research had a number of limitations. First, like all qualitative studies, this study was conducted within a specific time frame and in a specific location and therefore constitutes ‘context bound knowledge’ (de Loo and Lowe, 2012 p.4). The researcher recognised that people, communities, organisations and governments change over time, and as such, the practices of the organisations at the centre of this study may have changed since the research was conducted.

Second, the methods of data collection have peculiar limitations which, in turn, may have affected the results of the study. In the case of focus groups, for instance, the researcher could have encountered situations where groups consist of inherent power structures which could lead to the ‘minority’ voices (being) muted within ‘majority’/’general population’ groups’ (Kitzinger 1994: 110). To avoid such situations, the researcher must conduct background information on participants in order to ensure that
members of the various strata of the communities being surveyed are fairly represented during the focus
group discussions. Luckily, such a scenario was averted, as the researcher was able to meet with fishing
groups within informal settings. In addition to this stratification, the researcher ensured that no
individual(s) dominated the discussions by effectively facilitating focus groups meetings. In the case of
interviews, participants were informed that they could withhold vital information, although this, it was
recognised, could limit the depth of the data collected. To avert this, extensive background information
was collected on companies, civil society organisations, government officials and communities before
interviews. Such data enabled the researcher to probe during interviews in order to obtain richer
information. Furthermore, observations enabled the researcher to identify and clarify any distortions in
statements during interviews.

Third, because the research involved significant time in the field, the associated costs were
exorbitant. The implication of this cost barrier was an inclination to balance fieldwork costs with data
collection costs. The researcher recognises that more data could have been collected had there been more
time and funds, and that these extra data could have enriched the study.

Finally, the research proved to be a learning process for the researcher. It was quickly realised at
the beginning of the study that interviews could be challenging, as some of the respondents had to warm
up to the researcher. In subsequent interviews, the researcher commenced with general questions in order
to accord respondents necessary time to embrace the process. It is the belief of the researcher that some
deeper insights could have been gained in earlier interviews had the researcher been more experienced in
the art of interviewing.

Despite these limitations, the researcher is confident that there were no significant barriers
affecting the integrity and significance of the study.

4.14 CONCLUDING REMARKS

This chapter has outlined the research methodology that was adopted in this thesis for
investigating CSR in Ghana’s emerging oil economy. The research was grounded in qualitative
perspectives and employed qualitative research methods. Qualitative data gathered from semi-structured
interviews were used to survey opinion from a range of company officials, and figures from government
bodies and international agencies. Focus group discussions and life histories were used to elicit data from
community representatives and members to provide perspectives on these issues. To supplement the
verbal information, an analysis of archival records, social and financial statements of the companies and
publications by the Government of Ghana was conducted. The next chapter outlines the conceptual
framework adopted in this research.
5 STUDY CONTEXT

What have we done to stem the tide of political decline in our countries? We all have a responsibility to Africa to speak out and take action against wrongdoing. We need to be courageous in standing up to the wrongs that are impeding Africa’s economic and political growth. By so doing we will be building a society that respects the values of true justice and accountability.

- Rawlings, 2010

5.1 INTRODUCTION

How have Ghana's extractive industries further marginalised rural households and what implications do the growth of oil and gas drilling activities have for community development? In order to understand the thinking behind the selection and composition of CSR programmes in the oil and gas industry (presented in Chapter 7), it is instructive to first consider, retrospectively, how Ghana emerged as a country and the socio-political environment within which it currently operates. This chapter, therefore, provides a description of the operational context of IOCs in Ghana with emphasis on how gold mining enclaves have developed in the country. The chapter sets the stage for understanding the policy context of the oil and gas industry which will be fleshed out in Chapter 6.

A visit to any rural community in Ghana leads to the realisation that village life in the country is simple, characterised by unadulterated nature and ‘rudimentary’ ways of living. There is an acute shortage of electricity and pipe-borne water and rough dusty roads. In the absence of electricity an old car battery is often connected to a television to watch programmes. Neighbours and family members often gather around the television while lanterns are used to light up the area while warding off insects with a mosquito coil. Life is indeed simple for many in the villages. In the morning, families will go to their farms or other jobs and carry back foodstuffs. The concept of ‘eat what you grow’ is the order of the day. There is relatively easy access to foodstuff through artisanal farming, hunting and fishing activities. What is lacking for rural folk is money for medical, educational and other social needs. The absence of viable employment in rural communities has proved to be the main stimulus behind mass migration to urban areas. It is no surprise that the roads of the urban centres in Ghana are littered with youth trying to make a living by hawking along the routes of major roads. Many take shelter at night on the front corridor of shops along the road after paying a small remuneration to shop owners. Sustenance in the rural communities is mainly achieved through feeding oneself from agricultural proceeds and selling some produce to satisfy the basic necessities of life.

This description is an example of the types of communities which have typically housed mining enclaves in Ghana. The country's gold mining communities have had their serene livelihoods distorted by expanding industrial-scale activity. Yet, this change has not come with concomitant economic

development for these communities. Looking at the natural resource base of Ghana, it is unfathomable that the nation has 28.6% of its citizenry living below the international poverty line of US$1.25 per day.23 The country is the world’s second largest exporter of cocoa, ninth largest diamond producer, tenth largest gold producer and a top 15 bauxite producer. In 2012, the World Bank placed Ghana’s GDP at US$40.71 billion, labeling it a ‘Lower Middle Income Country’. Given that offshore oil and gas enclaves tend to be more isolated both geographically and ideologically from the community, it is instructive to understand how government policies in mining and existing social and economic structures have contributed to the state of rural Ghana. This is particularly significant because the absence of basic necessities of life creates a myriad of opportunities and threats for IOCs in the area of CSR.

This chapter begins with a brief overview of Ghana, with emphasis on the social, economic and political structure of the country following which a brief discussion of its institutions and governance structure is offered. As part of the discussion on the state of institutions and governance in the country, an anatomy of Ghana’s mining industry, which is itself an enclave, is presented.

### 5.2 A BRIEF OVERVIEW OF GHANA

Ghana has a multi-party democratic political system. In 2012, there were 16 political parties,24 of which, eight contested for the presidential position.25 However, the country has two major political parties – the National Democratic Congress (NDC) and New Patriotic Party (NPP) – which account for about 90 percent of votes in every election.26 The president is the head of state and government. The political office comprises executive, legislative and judicial arms. Like all presidential systems, the judiciary is independent of the other arms of government. The executive arm is made of ministers of the state (23 ministries in all): it is the decision-making body of the government. It also solicits advice from the Council of State. The legislative arm of government is made up of 22827 parliamentarians who are supported by the leaders of district assemblies. Oil and gas agreements like all other state-led agreements have to be ratified by the Ghanaian parliament.

With a population of about 25 million people, modern day Ghana is an amalgamation of two major territories. During the colonial era, the Gold Coast and the Togoland Trust Territory were fused together to form the nation. Ghana therefore consists of ten administrative regions organised largely along tribal lines. Each region has a minister who serves as the head of administration. In the years following independence, there were about 10028 different ethnic groups populating Ghana. Currently, the

26 Ibid.
major ethnic groups in the country are Akan, Ewe, Mole-Dagbane, Guan, and Ga-Adangbe. The Akan tribe is the largest ethnic group in the country. The communities surrounding the oil and gas activities are Akan. The ethnic groups are divided into lineages which are ‘stratified in ways that reflect deeply rooted hierarchies of social and political power’ (Grischow 2008, p.65). Each lineage can be traced back to one ancestor and is headed by an abusunapanyin (often the oldest male). He is responsible for all matters concerning the lineage, including but not limited to, marriages, christening of new-born babies and funeral ceremonies. The family system in the country is mostly extended. Extended family members assist with the upkeep of individuals in instances where the nuclear family is unable to do so. The lineages come together to form a clan which is headed by a chief. Chiefs are guardians of the community and are thus seen as key agents in society (Grischow, 2008).

Agriculture – fishing, farming and hunting – is the enduring artisanal occupation in Ghana. Earlier accounts of the country included an assertion by the Portuguese that the Gold Coast comprised of subsistence livelihoods (Junner, 1973). At the same time, the nation was well endowed with gold and its people were also artisanal gold miners. Gold has been a major source of income for Ghana for decades but only in the past half-decade or so has it been extracted commercially on a large scale. Despite currently standing as the world’s 10th largest exporter of gold, Ghana’s industrial gold mining has developed largely as an enclave with few linkages to other sectors of the economy (Bloch and Owusu 2012; Hilson 2013; Aryee 2001). But this was not always the case. The area now known as Ghana was a major source of gold in the early 12th century. Trade increased between the Akans and Europeans traders between the 12th and 13th centuries, when there was a gold boom in the south of the territory. Between the 15 and 19th centuries, the Akans traded slaves and gold with the Portuguese and the Dutch. In the 19th century, the British colonised the territory and amalgamated the Gold Coast and the Ewe Togoland to the East into one country. Colonial rule was abrogated in March 1957 when the first president of Ghana, Dr Kwame Nkrumah (hereafter ‘Nkrumah’), declared independence.

Nkrumah, together with a group of party leaders famously referred to as the Big Six, negotiated Ghana’s independence from the British. At the time of independence, Ghana was the first country in sub-Saharan African to be liberated from colonialism. Nkrumah turned his regime into a single state party and was eventually overthrown in 1966 by the army (Haynes 1993). A detailed political timeline of significant events in Ghana is presented in Figure 5.1.

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During the period 1966-1992, Ghana went through several political changes marked by military coup d’états – 1972, 1979, 1981 and 1982 – and short periods of democratic rule: Busia from 1969 to 1972 and Limann from 1979 to 1981 (Grischow, 2008). However, in 1992, military coup leader Flight Lieutenant Jerry John Rawlings (Rawlings) led his then Provisional National Defence Council (PNDC) to a referendum which saw the drafting of a new constitution and set into motion a new democratic process. The PNDC then became the NDC and contested in a democratic election with Rawlings as its presidential candidate.

Accompanying these political shifts were a series of pronounced economic changes (see Figure 5.3). Ghana’s currency was changed to the cedi in 1965 when the pound declined (Gocking 2005). Between 1970 and 1983, Ghana’s economy continued to decline and remained in crisis until 1983 under Rawlings’ rule, when Ghana signed on to IMF and World Bank economic reform programmes. As Botchwey (1995) explains, there was a ‘cumulative decline in real GDP of about 15% and a 30% decline in real per capita income’ (p.245) brought on by high rates of inflation and an uncompetitive exchange rate. The IMF and World Bank ushered in an Economic Recovery Programme and Structural Adjustment Programme (SAP) in Ghana, between 1983 and 1988 (Kusi, 1992). In line with the loan covenants, Ghana was required to pursue certain economic measures. These included devaluing its currency, liberalising the economy, restricting domestic credit expansion and putting in place inflation-reducing measures (Kusi 1992; Botchwey 1995; Awanyo, 2001). At the macro level, the SAP could be considered successful as it stimulated a growth in GDP of 5% during its lifetime (Botchwey 1995; Bawumia 1998).

On the flip side, successive SAPs alienated rural Ghanaians from their urban counterparts (Puplampu 1999) and caused massive retrenchments of government staff. As Dordunoo and Sackey (1997) report, some 65,000 civil servant posts were abolished as part of a plan to reduce the public sector by 50% between 1985 and 1990. Botchwey (1995), who was finance minister between 1982 and 1995, maintains that the public sector and by extension government institutions were made weaker as a result of IMF and World Bank SAPs. Institutional inefficiency continues to plague the country.

**Figure 5.2:** Economic Timeline of Ghana

The NDC won the 1992 elections and Rawlings became the first president of the 4th Republic of Ghana. When Ghana returned to democratic rule under Rawlings, the economy took another dip with GDP growing at around 4% until the end of Kufour’s first term as president, when it reached 5.2% and continued to grow at about 7% per annum thereafter (Whitfield 2010). It was under the rule of Kufour, whose NPP won the election in 2000, that oil was discovered.

In 2002, under the Kufour administration, Ghana adopted World Bank and IMF Poverty Reduction Strategy Papers, after earning Heavily Indebted Poor Country (HIPC) status. The move meant that Ghana qualified for debt relief to the tune of US$893 million. Ghana continues to experience economic difficulties despite now having an oil sector and attaining ‘Low Middle Income’ Status. A year after the discovery of oil, the NDC again won the elections (in 2008), led by Professor John Evans Atta Mills (Atta Mills), a development which, as will be explained, changed the playing field for the country’s International Oil Companies (IOCs). Atta Mills died suddenly just before Ghana’s most recent elections in 2012, at which point, then-vice president John Dramani Mahama (Mahama) became the interim president. Following elections in 2012, Mahama took office as the 4th president of the 4th Republic of Ghana.

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Ghana. The Mahama-led NDC government has been at the forefront of the new oil and gas policies in the country.

Apart from the formal political system and the judiciary, the nation is made up of chiefs who head various tribes in the country. The chieftaincy’s role includes executive, military, religious, judicial and legislative duties (Odotei and Awedoba 2006). In accordance with African traditional religion, the chief is a religious figure in charge of relationships between his subjects and their ancestors. He acts together with his Council of Elders and the Queen Mother in adjudicating matters for his people. In the colonial days, the chiefs were *Constitutional rulers* whose roles evolved perpetually. They served under the leadership of the colonialists as decentralised political and judicial subjects. At one point, they were in charge of collecting taxes (See Section 5.3.3 for discussion on role of chiefs in enclaves).

Chiefs are custodians of land in their respective communities; being important agents of culture, they ‘hold’ land for their people. Land has economic, religious and political connotations in Ghana: there are both public and community lands (Odotei and Awedoba 2006). The former are held by the government on behalf of the people (Chapter 21 of Constiution of Ghana34), while the latter are owned communally and held in trust by the chief. It is believed that community lands are passed on to the community by their ancestors. It is parcels of this land that are ‘given’ to community members for subsistence farming (Kuntu Mensah, 2006) by chiefs. In some rare cases, land is inherited through a clan or lineage. About 80% of the total land mass of Ghana is communal, meaning that chiefs oversee transactions taking place across a significant area (Yiri II, 2006).

Significantly, the Constitution of Ghana also stipulates that the people of Ghana have surface rights on these lands while the government has sub-surface rights. At times, ambiguities between the two systems have culminated in conflicts in user rights, particularly in agriculture and mining. There is further discussion on lands in Section 5.3.1, specifically on how this constitutional arrangement has resulted in some chiefs positioning themselves strategically in a power vacuum, and taking centre stage in – most recently – the mining enclaves of the country. This dynamic has important implications for oil production, even though it is offshore. The Section 5.3 builds on these points in the context of resource enclavity, the underlying theme of this thesis.

**5.3 Governance, Policies and Institutions: Factors enabling Enclavity in Ghana**

Chapter 2 shed light on how the extractive industries and in particular oil has led to most of sub-Saharan Africa becoming rentier states. These rentier states when combined with the weak institutional environment persisting in these countries have led to extractive industries operating as enclaves in the

region. Prior to the discovery of oil, Ghana exhibited the same characteristics as its neighbours Nigeria, Angola and Cameroon. Specifically, its mining industry, as will be explained in Section 5.3.1, provides considerable rent to the nation but has failed to catalyze economic development, impeded by the country’s weak institutions and rentier behaviour.

As discussed in Section 5.2, Ghana has a constitutional democratic system of government. Based on the recommendations of the 1992 Constitution of Ghana, several government institutions exist with functions for the provision of public goods and services. However, the central government, through its executive arm, is vested with the power to make decisions on these goods and services (Gyimah-Boadi 2013; Aryeetey 1994). As Gyimah-Boadi (2013) explains, this political structure had led to a lack of transparency and accountability on government decisions. Throup et al. (2011) provide a comprehensive overview on this political structure:

The powers of the executive presidency penetrate to all levels of the administration, right down to the villages; the president directly appoints 4050 individuals, including the executive officers of the 110 district assemblies and 30 percent of the members of the supposedly nonpartisan local government institutions. Most revenue for local government flows from central coffers, amounting 7 percent of the central government’s revenue [p. 4].

Contributing to this centralised power is the lack of adequate parliamentary oversight of the executive arm of government (Throup et al. 2011; Gyimah-Bodzi 2013). Throup et al. (2011) describe parliamentarians in the country as ‘beneficiaries of presidential patronage which discourages them from scrutinizing the president’s agenda too closely’ (p. 4). The current state of the legislative arm of government is made possible by the entrenchment of the NPP and NDC parties across the regions in the country. In addition to these structures, there is a weak public and administrative service (Gyimah-Bodzi 2013) which is unable to enforce the nation’s laws effectively (Buchberger 2011; Alence 2004; Oteng-Ababio, 2013).

This section of the chapter provides an overview of the mining industry in Ghana and explores in detail the effects of the governance structure described above on rural communities. These discussions provide the foundation for understanding the policy context within which the oil and gas industry in Ghana exists (see Chapter 6).

5.3.1 Mining and Enclavity in Ghana: Setting the Stage for Oil?

The policy environment in Ghana is conducive to enclave development. Perhaps the most illustrative example of this to date is the perpetual enclave that is now the country’s gold mining sector. Nourished by over US$4 billion investment since the mid-1980s, Ghana’s large-scale gold mining industry has been in continuous ‘boom’ mode for nearly three decades (Aryee, 2001; Ayee et al. 2011). During this time, it has grown into the world’s tenth largest gold producer, and Africa’s second largest, behind only South Africa.
Policies, however, have transformed Ghana’s industrial gold mining operations into resource enclaves. As Hilson and Okoh (2013) explain, operations have been permitted by the state to develop in relative isolation of neighbouring communities. Through generous tax breaks provided to foreign companies, including permission to repatriate significant sums of profits, lengthy tax holidays, waived import duties and an exorbitantly low royalty rate of 3% (now 5%) on profits (Addy 1998; Aryee 2001), scores of ‘booming’, highly-productive gold mines now dot Ghana’s vast landscape. The problem, however, is that very little of the revenue being paid by mining companies to government – which, despite being only a fraction of the value of overall gold production, does amount to hundreds of millions of dollars, annually – seems to be reaching communities (Standing and Hilson 2013; Campbell 2003).

Why is it instructive to briefly revisit the country’s gold mining experience? Largely because it offers an illustrative in-country example of how, without the appropriate policy intervention, extractive industry enclaves that are disconnected from local communities and which seem incapable of catalyzing local economic development, can emerge. Despite mounting evidence (e.g. Garvin et al., 2009; Hilson 2011; Ayelazuno 2011) that points to the sector underperforming economically, the government has been quite pedestrian in addressing concerns. The only action it has taken to capture a greater share of gold mining revenue was a move, in 2011, to increase the royalty payment from 3% to 5% of profits, although the fiscal provisions in many mining agreements (Section 5.3.1) prevent the government from gaining significant amounts of revenue from this change.

In the early 1980s, Ghana had a portfolio of over nine nationalised mines. But the industry was unsustainable and rife with unproductivity (Jackson 1992; Acquah 1994a; Acquah 1994b). World Bank and IMF funding awarded alongside the country’s inaugural SAP bolstered production considerably (Mireku-Gyimah and Suglo, 1993). To sustain the macroeconomic impact generated by this funding, the government enacted the Minerals and Mining Act (PNDC Law 153) in 1986, in an attempt to encourage additional foreign direct investment in the industry. The key features of the law are detailed in Figure 5.3.

Even with a tax rate of 45%, which was hardly applied as development costs had to be recovered during the production stage, the terms of the new agreement were attractive and led to a boost in investments (Bloch and Owusu 2011). By 1998, 237 companies were prospecting for gold while 23 companies had been granted licences (Aryee 2001). However, in 2006, following years of negligible contributions to the economy through tax, the law was revised and replaced by the Minerals and Mining Act, 2006 (ACT 703), again under the auspices of donors (Rutherford and Ofori-Mensah 2011). The major differences between the 1986 and 2006 laws was an increase in the royalty payment, as discussed; a cap on government equity stake to a firm 10%; and the cancellation of the windfall tax. But as the law cannot be applied retrospectively, the existing mining companies were immune to these changes (Rutherford and Ofori-Mensah), and therefore, the impact has been virtually non-existent: despite Ghana’s lofty status in the mining league tables, the industry contributed a negligible 6% to GDP in 2011 (Aryee 2011). There is growing concern among NGOs, as one senior corporate official with considerable experience in the mining industry explained during an interview, that past experiences in gold mining have not instilled a sense of urgency in the government, specifically to ‘get things right’ with oil. Reflecting on the lack of urgency, the official explained that ‘I saw that some things that use to happen in the mining industry 20 years ago start to show its head in [oil industry]’ [Interview, Former CSR manager, Company 1].

On the issue of failing to take stock of, and learn from, past experiences in the gold mining sector, three critical reflections are offered here. The first is that the country’s gold mining sector has never provided much development for communities. As is discussed in greater detail in the next section of the chapter, the formula followed for the distribution of mineral revenue in Ghana mirrors that which

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is enshrined in the constitution for the dispersal of stool land rents (payments to chiefs). Residents of mining communities, however, have grown frustrated over the small share of revenue earmarked for local development. A senior civil society official elaborated on the sharing arrangement in an interview:

The legal practice in the mining sector where 10 percent of total royalty is returned to the community where the mineral was won and they are shared according to a formula provided for in the constitution. But you see the constitution provision relates to stool land revenue. … we derive 3 percent royalty from mining and government then takes 90% as put-aside into the consolidated fund. That is the way it is shared but this is a constitutional provision but it is in respect of stool land revenue and I guess we all know what stool land revenue is because the constitution is saying that we as citizens have surface rights in respect to land while the government has…the mineral rights. Everything on the surface of the land belongs to the land owner; everything beneath the land, that is mineral belonging to the state and held in trust for the people by the president. So when you talk about stool lands we can regard lumber as stool land revenue because it is on the surface but when it comes to mineral, it is in the ground and therefore it belongs to all of us Ghanaians. But then we have a situation where mineral revenue is being treated as stool land revenue and being shared according to the formula provided for by the stool land revenue [Interview, Civil Society Officer 1].

When the problems brought on by mining in communities, including erosion, high cost of living and the destruction of land (Aryee 2001, Hilson 2004), are weighed against a 10% share of a royalty – which itself is shared amongst a number of parties – it becomes clear why residents are frustrated and are calling for a change in revenue sharing. Another issue of importance here is the role that artisanal mining has played in the industry. Artisanal miners are indigenous Ghanaians, mostly rural dwellers who employ rudimentary methods to extract alluvial gold. Traditionally, Ghana has seen the individuals engaged in such mining activity as illegal. Unlike fishing, where the artisanal industry is recognised by government to be occupied only by Ghanaians, galamsey (a term given to illegal small-scale miners) activities are largely frowned upon. The government has used task forces to remove some of these operators from lands (Hilson et al., 2007). Complaints about a loss of livelihoods have been dismissed by government. A visit to any mine site in Ghana would reveal the highly devastating impact large-scale mining has had on the local people.

Second, with mining, there is no policy mechanism embodied within legislation to ensure that revenues are dispensed to communities, should they become available. Precisely 80% of royalties paid to the Internal Revenue Service is retained by the government and deposited into its Consolidated Fund, 10% is paid to the Office of the Administrator of Stool Lands (discussed below), and the remaining 10% is dispensed into a Mineral Development Fund established to finance development interventions in communities affected by mining. Curiously, this intervention has been lauded as ‘best practice’ by some (e.g. Manu 2001; Famiyeh 2009), who see potential for developing a parallel scheme in the oil sector. The problem, however, is, as indicated, that despite the existence of the Mineral Development Fund, there is no official policy mechanism in place to manage it. Failure to do so has put into the spotlight even further the enclave mining economy (see e.g. Aryee, 2001; Aryee and Afeku, 2011), which again, offers very little in the way of downstream development, and is largely disconnected from local populations. Consequently, and as was explained by the same civil society official in an interview, the dedicated 10%
earmarked for the Mineral Development Fund, has, for the most part, been absorbed by the Consolidated Fund and is therefore not being used for its intended purpose:

...10% is supposed to go into a fund but which also is not backed by law called the Mineral Development Fund. If the fund was set up properly, then 10% would have gone into there and 80% into the Consolidated Fund which is the budget. But because the Minerals Development Fund is not set up properly with 90% going into the budget you are left with the 10% [i.e. that which is sent to the Office of the Administrator of Stool Lands] [Interview, Civil Society Officer 1].

At the time of conducting this study, a parallel fund had been set up in Ghana’s oil sector (see Section 6.4.5). The concern, however, is not the quantity of oil revenues being received. As Table 6.4 reveals, oil production is netting the Government of Ghana tens of millions of dollars in revenue. It is rather how the government is managing and ultimately utilising these revenues. The types of structures and policies which the government is implementing to ensure that its mantra of ‘oil for development’ materialises is reminiscent of the behaviour of neighbouring rent seeking oil states, including Nigeria, Equatorial Guinea and Angola which have promoted the activities of IOCs at the expense of local welfare.

This leads to the third, and final, reflection, which is that with fewer funds destined to reach the grassroots, CSR strategies will inevitably – and perhaps unfairly – attract more of the spotlight and be leaned on more heavily and unrealistically to ‘make a difference’. If Ghana’s policymakers are, indeed, not using oil revenues prudently, then oil companies face the unenviable task of superimposing CSR programmes and perhaps, as suggested in Chapter 2, becoming the de facto government that so many corporations often find themselves being in developing world settings. The country’s mining industry has been frequently criticised by NGOs and researchers for what is seen as a lackadaisical effort to catalyze local economic development through promoting alternative livelihoods and infrastructural development (Hilson and Banchirigah 2009; Garvin et al. 2009). A civil society officer elaborated on these points during an interview:

And I guess this position arises out of the concern that none of the choice of [community development] projects are really speaking to the actual needs of the people or the beneficiary communities. ...We spoke to some Assembly members and they say well what the companies forget is that when you put up a school, you need to staff the school with teachers, when you build a clinic, you need to staff it with medical staff. Now because we are not involved in the development and execution of these projects, we haven’t budgeted for teachers, we haven’t budgeted for doctors and nurses and therefore we are not in the position to use these facilities now [Interview, Civil Society Officer 3].

This is precisely the point being made here: that whilst the CSR activities of the country’s mining companies have attracted criticism, it the responsibility of a government – not a company – to oversee basic development efforts, including paving essential roads, and staffing local hospitals and schools. The inadequacy of CSR as a standalone intervention becomes heavily magnified in rentier mining states such as Ghana, where the government has not been particularly proactive with using revenues productively for local economic development or ensuring that monies earmarked for such purposes reach their intended destination.
As indicated, the inability of gold mining, a much more expansive industry with a ‘visible’ on-land presence, to catalyze development in Ghana does not bode well for the country’s oil sector. At the time of writing, the Equity Partners’ CSR strategy was a work in progress and in desperate need of an infusion of new ideas, which, based on its performance to date, the mining sector cannot provide. Most significantly, and as detailed in Chapter 2, with offshore production being the ultimate enclave, even more so than mining, oil and gas companies are among those in the greatest need of guidance when it comes to the design of CSR policies and programmes. In the case of Ghana, however, the extent to which policymakers are willing to oversee this is open to debate, although if experiences from the mining sector are any indication, then the interest is likely low.

5.3.2 Perceptions of Governance in Ghana and Related Implications for the Oil and Gas Industry

Before critically examining the specific policy frameworks at work in Ghana’s oil sector (Chapter 6), it is instructive to first reflect on some of the key features in the country which could potentially affect CSR decision-making. For decades, scholars have praised the democratic structures in Ghana, in broad agreement that it is an anomalous case for sub-Saharan Africa. Asante and Aikins (2012) offer a particularly detailed explanation on why:

Over the last decade, Ghana has been touted as a shining example of democratisation and good governance in Africa. Since a return to multi-party democracy in 1992 after a long period of military-authoritarian rule, the country has negotiated five successful national elections, two of which (2000, 2008) resulted in the opposition party winning and the defeated incumbent accepting the results. The 2008 election was the closest and most intensely contested elections in Ghana’s history, and as a result the Electoral Commission of Ghana has gained a reputation as one of the most respected, competent, professional and independent election management bodies in Africa [p. 1].

Ghana’s relatively smooth transition to free and fair elections has been viewed favourably by the international community. It is, as Lawson (2013) explains, ‘sometimes called a donor darling’ because of its ‘relative stability and democratic government [which] make it an attractive partner compared with its crisis prone West African neighbors’ (p. 5). Donors’ fixation on Ghana, however, is somewhat bewildering (Hughes, 2005). On the one hand, when considering that the country was ‘once threatened to become Africa’s first post-colonial failed state’, it is ironic that it has come to occupy ‘darling’ status in the donor community. On the other hand, ‘It enjoys this special status in part because of its history and its continuing relationship with the European powers that once laid claim to it, but also because it is slowly emerging as a relative success in a region plagued by uncertainty’ (Hughes, 2005 p. 75).

This could explain why the data on governance tend to portray Ghana in an exceptionally positive light. As Table 5.1 reveals, the country scores relatively high on most rankings and indicators related to governance, which project an image of a relatively corruption-free landscape. These data likely biased early critiques of oil in Ghana, yielding favourable outlooks on how the country is destined to avert a resource curse similar in scale to that of its neighbours. Many (see e.g. Breisinger et al. 2010; Harvey
2010; Mitchell 2012) have been extremely upbeat and positive – almost hopeful – about the impact of the country’s new-found wealth. The exuberance surrounding oil production in Ghana, however, is even more perplexing when the performance of its gold mining industry – which, as mentioned, is itself an enclave – is taken into account. Sweeping reforms implemented in the country in the mid-1980s catalyzed the formation of a series of booming gold mining ‘enclaves’ which, as explained, have, over the years, contributed very little to the local economy (Campbell, 2003; Garvin et al., 2009). Decades of citizen lobbying and NGO pressures to amend laws to mandate gold mining companies to make community development concerns a greater priority have accomplished very little.

Ghana’s weak and rentier institutions have been exposed during its contemporary gold boom; as have the country’s deeply entrenched elites and patronage networks, which have been nourished by resource wealth. Of potential concern are the country’s traditional leaders, who – rather disconcertingly – have been built into the royalty-sharing formula for most natural resources, entrusted in the Constitution to manage revenue accrued for local communities. But as a growing body of scholarship confirms (e.g. Opoku 2006; Ayine 2008; Fox et al. 2011; Marfo et al. 2012), monies entrusted to chiefs often fail to be used for community development programmes. Concerns raised about Ghana’s oil and gas sector following a similar growth path to that of its mining and forestry economies – specifically, that, because of companies’ disconnection with affected groups, CSR and community development programmes and interventions have had limited impact – are very real. It seems that Ghana’s status as a ‘donor darling’, combined with its average scores on governance indices but which, at the same time, truly stand out in sub-Saharan Africa as ‘excellent’, has somewhat masked the reality: that its institutions are, indeed, rentier and therefore as incapable of managing an influx of oil rents as those in the likes of Nigeria, Angola and Cameroon.
This outlook on Ghana has driven hopeful calls for its oil and gas industry to make a meaningful contribution to the nation’s industries. In response, civil society organisations, bilateral organisations (e.g. World Bank) and foreign governments (e.g. Norway, and Trinidad and Tobago) have jointly provided inputs to help guide Ghana, ensuring that it makes the most of its oil resources to prevent the onset of a petroleum-induced resource curse.

5.3.3 Legal Pluralism and Elite Capture: Brief Reflections on Inclusion of the ‘Local’

It is not known which groups of people will feature at the heart of the local development and CSR exercises being financed by Ghana’s oil and gas companies and why. The principal concern with CSR in Ghana’s mining sector is that stakeholders are not identified and ranked comprehensively enough to ensure that rents are distributed equitably, particularly at the grassroots. It is instructive to revisit the issue of legal pluralism in light of fresh concerns ‘that some things that used to happen in the mining industry start to show its head in the oil industry’, in this case in the Ghana context. This helps to explain why, apart from nourished elites, resource extraction and revenue distribution has had very little impact on community development.

The subject of concern here is, again, the country’s traditional rulers or tribal chiefs who, despite having had a turbulent relationship with the state since the country’s independence, have emerged – quite surprisingly – as crucial gatekeepers of natural resource rights (after Hilson, 2007) and ultimately, ‘influence development outcomes and local government structure in Ghana’ (Belden 2010, p. 2). Ghana’s legal pluralism has manifested as a mixed bag of traditional and customary land practices and superimposed regulations governing the extraction of various natural resources, dynamics which have clouded considerably the role of – or more fittingly, disruption caused by – chiefs. The influence which many now wield over natural resource extraction, however, is somewhat perplexing, given Ghana’s history, and even more so when the precarious negotiation platform (Brempong 2001; Owusu 1996) from which they have had to work since independence is taken into consideration. Since this time, Ghana’s chiefs have been systematically marginalised, largely in an attempt by the state to access resources, stripped of the powers bestowed upon them during British colonial rule. But despite these changes, chiefs have managed, over the years, to continue to be recognised as the ‘trustees’ of community or ‘Stool’ lands and ‘the de facto land managers of most customary landholdings, allocating plots and selling leases for ‘drinks money’ (fees) at market rates, and running customary courts for the settlement of land and other disputes’ (Crook et al., 2007, p. 28).38

All chiefs needed was to be legitimated legislatively, either directly or indirectly. They got more than they asked for in 1992, with the implementation the new Ghana Constitution, which legitimised the chieftaincy institution by establishing, under Chapter 22, Section 266, the Office of the Administrator of Stool Lands. It states that:

Ten percent of the revenue accruing from stool lands shall be paid to the office of the Administrator of Stool Lands to cover administrative expenses; and the remaining revenue shall be disbursed in the following proportions – (a) twenty-five percent to the stool through the traditional authority for the maintenance of the stool in keeping with its status; (b) twenty percent to the traditional authority; and (c) fifty-five percent to the District Assembly, within the area of authority of which the stool lands are situated.

38 The discussion that follows draws heavily on Standing and Hilson (2013), and Standing (2014).
It furthermore calls on the Office of the Administrator of Stool Lands and the Regional Lands Commission to ‘consult with the stools and other traditional authorities in all matters relating to the administration and development of stool land and shall make available to them all relevant information and data’. The constitution itself contains an entire section, Chapter 25, on ‘Chieftaincy’, devoted to the preservation of, and support for, the chieftaincy institution. It specifically calls for the establishment of a House of Chiefs and the ‘installation’ of networks of regional chiefs. These moves – strange, considering how they ran counter to the efforts made hitherto to disempower traditional leaders – would galvanise Ghana’s chieftaincy institution, setting in motion the pluralist system of land rights and accompanying confusion seen today. This confusion extends to scholars themselves. Notably, as Belden (2010) explains, ‘indeed, it [Ghana’s chieftaincy institution] is considered one of the most empowered traditional institutions today, particularly because the chiefs own 80% of all land rapidly expanding in value’ (p. 1). It is, however, rather a case of chiefs now thinking they own land, as the constitution simply empowers them as custodians, commonly referred to as stools. With their new-found empowerment and sudden ambiguity surrounding their precise role at the community level, chiefs are now able to position themselves to capture revenues for personal gain, which has important implications for plans to distribute oil rents at the grassroots.

Given the influence chiefs have had, historically, in Ghana, it is not surprising that this dynamic has emerged: they have remained a powerful force locally, despite their diminished stature nationally. Since the passing of the constitution, which again, has helped to galvanise the country’s chieftaincy institution, the ambiguity surrounding the role of traditional authorities in decision-making has become a particularly contentious issue. The re-insertion of chiefs into decision-making processes concerning land and natural resource transactions has particularly complicated matters. Building on points raised earlier in the chapter pointing to chiefs expropriating resource wealth, Berry (2002, p. 92) points out that ‘Ghana’s chiefs have long waged both political and legal campaigns to expand their claims and to become absolute ‘owners’ of land and in urban areas, have been observed to behave like ‘rent seeking office holders’ (p. 92). In fact, there have been cases reported of chiefs selling stool lands – lands which again, they do not own – for personal gain, and the personal enrichment of royalties (Knierzinger, 2011).

This behaviour, however, is by no means confined to land management alone. It has been widely reported in the context of natural resource revenue sharing as well. This is particularly evident in the case of timber payments, for example, which, up until only about a decade ago, generally only benefitted chiefs, despite the stipulation in the law that they are supposed to be shared with the general public. As Mayers and Vermeulen (2002) report, in the case of timber revenues, the implementation of the constitution, and a concurrent review and updating of forestry policy, catalyzed elite capture among chiefs. Much of the same seems to be occurring in the mining sector. Odotei (2003) estimates that 5-10% of the revenue the government receives from mining companies are awarded to traditional authorities, ‘payments [which] are not accounted for, as no-one knows how much the traditional councils actually get and how the money is
divided’ (Knierzinger 2011, p. 39). Traditional leaders now also seem to be positioning themselves to capture oil rents, calling for the Petroleum Revenue Management Act, 2011 to be amended to contain a revenue-sharing formula similar to that contained in the mining legislation. As will be explained in this section of the chapter, this decentralised elite, catered to by its fiscal regime, has in large part preserved and shaped the enclavity taking root in Ghana’s oil economy.

Ghana has in place a decentralised political and fiscal system, the roots of which date back to the colonial period. The British introduced ‘Indirect Rule’, a system of decentralised government which further empowered chiefs and made them accountable to the colonial regime. As indicated, under this system, chiefs were given administrative responsibilities, alongside their traditional functions. By making chiefs accountable to the colonial rulers, therefore, the British were able to monitor and control resources effectively. This system fit quite well within existing traditional systems in Ghana at the time: chiefs were the rulers of their communities and therefore already seen as powerful political figures. The main change resulting from this superimposed system was a group of chiefs with judiciary powers in communities. Their actions, which were supervised by the British governors, included collecting taxes and enforcing fines on behalf of the crown.39 Some of the revenues generated were reserved for community development purposes. Between 1858 and 1957, town councils and municipal councils were introduced, which collected funds from the central government for administrative purposes but were responsible for full administrative duties at the local level. The creation of a decentralised system of administration during British rule spawned systems which have remained intact post-independence, both providing opportunities for, and posing threats to, extractive industries operating in rural environments.

The decentralised system persisted through to the Nkrumah administration. During his rule, the system of local government was crippled further, as moves were made to secure agricultural lands in the name of the state. Moreover, as Apter (2008) explains, ‘at that time, there was a reasonable sound economic base due to rich cocoa-producing areas in Ashanti, Akim, Abukwa, and elsewhere, in addition to timber, gold, and other resources’, the control of which the central government had no intentions of relinquishing. This continues to be an inherent feature of political decentralisation in Ghana. Although government functions are theoretically decentralised, core development decisions originate centrally in Accra, with little scope for alteration (Whitfield 2010; Crawford 2008; Porter and Young 1998). Currently, Ghana continues to operate a 3-tier decentralised system – national, regional and districts – sanctioned by Article 240(2) of its constitution. The regional level is headed by a regional minister who is accountable to the national government. The district level is headed by a district chief executive (DCE) who is accountable to the regional minister. The district level also comprises district assemblies headed by assemblymen. The district assembly is the policy making body for the district. This decentralised system, however, although laudable in theory, leaves a lot to be desired in practice. Nearly two decades ago,

Crook (1994) conducted an extensive study on decentralisation in Ghana, concluding ‘in the final analysis [that] it was the priorities of those who controlled the assemblies themselves which failed to reflect popular needs’ (p.354) Azongo (2009) provides a detailed explanation of why:

[the] decentralization programme has aged enough to require a nationwide evaluation of its efficacy in our quest to evolve an institutional process mechanism for locally-led energized initiatives in planning, resource mobilization and development delivery. The fact that ‘Local government’ is paired with rural development under a common policy unit, and has remained so throughout all the different shades of political regimes suggest a reasonable degree of national consensus and policy recognition of its mutual development correlation. The existing decentralization system within which development goals and programmes are currently pursued have not produced any significant development outcomes commensurate with the mood of optimism and the tremendous promise that heralded its adoption in Ghana.41

A visit to many areas of rural Ghana would confirm this assertion. Untarred roads are widespread in rural areas. Most resemble those displayed in Plate 5.1, captions of a road frequently travelled along during the course of fieldwork. The Ministry of Roads and Highways in Ghana reported in 2012 that 43% of the roads in Ghana are ‘good’, 25% are ‘fair’ and 32% are ‘poor’ (Ghana, 2012 p.5).

Plate 5.1: Roads in Ghana’s oil and gas communities

Poverty is widespread in rural Ghana, and local government is in little position to address concerns because, as one district chief executive explained in an interview, ‘very little comes to the district in the form of taxes from the locals’ (Municipal Executive 1). Table 5.2 presents selected statistics which provide a picture of the state of rural Ghana. The conditions in the rural regions of Ghana, in particular, continue to deteriorate over time. Roads are not maintained; they become inaccessible during the rainy seasons, which prevents rurally-produced goods from reaching markets in urban areas. This further perpetuates poverty in these communities. These conditions, largely the products of a decentralised

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system which does not work effectively, have particular ramifications for new industries such as the oil and gas industry in Ghana in the area of CSR.

**Table 5.2: Living conditions in rural Ghana**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Index</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health expenditure, total (% of GDP)</td>
<td>6.9%</td>
<td>2009</td>
</tr>
<tr>
<td>Poverty headcount ratio at rural poverty line (% of rural population)</td>
<td>39.2%</td>
<td>2006</td>
</tr>
<tr>
<td>Poverty headcount ratio at national poverty line (% of population)</td>
<td>28.5%</td>
<td>2006</td>
</tr>
<tr>
<td>Income share held by lowest 20%</td>
<td>5.2%</td>
<td>2006</td>
</tr>
<tr>
<td>Improved sanitation facilities, rural (% of rural population with access)</td>
<td>7.0%</td>
<td>2008</td>
</tr>
<tr>
<td>Physicians (per 1,000 people)</td>
<td>0.1</td>
<td>2009</td>
</tr>
</tbody>
</table>

Despite the goal of the constitution being to ‘…ensure the accountability of local government authorities, people in particular local government areas shall, as far as practicable, be afforded the opportunity to participate effectively in their governance’ (Article 240(2)), there is a high rate of illiteracy and brain drain, which prevents true participation of local people in the governance process. As a result, a mechanism was put in place to equip individuals with the requisite know-how to contest for district assembly positions (Ahwoi, 2010). This responsibility was vested in the president:

> It was therefore decided to infuse persons with expertise and experience into the DA system through the appointment mechanism. It was also the view that no matter how hard one tried, it was going to be difficult to get the representation of historically excluded, marginalized, disadvantaged and under-represented groups and others through the election mechanism [p.4-5].

As laudable as this effort was, it has resulted in ruling governments placing their supporters within the districts to ensure that they have a foothold in elections. As Ahwoi (2010), who served as the Minister of Local Government between 1993 and 1997, put it:

> But from the 1994 DA elections through all the district level elections under the Fourth Republic Constitution in 1998, 2002 and 2006, the appointments became a matter of representation of the political party in power rather than of expertise and experience, such that the Government appointees in the DAs now look like a conclave of the district executive members of the ruling political party. Expertise and experience have been sacrificed. The situation reached an absurd level in 2006 when government appointees who were suspected of being hostile to the President's DCE nominee were dismissed on the day of the balloting for the approval of the nominated candidates in order to make way for more pliant members who would vote for the nominee to be appointed [p.5].

In Section 3.7 (Table 3.1), a list of stakeholders in Ghana’s oil and gas industry is presented, based on the theoretical framework developed. Chiefs (traditional leaders) and community leaders were considered secondary stakeholders who possess the attribute of power. Findings from this research confirm that a core group of these rural government elites, in addition to traditional leaders, are mainly targeted by companies during consultation exercises concerning development in local communities. It is

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the views of these elites, not the population, therefore, which tend to be reflected in CSR programmes implemented in ‘affected’ districts. This was revealed during the consultation component of the Environmental Impact Assessment undertaken for the drilling activities of the Equity Partners. During interviews with elites from each of the three study districts, it quickly became clear that the current CSR initiatives adopted by the oil and gas industry in Ghana largely reflected the views of the elites and not necessarily those of the inhabitants of communities. Reaffirming observations made by Crook (1994), given the backgrounds and financial capabilities of most of these community ‘leaders’, very rarely have their views truly reflected the needs of the masses in the community. Any CSR programme that emerges from consultations with such leaders is bound to be unrepresentative from the outset. Further discussion on elite domination of the stakeholder engagement process is presented in Chapters 7 and 8.

A second issue worth noting here, which certainly applies to the three study communities, although not stated explicitly during interviews, is the high reliance of rural districts on the central government for funds. As has been documented in countless studies on decentralisation in Ghana, these funds are dispensed irregularly, making it difficult for the districts to plan and address meaningful development goals (Inanga and Osei-Wusu 2004; Ahwoi 2010; Crook 1994; Crook et al. 2007). At the same time, there are no effective mechanisms for collecting taxes at the local level, monies which could be used to finance development projects. Crook (1994) studied the outcomes of decentralization in a number of districts in Ghana and noted that the percentage of district expenditure allocated to development projects mostly ranged between 3 and 20%.

These issues, coupled with the desire of politicians to contribute to projects which they can market as their own ideas and reference in their political campaigns, make planning for CSR challenging. As Porter and Young (1998) concluded in a study on the impact of decentralised environmental management in Ghana conducted well before the country showed any signs of being able to produce commercial quantities of oil: ‘it was observed by all the Regional Programme Officers [consulted] that politicians prefer to spend money on highly visible projects...[and] Consequently, the DEMCs do not have funds for basic running costs’ [p. 519]. With oil having since put Ghana in the international spotlight, politicians will no doubt be focusing even harder on showcasing their preferred CSR projects. There are numerous gaps in development at the district level, therefore, which creates myriad opportunities and challenges for companies interested in pursuing CSR initiatives.

5.4 CONCLUDING REMARKS

This chapter has provided a succinct overview of Ghana, drawing on its history and current social, political, economic environment and mining legacy in order to provide a context for understanding the operating environment of IOCs. This chapter drew on the state of the mining industry and public institutions to highlight the differences in operational context for IOCs. Four main conclusions emerge from this chapter: 1) that historically, no local development has emerged from the extractive industries in
Ghana; 2) that the elite in communities have been nourished from the extractive industry (mining in particular) at the expense of local artisans; 3) that there is a superficial outlook on Ghana’s ability to oversee equitable national development from its oil revenues; and 4) that as a result of the negligible contribution to enclave communities, from the perspectives of civil society, the spotlight will be on IOCs to develop CSR programmes which will enhance local development. Yet, a significant flaw on the government’s side has been an outright neglect of frontline communities from directly benefitting from the oil find. The next chapter critically examines the policies governing the industry and the CSR strategies of the country’s IOCs.
6 THE ROLE OF GOVERNMENT IN ENCLAVE FORMATION

The discoveries of oil and gas in Ghana open up an array of opportunities to influence the pace of national development. However, the potential for oil and gas to drive the economy positively for the well-being of Ghanaians, as should be the case with other natural resources, will only be realized if this emerging industry is fully integrated into the local economy. Oil and gas must, therefore, not be seen as an enclave but in terms of their linkages with other sectors of the economy, capacity to generate resources that can be used for the rapid development of national infrastructure, increasing agricultural productivity, accelerating job creation, facilitating the building of national capacity to harness advanced technologies and for enabling a paradigm shift in the structure of the economy towards increased industrial value-added production.

- IMF, 2012, p. XV

6.1 INTRODUCTION

Since the announcement of the discovery of commercial quantities of oil in 2007, public expectations in Ghana have grown. The message preached by the government from the outset has been that unlike the country’s gold mining economy, which has yet to yield observable benefits to the citizenry, despite being in existence for over a century and today ranking as the tenth largest in the world, the extraction of new-found oil will facilitate local economic development. Throughout its existence, Ghana’s gold mining industry has operated as an enclave, detached from the local economy and therefore failing to deliver benefits to local populations (Chapter 5). This has been the general pattern followed with most extractive industries in sub-Saharan Africa. The purpose of this chapter is to critically evaluate the policy environment within which oil and gas companies in Ghana operate. What peculiar traits does the Government of Ghana exhibit in terms of forming policies and safeguarding the interest of communities in the oil and gas enclaves; and how do these traits affect CSR decision-making in enclaves? The chapter presents findings from documentary analysis and interviews with government officials and NGOs, which in part helps to address the first objective (’To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualize the CSR challenge’) of this thesis.

6.2 GHANA DISCOVERS OIL: GOVERNMENT, POLICY AND ENCLAVITY

In Chapter 2 (Section 2.3), the dynamics of underdeveloped resource-rich enclave economies were explored at length. In the case of sub-Saharan Africa, the regimes in place in resource enclave economies tend to exhibit common characteristics. Of particular note, with few exceptions, a lack of accountability and transparency plague the extractive industries in these countries. It was also explained that in these settings governments, as definitive stakeholders (see Table 3.1), are given high priority as stakeholders by companies, as the political and economic stability they provide are seen as keys to ensuring business continuity. Debates on CSR in oil and gas enclaves in the region have certainly exposed
this, as well as the implications this has in the absence of transparency and accountability (Vines and Weimer 2009; Soros 2003; Le Billon 2001).

In sub-Saharan Africa, the unpredictable behaviour of governments is likely seen, externally, as one of the biggest threats to business continuity in the region. The view here is that in the case of its oil and gas producers, host governments are, as already indicated, the most important – and possibly seen as the only relevant – stakeholder (with the exception of shareholders and the other equity partners who are also ‘definitive stakeholders’, as per Table 3.1). From the data collected for this study, there are four signs of enclave development in the country’s oil and gas sector. First, the structure of the political and economic systems has spawned a decentralised elite group in the affected communities (Section 5.3.3). Second, the institutional frameworks in Ghana limit the effects of accountability mechanisms (Sections 5.3.1 and 5.3.3). Third, the policy frameworks applicable to oil production and revenue management also facilitate and perpetuate these enclaves (Section 6.2.2). Fourth, although laudable, the government’s efforts to encourage local participation in the oil industry are overly ambitious and at times, unrealistic (Section 6.2.2.4). The implications of these developments are that claims of not following down the path of mining are purely rhetoric, given the signs of enclavity gestating on the ground.

Findings also suggest the following: 1) that there was a rush to drill the first oil, which potentially compromised the quality of policies formulated, at times delaying their implementation after commencing production; 2) that the rural-urban divide in Ghana is very real, and persists in large part because of government policies not favouring community development initiatives; and 3) that the existence of weak and rentier government institutions prevent efficient monitoring of operations to ensure compliance with regulations. These findings will be briefly examined in turn, against the background of the three pillars of CSR outlined in Chapter 2.

6.2.1 The ‘Rush to First Oil’: Early signs of Enclavity

The business case as it applies to developing countries, and as depicted in Chapter 2, is that CSR in these contexts is reactive and not proactive (Wheeler et al. 2002; Frynas 2005). In the case of Ghana, certain elements of enclavity took root in the oil and gas industry at the beginning of drilling. Due to the pace at which the industry developed, the right foundations were not in place before drilling commenced.

The Kufour administration facilitated the quick signing of oil and gas agreements. However, before oil drilling began, the NDC Government came into power in 2008. The timeline of the oil and gas industry is shown in Figure 6.1, from which it can be inferred that it only took three years between the discovery and the production of ‘First Oil’. This achievement was lauded as unprecedented in oil and gas industry circles. Company 2 described the oil find in Ghana as ‘world class’, its executive asserting that the three-year period it took to produce ‘First Oil’ was ‘a record timeframe in deepwater FPSO
developments.\textsuperscript{43} These sentiments were echoed by Ghanaian policymakers, the World Bank, International Finance Corporation (IFC) and the other parties involved in the oil agreement.

\textbf{Figure 6.1:} Simplified Oil and Gas timeline for Ghana\textsuperscript{44}

In order to facilitate the swift commencement of production, the World Bank, through the IFC, advanced a loan of US$ 215 million to Company 1 and 2 to develop Oil Field Y. A senior World Bank official interviewed stated that usually, they are unable to supply the large capital sums required by the oil and gas industry for production and exploration, and therefore prefer to finance gas pipeline projects. Nevertheless, the official maintained that through participation in public projects, the Bank is able to facilitate an increase in foreign direct investment in different industries. He explained that, ‘once the World Bank gets involved with a public sector project, we have the leveraging effect’ (interview, World Bank Official). In describing this leveraging effect, he mentioned that it ‘means that many, many other people get confidence that if the World Bank is involved, it must be okay for them to get involved’. He detailed the extensive due diligence that the Bank conducts prior to involvement in any investment project, hinting it to be significant enough to warrant private investors ‘piggyback[ing] on [its] due diligence’ to make investment decisions. In sum, the IFC loans catalyzed initial investments in the oil and gas sector in Ghana.

But despite the strong emphasis on due diligence at the time of granting the loan, the Environmental Protection Agency (EPA) in Ghana issued a public complaint, accusing Company 1 and

\textsuperscript{43} \url{http://www.kosmosenergy.com/operations-ghana-jubilee-field.php} (Accessed 12 April, 2014).

\textsuperscript{44} Data extracted from \url{http://ghanaoilwatch.org/index.php/ghana-petroleum-oil-and-gas-laws-contracts} (Accessed 13 February 2014).
Company 2 of presenting inaccurate EIA reports to the IFC in order to secure the loan. Ghana’s oil and gas civil society (see Section 7.3.4) found the actions of the IOCs offensive and protested the granting of the loan. Its constituents would consult many financial institutions lobbying for the delay of the extension of loan facilities to the two companies, arguing that in addition to the incomplete EIA, the legal and regulatory framework in the country needed an overhaul before drilling could commence. The IFC, however, responded to the criticisms, arguing that it has its own comprehensive social and environmental framework that borrowers must adhere to. It further argued that it was the duty of Ghana to monitor its own laws and ensure compliance, not the IFC. The same Bank official explained its approaches as follows:

> For us to get involved in any investment activities, be it also sometimes for capacity building, we do ask our clients to undertake, environmental and social impact assessment. It is an investment, that the bank is making because the bank is accountable to shareholders, and Ghana is a shareholder, so these environmental and social frameworks have been developed in complete agreement with national institutions, with participating governments. So we are basically following the wishes and ambitions of the shareholders [Interview, World Bank Official].

If the EPA was correct about the incomplete EIA, then the assertion that the approach to CSR in developing countries is not proactive may hold true. In this case, Company 1 and Company 2 were exploiting the inefficiencies in Ghana’s legal monitoring abilities for self-gain. However, in what seemed like a perplexing development on the surface but which is fairly typical in contexts characterised by rentier politics and may have been that which propelled the EPA critique, the incoming NDC Government called for a renegotiation of the contract Company 2, the majority owner of the Oil Field Y at the time, had forged with the previous NPP regime. The NDC Government accused the two Ghanaians who had facilitated the entry of Company 2 into Ghana for exploration of hydrocarbons of bribing the NPP Government to gain favourable contractual terms. Based on these allegations, Company 4 filed a complaint against Company 2 in the US for breaching the Foreign Corrupt Practice Act. These accusations also coincided with the proposed sale of the assets of Company 2 to ExxonMobil for US$4 billion. Throup et al. (2011) first reflected on the unexpected set of events, including a bizarre proposal made by the NDC, through the Ghana National Petroleum Corporation (GNPC), to buy the Oil Field from Company 2, despite not having the money to do so, nor the expertise to ensure its effective operation. As explained by the authors, the move highlighted ‘the potential conflict of interest that arose from GNPC’s dual role as both an oil producer and industry regulator’, yet another example of a ‘scramble to benefit from oil at the national level’ (p. 9) behaviour which typically takes place in a context of rentier politics. Interestingly, despite what seemed like a proactive move, what cannot be ignored is that the same NDC Government entered into all of the lopsided mining agreements which were highlighted in Section 6.3.1.

In the end, all charges were dropped, and Company 2 changed its CEO but continued to hold its stake in

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46 Ibid.
48 Ibid.
the industry. The importance of the government to business continuity in enclave environments discussed in Chapters 2 and 3 cannot be underestimated given what has transpired in Ghana during the short life-cycle of its oil and gas industry. It is no wonder that the companies at the centre of this study placed a high premium on ensuring good relationships with government institutions, as will be seen in Chapter 7.

Admittedly, the speed at which Ghana’s oil industry developed without the necessary industry know-how and legal and regulatory frameworks has had an impact on the type of CSR in operation in the industry. A civil society officer mentioned in an interview that because things were rushed going into oil production, he believed that a lot of useful recommendations and contributions were not taken on board. He claimed in an interview that ‘at times, we must confront with the issues first, brainstorm and come back…So we lose out on the basis of not doing regular consultations’ (Interview, Civil Society officer 2). He was by no means implying that there should have been an indefinite consultation period but rather that a more informed consultation, which could have taken place had the country taken more time to develop the industry, could have taken place. But this was not done because, as he described it, ‘they [the government] said the business interest was driving the process’.

When drilling activities began, therefore, the piece of legislation regulating oil and gas in the country was a law that was enacted in 1984, long before the recent developments that have taken place. Government institutions were, not surprisingly, ill-equipped to manage the industry. The country has significant experience in the gold industry but despite being an extractive industry, its activities differ considerably from oil and gas operations. The next section of the chapter discusses the policy context within which the IOCs commenced their operations, with specific emphasis on the oil and gas agreements and the EIA.

6.2.2 Critical Reflections on the Policy Context

Ghana has rapidly become a commercial oil and gas producer. Joint licenses were granted to five companies (Equity Partners) to extract oil offshore within the confines of two blocks, of which the Government of Ghana owns 13.75%, through GNPC.

6.2.2.1 Formation of Enclaves: Oil and Gas Agreements

The discovery was met with great euphoria (Osei-Tutu 2012). Ghanaians were of the opinion that oil could make a contribution to development in ways in which mining and other industries such as forestry have not. To get the ball rolling, the government had to enter into legal agreements with the Equity Operators. Licenses were given for two blocks – Block A and B. The agreement was forged between five parties for Block A and six parties for Block B. Apart from government ownership in both blocks, Block B had an indigenous Ghanaian interest of 3.5% (carried interest held by two Ghanaians who facilitated the entry of Company 2 into Ghana). At the time of entering into these agreements in 2006,
Ghana did not have the technical negotiating expertise that the IOCs possessed. Under conditions where
the IOCs were prospecting at a significant risk, Ghana entered into agreements which many branded as
lopsided in favour of the IOCs. Civil society officers were very vocal about this:

The oil companies had more insights than government. For fear of legal implications, Ghana had to comply
[Interview, Civil Society Officer 2].

Ghana was stampeded into the oil contracts [Interview, Civil Society Officer 3].

From the perspective of government officials, these agreements made sense given the climate in
which the IOCs were operating. A government official explained why:

So as the document stands, yes there are certain provisions we call them the fiscal regime provisions, there
are certain fiscal regimes provisions in there that one can easily raise eyebrows to but it has to be contextual.
You have to understand that these fiscal provisions were made at a time that people were risking massive.
Oil and gas business is massive upfront capital risk so you know the only way you can actually get people to
get into these things is I guess you can justify some of the relaxed capital fiscal provisions in some of the
earlier contracts in view of the risk component as well. You know, so from the contracts point of view it is
very, very little one can say in relation the fact that country was grossly short-changed or anything like that.
Especially when we don’t have any history [Interview, Government Official 2].

Having been thrown in the deep end, Ghana had to quickly facilitate the commencement of
drilling activities. In the first quarter of 2006, Ghana forged production and exploration agreements with
four International IOCS and one indigenous-led Cayman Island registered company. The agreement was
a model petroleum agreement developed in line with Ghana’s Petroleum Exploration and Production Law,
PNDC Law 84 in 2000.49

The main features of the agreement are presented in Figure 6.2, from which it can be seen that Petroleum Income Tax of 35% is payable following the recovery of development costs; earnings to the government are a Carried Interest of 10% (through GNPC); a Royalty payment of 5% is made; Additional Interest of 3.75% is paid; an Addition Oil Entitlement of 3.75% (Oil and Gas Agreement 1) is awarded. The country’s actual petroleum fiscal regime initially advocated by Petroleum Exploration and Production Law 1984, PNDC Law 84 is closely aligned with these benchmarks. Its key features include: 1) a royalty, which ranges from 5 to 12.5% of gross production of crude oil; 2) a 10% government stake in all contract areas; 3) a default Petroleum Income Tax rate, set by the Petroleum Income Tax Act 1987 (Act 188), at 50% (although in Oil Field Y, it has been set at 35%); and 4) an additional payment to the government if the post-tax rate of return for a project exceeds a targeted level (Amoako-Tuffour, 2010).

On paper, the Government of Ghana’s total stake in the industry (taxes, royalties and carried interest) is projected to be 42.2% assuming that development costs are recovered promptly to enable oil companies to pay taxes on profits and oil price per barrel does not fall below US$75 (Kastning, 2011).

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50 Data extracted from Ghana Oil and Gas Agreements.
However, the absence of effective monitoring of the industry and certain provisions in the *Petroleum Income Tax Act 1987* (Act 188) render this unattainable. Figure 6.3 shows a few of the tax provisions offered by the act. Under ‘Other Tax Incentives’, capital gains are not taxed at a marginal rate; a transfer to a contractor for provision of services at cost is not taxable; and all interests and fees on borrowings are tax exempt.

**Figure 6.3:** Key Tax Provisions in Oil and Gas Agreements

<table>
<thead>
<tr>
<th>Basic allowances</th>
<th>Additional Incentives</th>
<th>Other Tax Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Developmental Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No tax on capital acquisitions (machinery etc)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No import duty on personal items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Capital Gains at 35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interest and fees on all borrowing is tax deductible with no cap on debt-equity ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No tax on sub-contracts charged at cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Losses can be carried forward infinitely</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As Amoako-Tuffour and Owusu-Ayim (2010) explain, these provisions provide an avenue for tax minimisation, potentially to the detriment of the state. The authors cite the ‘thin capitalization provisions’ relating to the absence of a ‘limit on the deductibility of interest expense’ in the oil and gas agreements as being particularly worrying. They note that ‘excessive interest charges by sub-contractors’ can be used to avoid taxation (Amoako-Tuffour and Owusu-Ayim 2010, p. 14). In effect, the total amount to be earned by government could be significantly reduced as a result of these tax provisions. Assuming that all parties to the agreement work *Uberrima fides* and the revenue is assured, the extent to which Ghana will be able to meet its goal of ‘oil for development’ will rest on the effective use of oil and gas revenues, protection of its artisanal industries, and the effective monitoring of IOCs to ensure that legal provisions are adhered to.

The next sections of the chapter present an overview of the laws that were in existence at the time drilling activities commenced, the new laws that have been enacted to enable Ghana to achieve its development targets, and how oil and gas has currently changed the country’s economy. This discussion sets the stage for the discussion on the environment within which IOCs’ CSR decisions will be made.

### 6.2.2.2 A Brief Review of Legal Provisions at the time of ‘First Oil’

In December 2010, when oil drilling commenced, the main laws relating to the industry were the *Petroleum Income Tax Act 1987* (Act 188), *Ghana National Petroleum Corporation Act, 1983* (PNDC Law 64), *Environmental Protection Agency [EPA] Act 1994* [Act 490] and *Petroleum Exploration and Production Law 1984, PNDC Law 84*. All of these laws were enacted prior to the discovery of oil in significant commercial
quantities in the nation. A government official provided a succinct view of the policy environment by noting that ‘for the oil and gas industry the kind of regulatory framework has been a bit of a work in progress’ (Interview, Government Official 2).

The Ghana National Petroleum Corporation Act, 1983 (PNDC Law 64) established the GNPC and vested it with the power ‘...to undertake the exploration, development, production and disposal of petroleum’ (PNDC Act 64, Section 2(1)). It was also granted rights to negotiate oil and gas agreements on behalf of the government. As stated in Section 6.4.1, the GNPC has a carried interest of a minimum of 10% in all oil fields in the country, representing the interests of the Government of Ghana. Until 2011, the GNPC was both a party to petroleum agreements and a regulator of the petroleum industry. This dual role of the GNPC has been seen as a conflict of interest. It was against this background that legislators pushed for a separation of duties. The general sentiment of legislators at the time was underscored by one government official during an interview:

...so when they got to parliament a lot of the parliamentarians especially the ones on the opposition side were like, ‘you can't do this’. You need to separate regulation from actual production. What is GNPC? Is the GNPC a regulator or is GNPC also a party to the production agreement? You need to have a separate regulator which is the Petroleum Commission. [Interview, Government Official 1]

Since the passing of the Petroleum Commission Act in 2011, the GNPC has been responsible for its commercial interests and negotiating oil and gas agreements.

An essential requirement for oil and gas production is completion of an exhaustive EIA. Not only is this needed to assure the government that the risks posed by the operations of IOCs are well understood and that mitigating measures are in place to avert environmental damage but it also identifies potential damages to existing industries. The Model Petroleum Agreement used by Ghana to enter into oil agreements provides for the conduct of an EIA based on stipulations of the Environmental Protection Agency Act 1994 [Act 490]. The rules governing EIA in Ghana are embodied in the Environmental Assessment Regulations 1999. Similar to the Petroleum Exploration and Production Law 1984 and Petroleum Income Tax Act 1987 (Act 188), these regulations are in need of an overhaul. The Environmental Protection Agency Act 1994 [Act 490] established the Environmental Protection Agency and charged it with, inter alia, the obligation to issue, suspend or withdraw environmental permits as well as ‘to issue environmental permits and pollution abatement notices for controlling the volume, types, constituents and effects of waste discharges, emissions, deposits or any other source of pollutants and of substances which are hazardous or potentially dangerous to the quality of the environment or a segment of the environment’.

Prior to ‘First Oil’, the operator of Oil Field Y conducted a comprehensive EIA. This included identifying six coastal districts in the Western Region of Ghana (discussed in Chapter 7) as ‘enclave

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51 Although oil was discovered in commercial quantities in 2007, it should be noted however that there has been oil production in Saltpond Ghana since 1970 by a company called the Saltpond Offshore Production Company. The Saltpond oil field was largely uncommercial for years and to date has an output level of about 550 barrels per day.

communities’. The residents of these six coastal areas had to be informed about the operations of the IOCs, the potential impact of operations on their environment and livelihoods, and the mitigation measures in place. It was explained by many government and company officials that this was a requirement for IOCs to get a social license to operate from these communities. This requirement was seen as particularly important because as discussed previously, land in Ghana is owned by communities, clans and families and held in trust by chiefs. However, the Constitution of Ghana states that individuals and communities have surface rights on lands but anything beneath the surface belongs to the state and is held in trust by the president. The EIA required the companies to produce an EIA; an Environmental Management Plan; Environmental Performance and Indicators Monitoring Framework; and Mitigating Measures for Environmental Risks (A comprehensive description of the EIA process is offered in Chapter 6). The findings of the EIA relevant to the coastal districts are highlighted in Table 6.1.
Table 6.1: Key Issues identified by the Environmental Impact Assessment\textsuperscript{53}

<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
<th>Level of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity</td>
<td>Seabed ‘footprint’ of subsea infrastructure resulting in seabed disturbance and impacts on benthic communities</td>
<td>Minor</td>
</tr>
<tr>
<td></td>
<td>Disturbance from vessel movements, helicopter operations, noise and light to sea mammals, turtles and fish</td>
<td></td>
</tr>
<tr>
<td>Accidental Events</td>
<td>Oil spills and fires which could have impacts to: marine and coastal resources and associated socio-economic effects, and transboundary effects</td>
<td>Could be significant if it reached the shore and affect the quality of fish caught by fishermen</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Disposal of solid waste from FPSO and support vessels</td>
<td>Not significant</td>
</tr>
<tr>
<td></td>
<td>Use and disposal of process chemicals</td>
<td></td>
</tr>
<tr>
<td>Impacts to Water</td>
<td>Disposal of excess water from the wells into the sea (produced water)</td>
<td>Not significant</td>
</tr>
<tr>
<td></td>
<td>Discharges (cooling water, ballast water, sewage and deck drainage) to the sea and impacts on water quality</td>
<td></td>
</tr>
<tr>
<td>Socio-economic Impacts\textsuperscript{54}</td>
<td>Potential impacts on fish resources due to presence of structures and vessel and discharges and secondary impacts on commercial fisheries</td>
<td>Minor</td>
</tr>
<tr>
<td></td>
<td>Potential damage to fishing nets and increase risk of shipping collisions along supply vessel transit routes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exclusion of commercial and recreational vessels and fishermen from safety zone around the FPSO and tankers</td>
<td></td>
</tr>
<tr>
<td>Impacts to Atmosphere</td>
<td>Exhaust emissions from support vessels and helicopters</td>
<td>Not significant</td>
</tr>
<tr>
<td></td>
<td>Exhaust emissions from power generation from gas turbines on the FPSO</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emissions from gas flaring during FPSO maintenance shutdowns and from process vents</td>
<td></td>
</tr>
</tbody>
</table>

Evaluation Scale: Not significant-Minor-Moderate-High

Since ‘First Oil’, however, several reports have surfaced in the media about the increased presence of seaweed and dead whales appearing on the shores of the affected communities. In September 2013, it was reported that since 2009, 16 whales had washed ashore\textsuperscript{55}. The government, alongside the oil and gas companies, has, not surprisingly, been blamed for this problem. It has been argued widely that the

\textsuperscript{53} Source: Oil Field Y Consultation Report, 2009.

\textsuperscript{54} Only discussions relating directly to the communities studied in this thesis is presented.

approach that the EPA advocates for conducting EIAs neglects the specific impacts that extractive activities can have on the environment. The media and several NGO officials have made public calls for the oil and gas companies to conduct a standalone Fisheries Impact Assessment which would provide comprehensive insight into the direct and indirect impact of oil and gas activities on the environment, a positive development, given the many complaints voiced by fishermen concerning a decline in fish catch. Many of those interviewed have linked this to the drilling activities.

Conforming to the behaviour expected from a ‘rentier’ state, the EPA has regressed considerably since its initial calls for a more comprehensive EIA to be undertaken by Companies 1 and 2 in 2009. It has dismissed claims about dead whales and the disruption of fishing activities, maintaining that neither is a result of the drilling. But an official interviewed at the Ministry of Fisheries saw this as a major oversight, arguing in an interview that while the ‘EPA did an EIA [Environmental Impact Assessment]…They were supposed to do an FIA, that is a fisheries impact assessment in the EIA, [although] they did something small about the FIA but they didn't do anything [substantive]’.

When probed about the relationship between dead whales and oil drilling activities, an EPA official seemed to have little appreciation of the seriousness of the accusations being made. The official explained that:

If a whale dies, a whale is larger than a human being. So for example, if a human being dies, you cannot just say that because there is an oil and gas activity that is why the human being died. There must be an autopsy. A whale is larger than a human being. So if we say a whale is larger than a human being that means that whatever toxic effect that will kill a whale that toxic effect might probably kill about 10 human beings at a go. And if a whale takes a poison for example, maybe, coming from the oil or whatever, it may not die immediately, and a whale is not a stationary animal. It moves. So a whale may die on our coast. It may not necessarily mean that whatever is the cause of its death happens in Ghanaian waters. It could be in Europe where the whale is being hunted and then maybe it is wounded and it's travelling and then ... you know there have been some of these issues but the question that you will ask is which part of oil and gas activity will kill a whale. So that is the sensible question to ask. It is not about probably from here but which part of oil and gas activity will kill a whale. And if you take oil and gas activity down and everything that they do. None of them will kill a whale.

Surprisingly a disturbance of marine life was one of the potential environmental problems identified by the EIA, as noted in Table 6.3 above. In the EIA Report, the companies asserted that ‘The impacts to marine mammals and turtles from vessel collision and marine debris’ will have low significance given that the frequency of vessels on Ghanaian waters will be low [p.5-8]. The EPA official was also asked about why a standalone Fisheries Impact Assessment was not conducted to verify claims made by fishermen in the three coastal districts studied in this thesis as to oil drilling disturbing their source of livelihood. The response given is further vindication of an EIA process which was overly simplistic. It was explained that:

This question…You know in our law, of environmental assessment. The law provides for an integrated approach to environmental assessment. So we do not have a component like what you find in other jurisdictions where something like a social impact assessment is separate from environmental, health, fisheries impact assessment. So there is, in a growing world, you have this kind of disintegration of this kind of thing. But the law provides for the integrated approach. So because of the integrated approach when we have a
major project that would have a let's say a lot of impacts on other sites, we have to have a technical review committee to look at the report. So you will not find a report that has only like fisheries impact assessment being conducted. And sometimes that is where a lot of people take issues from because they do not understand our law. They look at what exists elsewhere and want it to be done here but that is not the same.

Again, it is obvious that at the EIA’s inception, law makers did not anticipate that entirely new industries would surface in the long-term, specifically, oil and gas: there is limited scope for modifying the Environmental Protection Agency Act 1994 [Act 490] to ‘accommodate’ new industries such as oil and gas. But given the large footprint of such an industry, a more detailed focus on the specific aspects of the environmental impacts of the business activity at hand is imperative. In the area of oil and gas drilling more specifically, a detailed examination of the impacts on fishing would have helped to identify and potentially alleviate concerns raised by fishermen and environmental activists. Perhaps this crucial oversight was not intentional at all but rather a deliberate move taken to deflect attention from the direct impacts of the oil and gas drilling activities during the early going in order to help companies avoid having to compensate fishermen for disrupting their livelihoods. This is not unusual behaviour in enclave extractive economies, where companies operate freely in a policy environment which generally provides minimal protection to artisanal industries. As noted earlier in Section 5.3.1, Ghana has consistently undermined its artisanal mining industry in favour of large-scale mining. The country’s current approach to the complaints of artisanal fishermen mirrors this and raises questions about how it intends to meet its oil for development goals without due re-cognisance for its artisans.

6.2.2.3 Preventing Enclavity: Separating Functions and Managing Oil and Gas Revenues

The absence of avant-garde laws presents challenges for communities and artisan industries potentially affected by oil and gas operations. The government has, fortunately, been proactive in establishing laws to govern the industry. To start with, it set up a Petroleum Commission Act, 2011 to monitor and regulate the industry: in the case of revenue, a Petroleum Revenue Management Act, 2011 and a The Local Content and Local Participation Regulation, 2013 (LI 2204) for developing indigenous skills and companies. In response to pressure by the opposition to separate regulator from party to agreements, the Petroleum Commission was established (Petroleum Commission Act, 2011, Act 821), and charged with regulating, managing and utilizing petroleum resources, as well as the coordinating policies in the oil and gas industry on behalf of the Ministry of Energy. The act divulged the rights of GNPC as regulator and vested it in the Petroleum Commission.

In addition, the Petroleum Revenue Management Act 2011 [Act 815] which details how oil rents will be used for national development was also enacted. The principles in the law were prescribed by the Ghanaian public. As one official of the team that conducted consultations reported in an interview:

In order to do this we also went on a nationwide tour whereby we solicited views from average citizens through town hall meetings and then we also administered a survey for any of the town halls that we went to. We went through a bunch of survey papers. So the people fill, in addition to telling us that should be included in the bill in the discussions. We also gave them hard copies which they filled and returned to us. We
synthesized all of that [information] to get the main themes that were emerging. So one of the themes that were emerging was that we needed to not just spend all the oil revenues now but we needed to save some for future generations [Interview, Government Official 1].

The Petroleum Revenue Management Act, 2011 prescribes four different accounts for the allocation of the total revenue accrued to government (see Table 6.2). These accounts are the Annual Budget Funding Accounts (ABFA), Ghana Petroleum Funds (GPF) Ghana Stabilisation Fund (GSF) and the Ghana Heritage Fund (GHF). The ABFA is the fund available for spending in the annual budget, while the GPF is the amount accrued to GNPC for paying off its production and exploration costs in the field. The GHF consists of savings for future generations and the Stabilisation Fund is used to even out the amounts that go into the ABFA seeing that the ABFA has to be determined in advance of receipt of oil and gas revenues. The revenue allocation to each fund is detailed in Table 6.2.

<table>
<thead>
<tr>
<th>Table 6.2: Distribution of Oil Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil revenues accrued to government</td>
</tr>
<tr>
<td>Annual Budgetary Funding Amount</td>
</tr>
<tr>
<td>Ghana Heritage Fund</td>
</tr>
<tr>
<td>Ghana Stabilization Fund (to even out funding to the annual budget)</td>
</tr>
<tr>
<td>Remainder in Ghana Heritage Fund (Investment in long-term fund)</td>
</tr>
</tbody>
</table>

Section 21 of the Act states that ‘For any financial year, a minimum of 70 percent of the Annual Budget Funding Amount shall be used for public investment expenditures consistent with the long-term national development plan’ (i.e. addressing ten ‘priority’ areas). This means the government is required to spend the allocation to the ABFA to achieve the following broad objectives, as approved by parliament (PRMA, 2011, p. 14):

1. To maximise the rate of economic development;
2. To promote equality of economic opportunity with a view to ensure the well-being of citizens;
3. To undertake even and balanced development of the regions; and
4. To develop a guided medium term development framework of the long-term national development plan approved by parliament.

In the absence of a parliamentary-approved framework for spending on the objectives outlined above, the government has the option to identify four areas for these funds. These are subject to change
every three years along with some of the provisions of the PRMA. For the first three years after enactment of the act, the areas identified in Figure 6.4 were chosen.

**Figure 6.4** Distribution of Oil Annual Budgetary Funding Amount

In addition to the key stipulations of the PRMA, a Public Interest Accountability Committee (PIAC) was established. Its members include representatives from trade unions, professional associations, the National House of Chiefs, queen mothers and NGO officials. The objective of the committee is to oversee the management of revenue on behalf of Ghanaians. This involves reporting annually on government earning and spending of oil and gas revenues, as well as commenting on the efficacy of spending and identifying areas in need of improvement.

The PIAC was established to serve as an accountability mechanism for the oil and gas industry. Ghana’s attempt at maintaining transparency and governing through its people on the issue of oil and gas revenues is commendable. It marks for the first time that such a comprehensive consultation exercise has been conducted for an extractive industry in the country. Regrettably, however, it was unable to solicit grassroots opinions as the consultation exercise was essentially elitist focused. As one senior government official explained in an interview:

> We wrote to the assemblies, the district assemblies, inviting and asking them to invite people to this. So there were many like representatives of different teachers, doctors, whatever and then there was a good mix of people. But…um…and even traditional rulers as well [Interview, Government Official 2].

Essentially, the youth and affected communities did not feature in the consultation process. When probed further the official lamented:
Well, from, let say in terms of our survey questions, we ended up having skewed responses to our survey questions. ...there were a lot of them, coming from public sector institutions. So the argument is, the dialogue shouldn't just be to government institutions, they should open up to civil society as well. Some groups such as the regional house of chiefs representatives as well as certain professional bodies like chartered accountants, whatever to be more open to civil society participation rather than just going government to government [Interview, Government Official 2].

Another official offered an alternative explanation, insisting in an interview that the assumption was made that individuals and groups would hear radio and television announcements and would therefore respond to the calls for contributions to consultations. The official stated that, ‘no we didn't...we didn't invite NGOs but because we made public announcements we did get NGOs coming but we didn't specifically write letters to them’ (Interview, Government Official 1).

The oil and gas civil society organisations in the country saw the government’s intentions as ‘good’ but have also lamented over how Ghana had hastily entered into oil and gas drilling agreements and therefore, failed to take time to understand the industry well enough before enacting its new laws (Interview, Civil Society Officer 2). All interviewees from civil society, however, were in broad agreement that Ghana was making laudable attempts at avoiding a resource curse, albeit rather pedestrianly.

Regrettably, there seems to be a lack of community-specific focus on the government’s side. As explained by one government official in an interview:

As far as I know with what we are doing with the Revenue Management Act...We don’t have any provision where we actually cede specific amounts of money to specific areas that may or may not be directly impacted by the oil productions [Interview, Government Official 2].

**Table 6.3:** Allocation of Petroleum Receipts in 2011-2013 Budgets

| Source: Ghana Budgets 2012-2014 |

Table 6.3 shows the amounts of revenue from the oil and gas industry which have been allocated to the four areas highlighted in Figure 6.4. A review of the 2012-2013 Ghanaian budgets shows that nothing had been allocated to the affected communities. In fact, efforts by local community leaders to
establish a fund similar to the *Mineral Development Fund* have been dismissed. As one civil society officer noted:

The worry we have is and you recall that...erm representatives of chiefs from the Western Region particularly from the sponsored area came to Accra and made the demand of government. First, of the president and of parliament to allocate 10% of oil revenues to the development of the Western Region. Parliament turned this down on the grounds that Ghana's oil currently is being produced from offshore and because nobody lives offshore, nobody can make any claim for preferential treatments in the sharing of the oil revenues [Interview, Civil Society Officer 3].

In the communities visited, the leaders expressed dissatisfaction with the government’s decision not to allocate a percentage of oil revenues to affected communities. A municipal executive voiced his frustration at the situation, explaining in an interview that:

Then the percentage that the chiefs are asking to be seeded to western region, if it matures, it will also be helpful. As for that one we will press for it because it is important. If there is any effect, I mean who is going to suffer? You see it has been the argument that supposing the first time oil is discovered at another place, should they also be given a percentage. They are assuming that it is for the whole country particularly the issue might be identifying a beneficiary or being given that special status. That is the argument some people are putting up, but whatever. This is a human institution, if you come to my place and there is something you are eating from my place, you cannot say, I shouldn’t eat it too [Interview, Municipal Executive 2].

Despite numerous consultations with government by the chiefs of the affected communities, as will be explained in the next section, a community focus is still lacking in laws.

### 6.2.2.4 Progressive or Utopian? A Critical Analysis of Ghana’s Local Content Bill

Another way in which Ghana has been proactive in meeting its oil for development goals has been in the area of local content, regulations aimed at fostering inclusion of indigenous vendors and labour in the oil and gas industry. The *Local Content and Local Participation Regulation, 2013* (LI 2204) is modeled after a similar bill passed in Trinidad and Tobago, another oil-rich developing world economy. The fundamental goals of the policy are to prevent the oil and gas industry in Ghana from becoming an enclave and ensuring that Ghanaians derive maximum benefits from the oil and gas find. The policy document identifies ‘finance, human resource capacity and technology’ [p. 3] as the chief constraints preventing Ghanaians from gaining complete control of the oil and gas industry. The bill attempts to address these concerns by pledging a commitment (on behalf of the Government of Ghana) ‘...to deploy...an effective local content and local participation policy as the platform for achieving the goals for the oil and gas sector with full local participation in all aspects of the oil and gas value chain of at least 90% by 2020’. The main provisions of the law are detailed in Table 6.4.

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56 Local Content and Local Participation in Petroleum Activities – Policy Framework, p. 4.
Being able to achieve this feat within 10 years is highly ambitious, given that the sector is still in its infancy. It is anticipated that there will be difficulties in achieving the technical and managerial employment, technology transfer and sub-contracting targets by 2023. Although there are individuals with transferable skills in Ghana who can fill some of the oil and gas positions, there is the realisation that the manpower in the industry will have to be supplementary. Both government and the IOCs realise the magnitude of the problem and have thus established scholarship programmes to develop the necessary manpower while simultaneously equipping the Kwame Nkrumah University in Kumasi with some state-of-the-art facilities for training locals in the industry. Company 1 provides 50 Masters and PhD level scholarships each year to Ghanaians to study in Europe. The scholarships are provided to the individuals from the general public looking to pursue education in the areas of environmental science, engineering (petroleum and mechanical), energy law, logistics, and supply chain management. Aside from various individuals working in the oil industry outside of the country, at present, there are very few locals with the expertise to work in the oil industry. Even if individuals were to be trained immediately, it would be very difficult to achieve a 90% participation rate within 10 years, considering that individuals will have to acquire the requisite technical degrees and work experience to be able to gain employment in the industry.
With respect to subcontracting services to Ghanaian vendors, access to capital at competitive rates, a lack of experience in the oil and gas industry and a lack of industry standard certifications are prohibitive to the development of indigenous companies. To bridge this gap, portions of the oil revenues in 2012 and 2013 ($14 million and US$17 million, respectively) were earmarked for capacity building for government institutions and oil and gas activities. In addition, Ghana was able to secure funds from the World Bank to the tune of US$38 million in 2010 (35 year term) to help build its labour force and institutional capacity for better management of the oil and gas industry.

Despite these monumental strides, there are serious obstacles inhibiting local SMEs from fully participating in the industry. First, as oil is a nascent industry, there were very few existing indigenous companies. As a result of the law, however, many start-ups have developed. Credit facilities available to these types of firms are often marginal, and accessible interest rates are about 20-30% per annum for commercial bank loans and more than 60% from other financing sources. A Local Content Manager discussed the difficulty of such credit facilities for SMEs during an interview, explaining that:

…Capital of course is an issue but this is not one of the ones we are addressing currently because we noticed that interest rates are quite high in Ghana as compared to elsewhere in the world. So foreign companies could have access to as low as 2% facility and then local companies will have 25% or more. But then matching up what we do by regulation, we are able to give contracts to local companies if their price margin is about 10% higher which is a huge relief for the local companies [Interview, Local Content Manager 2].

With such high rates of interest, indigenous SMEs face growth problems and will be hard pressed to forge partnerships with foreign sub-contractors with large capital bases and experience in the industry. To facilitate local inclusion, however, an agreement has been reached between the African Development Bank’s Africa and Ecobank (Pan-African Bank) to provide loan guarantees to cover 50% of net losses for SMEs. An official working on the project at Ecobank, however, contested that based on the caliber of SMEs she has worked with, it will take some time to fully develop their capabilities. She mentioned that ‘most of these companies are start-ups…They lack even the basic local qualifications’. (Interview, Government Official 4) Her sentiments were shared by another Local Content Official, who sees the lack of industry qualifications as a great challenge for IOCs and SMEs alike. He argued in an interview that:

The challenges are quite a lot. [sigh] Companies come in and the idea is that [Company 1] should be able to offer a contract. …So the idea is you come to [Company 1], you need to get a contract. Mining industry and the oil industry are both extractives but both carry different levels of risk. There are different specifications and standards. So when somebody comes and says, I have been doing this business for ages. You come to [Company 1] and we tell you that this is the standard we require and it becomes an issue. The companies will say, ok, it means indirectly you are closing the doors to local companies which is absolutely not the case [Interview, Local Content Manager 1].

While the GNPC, which already employs a significant number of Ghanaians and currently does very little in the technical areas of the drilling activity, faces no difficulty in achieving the required target, the foreign-owned oil companies have already started encountering problems in their efforts to comply with the law. As one Local Content Manager explained in an interview, the companies have taken steps to comply with the law by training and assisting local companies to meet their standards:
The standards are quite high. The specifications are strict and these are things we are careful not to compromise because of the risk involved in our operations. So we try to develop the capacity of the local companies to be at par with the foreign contractors when it comes to tender. So basically we do this through using several tools which include seminars, conferences, [and] workshops [Interview, Local Content Manager 1].

The area of local participation in the oil and gas industry has been one that despite reservations, the IOCs seem to have embraced. The entire exercise of drafting of the law involved consultations with the IOCs (Interview, Ministry of Energy Official). There were, however, some contentious issues with the legislation before it was passed. This created an impasse between IOCs and the Government of Ghana. The issue related to the punitive measures mentioned in Table 6.10. The companies were of the opinion that the provision for imprisonment was too harsh and had to be amended. An official based at the Ministry of Energy said emphatically in an interview that, ‘they fought us oh, they really fought us but we were resilient’. Another issue was the power vested in the Minister of Energy to determine which individuals qualify as vendors/subcontractors/production and exploration partners as well as the aggressive employment targets. In the end, the Ghanaian side prevailed, buoyed by a wave of local content euphoria sweeping across sub-Saharan Africa and other developing countries.

On this point, local content ideology has been embraced by oil and gas producing nations such as Angola, Brazil, Indonesia, Nigeria and the aforementioned Trinidad and Tobago. But while the local content rules applied in these countries have similar specifications for IOCs, they are not as ambitious as the stipulations contained in Ghana’s local content framework. This is especially because almost all of these nations started producing oil and gas many years before introducing local content regulations. Drilling started in Brazil in 1953 (Ernst &Young, 2011), Indonesia in 1885,57 Trinidad and Tobago in 1908 and Angola in 1966.58 Although all of these countries have local content regulations which require 80%-95% local participation over a short period of time, it is safe to say that these countries have more experience in the oil and gas industry and have individuals with the requisite skills to occupy high-level posts in the industry. These countries are very different to Ghana, which is relatively new to the field and as discussed above, is sorely lacking in the technical areas of oil and gas drilling activities. This is not to say that the idea of having a local content bill is not a good one. It is rather the haste with which the Government of Ghana expects to achieve its goals that is worrying. Even in countries with well-developed oil and gas industries such as Brazil, companies continue to experience delays with production and are hampered by higher costs per unit of production, a situation brought about by the need to comply with legal stipulations (Ernst & Young, 2011).

Another regrettable issue with the Local Content and Local Participation Regulation, 2013 is that it creates no opportunities for the front-line communities. In fact, as it stands it may perpetuate the issue of elite domination in the country, as very few rural communities will be able to take advantage of the law,

given the capital restrictions and level of education required to establish a sub-contracting business or enter into an exploration agreement. One civil society official put this into perspective in an interview:

I think the local content bill is also inadvertently business biased. It is looking mainly at businesses. To the extent that even though it makes mention of how oil should contribute to the agricultural sector there is no clear linkage. We need to see a very clear linkage. To what extent are we using the oil revenue or the revenue from the oil which of course is going to be part of the national budgetary allocation? What are we doing about the agriculture sector? And I am particularly worried about the agriculture sector in the sense that we cannot be losing on many fronts as a country [Interview, Civil Society Officer 3].

This argument puts the lack of a community focus into perspective. In Ghana, most agriculture is artisanal and rural. For oil to have been developed at the expense of these activities suggests that the main lessons from the in-country mining enclave experience have not been fully realised. One thing that seems to be carried over from mining is how frontline communities have been chronically overlooked in policy making and by extension, CSR programmes, in enclave environments (Chapter 7 discusses the impacts of this neglect).

The final issue that is somewhat inexplicable and which is also characteristic of a rentier state is, despite preaching and advocating for local inclusion, how the government has not been practising what it preaches when it comes to refining the oil that it receives. Ghana has a crude oil processing facility, the Tema Oil Refinery (TOR), in Tema, east of Accra. It was established in 1960 as a joint partnership between Eni Oil and the Government of Ghana. In recent years, full ownership has reverted to the Government of Ghana. The TOR has been ‘in the red’ perpetually, however, as it has not had any refinery activity. Recently, it had to be bailed out by the government. Surprisingly, the Government of Ghana prefers to have the crude oil accrued to it from drilling activities in the country to be processed and sold on the international market. This has left TOR with no work, plunging the company further into the financial abyss, ironically, and running counter to goals of local content. It is alleged that that the current Minister of Energy, Mr Emmanuel Kofi Buah, has said that the refinery is not equipped to refine the crude oil from Oil Field Y.59

At the time of conducting the fieldwork for this thesis, a new Petroleum (Exploration and Production) Bill was in the works to replace the current Petroleum Exploration and Production Law 1984. It had been presented before parliament but as of March 2014 had not been passed.

### 6.3 The Economic and Political Impacts of Oil and Gas: Initial Reflections

This final section of the chapter reflects on the initial economic impacts of oil and gas production in Ghana. As mentioned in Section 6.2, over the years, agriculture’s contribution to GDP has declined. Gold, on the other hand, has been a major source of income for Ghana for decades, recently overtaking cocoa as the country’s top export commodity (Table 6.5). Interestingly, crude oil has quickly become

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Ghana’s second largest export commodity, and with a potential upside on production, could soon overtake gold production. The need for better monitoring of the industry is therefore pressing.

Table 6.5: Ghana Trade Statistics

<table>
<thead>
<tr>
<th>Top 5 Export</th>
<th>Gold - 28%</th>
<th>Crude Petroleum - 19%</th>
<th>Cocoa Beans - 18%</th>
<th>Cocoa Paste (3.1%)</th>
<th>Manganese Ore (2.2%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 Imports</td>
<td>Gold - 14%</td>
<td>Coconuts, Brazil Nuts, and Cashews - 2.7%</td>
<td>Rice - 2.7%</td>
<td>Wheat (2.3%)</td>
<td>Cement (2.2%)</td>
</tr>
<tr>
<td>Top 5 Export destinations</td>
<td>South Africa - 20%</td>
<td>France - 12%</td>
<td>Netherlands - 6.9%</td>
<td>United Arab Emirates (6.7%)</td>
<td>United States (6.0%)</td>
</tr>
<tr>
<td>Top 5 Import origins</td>
<td>United Arab Emirates - 16%</td>
<td>China - 12%</td>
<td>India - 5.2%</td>
<td>United States - 4.3%</td>
<td>France (4.1%)</td>
</tr>
</tbody>
</table>

The current sectoral division of the economy is presented in Table 6.6, which shows a significant decline in agricultural production and a correspondingly high increase in the services industry. An increase of the non-agricultural component of an economy is usually lauded, as it perceived as adding value to raw materials.

Table 6.6: Current Economic Structure of Ghana by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009 % of GDP</th>
<th>2014 % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>39%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Services</td>
<td>35%</td>
<td>50.6%</td>
</tr>
<tr>
<td>Industry</td>
<td>26%</td>
<td>28.1%</td>
</tr>
</tbody>
</table>


Oil and gas production has amplified the effect of the decline in agriculture by changing Ghana’s economic status. In the 2014 budget statement, the president reported that the country’s new status (‘Low Middle Income’) has led to a ‘reduction in very soft and long term aid inflows and its attendant fiscal and balance of payments challenges’. He further noted that the ‘World Bank credit which we could access at 0.75 percent service charge and 40 years of maturity is now accessed with a service charge of 1.25 percent and a maturity of 25 years’ (Republic of Ghana, 2014).

This credit issue, coupled with falling gold prices worldwide, has resulted in another economic downturn. The country’s currency is rapidly deteriorating. As a result of previous and current economic conditions in Ghana, the management of oil revenues has become an even more pressing concern for both policy makers and civil society organisations if the country is to continue progressing economically.

6.4 Concluding Remarks

Have the rural communities surrounding Ghana’s oil find become the latest victims of resource enclavity? If the history of industrial mining in Ghana is anything to go by, then the government will pursue the interests of the oil and gas industry over that of artisanal fishing industries in these communities. This chapter has scrutinised the policy framework for oil and gas activities.

Ghana has made tremendous efforts, at the macro level, to avert an oil-induced resource curse. A significant flaw in this approach, however, has been an outright neglect of frontline communities which are most affected by the oil find. Again, the rush to begin drilling oil meant that government relied on its limited knowledge and resources to negotiate oil contracts which may not necessarily yield maximum returns to the nation. When applied to the key features of enclavity as exemplified by the three pillars of CSR presented in Chapter 2, it becomes clear that ‘the bar’ was lowered for the IOCs by the inexperienced government officials negotiating contracts. The business case is also evident here as civil society’s key involvement in the industry forced government to apply a proactive approach to the industry. The next chapter builds on this analysis by exploring how, in this unique policy environment, the oil companies’ community development programmes are designed and its CSR policies are formulated.
7 CORPORATE SOCIAL RESPONSIBILITY IN GHANA’S OIL ENCLAVES: AN ANALYSIS OF CORPORATE PERSPECTIVES

Companies are more likely to thrive if they nurture their relationships with local communities, host governments, non-governmental organizations (NGOs) and security forces. Sharing information for mutual benefit helps to develop and maintain the good relationships that enable communities, countries and industry to thrive.

- International Petroleum Industry Environmental Conservation Association, 2013

7.1 INTRODUCTION

The purpose of this chapter is to situate the findings from interviews with corporate officials and analysis of corporate reports in the context of the three pillars of CSR discussed in Section 2.3. Interviews and focus group discussions with civil society, government, and community-level actors are used to critically evaluate corporate rhetoric in an effort to further address the first objective (“To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualize the CSR challenge”) of this thesis. How are CSR outcomes in Ghana’s oil and gas sector shaped by enclave development?

In Chapter 5, the country context – the political, economic, social and environmental characteristics of the setting – in which IOCs operate, was examined. The concern developmentally, as shown in Chapter 6, is that, despite commentary provided by policymakers which may suggest otherwise, Ghana appears to be rapidly progressing down a path of enclavity. There are institutional deficiencies, inadequate and obsolete laws, elite control of stakeholder engagement programmes, and a legacy and shadow of a mining industry which is itself an extractive enclave. One distinguishable feature of Ghana’s approach to managing its oil wealth, which also prevails in other oil-producing areas of sub-Saharan Africa, such as the Niger Delta, is poor recognition, legislatively, of affected communities. Specifically, no formal regulations have been put in place to cede any portion of oil revenues to affected communities. For companies dealing with myriad problems brought about by the existing institutional deficiencies and low level of rural development in the nation as a whole, selection of appropriate CSR projects has become exceedingly challenging. If genuinely concerned about maximising impact, the difficulty is pinpointing CSR projects that communities will embrace, are capable of satisfying the rural elite, and which align with the development goals set by the government and donors. The exercise is further compounded by the intense pressure exerted on companies by civil society organisations adamant about ensuring that the benefits from the oil industry are maximised for Ghanaians.

The discussion that follows offers a comprehensive picture of stakeholder identification, engagement and salience in the oil and gas industry in Ghana. It draws heavily on findings from discussions with corporate officials, with the aim of understanding the rationale for embracing the three

‘pillars’ (of CSR), to determine how companies arrive at key CSR-related decisions, and to cast light on how they go about identifying ‘the community’ and why, in these unique operating environments. Stakeholder identification and engagement strategy, as will be demonstrated, followed a unique path: it was informed by the requirements of the Environmental Protection Agency [EPA] Act 1994 [Act 490] and World Bank/IFC loan covenants. As will also be explained, however, stakeholder prioritization has mirrored the approach observed in the oil and gas enclave economies in sub-Saharan Africa, namely Nigeria, Angola and Cameroon.

7.2 A GLIMPSE INSIDE THE ENCLAVE: COMPANY CHARACTERISTICS

As explained in Chapter 2, extractive industry enclaves are geographically and ideologically disconnected from the ‘communities’ affected by their operations (Singer 1950; Ferguson 2005). The CSR programmes conceived in these settings, therefore, rarely reflect the specific needs of affected communities. Oil Field Y consists of 19 wells, is buoyed by capital investment of US$6.5 billion, and produces an estimated 110,000 barrels of oil each day. Before describing the CSR process adopted in Ghana’s oil and gas enclave, it is instructive to first briefly consider the idiosyncrasies of the IOCs themselves. This provides a better appreciation for why companies operating in such settings make particular choices when it comes to CSR.

<table>
<thead>
<tr>
<th>Company</th>
<th>Registered</th>
<th>Headquartered</th>
<th>Type</th>
<th>Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>Channel Islands</td>
<td>United Kingdom</td>
<td>Public</td>
<td>£7.22 billion</td>
</tr>
<tr>
<td>Company 2</td>
<td>Cayman Islands</td>
<td>United States</td>
<td>Public</td>
<td>$4.24 billion</td>
</tr>
<tr>
<td>Company 3</td>
<td>Ghana</td>
<td>Ghana</td>
<td>Government</td>
<td>n/a</td>
</tr>
<tr>
<td>Company 4</td>
<td>Cayman Islands</td>
<td>United States</td>
<td>Public</td>
<td>$50.91 billion</td>
</tr>
<tr>
<td>Company 5</td>
<td>British Virgin Islands</td>
<td>United States</td>
<td>Private</td>
<td>undisclosed</td>
</tr>
</tbody>
</table>

As of 2013, there were, as indicated, five companies (the ‘Equity Partners’) operating in Ghana’s Oil Field Y (see Table 6.1). Each is registered in Ghana. Companies 4 and 5, however, do not have a particularly strong presence in the country. Companies 1 and 2, which are the unit operator and technical operator, respectively, of the project, have subsidiaries in Ghana.

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As depicted by Figure 6.1, Company 1 holds the largest equity. Being the largest shareholder in the partnership, it is charged with executing CSR programmes on behalf of the group. It does so by drawing on funds contained in a dedicated CSR fund, into which each constituent dispense contributions annually. These are determined according to percentage of ownership. Quarterly, semi-annual and annual reports are fed back to group members by the group leader. The reports from these programmes provide details and updates on the progress of chosen projects. The individual companies (Companies 2 and 3) within the Equity Partnership also invest in additional – albeit, minor – CSR programmes but all are conducted in line with what the partnership dubs the ‘Four Pillars of CSR’, which will be examined more closely in Section 7.3.5. The approach adopted by individual companies in other minor CSR projects they are engaged in barely deviates from the strategy employed by the lead company.

Ten company officials were interviewed for this research. The officers were from Companies 1, 2 and 3. As indicated in Chapter 4, no access was gained to Companies 4 and 5 because at the time the fieldwork was carried out, they were not engaged in any CSR programmes outside of those the group was implementing, and did not have a physical presence in-country. The 10 company officials interviewed included two community liaison officers, three CSR managers, two Local Content Mangers and three Corporate Affairs Directors.
The headquarters of Company 3 and the Ghanaian subsidiaries of Companies 1 and 2 are located in the country's capital city of Accra (depicted in Figure 7.2). Local subsidiaries of the three companies are located in Takoradi, which is the third largest city in Ghana and the capital city of Western Region, and home to the oil field. Figure 7.2 illustrates how, in the spirit of Ferguson (2005), production and revenues from the company’s activities hop over the affected communities (area shaded yellow) to the FPSO. In such a setup, companies do not come into direct contact with the communities, a dynamic which reinforces points raised in Chapter 2 about resource enclavity. But before delving into how CSR programmes are conceived in this environment, it is prudent to first look at the ethos by which these organisations operate. This will provide a better understanding of how things play out on the ground with respect to stakeholder engagement.

7.3 **EXTERNAL INFLUENCES ON THE ENCLAVE**

An organisation's CSR strategy is largely dependent on the ‘context’ within which it operates. Chapter 2 presented arguments in favour of the idea of CSR being context-driven. On the one extreme, the CSR promoted in market economies is underpinned by strong institutions which, along with the general public and civil society, pressure companies to target projects beyond the local legal requirements. On the other extreme, the CSR undertaken in developing world contexts is often sub-standard because, comparatively speaking, such pressures are absent, weak institutions persist, and a series of informal
constraints exist (Dong et al., 2012; Baram 2009; Dobers and Halme 2009; Foo 2007; Frynas 2005). In such settings, law enforcement is often arbitrary, corruption is rampant, there is uncertainty surrounding property rights, monitoring is often sporadic, and there are numerous bureaucratic inefficiencies (Dobers and Halme 2009). Foo (2007) attributes the CSR outcomes in these contexts to a ‘lowering of the bar’.

Chapter 5 shed light on Ghana’s *ad hoc* approach to implementing laws for regulating its upstream oil and gas industry. It also highlighted the institutional deficiencies in the country, epitomised by occurrences in its mining industry; the dearth of protection afforded to artisanal industries; and fiscal and economic decentralisation which, more often than not, leads to local elites gaining control of critical resources and development. Given this rather unique context, how have IOCs gone about operationalising CSR?

**Figure 7.3:** External Influences on IOCs Operating in Ghana

![Diagram showing the relationships between various stakeholders and the IOC in Ghana](image)

The previous chapter noted the role of the World Bank/IFC in facilitating take-off of the industry, specifically through supporting the government and the IOCs; examined the role being played by civil society organisations; and described the oversight and regulation being provided by government agencies, including – but not limited to – the Ministry of Energy (MoE), Environmental Protection Agency (EPA), Petroleum Commission and Ghana National Petroleum Agency (GNPC). Together with the Equity Partners, Parent Company and stakeholders external to Ghana (see Figure 7.3), these institutions wield varying degrees of influence over the country’s oil industry, and have shaped and determined the extent of the industry’s enclavity.
7.3.1 Government Agencies

Figure 7.4: Government Agencies in Charge of Monitoring IOCs

Doing business in a new country can be a daunting experience for any company let alone those in an industry whose legacy has been shaped heavily by a litany of negative environmental and social impacts, particularly in sub-Saharan Africa. Oil and gas extraction has flourished in settings scarred by civil violence, perpetuated despots and fuelled corruption (Blowfield and Frynas, 2005; Dibua 2005; Ikelegbe 2001; Eweje 2006; Ross 2001; 2006, Pegg 2003) in the likes of Equatorial Guinea, Angola and Gabon. The success of oil and gas companies in these ‘failed states’ has hinged on amicable relationships forged with host governments. The same has proved paramount in Ghana, where, as explained in Chapter 5, the government is a custodian of sub-surface minerals; a regulator of the industry; and a party to the agreement. Without the support of government, therefore, business continuity could be threatened. Figure 7.4 shows the different government agencies with oversight responsibility of the oil and gas industry in Ghana. These groups have particular relationships with the IOCs, as their activities cut across those of the IOCs, and by extension their CSR programmes. Given that IOCs have already invested billions of dollars in Ghana’s oil industry, it is imperative that they maintain an amicable relationship with the government. But how is such a relationship cultivated, and how does it affect CSR ‘outcomes’?
Figure 7.5 outlines the typical stages of an oil and gas agreement in Ghana. Three government agencies are involved in the negotiating phase of oil agreements with potential investors: the GNPC, the Ministry of Energy, and the Attorney General’s Department. When the parties agree on the terms of the agreement, it is given to the Minister of Energy, which prepares and presents it to the cabinet (consisting of the President of Ghana, Vice President and 18 Ministers of State) for approval. Following this, a Parliamentary Committee on Oil and Gas reviews the agreement and queries the Ministry of Energy on possible concerns. When the committee is satisfied with the agreement, it is ratified by parliament and the agreement comes into force.

The oil agreement requires the GNPC and the investor to establish a Joint Management Committee (PNDC Law 83, Article 6), which is composed of two individuals from both parties. The former appoints the chair of the committee from its two members. The Joint Management Committee (JMC) presides over matters concerning the operation and supervision of petroleum operations, and helps to ensure that the accounting requirements of the agreement are adhered to. In addition to the oversight provided by the JMC, the GNPC and Ghana Customs Excise and Preventative Service (a division of the Ministry of Finance and Economic Planning) have officers on the FPSO who monitor the metering on the FPSO to ensure accuracy of costs and output. These officers have to produce reports on a daily, weekly, monthly, semi-annual and annual basis. The Ghana Navy and Maritime Authority provides securities services to the FPSO. The navy officials protect the exclusion zone around the FPSO (see Chapter 8 for more discussion on their role) while the Maritime Authority monitors, coordinates and regulates the activities of vessels on the ocean as per the Ghana Maritime Authority Act (Act 630) of 2002.
The Ministry of Energy and the Petroleum Commission, however, have ultimate oversight of the industry. The former is present when agreements are negotiated and is in constant communication with the industry. An officer of the Ministry of Energy mentioned that even before fully passing the Local Content and Local Participation, 2013 (LI 2204), Companies 1 and 2 had to submit employee statistics (indigenous hiring) to the GNPC and the Ministry of Energy. The Petroleum Commission, established in 2011, is headed by and reports to the Minister of Energy. It is responsible for monitoring legal compliance of the industry. During an interview, a government official provided a detailed description of the exact role of the Petroleum Commission:

Now, Petroleum Commission, GNPC, use to be the regulator but we have the Petroleum Commission Act which was established 2011 and the Petroleum Commission itself is established also in 2011. Petroleum Commission is now going to act as the regulator to manage all the petroleum resources to make sure all the oil companies are in compliance with all kinds of you know, environmental laws and the petroleum regulations and all that; they are going to be the regulators. GNPC is now going to focus on their core business which is really to also be like an oil company you know, so that was also in place [Interview, Government Official 3].

The EPA plays a pivotal role in the oil industry in Ghana. Before an exploration license can be granted, IOCs have to show a comprehensive appreciation of the impact of their activities on the environment and a commitment to mitigate such impacts to the EPA. This is done through an Environmental Impact Assessment sanctioned by the Environmental Assessment Regulations 1999. An EPA officer explained in an interview how these responsibilities extend to oil:

So definitely any project that is coming in including oil and gas we have to give them permit. So that is the EPA’s role in the oil and gas sector. And not only giving a permit but within the permitting process there is also environmental management component. So after the permitting we go further to see to it that the environmental management component of the project after it has taken off is carried out until the end life of the project. So it is not only you take a permit and then that ends it. So we follow up with an activity until it is over so if the activity is also going to be decommissioned so we need to know the decommissioning plan and sometimes depending on the project then we will have to come up with a decommissioning plan so that the decommissioning is done in an environmentally responsible manner [Interview, EPA Official].

The EPA oversight carries through from inception of exploration to decommissioning, making it a critical partner of the oil and gas industry. In Chapter 5, a preview of how the EPA can affect business activities was exposed, specifically the accusations that Companies 1 and 2 had by-passed it in order to gain access to IFC credit facilities. Similarly, the Government of Ghana, through the Ministry of Energy, almost stalled the initial oil exploration activities, following the change in government (and party) that took place shortly after the discovery of oil (see Chapter 5). The influence of these government bodies on the industry cannot be overstated. At all times, IOCs must cooperate with these government stakeholders to ensure smooth operations of their activities. In particular, the Ministry of Energy, Petroleum Commission and the GNPC, given their significant influence over policy in the industry, have to be managed carefully. The findings from this research support the view that the Government of Ghana, through its agencies, is one of the most salient stakeholders in the industry, at least in the eyes of the IOCs. The implications of this perception are examined more closely in Section 7.6.
7.3.2 Global Parent Company and External Stakeholder Influences

The IOCs operating in Ghana have foreign-based parent companies. Their activities run congruent to those of their parent companies. Does this, however, extend to the blueprints developed for CSR programmes? One Corporate Official interviewed certainly believed this to be the case:

Oh yes for sure. There is a country specific which we call business; business sector or business unit. Every country is a business unit however you have to recognise international best practice and the vision of the [Company 1] which binds the entire globe [Company 1]'s operation. We also recognise that this is... UK based and so there are certain regulations and guidelines that we follow in addition to the country specific regulations and guidelines that binds us here. So the company does not behave differently from the way of the mother [company] even though we believe in independent geographical and political entity. There are several things that we need to recognise as standard best practice, best approach to be able to deliver so that what we do here may not affect the shares of the company or the fortunes of the company at the global level [Interview, Corporate Official 1].

The standards referred to by this officer include the Global Reporting Initiative (GRI); various codes of practice governing the oil and gas industry; and the International Petroleum Industry Environmental Conservation Association (IPIECA) guideline on sustainability and corporate responsibility reporting. Along with parent companies come shareholders, board members, creditors and other stakeholders at the parent company level, whose interests must be considering when it comes to strategic decisions, in this case, those concerning CSR.

7.3.3 Influence of Active and Quasi Partners

Of particular importance are the other partners to the agreement, namely, Companies 2, 3, 4 and 5. Given their financial interests in the oil field, they provide oversight to operations.

The partners agree on decisions concerning operations, including those related to CSR. Corporate Official 1 expressed displeasure over the extent of reporting and oversight involved in managing the partners, explaining in an interview that ‘there is several layers of reporting, several layers of scrutiny’. In the area of CSR, these partners have to report their activities to their parent companies and therefore, have an important influence on what programmes CSR funds go towards.

7.3.4 Avoiding the Resource Curse: Transparency and Activism Initiatives

Another important group of stakeholders whose activities influence CSR activities in Ghana’s oil and gas enclaves are activist and transparency organisations, notably the Publish What You Pay Campaign and the Revenue Watch Institute. Contrary to the minimal influence of civil society organisations in other developing countries which have been reported in the literature (Belal and Owen 2007), there has been great monitoring and scrutiny of the oil and gas industry in Ghana by civil society organisations in the wake of the scandals which have plagued the oil industry in countries such as Nigeria. As a result, the oil and gas companies operating in Ghana have had to use creative CSR strategies to deflect criticism and accusations leveled at their activities. In the words of one government official, ‘civil societies are very active in advocacy in Ghana’ (Interview, Government Official 5). Civil society bodies concerned with
Ghana’s oil and gas industry are found under the umbrella organisation, the ‘Civil Society Platform on Oil and Gas’. Its mandate is to empower civil society organisations to have a strong *vox populi* in order to influence policy in the industry and to educate the public on oil and gas governance.\(^63\)

Unlike elsewhere in sub-Saharan Africa, these activist organisations seem to have influenced policy. They have played an important role in facilitating the passing of the *Petroleum Local Content and Local Participation Regulations, 2013* (LI 2204) and the *Petroleum Revenue Management Act 2011*. They also helped to establish the Public Interest Accountability Committee (PIAC), which provides additional oversight on how the government manages the oil revenues so as to avoid a situation where politicians put the interests of their party above the national interest (Interview, Civil Society Officer 1). Reflecting on the role that civil society organisations have played in the oil industry in the country, Civil Society Officer 1 inadvertently stated that PIAC came under threat from parliament and was almost expunged but through ‘intense lobby from civil society’, parliament was forced to rescind its decision.

Similarly, immediately prior to the passing of the *Petroleum Local Content and Local Participation Regulation, 2013* (LI 2204), IOCs and other expatriates had expressed concern about their ability to fully comply with the law. The IOCs took issue with the following: first, as the industry is nascent in Ghana, it does not have a strong base of industry specific indigenous service providers to speak of; second, the law grants the Minister of Energy power to determine who can register as a service provider; and third, the law prescribes imprisonment as a punitive measure for non-compliance with the law. The current United States Ambassador to Ghana reportedly expressed serious concern about the regulation:

> We are concerned; however, that Ghana’s local content regulations – especially in the oil and gas sector – may make it more difficult for them to continue being the regional leader in attracting the best source of foreign capital, technology and expertise.\(^64\)

The ambassador’s sentiments are shared by the executives of the foreign companies which dominate the industry. These company officials brought a petition to parliament which contested that the *Local Content and Local Participation Regulation, 2013* (LI 2204) constituted a breach to the World Trade Organisation’s rules and some of the articles in the Constitution of Ghana. The Parliamentary Sub-Committee on Oil and Gas denounced these concerns, responding by stating that: ‘the concerns, raised by upstream companies were unfounded and that the regulations were not in contravention of the supreme law of the land — the 1992 Constitution’.\(^65\)

Civil society organisations pressured the Minister of Energy and Parliament to resist any efforts made by the oil companies and subcontractors to ‘kill’ or ‘dilute’ the *Local Content and Local Participation Regulation, 2013* (LI 2204).

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Regulation, 2013 (LI 2204) before\textsuperscript{66} it was ratified by parliament. They called on all Ghanaians to take action to prevent any such occurrence.\textsuperscript{67} Indeed, civil society organisations in Ghana’s oil and gas industry are at the forefront of all CSR programmes, liaising with local communities, and training residents on how to express their concerns about the industry. As one civil society official stated in an interview, ‘we think that resistance is the best way to gain alternative policy attention’. The official further noted that:

We resist by way of mobilising support from local based mobilisation and we also confront policy by way of issuing policy statements that we believe can change the course of events. We do policy dialogue, we lobby, we campaign and we mobilise direct community action [Interview, Civil Society Officer 2].

Transparency and accountability initiatives such as the aforementioned Publish What You Pay (PWYP) Campaign, Extractive Industries Transparency Initiative (EITI) and the Revenue Watch Institute have subsidiaries in Ghana, which have helped track where royalties and development dollars in the extractive industries are being channeled. Ghana signed on to the EITI in 2003. It works in partnership with a government-led multi-stakeholder group comprising the GNPC, Ministry of Energy, Civil Society Organisation and IOCs. Currently, the operators of Oil Field 1 are all signatories to the PWYP campaign, which means that they must disclose all payments of petroleum dollars to the government publicly and the Government of Ghana must also disclose its petroleum receipts. Another aim of these initiatives is ‘putting the information in the public domain to empower the civil society groups or the communities or whatever to be able to demand accountability’ (Interview, Initiative Officer). Indeed, annual public reports have been issued on the government management of oil revenues through the Public Interest Accountability Committee. The committee includes a number of oil and gas civil society leaders.

7.3.5 The Invisible Influence of Multilateral Institutions

Multilateral institutions such as the World Bank, African Development Bank and the United Nations have long played a significant role in Ghana, providing loans, grants, concessions, and technical assistance on projects. In the case of Ghana’s oil and gas industry, the World Bank, particularly the IFC, was present at the inception of exploration activities. It has provided financial support to the Government of Ghana, helping to shore up its institutional capacity for managing the oil and gas industry. Reflecting on the role of the Bank in Ghana’s oil and gas economy, a World Bank official explained in an interview that:

…governments are very poor in terms of running exploration and production activities. They are often times, wasteful and corrupt because there are huge sums of money involved. And often times, they do not have the technical capacity to manage exploration, production programmes in the oil and gas sector. We do get involved very heavily in what is known as policy formulation work. The overall umbrella under which governments operate. The governments value our contribution in terms of policy interventions, policy frameworks and so on and so forth. What is good for example, environmental social framework under which oil and gas companies should be expected to operate. That is the kind of thing that we do. We also provide advise to the governments in most countries in terms of what are the pricing policies for oil and gas sectors. And then we also get involved in the non-pricing issues, the regulatory side, how do you basically determine

specifications, quality standards, safety, strategic stocks and so on and so forth. And the last area where we do get involved is capacity building and training. The WB operates in about 60 or 70 countries has a wealth of experience which we can share with countries that have needs for building of capacity.

The support provided by the Bank was, as indicated, a technical assistance loan of US$38 million aimed at building capacity and strengthening civil society organisations in industry. An official at the Ministry of Energy reflected on the World Bank’s catalytic role in an interview. The official emphasized how inputs from the World Bank led to the ‘building of capacity’ of ministerial staff and a ‘development centre for SMEs [Small-Medium Enterprise]’, as well as how the ministry was working with Company 1, in its capacity as operator of Oil Field Y, to ‘help us with the funding for that [SME Centre]’ (Government Official 4).

On the industry side, the IFC supplied credit to IOCs prior to exploration and production. As explained in Chapter 5, the leading members of the Equity Partners received a loan from the IFC in 2009 to assist with developing the industry. The loan covenants require the country’s oil and gas companies to have in place a comprehensive CSR programme. The IFC supported the development of these CSR programmes:

[The] IFC is supporting [Company 1] and [Company 3] in preparing environmental and social management plans for the project. The loans also are tied to other milestones such as management of biodiversity conservation, safe-handling of waste, and emergency response procedures. …IFC is advising the companies on enhancing the project’s benefits for local communities and stakeholder engagement [IFC, 2013].

A CSR manager explained in an interview the influence of the IFC on CSR programme design and in addressing grievances:

We have what we call grievance mechanism where you can go in and report grievances based upon IFC’s strategic approach where complaints are made and recorded, the responses are sent back and so forth, which is also monitored every year by IFC; about how we respond to complaints, and how things are prepared and so on [Interview, Corporate Official 1].

To satisfy the IFC loan covenants, the Equity Partners allegedly follow its Sustainability Framework when devising CSR programmes. Eight performance standards comprise a framework which clients are required adhere to. They are as follows:

1. Performance Standard 1: assessment and management of environmental and Social risks and Impacts
2. Performance Standard 2: labour and working Conditions
3. Performance Standard 3: resource efficiency and Pollution Prevention
4. Performance Standard 4: Community Health, Safety, and Security

68 The IFC granted loans to two of the Jubilee Partner members in the amount of $115 million and $100 million to support the oil and gas production in Ghana. Source: http://ifcext.ifc.org/ifcext/pressroom/ifcpressroom.nsf/bbbed9e2807e7cf85256a5d0078814d/a4de7b2c3d4620f852575f3904b4e64f?OpenDocument (Accessed 13 January 2014).
5. Performance Standard 5: land acquisition and Involuntary resettlement

6. Performance Standard 6: biodiversity Conservation and Sustainable management of living natural resources

7. Performance Standard 7: Indigenous Peoples

8. Performance Standard 8: Cultural Heritage

Informed by these standards, the Equity Partners have identified four pillars of CSR – Health, Biodiversity, Education and Enterprise Development – which all of their programmes rest on. This was emphasised by a number of Corporate Officials from different companies during interviews:

Well in [Company 1] they get their project. I think the projects were kind of identified by four pillars on which they wrote the development of their CSR programme. Education, health, enterprise… I think it is four – education, health, enterprise…what is the fourth one? I think I will remember and then tell you. Now out of that, projects were identified and developed for implementation so generally, the areas for development were quite good. They were quite regular developmental areas; challenges that need to be addressed so I don’t think they have problems there. My only worry was more the process of generating these projects [Interview, Corporate Official 2].

The first one is education, the second one is enterprise development, the third is education, oh health, health and the last is environment which is the bedrock of the entire company activities. We cannot do all this at the detriment of the environment. So these are the four main key areas. We also recognise that we are not the government of Ghana and therefore we can only choose some specific areas so that we can do so many for people to appreciate. So that is why the four pillars that we build our strategic framework on it and ever since these four areas have been our main focus [Interview, Corporate Official 1].

Our corporate social responsibility outreach is taken from one of our 4 pillars. That is developing local content. The idea is that we will like to look at this and three or four specific areas - health, education, the environment and if you like sports [Interview, Corporate Official 4].

These four areas are the foundation of all CSR activities in the industry. Interestingly, however, none were identified using a bottom-up approach, despite claims which suggest otherwise (See Section 7.5). The selection of these CSR pillars was rather based heavily upon the IFC’s sustainability framework, which the companies had to abide by in fulfilling the covenants of the IFC loan and in accordance with the issue raised in Chapter 2 (CSR Pillar 2) about companies aligning their CSR policies with ‘international best practices’ as the GRI.

How, then, has the CSR challenge in Ghana’s oil and gas sector been conceptualised? The subsequent sections debunk the concept of ‘bottom-led’ CSR as it applies to Ghana’s oil and gas industry.

### 7.4 Stakeholder Identification Inside the Enclave

In Ghana, before the approval of a development plan, IOCs have to exhibit some level of understanding of the potential adverse social and environmental impacts of their activities and commit to operating in a manner which will ensure minimal impact to communities and the environment surrounding their activities. The IOCs require the approval of the Ministry of Energy, EPA and the GNPC before production can commence. The EPA regulations require an investor to conduct a full EIA prior to
granting the investor a license. The law also requires that communities at the frontline of the extractive activity and relevant government ministries and departments to be extensively consulted prior to the EPA’s review of the EIA. Figure 7.6 details the process IOCs followed to secure exploration and production permits. The results of an EIA are subjected to a technical review by the EPA, after which a public review is conducted and a license approved or declined (Agbenor-Efunam and Appah-Sampong, 2013).

**Figure 7.6:** EPA Permitting process

![EPA Permitting process](image)

| Table 7.2: Stakeholder Groups to be consulted as prescribed by EPA Regulations |
|---|---|---|
| Groups | Components | Relevance |
| Government | Regulatory Authorities, policy makers | Determine their roles and timing and the impact of existing legislation and policies on proposed activity |
| Community | District Assemblies, chiefs, elders, community based organisations (CBOs), affected persons, groups or organisations | Determine their roles and timing of these roles. Discern history of aboriginal activity on site |
| Other | NGOs and Media | Determine their roles and timing of these roles |

Section 3.4 of the EPA Energy Sector Guidelines document defines *Scoping* as the consultation stage which involves interactions with ‘key stakeholders and knowledgeable people to define the scope or ‘Terms of Reference for the EIA’ (p.23). As a result of this requirement, the operator of Oil Field Y had
no problems identifying the ‘affected community’: the United Nations’ interpretation of ‘Free, Prior and Informed Consent’ (FPIC) (Wilburn and Wilburn, 2011) was embraced before exploration and production began. Documentary analysis and feedback from interviews conducted with company, government and NGO officials suggest that the IOCs were, indeed, very much aware of who their stakeholders in Ghana were. Figure 7.7 captures the IOCs’ view, at least outwardly, of how their stakeholders stack up. The fishing communities located in the same environment as the IOCs are perceived to be of some significance as their operations have an impact on those of the IOCs. But the extent to which the outcomes of CSR actually reflect the interests of each stakeholder determine whether truly FPIC (commonly referred to as the ‘social license to operate’) is a requirement for businesses to be successful. Revisiting points raised in Chapter 2, a social license to operate implies – at least in theory – that companies view communities as partners in their development projects, as stakeholders who ‘grant’ them access to relevant information and accord the necessary time to reflect on the implications of such projects.

Mitchell et al.’s (1997) Stakeholder Identification and Salience Framework, discussed in detail in Chapter 3, presupposes that the relevancy of a social license will depend on the stakeholders’ power, legitimacy and urgency of claim. Reports published by the IOCs and responses to questions raised during interviews, cast considerable light on the subject. Consider the following extracts:

Among our stakeholder groups are employees, shareholders and other providers of capital, governments (national, regional and local), regulators, policymakers, communities, NGOs and CSOs, the Diaspora, international and local businesses, academics and the media. Every day, and at every level of the business, [Company 1] people are having conversations with these groups to move our business forward [Company 1, 2011/2012 Corporate Responsibility Report, p.18].

Our major stakeholder groups include local communities, local and international NGOs, governments, employees, investors, regulators, policy makers, partners, industry peers, local and international businesses, shareholders and the media [Company 1 2012 CSR Report69, p.23].

On the question of its publics, one will be referring to government, civil society organizations, NGOs, okay, the media, research institutions, parliament, the general public… [Interview, Corporate Official 3].

A long list, but…there are government stakeholders, there are partners, primarily because the projects that we are working on are all partnerships. There are communities, NGOs, media, professional associations. To go back to government, there are sector ministries that we deal with and so there are officials within these ministries that we consider to be stakeholders like the Ministry of Energy, the Ministry of Science and Technology, the Ministry of Finance. Again within government, there is the legislature. There are regulatory institutions, like the National Petroleum Commission, of course until recently the GNPC, which virtually had a dual role one as partner, two as regulator. There is the environmental protection agency and a few others that we deal with. There are also state institutions such as the Ghana National Gas Company,…the Ghana Revenue Authority and a number of them within government. And then also in the community you can segment them into traditional leaders, the fishing community, identifiable groups within the community, there are NGOs at the community level as well as, you have…local as well as district authorities, regional decentralized bodies…lots of them [Interview, Corporate Official 4].

Contrary to Hart and Sharma’s (2004) assertion that MNCs are short-handed when it comes to identifying who their stakeholders are when they commence business in a new country, there is adequate explanation for how corporate officials – in this case, those heading the oil and gas companies operating in Ghana – define who their stakeholders are. The case of the Niger Delta, for instance, suggests that companies blatantly exclude key stakeholders (notably, the communities which are highly impacted by oil and gas drilling activities) from their CSR agenda. If the assertions of Mitchell et al. (1997) hold true, then what has transpired in the Niger Delta was not surprising, as companies perceive local communities as powerless and therefore unimportant. Based on what has unfolded in Ghana thus far, perhaps the exercise of identifying stakeholders is not necessarily as challenging for companies operating in oil and gas enclaves as previously believed. The key stakeholders are known to these companies and their strategies for identifying key groups are widely profiled in sustainability reports. What is rarely discussed in the literature and difficult to make sense of in practice, however, is why companies are continuously criticized for avoiding social responsibilities to communities, despite, in the case of Ghana, knowing who exactly...
their stakeholders are. A look at how stakeholders are prioritised helps to shed some light on the missing link.

7.5 **Enclave-led Stakeholder Engagement**

Based on information gathered from interviews with corporate officials, the stakeholder map presented in Figure 7.8 was developed. While this list is by no means exhaustive, it shows where local communities fit in the oil and gas value chain. As indicated in Section 7.4 of this chapter, the company commenced its stakeholder engagement, at the community level, in line with the requirements of the EPA Law.

**Figure 7.8:** The Upstream Oil Industry Value Chain and Corresponding Stakeholders
Based on information collated through documentary analysis and interviews, a clear picture emerges concerning CSR programme development, as depicted in Figure 7.9. After stakeholders were identified, consultations took place. The process began with Scoping, during which government officials were contacted. The second phase was the EIA and Disclosure, during which a wider group of stakeholders were engaged. The stakeholder identification process undertaken was comprehensive enough to conclude that the management of IOCs is aware that all of their stakeholders are important to their operations and that dialoguing/engaging with each stakeholder is an important aspect of business activities. The following extracts provide an idea of the messages the companies are relaying about their engagement activities:

Stakeholder engagement takes place across the business from local communities through to national and international stakeholder engagement, led by our Chairman and Executive Directors. It helps us to manage what are often complex political, social and environmental challenges. It informs our understanding of which issues are material to our business and how we address these in terms of our business activity. In 2012, over 200 stakeholders were interviewed in one of the most comprehensive stakeholder engagement programmes undertaken to date by [Company 1] in Ghana [Company 1 2012 CSR Report, p. 4].

Community engagement is also important to [Company 2]. Operating in a sustainable manner and giving back to the communities where we operate is our responsibility and our commitment [Company 2, CSR discussion].

[Company 4] is committed to understanding the direct and indirect effects of our activities on people and communities. We inform local communities of our plans and seek to ensure that they are engaged and kept informed about our activities through accessible and culturally appropriate methods of communication. We identify other relevant stakeholders and consult with them throughout the project life cycle on matters that affect them in order to understand their perspectives and any concerns. These consultations at the national,

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regional and local levels allow [Company 4] to share information, understand concerns and build relationships based on collaboration and partnership [Company 4, Society and Communities discussion on website]72.

The community consultations advocated for by the EPA Law is what Company 1 refers to as ‘comprehensive stakeholder engagement’ (Company 1, 2012 Annual Report, p.4). In compliance with the law, six frontline communities were consulted. The consultation process involved publicizing actions in local newspapers and dispatching letters to government officers and the community leaders and groups identified in Table 7.2, inviting them to attend a meeting with company officials. Company 1 maintained that the engagement process commenced at the ‘…scoping stage of the project runs throughout the EIA and continues through the operational phase of project’ (EIA Oil Field Y Phase 1, 2009 p.1-11). The information gathered from this engagement process informed the design of ‘longer and wider term stakeholder engagement plan’ for Company 1 and by extension the Equity Partnership (EIA Oil Field Y Phase 1, p.A-1). Stakeholder meetings were conducted between November 2008 and November 2009.

The consultations were led by Company 1, with assistance from a team from two consulting companies (an international environmental consulting firm and a local partner of the consulting firm). The stakeholder engagement strategy comprised of the ‘Ghanaian requirements, IFC requirements and [Company 1]’s CSR Strategy’ (p. A-2). The project defined stakeholders according to Freeman’s (1983) definition, that is, groups affected by business activities and who can have an impact on the business activity. The stakeholder engagement process is summarised in Figure 7.10.

Figure 7.10: Oil Field Y Stakeholder Engagement Process

Source: Agbenor-Efunam and Appah-Sampong, 2013, p. 19-25

During interviews with corporate officials, it was explained that roles had been created for Field Stakeholder Engagement Officers [Community Liaison Officers] (a summary of their role is offered on the right bar in Figure 7.9 above), hired specifically to engage with stakeholders in the six districts identified by the Equity Partners as the ‘affected communities’. These Field Stakeholder Engagement Officers are individuals who have close ties to the districts and can therefore speak the local language, are familiar with the culture of the areas and are well-educated. One Community Liaison Officer is assigned to each district.

The field officers visit the communities on a rotational basis to dialogue with the members of the communities who work alongside the oil companies in the same environment ['fisher folk'], and assist the senior-level CSR officers of the corporation with engaging opinion leaders and chiefs in the communities. One senior officer described roles of these field officers in greater detail in an interview:

Their role is to serve, as call it, the 'ears, eyes and mouth' of the organisation within the community but key among that role is to pick up grievances, log them and pass them on for the appropriate action and resolutions to be taken. …they engage with the communities, they do surveillance and pick up grievances, as I said [Interview, Company Official 3].

On paper, the stakeholder engagement process and structure seem very comprehensive and indeed satisfy the requirements of the EPA law. Company 1 was quick in reporting that its stakeholder engagement ‘was undertaken in a systematic and inclusive way’ (Company 1, CSR Report 2009, p.33). When queried about how CSR projects are conceived, Corporate Officer 3 explained that, ‘Our community projects are to a very large extent bottom-led…Because it is derived from what we consider to be the felt needs of the beneficiaries of these projects’.

The outcome of the stakeholder consultations as it relates to this research is outlined in Tables 7.3 and 7.4. The approach to community-level stakeholder engagement, however, seems to run counter to the logic underpinning the social licence to operate. How is it that, following what the partners dubbed a ‘comprehensive and inclusive’ stakeholder engagement, fishermen and fishmongers in the three communities visited still have grievances about the consultation process itself and, not surprisingly, the outcomes of CSR programmes? A look at individuals in attendance at some of the consultation meetings (see Tables 7.3 and 7.4) confirms some of the concerns raised in Chapter 2: that the elite in Ghana’s decentralised economic system are entrenched and the centrepieces of community engagement strategy. How has this played out in this context? It was mainly district assembly officials and community leaders (chiefs and chief fishermen) who were primarily consulted. Companies seem content with putting the existing local level structures at the core of their CSR design strategy, however problematic they may be and despite how, in the past, they have proved to be a barrier to communities’ voices being heard. As explained in Chapter 5, local leaders wield significant influence in decision-making processes at the grassroots, weight which the ordinary community member does not have. Companies likely recognise these attributes and therefore see these leaders as important in their quest for a social license to operate.
There is reason to believe, therefore, that the companies choose to deal with the community leaders as opposed individual fishermen, despite identifying them as a key stakeholder group in reports and policies, because of the ease with doing so. For reasons already explained (see Section 5.3), operating in an enclave environment in a developing country such as Ghana means that there will be very little pressure to adopt a more rigorous approach.

**Table 7.3:** Meeting Participants in District Community AX

*Source: Equity Partners EIA Consultations, 2009*
Table 7.4: Meeting Participants in District Community B

| Source: Equity Partners EIA Consultations, 2009 |

From interactions with government officials, some of whom attended these consultation meetings in the communities, it was quickly realised that the consultation programme was largely cosmetic and in actuality, ‘a form of sensitisation’ (Interview, Government Official 5). Chapter 8 outlines some of the concerns voiced by the fishing communities visited about oil and gas drilling activities, which, if not adequately addressed, could result in additional pressure on an industry that is already facing production challenges. During focus group discussions in these communities, it was explained that a point was made to invite the chief fishermen to consultation meetings. The chief fishermen who had attended some of the consultations, however, were of the view that post-EIA, ‘their meeting [IOCs] with fisher folk has been less frequent’ and that ‘when they have problems with some fishermen that is when they run here but if all is well for them, they never come’ (Fisherman 4). However, the failure of the companies to recognise the potential inadequacies of existing local level structures and sources of on-going elite capture meant that the voices likely heard at these meetings were those of local leaders and no one else. Indeed, the majority of these fishermen stated they had not had any consultations with the company at all. Tables 7.3 and 7.4 list the community members present at district level meetings held by companies. Even in the absence of a social license to operate from the fisher folk, the potential impacts of oil production activities, as detailed in Chapter 6 (Table 6.1), imply that the Equity Partners had recognised at an early stage the same issues that the fishermen are now complaining about but for some reason downplayed these potential problems, believing they would cause marginal adverse impact to the local fishing industry. This begs the question of how a self-proclaimed ‘comprehensive and inclusive stakeholder engagement’
process could spawn such unpopular CSR programmes (to be discussed in Section 8.6). Did Company 1 do the bare minimum EIA, masqueraded as a comprehensive exercise, just to fulfill the requirements of the law, the discussion on CSR pillar 3 in Chapter 2 suggests? The next section discusses critical implications of the selection of CSR programmes in the industry. It identifies companies’ salient stakeholders and refers back to the three pillars of CSR identified in Chapter 2. The stakeholder identification and salience framework put forward by Mitchell et al. (1997) is drawn upon in an attempt to explain the actions of the Equity Partners’ CSR strategy.

### 7.6 CSR Outcomes and Stakeholder Salience within the Enclave

What does stakeholder engagement mean and what is its purpose? In Section 7.5, the process of stakeholder engagement strategy adopted by the Equity Partners was described. However, it became clear that despite endorsing their approach to stakeholder engagement, a ‘response’ to their obligations under the EPA Law of Ghana, residents from affected communities are displeased with the outcome of most of the CSR programmes implemented to date (See Section 8.2.2). Is stakeholder engagement in the oil and gas sector a ‘corporate greenwash’ as Frynas (2005) boldly declares, that is, something done to tick the boxes, or is it an activity which aims to solicit perspectives, using holistic methods, from a grassroots-level, about what CSR programmes will be most desirable in the community? The decision-making that determines CSR outcomes in the affected communities of Oil Field Y is particularly problematic, according to one company official:

> I saw that some things that use to happen in the mining industry 20 years ago start to show its head in [Company 1]. Somebody will go out there, the wife will see some project and come back and say ‘oooh…I did something that can be very helpful’ and then the husband comes and then it must be done yesterday not even today. It must be done immediately. I mean if you are an expert or an experienced person you wonder: what the hell is this. You thought there was a programme that needed to be followed so it created a bit of discomfort [Interview, Corporate Official 5].

Having had extensive experience in various CSR managerial roles in a number of industrial mining companies in Ghana, Corporate Official 1 was in a very good position to comment on how CSR programmes are being conceived in Ghana’s oil and gas sector. One key point made was that despite having in place the four pillars detailed in Section 7.4 above, CSR funds were frequently used to fund projects *ad hoc*, specifically those identified by relatives and family members of senior officers of the Company. But the issue of diverted funds is not as pressing as how particular projects falling under the four pillars are chosen. Agle et al. (1999) drawing on the work of Mitchell et al. (1997), propose that stakeholder salience will be positively related to the cumulative number of stakeholder attributes — that is, power, legitimacy and urgency — perceived by managers to be present. It is instructive then to consider the attributes that community-level stakeholders possess and how these contribute to the selection of CSR programmes. The CSR strategy used by Company 1 on behalf of the Equity Partners is summarised in Figure 7.11. Essentially, the identification process involved mapping of stakeholders and their salience,
and then determining possible CSR projects. A cost benefit analysis is conducted to determine which projects should be funded, after which a checklist is applied to select a project.

**Figure 7.11: CSR Project Planning and Delivery Process**

In explaining what criteria are used to determine which project is funded for the different communities, a corporate official, rather defensively, noted that ‘we are not dealing with community; we are dealing with issues’ (Interview, Corporate Official 1). The official further explained in an interview that:

We selected health because we taught that through our studies, we found a lot of endemic diseases in these fishing communities. We realize that to be able to get the vibrant labour force there is a need for good health environment. If there are communicable diseases, our staff stand the chance of being affected and we also have the chance of us affecting them too. So in order to give a very dynamic environment, very complimentary relation with the community, we thought we need to control, and mitigate and reduce the incidence of them if you like communicable endemic diseases in those areas. From mosquito to onchocerciasis, to buruli ulcer and all those terrible diseases [Interview, Corporate Official 1].

In essence, therefore, CSR projects were designed around the four pillars, and had very little to do with information collected from the grassroots. This means that if fishermen had complaints about decreasing stocks in the seas they frequent and the response to these issues did not fit within the four pillars, then these issues were not going to garner as much attention. Even if a solution was to be found for fishermen's complaints, the response will have to be related to health, enterprise development, education or biodiversity. Discussions with a civil society official and Corporate Official revealed that because CSR programmes are not truly bottom up they sometimes tend to be unpopular in local communities. The following insights were shared by these officials:
My only worry was more the process of generating these projects. You know, sometimes they were more expert dependent rather than generating from below and for me CSR means getting the people who are supposed to be beneficiaries of these projects also involved in the choice of those projects so I think that that is the key and I didn’t find that so strongly there. I also realised that there were attempts to apply a very sophisticated procuring process into a situation which was much less sophisticated [Interview, Corporate Official 5].

And I guess this position arises out of the concern that the choice of [community development] projects are not really speaking to the actual needs of the people or the beneficiary communities [Interview, Civil Society Officer 1].

With respect to corporate social responsibility programmes, communities were largely not consulted in the choice of projects and there were questions around the costs of the projects as provided by the companies so you will find a project, two projects in two different districts of equal value and yet you have unequal cost projections or estimates. No they are not estimates actually; you have different costs provided by different companies. Yes similar projects but different costs and there is reason to believe that in many of the instances the costs of the projects are over estimated. I want to believe for tax purposes because the more cost you can put forward, the more tax you can recover and all that. It also found that most of the projects didn’t really address the needs of the beneficiary communities [Interview, Civil Society Officer 2].

Corporate Official 5 cast some light on what actually happens in the corporation. His statement brings the entire idea of a ‘bottom-up’ approach to CSR into question, reinforcing Slack’s (2012) argument that under certain circumstances a social license to operate from a community is potentially a façade. This revelation and the message conveyed by Figure 7.12 led to two general conclusions about enclave-driven CSR: 1) that projects are mostly expert-driven and not necessarily grassroots-led; and 2) that projects are pre-determined before consultations commence.
Table 7.5: Selection of CSR Projects as of December 2012

Source: Company 1 Corporate Responsibility Report

At the time of this research, undertaken three years after the EIA was conducted, no direct response had been provided to the fisher folk. This included the government and the Equity Companies. Interestingly, and as seen in Table 7.5, the Equity Partners had sponsored CSR projects elsewhere in the country and in the communities visited, which did not directly address the problem of affected livelihoods expressed by the fisher folk. Looking back at Figure 7.7, which shows the company’s perception of its immediate stakeholders, it becomes clear that there are competing stakeholder needs over others. Managers of the Equity Partnership must therefore manage these (after Ullman 1985; Gray et al. 1996) based on their perception of stakeholder salience.

In line with stakeholder management, Clarkson’s (1995) categorisation of stakeholders as ‘primary’ and ‘secondary’, detailed in Chapter 3, has currency here. It was argued that the perceived extent of the leverage that a stakeholder has over an organisation determines the level of influence that the organisation accords that stakeholder when it comes to the selection of CSR projects. In the extractive enclave environments of sub-Saharan Africa, governments have often been perceived as having clout and
have therefore been accorded a high ‘ranking’ on the pecking order of CSR decision-making processes. The next section of the chapter discusses stakeholder salience through an examination of the CSR projects the Equity Partners have pursued and responses from corporate officials as to how they rank their stakeholders. Based on responses collated, a cursory allocation has been given to stakeholders, in accordance with Clarkson’s (1995) typology of ‘primary’ and ‘secondary’ stakeholders.

7.6.1 Perceptions of Accountability and Stakeholder Salience: Primary Stakeholders

The majority of the top ten oil producing countries in sub-Saharan Africa has or has had head of states who have remained in power for extended periods. The discovery of oil, and subsequent lucrative deals forged with Western parties, have enriched these ruling elites and fuelled embezzlement, as exemplified in the cases of Gabon (Soderling, 2006), Cameroon (Frynas 2005; Pegg 2006), and more recently, Equatorial Guinea (Wood 2004; Frynas 2005) and Chad (Pegg 2006; Levy 2007). In Equatorial Guinea and Chad, the ruling elites have used oil to solidify their positions, and to enrich themselves and their tribes: in the former, President Obiang, in power since 1979, has solely privileged his minority Esangui clan (Wood, 2004), and in the latter, President Deby, who seized power in a coup in 1990, has channeled substantial funds to support his Bidayat clan (Pegg, 2006). On the one hand, the governments of these countries seem to enable a thriving oil and gas industry, a phenomenon – namely, the ability to achieve a combination of international respectability, impoverished governance, and regime stability – which again, is referred to by de Oliveira (2007) as the ‘successful failed state’. On the other hand, conflicts or misunderstandings with governments, such as the disagreements that took place prior to the exploration and production phase of Ghana’s oil industry, have the potential to stall production, agitate investors and adversely impact the profitability of a business. It is therefore no surprise that companies in countries with extremely ‘rentier’ and weak institutions tend to gravitate towards appeasing governments in the course of business activities (after Ross 2004, Pegg 2006).

In Ghana’s Oil Field Y, the actions being taken by companies suggest that they view the government, namely the Ministry of Energy, district assembly leaders and other regulators as their ‘primary stakeholders’. The documentary analysis conducted reflects this. Company 1, for example, has stated that ‘The government is very supportive and we bring to the table an assurance and an understanding that together we can all make it happen’ (Company 1, 2009, p.34). Much of the same came out during interviews with corporate officials. One corporate official was particularly clear about this, explaining in an interview that ‘a number of issues that we deal with requires the understanding and at times approval of the legislature and so we also consider them as our stakeholders’ (Corporate Official 3). To get a better understanding of how stakeholders were prioritised, respondents were asked to explain their ‘rankings’. Corporate Official 4 provided a particularly revealing explanation:

We do what we call a stakeholder mapping, umm to try and understand groups and individuals that our activities impact on and also groups and individuals who impact on what we do. Beyond that we try to analyse and get a clear understanding as to umm, if we should prioritise. I mean who should be our key

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stakeholders. And so we go through those processes of stakeholder mapping and prioritisation. In order to identify who our stakeholder is and the level of influence they have. [prioritisation depends on the level of] Influence on how we impact upon them and also how they impact on us [Interview, Corporate Official 4].

When probed further, the officer noted that their projects are chosen based on what the Government of Ghana is doing, explaining that ‘we have to pick projects which are very complimentary to what the government is doing and so based upon critical analysis and criteria we are able to identify some of the specific projects that we started the first year of our operation’ (Interview, Corporate Official 4). Excerpts from other interviews with Corporate Officials suggest that the view of government as the primary stakeholder is for the most part universal:

When you talk about key stakeholders we have various levels of stakeholders as you know. When we draw the inner circle, we know those who are within. Go outer, you go beyond. If you use those criteria to define stakeholder we have several. It starts from the government, the shareholders, the regulatory agencies; GNPC, EPA, Environmental Protection Agency and those, the district assembly, the fishermen, the fishmongers and then the media, name them and then the entire nation. And then we go to the bigger ones, we talk about the shareholders, we talk about the investors, we talk about all the parties so I tell you Ghana is the ultimate; Ghana is the backbone but the global is also the limit’ [Interview, Corporate Official 1].

We carried out some primary studies to be able to scope out specific or define the problem that we are going to confront with and also to capture the concerns of the people ‘from the horses own mouth’ what is it that they want to be done. [Interview, Corporate Official 3]

We have regular engagement meeting with our key stakeholders. Indeed just last week we met two of our key stakeholders and provide them with an update of our operations. We met people from parliament; we met the National Petroleum Commission [Interview, Corporate Official 9].

From the above statements, it becomes clear that the government is heavily catered for by the Equity Partners. The reference to ‘from the horses own mouth’ in the second quote turned out to be information gather from ‘district assemblies’ (Interview, Corporate Official 3). Although the Equity Partners seem to have implemented an elaborate stakeholder strategy, it appears to be a façade: the evidence points to the government’s needs superseding those of all other stakeholders. Further discussion with another Corporate Official was insightful as it put into perspective that which really transpires at the higher echelons of the corporate ladder:

So you always have to deal with these…sometimes competing interests which to me was very interesting because I thought that you had developed the Equity Partners and you have created a unit that handles corporate social responsibility, you set the goals for them and all that and then you stay out. But that was back and forth. So as I said, the areas were good – health, education, umm, enterprise development and environment; …So project identification was a major challenge. You know, somebody comes and then oh President Kufuor went to this place and he made an appeal for a school to be built here so we have to build that and then we have to build it. Oh the First Lady wants the school to…so then it becomes education, you see what I mean? Because there is a pillar on education, those things become education but I thought if you say education ok 5 years, how do you address the challenges in education? Is it the regional one or is it the national one? If you were going to do that then, just set that one up and get to it [Interview, Corporate Official 2].

Corporate Official 2’s statement above suggests that the priority is to develop a CSR strategy which desperately appeals to government and points to companies wanting to be ‘visible’ within communities. Civil Society Officer 2 seems to see this as well, explaining in an interview that ‘They [the oil companies] see CSR as a hype because they quantify the economic terms. Everyone wants to be seen
doing something’. In the same vein, Corporate Official 4 mentioned that ‘in short we want to be seen as a good corporate citizen’ implying visibility is important to the organisation.

Another issue that emerged from the findings was how companies conceptualise the role of local community leaders. In conjunction with the issue of elite capture broached in Chapter 5 is the rank accorded to Chiefs and District Leaders. One Corporate Official alluded to this ranking, explaining that,

We do not just sit in Accra and decide. We did a trek trip somewhere in March and what we did was we consulted traditional authority, educational authority and also consulted the political unit. What we wanted them to do was to select the community that they thought should benefit from this project. So in Community 1, they selected a particular school which they thought should benefit [Corporate Official 4].

During interviews with some elite members of the community it became clear that the current CSR initiatives adopted by the oil and gas industry in Ghana largely mirrored the views of elites within communities, confirming Crook’s (1994) assertion that ‘in the final analysis it was the priorities of those who controlled the assemblies themselves which failed to reflect popular needs’ (p.354). Clearly, given the backgrounds and financial capabilities of most community leaders, it is difficult for the views of such leaders to truly reflect the needs of the masses of the community. Any CSR programme which emerged from consultations with such leaders, therefore, is bound to be faulty at conception.

The findings here are congruent with the arguments in support of CSR pillar 1 (Chapter 2). The Equity Partners select projects which complement the government’s efforts in an attempt to not be seen as the ‘de facto government’ (after Hamann 2003). Again, companies subscribe to global reporting standards which provide guidance on best practices in the industry. In the case of IPIECA, companies are urged to align ‘local content activities with development strategies’ (IPIECA 2011, p.5). It seems that this idea about complementing the development efforts of government come from a history of critique that has been levelled against extractive industries and in the Ghanaian context, the mining industry. A civil society officer explained it as follows in an interview:

the manner in which projects have been selected have been very unparticipatory, non-consultative and many times the approach turn to undermine the social contract that exist between the local people and the local government because the responsibility for development projects rest with local governments in the communities. So when you have the company coming in and then on its own usually without proper consultations and what they normally will take for consultations will be just informing the district assembly that we are going to provide roads then you go ahead to do it. So you provide roads, you provide water, you provide this, that and that. Eventually the people begin, you begin to assume the role of a pseudo government and so the people will begin to then come to you when water is not flowing through their pipes. They come to you when their roads are bad and therefore it undermines the social accountability; the demand side of social accountability because local government is not held accountable for resources that are allocated by central government for development activities in the districts and that is what has happened largely and I will like to give you one particular instance [Interview, Civil Society Officer 1].

The situation is further compounded by the fact that local districts in Ghana rely heavily on the central government for funds used to run the districts. These funds are discretionary and unpredictable making it difficult for the districts to plan and realise meaningful development goals (Inaga and Osei-Wusu 2004; Ahwoi, Crook 1994). At the same time, there are no effective mechanisms for collecting
taxes at the local level which could be tailored towards development projects. Crook (1994) studied the outcomes of decentralization in a number of districts in Ghana and noted that the percentage of district expenditure allocated to development projects mostly ranged between 3 and 20% (p.347). These issues, coupled with the desire of politicians to contribute to projects which they can pinpoint as their own contributions to districts and that they can use as platform for political campaigns, create myriad problems for CSR programmes. Porter and Young (1998), while studying the impact of decentralized environmental management (DEMC), observed that ‘all the Regional Programme Officers that politicians prefer to spend money on highly visible projects’. Consequently, the DEMCs ‘do not have funds for basic running costs’ (p. 519). Such high reliance on the central government also points to the fact that poverty alleviation strategies through local government initiatives are failing to fulfill their aims (Crawford 2008) As a result, there are numerous gaps in development at the district level which create many opportunities and challenges for companies interested in pursuing CSR initiatives. Putting this into perspective, Civil Society Officer 3 noted that:

What the EITI reports found largely was that revenues from mining that are disbursed to the local government were used mostly on recurrent items such as salaries, stationaries, painting of administration buildings and things like that, allowances, travel allowances etc and very little in most cases on development projects [Interview, Civil Society Officer 3].

For companies hoping to make an impact and be ‘visible’ in the community, then, the best approach to CSR would be to consult local leaders with the hope that ideas for CSR identified by leaders speak to the development needs of the communities. But by focusing on the elite in communities, the pressing needs of affected groups have been side-lined (see Chapter 8). When asked why the community leaders were treated as the key stakeholders at the local level, Corporate Official 4 explained the following:

One, we were working with time. And we thought that one, the traditional authorities represents the people, the educational leaders or educational heads having been dealing with those children knew exactly what was going on and where they could make the best impact. And political authorities, district assemblies, representing the people these three bodies could be the focal point of our approach. Because if you are going to organise town hall meetings for instance, you have to send the agenda back. Because the fisherman will tell you, for instance, that I don’t think we need a school give me money to go buy fishnets.

A civil society officer echoed these sentiments, explaining that it was endemic across the board. He confessed in an interview that:

we are all guilty of that scenario. It is also as a result of logistics and funding. At times it appears as if we are short-circuiting some people which is not the most ideal thing [Interview, Civil Society Officer 2].

This disclosure clarifies two things: 1) that the group decides which projects they intend to support; and 2) that companies go to the communities to determine which particular sub-divisions within the local communities deserve the projects. The research provided insight into what is meant by ‘stakeholder engagement’. In this case, the meaning ascribed to the ‘bottom-led approach’ is as follows: community leaders being consulted on which areas of a district a predetermined project should target.
7.6.2 Perceptions of Accountability and Stakeholder Salience: Secondary Stakeholders

If government, local leaders and chiefs are seen as the primary stakeholders then by default, the fisher folk and civil society organisations become the secondary stakeholders. To Clarkson (1995), secondary stakeholder concerns are what he refers to as ‘social issues’, namely those which organizations cannot be held responsible for. The implication for this research is that the grievances expressed by the fisher folk are perceived as social issues that the IOCs cannot be held responsible for. Indeed, the government, the companies and EPA are unyielding to the grievances which have arisen amongst the fisher folk (see Chapter 8). The study confirmed, as discussed Chapter 6, that the impact of oil and gas on fisheries was determined to be of ‘minor’ significance.

Although through their actions, it can be discerned that the government was perceived as the most important stakeholder in Ghana’s oil and gas industry, the company officials interviewed were adamant that the fisher folk, who operate close to the FPSO, formed a significant core group of stakeholders. They gave no indication to suggest otherwise:

We are working closely with the Ghanaian Fisheries Agency and fishing community to alleviate any concerns and issues around the presence of the FPSO. This includes both direct and indirect assistance ranging from compensation procedures, to assistance with locating alternative fishing grounds. [Company 1] Ghana is also working to educate the fishermen about potential safety issues caused by fishing close to our operations [Company 1, 2009b, p.35].

The statement above was issued three years prior to when this research commenced. But as of September 2012, when the study period concluded, no direct compensation had been given to fishermen. Even more perplexing was the insistence by government officials that because the oil is offshore, there are really no directly ‘affected communities’ to speak of. The following commentaries were made by government officials on this point:

Further down you would probably begin to see things like building of a hospital in Nzema or something like that. I don’t think that, and I think that it might be a strategy, they don’t also want to create this culture of dependency where you would start something and then every month, every year, everybody is expecting you to be engaging in something. Because in their mind, like I am saying, due to the location, it is over 60km deep sea so you don’t have any direct impact on society so you know, they would probably spend most of their CSR activities around human resource training, investing in maybe a primary school here and there and supporting oil and gas programmes, etc [Interview, Government Official 2].

The oil is deeply offshore. The affected communities, it is not like it is onshore, where directly the people are affected [Interview, Government Official 5].

With government agencies having these ideas, it is no wonder why, to date, the issue of affected livelihoods had not been addressed. This is typical in enclave environments, which according to Veltmeyer and Petras (2001), Museveni et al. (2000) and others are ‘parasitic’, adversely impacting local industries, in the case of Ghana, its artisanal fishing industry. Based on the findings, it can be deduced that the actions of the oil companies operating in Ghana signify that they are merely seeking to provide ‘passive support’, made possible because of the enclave environment in which they work. In this case, the goals of doing and actions taken to do business do not have to be aligned with the interests of pressure
groups and communities, because these communities have no power (see Mitchell et al., 1997). Again, because there is some level of consistency in the actions of those companies which make up the industry, there is no need to seek a deeper level of legitimacy. If, for instance, the organisation required a public legitimating view in order to say, get a highly contested license, then the company’s approach might be different.

7.7 **Concluding Remarks**

Ghana’s oil and gas industry officially came into existence in 2010. With the hindsight of the mining legacy in Ghana, and the oil and gas enclaves in neighbouring Nigeria, Angola and Cameroon the researcher expected that IOCs in Ghana’s oil and gas industry would employ CSR strategies that would be truly inclusive. A review of sustainability publications of the IOCs exposed an excessive disclosure of the companies’ ‘comprehensive’ and ‘inclusive’ stakeholder engagement. Further examination and interviewing revealed that stakeholder engagement in Ghana’s oil and gas industry was conducted in partial fulfilment of the requirements for receiving an environmental permit for production and exploration activities. In conducting the EIA, stakeholders were comprehensively identified. Six coastal communities were identified as ‘affected communities’. Post-EIA stakeholder engagement has not deviated much from that which transpired during the EIA process. The IOCs consider the entire nation of Ghana as beneficiaries of their CSR programmes but see their affected communities as important stakeholders given their proximity to Oil Field Y (see Chapter 8). As a result, special consideration is given to these communities when it comes to CSR programmes.

On the issue of stakeholder engagement, however, existing social structures have led companies to consult with the elite in society. When it came to stakeholder prioritization on the other hand, the evidence pointed to government being perceived as the key stakeholder. Chapter 8 presents a comparative analysis of CSR outcomes, drawing on the perspectives of community members and leaders and civil society organisations.
8 CSR PROGRAMMES IN OFFSHORE OIL ENVIRONMENTS: COMPARATIVE PERSPECTIVES FROM LOCAL COMMUNITY STAKEHOLDERS

…representative voices within the six coastal districts have continued to echo complaints of significant increases in the cost of living (food, rent, land), stagnant enterprise and small business opportunities, legitimate negative impact on the fishing industry (i.e., lack of access to traditional grounds, reduction in catches, harassment), and lack of flows of information and transparency about CSR projects.

- Kirkbride and Kenlay 2012, p. 4

Plate 8.1: A typical scene at a landing beach in Community AX

8.1 INTRODUCTION

The purpose of this chapter is to provide a comparative viewpoint from grassroots-level actors on the CSR activities and local economic development undertaken since oil production commenced in Ghana. The discussion collates and analyses findings from interviews and focus groups conducted in affected communities, in the process, addressing in part the second objective (“To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments”) and third objective (“To critically reflect on the implications offshore oil production has for stakeholder design, accounting and development overall”) of this thesis. How appropriate has CSR proved to be in Ghana’s oil-producing enclave, and to what extent have local-level concerns voiced by affected community groups informed company and government policy, and ultimately, decisions, in this area?

Most of the area facing offshore operations – and indeed the territory designated by the government as ‘enclave’ and which is therefore eligible for priority assistance and support – is populated by interconnected fishing communities. Though small-scale producers, these fishermen are the backbone
of an intricate coastal micro-economy that has flourished for generations. The sector’s economic importance has been well-documented: artisanal and semi-industrial fishing are the most important direct and indirect employment generating activities within Ghana’s coastal zone; it features in the livelihoods of at least 1.5 – 2.2 million people (Orchard and Abban, 2011); produces about 70-80% of the country’s total marine catches; and is a source of 61% of the population’s animal protein (Clark, 2013). Even after the shortest of visits, the casual observer leaves appreciating how interconnected, complex and fragile these communities truly are. Splashing waves, roaring boats, the sounds of men approaching the shore, chattering, hawking and the gatherings at the landing beach (shores where boats are docked) signal the arrival of the catch, long the lifeblood of coastal Ghana. Apart from the ‘taboo days’, times when fishing activity is prohibited for these communities because of superstition and beliefs, every working day is the same, and has been for generations. Typically, masses of children, women and men, both young and old, gather along the beach to greet returning fishermen. During this period, the landing beach becomes a primary marketplace for hawkers. As the fishermen arrive with their boats, the chief fishmonger speedily takes stock of the catch. Lining the beach are the wholesale and retail merchants, and fish processors – mostly women – who have come with their large basins to collect fish. After processing, the fish is sold in urban and rural markets in Ghana.

Clearly, in this area of Ghana, artisanal marine fishing continues to be at heart of the local economy. Any sudden alteration to catches would not only affect the livelihoods of fishermen but also the many people employed in a host of dependent downstream sub-sectors. As will be explained in this chapter, the oil find has brought with it numerous challenges for the people inhabiting this area of the country; their activities have influenced drilling strategies and vice versa. As highlighted in Chapter 6, management of the Equity Partners operating in the Oil Field Y recognizes six coastal districts, comprising about 115 settlements, as ‘enclave’ or ‘affected communities’. These localities are, according to plans and assessments, given special attention by the Equity Partners on account of their proximity to drilling activities. The distance of each of these communities to drilling activity, however, differs. In Chapter 4, it was explained that visits were made to the capitals of each of these six districts. Following preliminary discussions with local fishermen, it was decided that the inhabitants of three communities located within three of these districts would be targeted in an attempt to gain deeper insight into the decision-making processes governing CSR programmes and perceptions of their impacts locally.

The discussion that follows draws on findings from interviews, focus group discussions and life histories with inhabitants of these three communities, to explore aspects of these decision-making processes further. Emphasis is placed on the three pillars of CSR highlighted in Chapter 2 and various aspects of the theoretical framework outlined in Chapter 3. The discussion is supplemented with syntheses of views expressed by selected individuals interviewed from the NGO community, government bodies and the oil-producing companies. As will be explained, in this area of the country, grievances have been brewing over what seems to be unanticipated impacts and major oversights with the EIA and
accompanying evaluations. Before delving into the possible sources of these grievances, however, the chapter builds on the ideas above, describing further the dynamics of the small-scale fishing industry potentially being impacted by oil drilling activities in Ghana. Particular emphasis is placed here on providing a comprehensive picture of the full supply/value chain in an attempt to provide a more holistic perspective on impact. The chapter then proceeds to come to grips with the sources of this grievance by sharing perspectives from residents themselves, specifically those interviewed from communities affected by oil drilling. In doing so, the analysis provides a more nuanced picture of how production is potentially affecting local livelihoods, as well as the level of impact CSR and local development initiatives are having. Throughout the chapter, the central tenets of this thesis, namely grievance, Stakeholder Theory and legitimacy, are revisited. In the concluding section, critical reflections on the approach taken to foster community development and maximise the impacts of oil production for affected populations are juxtaposed with the three pillars of CSR in an attempt to better understand the rationale behind the Equity Partners’ strategy.

8.2 A GLIMPSE OUTSIDE OF THE ENCLAVE: COMMUNITY CHARACTERISTICS

Before examining the community-level impacts of Ghana’s oil production, as seen through the eyes of villagers, it is instructive to first provide additional details of the dynamics of the communities potentially impacted by drilling. As indicated in Chapter 7, a total of 26 meetings involving 259 individuals were held at the national, regional, district and local levels during the EIA phase, which took place between February and May 2009 (Consultation Report - Company 1, 2009a). These ‘stakeholders’, the report explains, ‘were defined as individuals or groups potentially affected by the project or can themselves affect the project’ (p. A-8). Following this, eight public hearings took place. But while the EIA was certainly lengthy, and elaborate in its design and execution, it is unclear whether or not it adequately captured the dynamics of the power relations and organizational structures of the 115 communities; and, the extent to which the administrators of the EIA valued this. As will be seen in the discussion that follows, the artisanal fishing villages located in Ghana’s oil-producing region feature complex yet delicate labour structures which, for the most part, have remained intact for generations. If not recognized at the outset, such details will likely never be realized, as it becomes challenging, if not, impossible, for managers of oil and gas companies to keep up with the day-to-day activities of villages and construct accurate pictures of community life from the confines of an offshore oil-producing facility. Such an oversight has major implications: as Chapter 2 highlighted and as will be explained further in subsequent sections of this chapter, failure to recognize these dynamics and in the process, becoming over-reliant on various community ‘representatives’ has, in a number of other extractive industry settings, caused considerable friction at the local level (Hamilton, 2011; Stevens et al. 2013).

The evidence drawn upon throughout this chapter were gathered through interviews conducted in the three communities visited, which, again, for the purposes of the discussion that follows, will be
referred to as ‘Community AX’, ‘Community B’ and ‘Community CP’. As indicated in Chapter 4, Community AX is a relatively large town and the capital of one of the six frontline districts (Chapter 7). Community B is a relatively small town while Community CP is a remote village. All three communities, however, were, historically, vibrant fishing communities. Fishing continues to be the mainstay of Communities AX and CP. In Community B, fishing also continues to be an important source of livelihood but other economic activities such as artisanal mining, petty trading and farming are now prevalent. Community AX used to be the location of a very large fish market but its importance has diminished in recent decades with the emergence of other livelihoods. Community AX and Community B are in close proximity to the Oil Field Y. Community CP, though the furthest of the three communities from the oil find, is still potentially heavily impacted by drilling.

In Community AX, it was observed that as a result of being a major fishing hub in the country, there were a large number of otherwise-jobless youth engaged in fishing activities. Communities B and CP, on the other hand, have veteran, more experienced, fishing populations. Before discussing the perceived impacts of oil on fishing activities and by extension, livelihoods, the dynamics of the small-scale fishing in this coastal area of Ghana and their potential implications for policy are examined. For the EIA to have had any chance of minimizing social impacts, it needed to take into account these details.

### 8.3 Artisanal Fishing in Ghana: A Snapshot

Fish is an important non-traditional export commodity in Ghana, contributing about five percent of the country's agricultural Gross Domestic Product (GDP). The vast majority of the 1.5 – 2.2 million people dependent on fishing in the country engage in marine-based activities. Table 8.1 illustrates the volume of catch from marine fishing as a percentage of total domestic catch.

| Table 8.1: Marine Fishing as a Percentage of Total Domestic Fish Catch in Ghana (Metric Tonnes) |
| Source: [http://mofa.gov.gh/site/?page_id=244](http://mofa.gov.gh/site/?page_id=244) |

The Environmental Impact Statement (Company 1, 2009b) prepared devotes more than 80 pages (most of Chapter 4 and 5) to detailing the various marine life found in the oil-production and exploration area, what is believed to be the organization of the local fishing industry, and how measures will be put in place to minimize wastes and prevent spillage to ensure that dependent communities are not adversely affected. The overdependence of the Western Region’s coastal communities on fishing has clearly not

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escaped the oil Equity Partners. The artisanal fishing activity which is heavily concentrated in this area – populated almost exclusively by Ghanaian nationals, whom, according to the law (Fisheries Act 625 of 2002), are the only group permitted to engage in such activity – is low-tech, featuring dugouts and wooden plank-constructed canoes, powered by outboard motors. According to the most recent data, compiled in 2004, there are at least 10,000 canoes and 125,000 artisanal fishermen in the country (Gordon and Pulis 2010; Ministry of Agriculture, Ghana 2004). As illustrated by Figure 8.1, fishing output from canoes is the highest of the various vessels used in fishing in Ghana. They make use of 304 landing beaches spread across 185 fishing villages, although their activities are seasonal, with December-February and July-September considered the ‘bounty periods’. The fishing equipment used by these artisans includes gilling and entangling nets, seine nets, handlines and castnets.

**Figure 8.1:** Marine Fish Landing by type of Vessel Employed (Metric Tonnes)

Oil drilling activities, which occur in the same stretch of ocean these artisanal fishermen have worked for generations, place further pressure on an industry which is already facing production challenges. At the time of this study, the industry was in one of its bounty seasons (between March and September) but the fish catch was reportedly very low. Although several individuals interviewed at the local level were quick to point out that this has coincided with the advent of oil and gas drilling activity, as Atta-Mills et al. (2004) explain, artisanal fish catches in Ghana have been on the decline for some time (between 2008 and 2011 illustrated in Figures 8.3 and 8.4). Oil and gas extraction, however, may indeed be threatening further a sector already facing a precarious future.

Apart from pledging to implement contingency plans in the event of a spill, and proposing to hire liaison officers to dialogue with communities, the EIS (Company 1, 2009b) prescribes few mitigation measures, concluding that the Equity Partners ‘has the ability to mitigate potential impacts associated with the Oil Field Y Phase 1 development activities, its drilling programme and any future developments in the

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In fact, it barely acknowledges the potential social impact the emergence of an oil-producing enclave could have on subsistence fishing communities dependent on the same waters for their livelihoods. It rather focuses mainly on outlining measures for spill prevention and spill response. Even the most committed managerial staff would struggle to identify the complexities of these communities and adequately respond to their changing needs given the limited resources available to any organisation and the existing leadership structures in the communities.

8.4 IDENTIFYING KEY STAKEHOLDERS

According to the EIS (Company 1, 2009b), ‘Meetings were held at the local level with representatives of the directly affected communities (e.g. chief fisherman) and local NGOs’, and that ‘Approximately 100 individuals attended these meetings representing a wide range of community needs’. During an interview with a senior officer from the oil Equity Partners, it was clear that, despite the enormity of the challenge at hand, management believed this to be a sufficiently-comprehensive strategy for dialoguing with and ‘reaching out’ to the 115 ‘affected’ communities:

We [the Equity Partners] are the first one, not in terms of what we have packaged but because we prepared corporate social responsibility, the framework for delivering that and then we presented it nationwide for the communities or stakeholders to comment on what we intend doing. And we didn't create that in isolation. We got that through…field studies, interaction, we got member representatives, individual stakeholders, the communities and then also by looking at four different documents. The first one is the National Poverty Reduction Strategy, we also looked at the National Development Planning Commission’s plan for Ghana, we also looked at the District Assembly Common Fund and programmes that they are undertaking. The fourth one is we look at the current situation... [Interview, Corporate Officer 1].

Significantly, however, there was no indication in this interview – or any other with company and government officials, for that matter – of the potentially-complex labour hierarchies found in and organizational dynamics of fishing villages as will be demonstrated later in this section. As indicated and as will be elaborated further in subsequent sections of the chapter, in the past, the treatment of communities affected by extractive industries as homogenous entities has led to significant complications at the local level. Further analysis of the typical fishing community in Ghana’s oil-producing area captures the details of these complexities.

As indicated, an estimated 1.5-2.2 million Ghanaians depend on artisanal fishing in some capacity for their livelihoods, although recent statistics suggest that this figure could be as high as 2.54 million (Mutimukuru-Maravanyika et al., 2013). The number of direct dependents is, in either case, significant. There are many more dependent parties, which a cursory analysis of the artisanal fishing value chain reveals. Figure 8.2 provides a simplified depiction of the artisanal fishing value chain in Ghana’s oil-producing region, the key stakeholders who comprise it, and the symbiosis between them. Comprehensive value chain analysis would have provided a more nuanced understanding of the scale of impact oil and gas drilling activities could potentially have on populations inhabiting coastal Ghana. Did the oil Equity Partners and the government commission such an analysis?
From the Stakeholder Database presented in Appendix I of the Consultation Report (Company 1, 2009a), it is clear that the Equity Partners’ conception of the locale for the initial stakeholder engagement exercise did not extend beyond the landing beach. Significantly, and as will be explained in subsequent sections in this chapter, the bulk of local-level actors consulted on the landing beach were elites and powerful gatekeepers, an oversight which has already had serious consequences. Table 8.2 captures the essence of the challenge at hand, identifying the many groups dependent on marine fish harvests. For the purpose of providing clarity on the potential breadth of impact oil production could have on the artisanal fishing value chain, stakeholders are placed into the following categories: ‘pre-harvest’, or those activities which precede the actual marine fishing; ‘harvesting’, or activities which occur during the period when fishing actually takes place; and ‘post-harvesting’, or activities which occur following the actual fish harvesting, including processing and sales.
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-harvest</strong></td>
<td></td>
</tr>
<tr>
<td>Carpenters</td>
<td>Construction of boats</td>
</tr>
<tr>
<td>Lumber loggers</td>
<td>Provision of wood for construction of boats</td>
</tr>
<tr>
<td>Auto Mechanics</td>
<td>Repairs and fitting of outboard motors</td>
</tr>
<tr>
<td>Electrician</td>
<td>Repairs and fitting of lights on boats and provision of lights for catching fish</td>
</tr>
<tr>
<td>Fishing Net Providers and menders</td>
<td>Repairs of fishing equipment</td>
</tr>
<tr>
<td>Sponsors</td>
<td>Provision of capital for boats and fishing equipment</td>
</tr>
<tr>
<td>Fuel suppliers</td>
<td>Provision of fuel for boats</td>
</tr>
<tr>
<td>Bait suppliers</td>
<td>Provision of bait for catching fish</td>
</tr>
<tr>
<td>Hawkers</td>
<td>Sale of food for fishermen and processors</td>
</tr>
<tr>
<td>Environmental Protection Agency</td>
<td>Supervision and monitoring of marine environment</td>
</tr>
<tr>
<td>Attorney General’s Department</td>
<td>Implementer of fishing laws and regulations</td>
</tr>
<tr>
<td>Ghana Navy</td>
<td>Monitoring of law and apprehension of fishermen who fish close to the FPSO</td>
</tr>
<tr>
<td>Ghana Police</td>
<td>Monitoring of law</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>Provide loans to fishmongers and sponsors</td>
</tr>
<tr>
<td>Banks and other lending institutions</td>
<td>Provide loans to fishmongers and sponsors</td>
</tr>
<tr>
<td>Chemical suppliers</td>
<td>Provision of dichlorodiphenyltrichloroethane (DDT), Dynamite for catching fish</td>
</tr>
<tr>
<td>Market Women</td>
<td>Sale of food for consumption on boats</td>
</tr>
<tr>
<td>Chief Fisherman</td>
<td>Leader of group of fishermen</td>
</tr>
<tr>
<td></td>
<td>Often times a sponsor</td>
</tr>
<tr>
<td><strong>Harvest</strong></td>
<td></td>
</tr>
<tr>
<td>Fishermen</td>
<td>Fishing</td>
</tr>
<tr>
<td>Apprentices</td>
<td>Assistance with fishing and learning the trade</td>
</tr>
<tr>
<td>Fisheries Commission</td>
<td>Regulation of industry and taking stock of fish catch</td>
</tr>
<tr>
<td><strong>Post-Harvest</strong></td>
<td></td>
</tr>
<tr>
<td>Fish distributors/Chief Fishmonger</td>
<td>In charge of distributing fish to fish processors and fishmongers</td>
</tr>
<tr>
<td></td>
<td>Often times a sponsor</td>
</tr>
<tr>
<td>Wholesale Fishmongers/Processors</td>
<td>Collect fish from chief fishmonger, processes and sells to retailers.</td>
</tr>
<tr>
<td></td>
<td>Exports fish</td>
</tr>
<tr>
<td>Retail Fishmongers/Processors</td>
<td>Processing of fish and sale of fish</td>
</tr>
<tr>
<td>Retailers at local markets</td>
<td>Sale of fish at markets</td>
</tr>
<tr>
<td>Processors of Aqua culture fish feed</td>
<td>Use of fish carcases to provide fish feed for aquaculture fish</td>
</tr>
<tr>
<td>Manufacturers of Livestock feed</td>
<td>Use of fish carcases to process livestock feed</td>
</tr>
<tr>
<td>Consumers</td>
<td>Buying of fish for subsistence</td>
</tr>
<tr>
<td>Hawkers and other Market Women</td>
<td>Sale of food items to fishermen and dependents when fishermen arrive at shore</td>
</tr>
<tr>
<td>Fisherman groups</td>
<td>Associations fostering the advancement of their member careers</td>
</tr>
<tr>
<td>Fishmonger groups</td>
<td>Associations fostering the advancement of their member careers</td>
</tr>
<tr>
<td>Basin Manufacturers</td>
<td>Sale of basins to fishmongers and processors</td>
</tr>
</tbody>
</table>
On the landing beach itself, there are complex dynamics, which quickly became clear during the course of interviewing. The affected communities are dominated by fishermen. There were no females directly engaged in fishing in any of the areas visited. The fishermen surveyed ranged in age, from 10 to 75 years, and the vast majority were school drop outs. Most indicated that they had dropped out between ‘Primary 2’ and ‘Primary 5’ (equivalent of Year 3 and Year 7, respectively, in the British School System), and about 20 percent of respondents claimed not having any formal education at all. Education is generally abandoned because as one fisherman put it in an interview, ‘everybody knew fishing was a good business…It was one of the reasons why I left school…We used to enjoy several seasons for abundant catch’ (Fisherman 7, CP). Among those interviewed, the average number of years spent in the fishing occupation was 15, and typically, there are between 4 and 20 fishermen on each canoe. These groups are mostly headed by a chief fisherman. Two types of chief fishermen exist within the artisanal fishing industry: there is an ‘informal’ chief fisherman who is selected by the fishermen to lead a particular group, and official chief fishermen who are appointed by the traditional chief. The influence of chief fishermen in the fishing villages cannot be overstated. They are so revered as to have earned the accolade ‘Nana’, which is the Akan name assigned to royals.

Alongside the production team are hundreds of women, who are the principal producers and marketers of food and the key welfare providers of the families inhabiting coastal villages (Government of Ghana, 2004). This was observed in the villages visited, where fishermen were seen arriving from sea, after which women fishmongers and fish processors congregate to the beach, carrying large aluminium basins (See Plate 8.1). These basins are used to collect fish for onward processing or sale. The proceeds from these sales are used to pay the fishermen. When the fishermen arrive at the shore, the chief fishmongers are given the fish. It is their duty to distribute these fish to other fishmongers and processors. One fishmonger reported that one basin of herrings (Plate 8.2) fetches GHC150 (equivalent to $82 US at the time this research was undertaken).

The areas visited lacked cold stores, and therefore, large quantities of fish are smoked in clay ovens using traditional methods, which ensure their preservation and long-term viability for later consumption. The women rely on fuelwood, kerosene and other resources for smoking fish. Apart from the well-documented decline in fish stocks (refer to Table 8.1), which is reducing earnings, these women face other challenges when it comes to preserving catch for markets. These are highlighted by Porter and Young (1998), who explain that ‘subsistence artisanal fishermen, women fishsmokers, salt winners and farmers in coastal settlements depend on local resources in a complex multi-use system and face growing difficulties as availability of resources such as fuelwood decline’ (p. 516). This could explain why the oil companies have made training fishmongers and processors on how to use new technology for fish preservation the centrepiece of their CSR programmes.
The fishmongers interviewed ranged in age, from 20 to 60 years, and almost all had dependent children. Their skills were acquired inter-generationally: as one fishmonger put it in an interview, ‘my mother taught me this job when I was a child so now that she is old, I have taken her place’. This seemed to be norm. Much like the fishermen consulted, these women were either uneducated or school dropouts, but did recognize the value of education in a globalizing world which has fast penetrated Ghana, including their villages. These revelations were intriguing as most of these women had dropped out at a young age and/or are illiterate. As the following excerpts indicate, the suggestions made by one fishmonger in an interview, ‘the little I have, I invest in my children’s education’, seems to resonate:

I believe that education is going to help my children in the future. There is hope for a better future for the educated. Now that we have less fish in this area, it is going to be tough for the younger ones so the best option is to send them to school’ [Fishmonger 7].

I will not let my children follow this trade or go into fishing. I will prefer they concentrate on their education. We are always being encouraged to send our children to school and this is all we want to do. Unfortunately, we are being prevented from seeing them through school because of the oil drilling [Fishmonger 8].

A final but very significant party found on the landing beach is the sponsors. The fishing boats and equipment used in the artisanal fishing industry are by no means inexpensive. The costs borne by the fishermen would be burdensome for anybody but are particularly crippling when considering who – rural, subsistence dwellers whose incomes are significantly lower than those of urban dwellers – actually fish. To reiterate the point made in Section 5.1, about the precarious financial situation of rural dwellers, there is a
great disparity between earnings in the rural and urban regions of Ghana. To make matters worse, on average, household expenditure exceeds income by about 58%, making it difficult, if not impossible, to save money (GSS 2008, pviii).

In an industry such as artisanal fishing, savings could come in handy as the canoes used are very expensive to construct. Outside of the capital city, canoes cost a minimum of US$28,000 to construct; nets range between US$17,000 and $30,000; and even smaller nets (nets which catch very small-sized fish) cost between US$750 and $1400 (Orchard and Abban, 2011). In addition, the price of outboard motors at the time of this study was reported to be in the range of US$7300 (Orchard and Abban, 2011). There are also operational costs to consider, including wages for crew, repairs, fish feed, fuel, and provisions. Those interviewed priced each trip at US$460-$550.

Because of the relatively high costs of fishing gear, credit facilities are relied upon heavily by fishermen, who draw on such support for working capital and loans to cover equipment. In Ghana, banks do not often give loans to artisans because they do not maintain records, have no collateral per se, cannot guarantee timely repayment due to their salaries fluctuating heavily, and are unable to produce a guarantor with a credit rating worthy of being a cosignatory. As a result, sponsors or middlemen play a vital role in the sector. These sponsors are financiers who enter into informal credit arrangements with the fishermen. The sponsors often own the boats and equipment, and provide the working capital needed by the fishermen. In exchange for these items, sponsors take a substantial share of the earnings from fish sales (50 -70 percent). The remaining earnings are shared amongst the workers. Some of these sponsors are fishmongers, and occasionally, some fishermen band together to sponsor themselves, using their own savings.

Some fishermen and fishmongers, however, have succeeded in securing loans from the mushrooming microcredit services now found throughout Ghana. These loans, however, typically have very high interest rates. During the study, it was revealed that one particular micro-finance institution has been used by a number of fishermen in all three communities, its popularity owed to the strict banking requirements of the government commercial bank, which for most of those consulted, are seen as being too stringent for the uneducated masses. But interest rates charged by this micro-finance institution, which seems to be capitalizing on the precarious positions most of the region’s fishermen now find themselves in (i.e. unable to secure a loan from a bank), are in excess of 60% APR. Commercial banks charge only 25-30% APR interest on loans but again, due to the erratic bookkeeping practices of the fishermen, these are close to impossible to obtain credit from. An easier way to access funding, therefore, is through informal sponsorship arrangements, however prohibitive they may be. Occasionally, fishermen do receive subsidies from the government. One chief fisherman mentioned in an interview that the most recent subsidy had been on outboard motors. He explained in an interview that ‘outboards motors which cost GHe8000 had been subsidized by the government and was therefore bought for GHe4100
[equivalent of $2,230 US’ (Chief Fisherman 2, AX). At the same time, he mentioned that such subsidies were few and far between. In fact, in 2012 only GHC50 million ($27.2M) had been allocated by the government for subsidies, the majority of which went to farming, and most of the money earmarked for fishing went towards bolstering aquaculture (Ghana Budget, 2013).

In summary, as this brief analysis has revealed, the dynamics of Ghana’s artisanal fishing industry are exceedingly-complex, as revealed by a snapshot of life on the landing beach. Any change in production would be catastrophic for all dependent parties, including those less-visible actors found further along the value chain. From the details provided in the consultation report (Company 1, 2009a), it appears that not only were the nuances of the landing beach overlooked but perhaps even more crucially, others in the value chain were barely acknowledged. This could explain why grievances are mounting in fishing communities towards the Equity Partners and the government. The next section of the chapter explains how.

8.5  THE IMPACTS OF OIL PRODUCTION ON COMMUNITY WELLBEING IN GHANA: GROUNDS FOR GRIEVANCE?

In March 2014, chiefs in the Western Region voiced concerns about the impacts of oil drilling on coastal communities. During a meeting with President John Mahama, the Vice President of the Western Regional House of Chiefs, Nana Akwasi Agyemang IX, explained that oil production was ‘making life unbearable for the fishing folks in the region’ – that ‘fishermen no longer catch enough fish when they go fishing’ and ‘The marine environment, most especially with regard to the oil and gas, is our worry and also the poverty level and the living condition of our fishing communities is abysmal’ (Chief Fisherman 3, AX).76 The EPA has repeatedly dismissed these claims as baseless, its officers declaring, publicly, that there is no evidence that oil drilling is adversely impacting fisheries or causing any other environmental damage in coastal communities. These sentiments were echoed during an interview with a senior EPA officer from the organization, who stated, emphatically, that ‘the industry is not giving us any problems’.

The main concern, however, is not whether or not oil production is causing the problems claimed but rather the way in which concerns are being handled by the Equity Partners, as well as how any impacts would be addressed if they did, in fact, prove true. Understanding why grievances have manifested in the fashion they have – in all likelihood, attributed to a combination of misinformation, uncertainty and some truth to claims being made about the impacts of oil production – requires revisiting the key elements of enclave development, and its implications for CSR and local economic development, unpacked in Chapter 2. A groundswell for change was certainly detectable during the course of fieldwork, spearheaded by several inhabitants interviewed, who voiced their concerns during interviews and identified the root causes of their grievances.

As explained in Chapter 2 offshore oil production, because of its enclave setup, naturally ‘disconnects’ management from affected communities, consequently stifling decision-making, in this case, in the area of CSR. In the case of Ghana, for concerns such as those voiced during the period when this research was undertaken to be adequately diffused, therefore, the pre-assessments undertaken and mitigation measures implemented needed to be dynamic, in tune with the complexities on the ground and highly-responsive to sudden changes which typically occur in communities affected by natural resource production. But despite suggestions to the contrary, the activities conducted by the EIA had the look of something unspectacular. It is clear from findings presented in Chapters 6 and 7 that corporate and government officials see the process undertaken thus far to implement CSR and service the needs of local communities as ‘systematic and comprehensive’. The residents of affected communities, however, view the exercise as unresponsive and disappointing overall.

8.6 The Issues

Given the experiences in Nigeria and Angola, it is somewhat curious that the Government of Ghana chose not to carry out a more comprehensive EIA than that which was undertaken. The EIS (Company 1, 2009b) offers a fairly detailed description of the potential impacts of oil production in the region but surprisingly, reveals how little attention the Equity Partners have paid to implementing – and in the process, seems to downplay the importance of – mitigation measures and contingency plans. It has already proved incapable of safeguarding and insulating affected communities from gas flaring, despite the well-documented impacts (Dibua, 2005, Eweje, 2006) five decades of continuous flaring has had in Nigeria. The EIS states that ‘No continuous flaring of excess hydrocarbon gases during normal operations is planned’ and that ‘Flaring will be avoided other than to maintain safe conditions such as flaring purge gas, facility depressurisation, operational upset conditions or during limited duration activities such as process start-up, re-start and maintenance activities’ (p. 3-63). Assured that significant flaring would virtually never occur, the Equity Partners proposed menial mitigation measures as part of its EIA, including plans to ‘establish a targeted maximum abnormal flaring rate of 2.5% of the monthly average total gas production’ and pledging to ‘quantify annually total GHG emission from production and flaring’ in accordance with international standards (p. 6-9). In recent months, the IOCs have been faced with the dilemma of either cutting production by 10% or flaring gas as the Government of Ghana’s plan to capture gas from the oil field has been grossly delayed. The EPA has therefore decided to backtrack on its decision to prohibit gas flaring in Oil Field Y because of the delays, raising questions about the quality and appropriateness of the EIA undertaken and igniting fresh concern about whether Ghana is truly destined to mirror the development trajectory of that of Nigeria. What if this extends to what one fisherman referred to in an interview as ‘the lighting issue’ (an extended discussion is offered in Section 77 http://www.bloomberg.com/news/2014-02-17/ghana-considers-cutting-jubilee-output-10-percent-or-flaring-gas.html (Accessed 20 April 2014).

which was similarly downplayed in the EIS but which was one of two main sources of grievances identified by individuals interviewed in affected communities?

An offshore oil rig is referred to as a Floating Production, Storage and Offloading System (FPSO), a complex platform which enables oil companies to work the deep seabed. The technology is not without its share of dangers, as highlighted by the International Association of Oil and Gas Group (OGP):

The F(P)SO allows storage of crude oil and loading of tankers in the field rather than requiring a pipeline to transport oil to an onshore terminal facility. The provision of storage and loading has introduced additional hazards, however, which require the wisdom and experience of both oil field and marine experts to manage associated rigs [OGP 2006, p.1].

In order to minimize exposure – in this case, that of fishermen – to these hazardous environments and protect the FPSO from collisions, the OGP recommends that IOCs work with host governments to create a ‘safety or restricted zone’ around the FPSO to limit activities ‘such as should fishing and other vessels traffic that could damage facilities’ (OGP 2006, p.12). With oil production being a new industry in Ghana, the establishment of a ‘safety or restricted zone’ poses a new, and indeed significant, challenge to local fishermen who, in response to dwindling catches, have found themselves having to travel much further distances in recent years in order to secure the required catch. There have been an unprecedented number of tankers and other vessels travelling back and forth from the FPSO and through the ‘safety or restricted zone’, established as the area up to 1000 metres surrounding it. The Ghana Navy regularly patrols the zone, and is empowered with monitoring it and arresting encroaching fishermen.

The lights on the rig are attracting schools of fish. Interestingly, the EIA did identify this as a potential problem but similarly downplayed its significance:

Light is an important stimulus for many fish species and they are attracted to the surface waters when the moon is full (due to the vertical migration of zooplankton and other prey species). Fish aggregations around the FPSO, MODUs and vessels may also be influenced by the artificial light at night as zooplankton and their fish predators are drawn towards the light generated by project facilities. The increased availability of prey species to pelagic fish may result in a benefit to a proportion of these pelagic fish populations, however, the scale of this impact will be small in the context of the area over which these species range and the positive impact will be not significant. In addition, most species are only associated with FADs during daylight hours and will disperse during the night to forage in open waters [Company 1, 2009b, p. 5-20].

It has, however, proved to be the exact opposite but with no mitigation measures proposed, grievances have mounted. Being in the middle of the sea requires FPSOs to be very well lit. As a result, very bright lights are placed on platforms. One government official affirmed during an interview that the intensity of the light on the rig was ‘astounding’, and according to most fishermen interviewed, is so bright that schools of fish have moved close to the zoned areas and away from the areas they are permitted to fish in. Those interviewed appeared to understand why, as the following excerpts from transcripts suggest:
The fishes need some warmth and because of the light the company is using, there is enough heat in that area. That is why the fishes settle more in that area… [Fisherman 12].

Due to this light at the rig, our men cannot fish in those areas and that is the exact place for the men to catch enough fish. They have to travel to [another community] or just close to the shore and they bring home nothing [Fishmonger 2].

Some fishermen mentioned that since oil drilling commenced, some individuals return from fishing with no catch. In one of the study areas, the situation was reportedly so precarious that the fishermen had resorted to artisanal mining to earn a livelihood. One fisherman even admitted to having pilfered fish from another boat in order to feed his family.

The issue of contention here is that costs are not being recovered, and catches are dwindling, which fishermen – at least those interviewed – associated exclusively with oil production. Several individuals interviewed in the value chain were quite explicit about this:

Now, I have been instructed not to fish close to the rig but that is where I can catch more fish. I can make [554 US$] from fishing in that area but now that am not allowed to fish there, what happens? I get less money and cannot afford to buy things for myself [Fisherman 20].

Before this oil business, our men will often have a maximum of 4-day trip to catch enough salmon but the case is different now. A trip costs about [707 US$] and usually the men need to borrow this money. How do we expect them to pay back this money and take care of their families when they bring back nothing from the trip? And that affects the women here [Fishmonger 10].

We are really suffering here. We cannot afford to send our children to school. The government talks about free basic education yet in this circumstance, the money to purchase textbooks and other levies are more expensive than paying the tuition. We want better futures for our children and that is why we are working tirelessly to raise some money but it is unacceptable to make us go through this hardship. I have 3 kids on my own who are in school and others who have lost their parents to cater for. How do you expect me to take care of these children if my business isn’t booming [Fishmonger 4]?

The grievance here stems from a sense of helplessness. Out of desperation, many fishermen encroach into the ‘safety or restricted zone’, where they are quickly reprimanded by the Navy, arrested and required to pay between US$1,632 and US$2,176 before their boats and equipment are released.

Fishermen have voiced these complaints to local leaders, asking them to take matters further with the government and the Equity Partners. During interviews with selected local leaders, it quickly became clear that most had a complete understanding of the situation:

…a lot of complaints. Initially, they [referring to fishermen] had problems with like I was telling you, the exclusion zone that has been created. They realize that, and it is normal, be it animal, fish or human being, any time there is safe grounds created and there is war, they are going to rise to the safe grounds. That zone within which fishermen could not enter, as they felt that was a dangerous area for them to enter. They feel the fishes have shifted to that area. So you cannot cast your net around that place, if you tried it the security personnel, the navy will seize your net and boat. So that alone has been a blow to the fishermen [Interview, Assembly Man].

The second source of grievance is, as detailed by Aekah-Baidoo (2013), the recent infestation of seaweed (sargassum), the origin of which has been hotly contested. At the time of fieldwork, the beaches
lining Communities B and CP were laced with *sargassum*, which is now found in high concentrations offshore. Those interviewed blamed oil production, identifying drilling as the cause of the infestation, as revealed in the following excerpts:

We had a type [of seaweed] in those years [1980s]. Those weeds were green in colour but this type came immediately when the oil drilling came in [Fisherman 25, Life History].

We use to have a particular type quite different from these ones we recently have. [Fisherman 9, Life History]

In fact, in the two communities which had been badly affected by these weeds, the residents explained that the beached weeds had very pungent odours, got tangled in smaller nets and destroyed them, and were causing disease. As a number of individuals explained in interviews:

Whenever we cast the nets we rather catch the weeds and due to the scent, the fish do not get close to the net. What else can we do? We have called on all offices we thought we could find help but to no avail. Most of the young ones here have left the town in search of other jobs. Some are in Tarkwa, Bogoso, Nsuaem and other mining areas doing galamsey. There is so much hardship here. We talk about the problems this oil drilling has brought on us [Chief Fisherman 4].

There are several illness here; eye infections, severe headaches etc. We had some doctors’ visit here and said they were going to build a clinic for us. It has been one year now and nothing has been heard again [Chief Fishmonger, 2].

Since the drilling began we have had strange weeds grow in the sea. This prevents us from fishing. So we would like both the government and the oil company to do something about that so we can go fishing [Fisherman 29].

One of the Equity Partners’ liaison officers – the role of whom will be elaborated on in the next section of the chapter – dismissed the claim that oil is responsible for the infestation of seaweed as baseless, explaining in an interview that *sargassum* has plagued the region’s artisanal fisheries in the past. In fact, this view was voiced by individuals interviewed at all levels of the Equity Partners and government. As implied by one Equity Partners official, this policy position appears clear, with efforts focusing not on correcting the problem but rather on absolving operators of any responsibility:

With the seaweed that you made reference to. Yes it is a phenomenon that we have identified. In deed it was a phenomenon which predates our activities on the [Oil] field. It started some years back but our attitude is not to say that we are not the ones creating it. Our attitude is to join hands and find a solution to it. And so that is what we are working on now. It is one of our major (emphasis) concerns. Yes, we didn’t create it, it has been there for years. It seems to have been ignored for years so now it is becoming a problem. The fishing community is one of our key stakeholders and so what do we do to assist them? That is our concern for now [Interview, Corporate Official 3].

These two issues have in all likelihood been accentuated because in the eyes of affected communities, oil production is not delivering anywhere close to the level of benefit promised by the government. One fisherman summed up the sombre mood now widespread in affected communities:

We the fishermen were really happy to hear there will be oil drilling here. We are however saddened that the expectations have not been met [Fisherman 20].
Added to this is the sudden increase in costs, which oil production, along with the ancillary businesses which cater to its employees, including hotels, restaurants and transport, typically brings. Apart from food, the area where this impact has been most significant is accommodation. As Osei-Tutu (2012) reports, during the period 2006-2012, due to the influx of expatriates and industry employees to Takoradi and other towns, the daily rental rate of an average three bedroom house rose from US$41-50 to US$102-152, forcing many locals to relocate. An Initiative Officer elaborated on this in an interview, expressing disappointment over the failure of the Ministry of Energy to adequately address both the ‘economic and social impacts’ of incoming oil and gas activities:

Because people will tell you that if you go to Takoradi now, the value of land and estates have doubled or tripled as a result of the oil find. So now if you are looking at impacts, you may not be only looking at the impacts on the environment but other economic impacts. The rush of people to the area looking for jobs. The pressure on facilities and amenities, are all part of the impact. But more important on the livelihoods of the communities that border the find because some of them claim they are fishermen. Now they can only fish at a certain depth or distance into the sea, they are not allowed to fish and they have been complaining that it is affecting their livelihoods.

The Equity Partners’ management, however, continues to be highly disconnected from these realities from the confines of the offshore enclave, its CSR strategy woefully inadequate and unresponsive to local needs and changes in lifestyle, such as the aforementioned spike in living costs.

8.7 STRATEGIZING FROM THE CONFINES OF THE ENCLAVE

During the period leading up to the production of Ghana’s ‘First Oil’, there was extensive discussion about whether or not the country would follow down the path of its neighbours, notably Nigeria (Andrews, 2013). While it is far too early to pass judgment, what is apparent is that the approach taken by the Equity Partners, with the backing of the government, as well as the way in which the above-mentioned grievances have manifested thus far, is typical – or what has become commonly associated with – most resource enclaves operating in developing countries. While the specific issues identified in the previous section of this chapter – ‘the lighting issue’ and seaweed infestation, against the background of negligible social contributions to communities – were singled out in interviews with fishermen as the main reasons for their agitation, the true cause of their grievances is the approach being taken to administer CSR and engage communities.

Surprisingly, despite there being countless experiences to draw on from neighbouring countries and Ghana itself having a lengthy history of complications with gold mining and development, from which numerous lessons can be drawn, the CSR strategy pursued by the Equity Partners has been bland. During the course of interviews, two main areas of concern became clear, which, in the end, could prove to be major oversights not normally expected with a country in a good position to ‘get it right’ with oil. The first is the approach taken to dialogue with affected communities. One of the initial moves made

\[79\] Takoradi is the regional capital of the Western Region where oil is being drilled.
post-EIA (as detailed in Chapter 7) was to hire and train community liaisons, the lynchpins of all on-going engagements with communities. As discussed in Chapter 6, these officers report their findings to their managers in the Western Region, which are then brought to the head office where they are further assessed and decisions on the choice of CSR programmes are made. Typically, decisions are made at the beginning of the year; at the time this research was undertaken (between March and September 2012), according to one community liaison officer, there was no more action scheduled to be taken in the area of CSR for that year (i.e. 2012).

What is clear, judging by the way in which grievances have surfaced, is that this approach is inappropriate, given the dynamic nature of the communities in question. Irregular and inconsistent dialogue has agitated the residents of affected communities; as has the perceived lack of clarity provided by the Equity Partners and government officials during meetings. One resident recalled, during an interview, the meeting held with EPA officials, who, it was explained, assured the community that they were in control of the situation. The resident indicated that attendees ‘were looking at EPA, their position and we were told they were on the ground…[and consequently] We could not question them because they are professionals and they know what they are doing as far as the environment is concerned’ (Interview, Assembly Man). In response, many fishermen have levelled accusations at both the Equity Partners and the government about their struggles. Due to a lack of a consistent corporate presence in affected communities, concerns have rarely been alleviated at an early stage and therefore, potentially-manageable grievances have morphed into unmanageable problems. This has forced the government to temper public expectations of the country’s new-found oil wealth, in the process altering the rhetoric from ‘oil for development’ to ‘managing expectations’. A Ministry of Energy official alluded to this during an interview:

You know, I mean what we do is to manage expectations of people so that you know, people don’t rush to Takoradi and leave the other sectors of the economy and all rush into oil and gas. That is what the Ministry does. It tries to manage expectations of people but we do know, you know that everybody is rushing to Takoradi and prices have gone up and accommodation and everything is gone up but there isn’t really much that the Ministry can do apart from you know, sensitising the people and talking to them about this.

But it more importantly has put the Equity Partners and the government on the defensive. Rather than conceiving potentially-effective community development measures, both seem to have become preoccupied with absolving themselves from blame, providing their own explanations for problems which were avoidable in the first place.

All of the abovementioned issues are regularly highlighted in what has become a verbal tug-of-war between communities on the one hand, and the Equity Partners and government on the other hand. On the issue of declining fish stocks, the evidence suggests that this is by no means a new phenomenon necessarily brought about by the offshore oil drilling activity. A former fisherman explained why in an interview:
As for that problem, I don’t think it is caused by the oil companies because the government has advised them to stop fishing with light but they have refused to listen to that. The use of the light attracts the young fishes to the nets so after catching the young fishes, which ones do the fishermen expect to catch again? Also, some of these fishermen use half-inch nets to catch the fishes. How do they expect to have more fish with these tiny nets?

Judging by Figures 8.3 and 8.4, there may be some truth to these claims. The former provides a glimpse of production before oil drilling. Annual total catch in Ghana’s artisanal fishing industry peaked in 1996 at 450,000 tonnes (Agriculture, 2004), after which, output began to plummet before experiencing a mini-revival between 1999 and 2001. The catch, however, increased massively in 2000, and then subsequently experienced a dip. Significantly, in 2001, a government directive was implemented to remove subsidies from fuel, resulting in a 60% price hike. As fuel is one of the most important inputs to fishing, this directive may have affected the industry. But as these figures show, since 2002, fish output has consistently been under 300,000 metric tonnes, a stagnation attributable to the unsustainable fishing methods practiced by some fishermen, including dynamite, mesh nets that capture baby fish, and an overall lack of monitoring of enforcement of fishing laws (Mutimukuru-Maravanyika et al. 2013, Gordon and Pulis 2010).

**Figure 8.3:** Trends in artisanal fishing catch in Ghana, 1996-2002

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Thus, on the one hand, there are fishermen, who continue to lobby for assistance, contesting that offshore oil production is adversely affecting their catch. Beginning in 2008, the artisanal fish catch started to decline, and has continued to do so since oil production commenced. While certain fishermen admitted in interviews to using small lights to aid their fishing, they were adamant that oil drilling had further aggravated the situation. Some local government officials are sympathetic, believing there to be some degree of truth to these claims. As one Municipal Executive explained in an interview:

> When the drilling began, then another dimension emerged. You know the lights used by the oil companies are more intense than what the fishermen were using. So now that is the cause of the agitation. The drilling area is wide (not sure of the periphery though) and that has attracted most of the fish. They have been complaining seriously and I think they might be partly right [Interview, Municipal Executive 1].

On the other hand, there is a much more powerful corporate lobby supported – rather strangely – by the government, actively seeking to dispel these claims. The Equity Partners and policymakers have used the local media to downplay claims about oil production’s link to *sargassum* infestation and the impact of lighting on fish production, skillfully shifting the focus of the debate to illegal activities. A recent report captures the mind-set of these actors, professing that the ‘failure of the Fisheries Commission to enforce the fisheries law’ had encouraged illegal activity in the industry, resulting in the widespread use of light, chemical and unapproved fishing materials, ‘all…[of which] have led to the low catch bringing down the business’ (Mutimukuru-Maravanyika et al., 2013).

Interviews with policymakers and corporate officials confirmed as much. The broad consensus within government is – as has been the case with most resource enclaves in sub-Saharan Africa which are not monitored appropriately or pressured to increase levels of engagement with catchment communities –

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that offshore oil production is not responsible for these outcomes, at least not to the extent claimed. One official attributed this to geography, explaining in an interview that because ‘the oil is deeply offshore… the affected communities, it is not like it is onshore where the people are affected directly’ (Government Official 2). Another explained that it was more a result of the behavioural practices of fishermen themselves:

In the peak seasons the fish come up making it easy to catch them. The fishermen are still using these small lights as there is no fish in the ocean. It is not because of the oil rig but what they have been doing for a long time. They have been doing light fishing, chemical fishing etc, and that is what has brought the decline in fish stock. It is not the light on the rig. That is what I think [Interview, Government Official 6].

Even EPA officials have downplayed the extent of the impact. This seemed quite surprising at the time of this research but is no longer the case, given the organization’s recent – and certainly unprecedented – change in stance on the gas flaring issue. One EPA official offered some assurance in an interview, explaining that ‘the industry [oil] is not giving us any problems’. The official seemed out of touch with the situation on the ground, not seeing the value in conducting a Fisheries Impact Assessment and heavily misinterpreting the impetus behind the complaints being voiced by fishermen:

These rural dwellers want development. They want companies to build facilities in the rural areas for their benefit but when they are told to move homes in order for a latrine for example to built, they begin to complain. How do they expect to become like South Africa [Interview, EPA official]?

The complacency with which the Equity Partners have elected to tackle community development issues despite the region’s lengthy history of complications, experiences which underscore the need for companies working in resource enclaves to be more proactive with their CSR, has been somewhat surprising. It has certainly had serious implications for community development in local fishing villages. As one corporate official explained in an interview, initially, intensified support for fishing villages was, indeed, a centrepiece of CSR strategy.

As I said earlier, we consider the fishing community as one of our key stakeholders. We think that if there is anything we can do to enhance their vocation, what they do, we should and even before we I talk about the fishmongers, we have our regular discussions with the fishermen to see what we can do to enhance their catches. Help their fishing. We have looked at the possibility of providing them with fibre boats, we are still at the discussion level [Corporate Official 3].

But with a CSR strategy that is so pedestrian, and ill-suited for, and unresponsive to, the changing dynamics of these villages, strategy has since shifted in response to mounting grievances. The Equity Partners have been forced to assume a more defensive position. One official seemed somewhat surprised by fishermen’s grievances, an experience which revealed how disconnected the Equity Partners’ management is from the day-to-day struggles of these communities. The official explained in an interview that:

[long pause] To some extent yes, errr they are the closest to our activities. They see our aircrafts and flights go up and down. We operate on the ocean together. As a result of our operations there are some exclusion zones that they are not supposed to fish in [Interview, Corporate Official 6].
The same official, after denying that oil production was responsible for the decline in fishermen’s catch, did hint that the Equity Partners was intending to work with local communities to tackle the *sargassum* infestation in particular, a message which liaison officers have been slow in delivering to affected communities. This could be a result of their role having also transformed in response to the Equity Partners taking on a more defensive position toward accusations of the impact of its operations on fisheries. In dialoguing with community liaison officers, it seems that most of their work now entails explaining to affected fishing communities how the advent of oil production and recent declines in fish production are purely coincidental, and that despite this, the Equity Partners are willing to provide some assistance but that these pledges are not admissions of guilt. Numerous fishermen interviewed, however, explained that the discussion is always the same, peppered with claims such as ‘we are investigating the phenomenon’, to the point where people have lost interest in attending community meetings with liaisons about such issues. Significantly, this discussion is also proving distracting, shifting the focus of discussion even further away from the needs of affected communities.

A likely second reason behind the ineffective CSR concerns the specific approach adopted by the Equity Partners to engage and communicate with the inhabitants of affected fishing communities: it is essentially top-down in nature. As will be explained, the strategy adopted, though fairly typical of resource enclaves, is somewhat surprising given Ghana’s negative experiences with gold mining and the poor results that similar approaches have yielded in oil and gas sectors elsewhere. From the outset, and as indicated earlier on in the chapter, the Equity Partners’ strategy of community engagement involved targeting local-level elites: judging from the names on the ledgers at each of the 26 meetings, most of the combined 259 attendees were chiefs and other local leaders, such as head fishermen, opinion leaders and sub-chiefs (See Chapter 7 for sample list of attendees). Several public hearings were also held, the details of and rationale behind which are outlined in the EIS (See Chapter 7).

The choice of venue, for example chiefs’ palaces and hotels, was another curious decision because they almost guaranteed an audience of elites; the discussions tabled were certainly well out of earshot of the fishermen being persecuted for venturing in the ‘safety or restricted zone’ and/or seeking help to remedy the *sargassum* infestation. As explained in Chapter 2, there is always a risk in dialoguing solely with local elites in settings containing resource enclaves because, again, in the absence of adequate monitoring and through empowerment, they ‘can often wield undue influence over concessions, contracts or access, and inefficiencies related to corruption can also increase the cost of operations and expose companies to greater reputational risk’ (Stevens et al., 2013, p. 70). In the most extreme of cases, Nigeria, in the 1970s, ‘The sharing of compensation money was turning many communities into battle fields because many viewed their shares as inequitable…[and therefore] Community leaders were accused of embezzlement while villagers on whose land oil wells were located demanded the lion’s share of such compensation’ (Hamilton, 2011, p. 4). While there are no revenue-sharing agreements in place in Ghana such as those in
Nigeria, there are other ways in which elites can position themselves to capture a large share of oil revenues.

These warning signs, however, have not convinced the Equity Partners of the imperative of pursuing a different approach. Company 1 made a point of putting on the cover of its 2009 Corporate Responsibility Report (Company 1, 2009b) under the heading, ‘Building Africa’s leading responsible independent oil company’, a photo of Nana Kobina Nketsia IV, the Paramount Chief of Essikado Traditional Area. It is through Nana Kobina and other elites that the Equity Partners have managed to implement many of its CSR programmes so swiftly. He praised the efforts of the Equity Partners, explaining that:

As traditional leaders, with the benefit of history and hindsight to guide us, it is our responsibility and duty to assure that our communities benefit and prosper from Ghana’s new oil province. We are very much aware that most business roll-outs, particularly in the extractive industry, do not always impact positively in one way or another, on the immediate community. It is not within our purview to say that exploiting these resources should cease because of these impacts. Rather, the solution is to find measures not only to mitigate but also to ensure the positivity of the impact wherever possible [Company 1, 2009b, p. 11].

While there seems to be some logic to implementing a system of dialogue with communities, the decision to adopt a strategy that emphasizes the use of local elites such as chiefs to infiltrate and communicate with affected people and which continues to obscure the complex labour dynamics of the fishing villages described above is open to debate. Had this knowledge been available from the outset, presumably, a more innovative approach would have been pursued.

The majority of people interviewed from the three study communities were visibly dissatisfied with the imposed system of dialogue, believing that information was not reaching the Equity Partners. A substantial amount of blame is now being directed at chief fishermen who, as one fisherman explained in an interview, are ‘supposed to work on our behalf on matters relating to fishing [and] any time we have problems when we go fishing, we report to our chief’ (Fisherman 9). The reason for doing so, explained another fisherman in an interview, is that ‘most of us [fishermen] do not have any relationship with our traditional chiefs [and therefore] we only communicate with them through our chief fishermen’ (Fisherman 1). While traditional leaders (i.e. chiefs) undoubtedly wield the most power in the affected areas, the influence of and respect commanded by chief fishermen cannot be overlooked. Aplaku (2002) describes their integral role in these communities:

The artisanal marine fishermen lived in communities, and the chief fisherman, who usually happens to be the founder of the fishing community and/or most skillful and wealthy fisherman, together with some elders and successful fishermen, resolve fishing related conflicts, enforce social norms relating to fishing, and oversee the general welfare of other fishermen in his community. When it happens that the fishing community is within the jurisdiction of a bigger village, the village Chief ranks superior to the Chief Fisherman. However, the Chief Fisherman is usually granted the powers to resolve fishing related conflicts and punish violators of fishing norms (usually by imposing fines or excommunicate). Occasionally, referrals are made to the village Chief, who in most cases depend on the expert advice of Chief fishermen within his jurisdiction to pass judgments [p. 10].
Not surprisingly, much of the blame for the perceived lack of change on the ground is directed at chief fishermen, being the most ‘visible’ actors in the power structure. As one fisherman explained in an interview, residents were struggling to understand how so little was coming out of a process where ‘they [the companies] go to the chief [fisherman] who is the head for us’ and that ‘the meetings were attended by the leaders in the group’ (Fisherman 8). Surprisingly, these grievances extended to the selection process for chief fishermen itself. Most of the fishermen interviewed appeared aggrieved because according to them, their chief fishermen were being selected by the traditional chief who has little knowledge of the ideal leaders of groups be. Many were therefore of the opinion that their views and opinions differed markedly from those of the appointed chief fishermen. One chief fisherman detailed the selection process in an interview, his explanation contrasting those of fishermen and reported earlier in this chapter:

We all meet and appoint one we believe can lead us and help us find solutions to our problems. We then show him to our traditional chief. Our traditional ruler is the overall leader of the town. We say to the chief, we believe this is the person who can duly represent us. So if any of the fishermen go to sea and encounter problems, it is the chief fisherman who the issue will be reported to. He is in charge of resolving all issues. Sometimes fights break out during the fishing expeditions. So when there are issues such as fights, the chief fisherman resolves the issue. There are so many people from different ethnic areas here. We have Ga, Ewe, etc. I am from (different community) so I was elected as chief of the people from (different community). After a while, an announcement was made by that the traditional chief had decided that I had acted well as a leader so I was made the chief fisherman [Interview, Chief Fisherman 1].

Considerable frustration was voiced by fishermen during focus group discussions. Participants singled out chief fishermen as the many reasons why changes were not being made, and expressed dismay over not being able to challenge their authority because of the orientation of traditional power structures. The following excerpts from selected focus group discussions certainly capture this:

The chief fishermen liaise with the leaders of this town to make demands to the oil companies. We are at the forefront of the oil and gas business but we have no say in what happens here. They make recommendations to the companies for items but do not inform us of these recommendations. The benefits of items given by these companies go to these leaders and do not trickle down to us. But we are the ones directly affected by the drilling activities [Fisherman, Focus Group 1].

Some of our chief fishermen do not go to sea with us. They do not experience what we experience on the sea. We come back and tell them what our problems are. They may take up our issues with our leaders but if they do so and they are bribed, they will not come back and share the booty with us [Fisherman, Focus Group 1].

The chief fishermen selected by the traditional chief are educated men who do not go to sea. They put pen and paper to everything. How can they represent us [Fisherman, Focus Group 2]?

Our traditional chief chooses him and it is supposed to be given to one who has done fishing for long. Since we don't choose, how then do we hold him accountable? How can the elite be chosen as chief fisherman for us? He will always cheat us especially when there is money from government for us. They never listen to us. Just imagine the purchase of premix fuel in this town. I know that in other areas, the fuel isn’t sold to non-fishermen. But the case is different with us here. Anybody can buy premix fuel and they in turn sell the fuel at higher prices to us, the fishermen. These leaders know the money they receive from these activities [Fisherman, Focus Group 2].

They should also allow us to appoint our own chief fishermen. We can’t continue to have these educated people whose place is the office to act as our chief fishermen any longer [Fisherman, Focus Group 2].
Significantly, most of chief fishermen interviewed were educated and owned canoes; some are not even fishermen. But while certainly suggestive of a potential elite capture-type dynamic, the situation may be more complicated than projected. Many of the chief fishermen interviewed also expressed frustration with not being able to influence their leaders, who likely have their own motivations for getting involved in community development processes in affected communities so forcefully. One chief fisherman was particularly vocal about his own concerns, communicated to him by his colleagues, failing to reach the management of the Equity Partners:

We had a meeting at Rainbow Hotel and the government representative mentioned that because the oil found is offshore, it belonged to the state more than the local people and this implies that the State has every right to the management of the oil. We just asked for assistance from them to buy some fishing inputs at reduced prices. Nothing yet and I can say that is the main challenge. We don’t seem to get the ears of our leaders [Interview, Chief Fisherman 7].

Why would the government representatives downplay the concerns of affected communities? But it is not just the government representatives who should be faulted here. It is rather the Equity Partners who should be singled out for their deliberate selection of a community development strategy which emphasizes the empowerment of elites, despite yielding questionable results in other oil-rich settings in sub-Saharan Africa, disconnecting management from local-level dynamics even further in this resource enclave environment, and in the process, preventing it from being anticipatory. Why are the Equity Partners not being more proactive with the community engagement dialogue, and why are they relying on liaisons retrieving information periodically and local leaders who have not demonstrated reliability or trustworthiness?

As highlighted in the next section of this chapter, failure to implement more responsive community dialogue strategies has impacted CSR ‘outcomes’.

8.8 OPERATIONALIZING CSR IN GHANA’S OIL COMMUNITIES THROUGH AN ENCLAVE LENS

A point raised in Chapter 2 sets the stage for the discussion presented in this section of the chapter. Frynas (2005), in his research on oil and CSR in Nigeria, marvelled at how ‘many non-functioning white elephants [were implemented], including unfinished buildings designed to be health clinics or schools, water projects where the water was unfit for consumption, or projects such as health clinics which lacked light, running water, basic equipment or staff’ (p. 587). This, however, is by no means endemic to Nigeria. It is rather what has come to be expected from settings characterized by the ‘rentier effect’ or, as Ross (2001) puts it, when ‘resource-rich governments use low tax rates and patronage to relieve pressures for greater accountability’ (p. 328).

In sub-Saharan Africa, scholars have, in their assessments, mostly linked the ‘rentier effect’ or rentier politics and patronage networks with autocratic regimes such as Angola, Gabon, Cameroon and
Equatorial Guinea (Yates 1996; McSherry 2006; Basedau and Lay 2009). This has potentially drawn attention away from the crux of the matter: namely, the behaviour and performance of institutions in economically-deprived settings where rich reserves of natural resources – in this case, oil – have been discovered. Karl (2004) explains the issue in substantive detail:

Generally, oil rents produce a rentier state – one that lives from the profits of oil rather than from the extraction of a surplus from its own population. In rentier states, economic influence and political power are especially concentrated, the lines between public and private are very blurred, and rent seeking as a wealth creation strategy is rampant. Rentier states are notoriously inefficient because productive activity suffers and self-reinforcing “vicious” development cycles can set in. Together, all of these factors slow growth, raise powerful barriers to the diversification away from petroleum dependence, and produce the skewed development patterns described by the resource curse [p. 664].

Although its manifestations may vary, what surfaces in a rentier state, therefore, is a particular policy mind-set or approach to governance. Significantly, the evidence (Yates 1996; Karl 2004; Olanya 2012) points to rentier politics preserving resource enclaves, in turn, inhibiting decision-making and the formulation of progressive ideas, in this case those made in the area of CSR and local economic development. While by no means a ‘pariah’ state, Ghana has, since the discovery of oil, exhibited all of the symptoms of a ‘rentier state’ (see Chapter 6). As will be explained, these dynamics have likely contributed to a vanilla CSR (on the community side) and local economic development strategy, which has, thus far, delivered interventions that have proved unpopular with target populations which have very different ideas on what measures are capable of making a difference in their lives.

The stage seemed to be set for Ghana following the country’s National Forum on Oil and Gas Development in Accra, 25-28 February 2008. Here, the former Minister of Environment and International Development of Norway, Erik Solheim, provided opening remarks, reflecting on how Norway has long managed its own oil revenues soundly and how in doing so, it has managed to establish the world’s largest sovereign wealth fund. Mr. Solheim called on the more than 200 participants, an audience which included high-ranking traditional chiefs, representatives of Ghana’s civil society, members of parliament, and members of the business community, in attendance (Open Oil, 2012) to use the finance from the new oil find wisely. He stated that ‘oil can make politicians like myself lazy’, furthermore calling on the government to extract maximum payments from the Equity Partners, but while continuing to tax the citizenry and remain progressive in its outlook (Solheim, 2008). The speech certainly infused the rhetoric at the time, sparking a flurry of discussion (e.g. Acosta and Heuty, 2009; Moss and Youn 2009)82 praising Ghana for moves believed were being made to ‘try and get things right’ with oil, an outcome which again, has proved elusive across sub-Saharan Africa.

Mr Solheim has since reinforced these remarks on numerous occasions, most recently in an interview for the Oxford Business Group (Oxford Business Group, 2011):

If Ghana gets its oil revenues right, it can earn a lot more money for the development from hydrocarbons than it could get from all its international donors combined. The key issue is to make sure certain oil and gas proceeds are used for social services such as health, education and infrastructure…The most important thing for oil companies is predictability. Things cannot change whenever there is a new finance minister or a government as this would be detrimental for business. Rather, if the environment is stable and predictable, oil companies can make the choice of whether to invest or not. In the case of Norway investors still want to come, and it will be the same for Ghana if companies feel confident that the taxation rate, though high, is consistent over time [p. 117].

Perhaps Mr Solheim was making reference to the complications that arose following the change in government in Ghana that took place at the end of 2008 (See Chapter 6). Referring back to the point made by Solheim on the importance of predictability, significantly, the government’s battle with Company 3 seemed to draw attention away from plans hatched to make the oil discovery work best for development. As Chapter 6 highlighted, Ghana was operating on a timeline, specifically, the ‘Countdown to First Oil’, which meant that drilling was going to commence in December 2010 regardless of what measures and policies were in place. Perhaps before the delays, innovative community development plans had been laid, which the subsequent battle between the NDC Government and Company 3 derailed. An important question raised in Chapter 2 in the context of CSR in offshore oil-producing enclaves was ‘which communities?’, the insinuation being that because the industry does not have a ‘visible’ presence such as a sector like mining or forestry, pinpointing who should feature at the heart of development plans becomes challenging, a phenomenon referred to here as ‘offshore CSR’ (Ackah-Baidoo, 2012). But in identifying the 115 ‘enclave’ communities, the Equity Partners had shown a rare progressiveness uncharacteristic of oil companies, and was well on its way toward overcoming this challenge at an early stage. The EIA which followed and undertaken at the time negotiations between Company 3 and the NDC Government began to deteriorate, however, did not do the preliminary work undertaken much justice and, as explained in Section 8.3, yielded an apparatus which, in all likelihood, will not keep the Equity Partners abreast of the volatility in onshore communities from the confines of its enclave.

The lack of accountability and laziness to which Solheim (2008) alludes is perhaps best epitomized by the Petroleum (Local Content and Local Participation) Regulations, 2013 (see Chapter 6). On the former point, despite identifying the 115 ‘enclave communities’ and approving an EIA believed would properly engage inhabitants, the Regulations are grounded in a more general interpretation of ‘the local’. They rather place emphasis — in this case, on employment — on hiring Ghanaians, not prioritizing recruitment from ‘enclave communities’ as perhaps expected and the messages contained in the EIS imply. This could explain why, as highlighted in Section 8.3, local chiefs — regardless of their motivations — have demanded that a share of oil proceeds be dispensed locally. On the latter point, the fact that the Regulations were implemented a full three years after ‘First Oil’, and not beforehand, is the type of reactive strategy that has come to be associated with rentier politics in sub-Saharan Africa. Rarely do the governments of impoverished oil-rich countries, doused in finances produced from booming production, think progressively about how to use funds sustainably and for the benefit of the country.
In the views of individuals interviewed in the fishing communities, claims of ‘getting it right’ and ‘oil for development’ have never really materialized. During the course of interviewing in the three study communities, the disconnection between what the Equity Partners are providing on the one hand, and what communities desire on the other hand, quickly became apparent. Such an outcome, however, is inevitable in environments characterized by rentier politics and which host resource enclaves. Judging from the statements made by one fisherman during an interview in Community AX, the disparity could be enormous:

They [the Equity Partners] have not and are not doing anything to change our lives. They have been making empty promises but since the first drill of oil in 2010 nothing has been done yet. They give out things like television to the whole community and that’s it. For the fishermen, I will say nothing has been given to us. I was talking to one representative the last time and he mentioned they are planning to have a scholarship programme for the children of fishermen. Unfortunately, they brought 10 scholarship forms to us and sent 30 forms to the education office. I say it is unfortunate because, how can they side-line the people who are most affected by their activities. Just look at the number of people here; we have about 500 canoes. I have 14 workers; can you just imagine the numbers? So how can we manage with 10 scholarship forms [Chief Fisherman 6]?

The interview data collected helps to explain why. There seem to be sharp divisions between what local villagers want on the one hand, and what local elites think they want, on the other hand. This, of course, has important implications in the setting in question – namely, an enclave environment featuring a policy and management apparatus that is incapable of adequately engaging with affected peoples. As explained in Section 8.3, the EIA lays out exactly who the Equity Partners dialogue with in affected communities: elites and liaisons. The frustration was evident during interviews with selected fishermen, who believed their voices were suppressed by this process. The following extracts illustrate this clearly:

We are part of the Amanfiman council so the administrators send letters to invite us to meetings at the Town Centre. We continue to tell them [the chiefs and chief fishermen] our problems but no response from them yet. We have decided to move to the MCE [Municipal Chief Executive] the next time [Fisherman, Focus Group 3].

We have asked him [chief fisherman] to involve us in the meetings. Whenever some leaders visit this place, we expect him to inform all of us; but he and a few committee members meet the leaders [Fisherman, Focus Group 1].

They said they were going to help us but have not returned yet. We have even asked for cold store but no one is willing to help us [Chief Fishmonger 5].

Those interviewed in the villages visited did put a premium on interventions which could better their lives in the immediate term, highlighting in particular, moves to be taken in the area of education. The following excerpts capture this:

When we talk about help to the government, they ask us to go to the company. Most of us did not go to school and this is what we can do to survive. We expect them to just do something for us; it could be building a school. We have asked them to assist us buy outboard motors at subsidised prices so we know that we are also benefiting from the oil business [Fisherman, Focus Group 5].

Some promise free education which can improve their chances of employment. But I have also seen unemployed educated people. I can count about 700 of such in this town; some completed JSS and SSS… [Fisherman, Focus Group 2].
Residents, however, did put these demands into context. Many interviewees commented on the number of visits paid by – or in their view, the lack of visits from – the Equity Partners’ staff. Most, however, indicated that they simply want their lives back, that the focus should be on restoring livelihoods. The following excerpts capture this:

The men do not have much fish as compared to the times before the drilling began. The few fishes available are killed by the chemicals that the oil company uses. So most of us women grouped and visited the chief to inform the oil company to stop their activities because we cannot continue in this hunger when they benefit [Fishmonger, Focus Group 10].

Most of the men are unable to fish due to this light and have to pay back loans they had gotten from the banks. My husband, for instance, has not gone fishing in the past 4 months. Due to this same light problem, it has to stop [Fishmonger, Focus Group 9].

We have asked them to stop using that light so the fishermen can catch the fishes [Fisherman, Focus Group 4].

We also need to work. We are informed the same problem happened in Nigeria. The light at the rig attracts all the fishes; so we requested a meeting and some people attended but the leaders didn’t. We have proposed that a pole is also mounted here so it can also attract some of the fish for us. Some thought the idea wasn’t necessary and have stood against this [Fisherman, Focus Group 1].

Table 8.3 summarizes what most fishermen interviewed in the affected communities visited expect the Equity Partners to deliver, aside from actions to restore local livelihoods.

Table 8.3: Main demands of fishing communities

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<td>Fishing Subsidies</td>
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<td>Jobs in oil drilling</td>
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<td>Alternative ways of increasing fish stock</td>
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<td>Health Centres</td>
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</tbody>
</table>

The precarious state of fishing villages has not escaped local elites entirely, although some seemed more enlightened than others. One such individual was a particular chief fisherman:

That is why the government also needs to help us since our work is disrupted by the oil drill. They should help us financially so when we don’t have great catch we can still survive. I have gone for a loan to improve my business but now can’t go fishing because of oil drilling, at the least attempt, I will be imprisoned. How do you expect me to pay back my loan and even feed myself and the family [Chief Fisherman 3]?
But for the most part, the local elites interviewed were not very in tune with the needs of fishermen and their dependents. Most called for infrastructural development which despite being important, is going to do sparingly little to cure the immediate suffering of the fishing family. One assembly man and a chief fisherman justified why priority should be given to infrastructural development, views which seemed to resonate quite powerfully among other local elites consulted:

Personality, I feel infrastructure. We lack, let me say, my area here we don't have a tertiary institution. We are not even so keen about tertiary institutions, we are keen about upgraded institutions, training college, a campus of say diploma awarding institution. You go to certain places and you see that the universities do have campuses at one place. Then the hospitals should be upgraded, especially, our hospital here [Interview, Municipal Officer 3].

Their [the Equity Partners] contributions have been through their corporate social responsibility projects. They have been contributing in that way in all the six districts. There have been projects like CHPS compound, bore-hole drilling. The assembly is yet to benefit fully from this. The company built an emergency unit in the hospital here and one at Tano…When Company 1 came we told them exactly what we wanted especially with the CHPS compound. They promised to give us six but they are yet to start the construction…[but] definitely they will come because they are working in all 6 coastal districts [Interview, Municipal Executive 2].

The only type of intervention all individuals consulted in the villages visited seemed to agree on was the construction of a cold store. As one fisherman explained in an interview, ‘We need them [the Equity Partners] to provide a cold store to preserve the fish for long and the women to have enough to sell’ (Fishmonger, Focus Group 3). This was also viewed favourably by local level elites. The cold store idea, explained one chief fishmonger in an interview, ‘isn’t bad so if they built one here it would be very appreciated [because] we need assistance in the form of a package which can help us buy some of our inputs at subsidised prices, [as] Fishing inputs are very expensive (e.g. aboard motors are unaffordable for the fishermen)…[and] It will be proper to receive some help from the companies (Interview, Chief fishmonger 1).

On the whole, however, the actions taken in the area of CSR that have been debated from the confines of Ghana’s offshore oil enclave have been marginally-effective at best, sporadic in occurrence and unimaginative. Moreover, revisiting Frynas (2010), being disconnected from the day-to-day realities of villages, the Equity Partners have also implemented some curious ‘white elephant projects’. One of the more illustrative examples was the move to install televisions in community centres, a decision which one Equity Partners official attempted to justify in an interview:

It is an indication that we picked earlier and that explains why we decided earlier, that in these communities we were going to have – how do I call it – tools for public education and public awareness. And one of the tools we were looking at were video and television and so we started a pilot where we mounted, I think it was 17 giant television screens in some 17 communities. The intention is to use those community centres to screen documentaries of our operations that will provide further information to the community as to what we are doing and provide them with a basis to understand and to ask questions. I know we decided that in additional to that we would connect all of those televisions to DSTV which we did. I think eventually it became centres for watching movies and other stuff. In some of the communities we placed them at the community centre and in others at the chief’s palace [Interview, Corporate Official 3].
Interestingly, the televisions were one of the first CSR initiatives undertaken following the commencement of drilling activity and the dispute between the NDC government and Company 3. At the time when van Alstine (2012) conducted his initial study of the structures in place for Ghana’s ‘oil for development’ agenda, it was found that from the outset, the management of the Equity Partners did not know which areas to invest their CSR funds. It was therefore agreed, without debate or much discussion with the residents of ‘enclave communities’, to place televisions within communities to enable community members watch the 2010 World Cup, in which Ghana was participating. At the time of this research, however, no televisions were seen in the community centres of the communities which had allegedly received them. When queried about this, one community liaison officer explained that they were now in the premises of the District Executive (the community liaison officers operate out the DCE office in this community).

In summary, rentier politics are, in all likelihood, helping to preserve resource enclavity in Ghana’s offshore oil economy. The CSR strategies that have emerged from this setting have, not surprisingly, been questionable at best. But why, given the negative feedback provided, are the Equity Partners not responding more appropriately to any potential shortcomings with their programmes and policies? The next section of the chapter attempts to come to grips with why.

8.9 CONCLUDING REMARKS

This Chapter presented the findings from interviews, focus group discussions and life histories conducted within the oil and gas ‘enclaves’ in Ghana. It details the grievances of the fishing communities. The key issues of concern to local fishermen and fishmongers were that their true needs were not being attended to by the Equity Partners and the Government of Ghana. The three major issues were identified as impacts of oil drilling; namely, the lights on the rig which were attracting schools of fish towards the FPSO; the creation of an exclusion zone around the FPSO which was affecting fish catch and the proliferation of sargassum in the sea and on the landing beaches.

The study found that the Equity Partners and the government did not directly engage with the fishermen and their dependents. Rather, existing community communication structures were used to develop CSR programmes. By doing so, the voices of the elite in society were highly featured in choices of CSR programmes. This approach finds expression in a burgeoning literature on legitimating practices embedded in CSR activities of MNCs (Mitchell et al., 1997; Barkemeyer 2007) which will be examined in Chapter 9.

Chapter 9 will bring together all of the findings reported in Chapters 6, 7 and 8. The key ideas presented in Chapter 4 which formed the conceptual framework will be weighed against these findings to identify patterns specific to a developing world context. The final conclusions of this study will then be drawn on the basis of these analyses, following which recommendations will be offered.
9 Legitimacy Masqueraded? Critical Reflections on CSR in Ghana’s Oil and Gas Industry

…the core activities of business can help to raise and distribute income that may help to address the development goals of a country. In addition, businesses may also contribute to development goals through their CSR programmes. Such programmes can directly target, for example health or educational, issues that may not be core to their own business, but are nevertheless perceived to be critical aspects of development. (Belal et al., 2013, p. 83)

9.1 INTRODUCTION

This chapter revisits findings reported in Chapters 6, 7 and 8. It critically reflects on the design, execution and the projected impact of CSR programmes in offshore oil and gas enclaves. In doing so, it focuses on issues such as power, legitimacy, urgency and proximity (Mitchell et al. 1997; Driscoll and Starik 2004) as they apply to CSR in extractive industry enclaves.

Figure 9.1 Synopsis of literature, theoretical concepts and key findings of study.

This chapter addresses the third aim of this study, which is ‘to critically reflect on the implications offshore oil production has for CSR design, accounting and development overall’. Figure 9.1 summarises the findings from the literature which informed the study, the theories that guided the study and the key findings. The ideas presented in the figure form the core of the discussion in this chapter. As laid out in Chapters 6, 7 and 8, the Ghana case offers a rare glimpse of how programmes in offshore oil and gas enclaves are conceived from the outset: specifically, how stakeholders are identified, the way in which
needs are met, and the rationale for their inclusion. An analysis of the decision-making process, combined with feedback from the key actors involved, has provided an understanding of how CSR is conceptualized and operationalized by oil and gas companies in an offshore environment in sub-Saharan Africa. What are the policy and strategic implications of these findings?

This chapter proceeds by exploring the hidden message in sustainability reporting. The idea tabled here is that although stakeholders are widely referred to in annual reports, what happens on the ground masquerades the legitimating practices that occur when formulating CSR programmes. On the back of this discussion, the implications of the study for economic development, policy and the accounting literature are highlighted.

### 9.2 Rationalizing ‘Offshore CSR’: Legitimacy Masqueraded?

Although still very early into the production phase, the ‘Offshore CSR’ being carried out in Ghana’s oil-rich enclave appears to have had minimal impact thus far. In an environment characterized by ‘rentier politics’ and weak institutions, however, it is difficult to see this changing – at least in the short term. To put this into context, the Equity Partners operate in an insulated enclave offshore which is disconnected from the day-to-day realities of communities onshore – in this case, fishing-dependent settlements. Within this enclave, there is a lack of meaningful policy and managerial apparatus to ensure that management is kept abreast of any changes on the ground; and, is permitted, by government, to continue operating in this disengaged fashion. Table 9.1 provides a breakdown of oil community-specific CSR programmes developed by the Equity Partners. Although these CSR programmes seem decent, they are a far cry from what local fishermen claim they want. From the dialogue exchanged during interviews, life histories and focus groups carried out in the study communities (Section 8.7), it was apparent that, at least at the time of this research, the Equity Partners were failing to reach the affected and to ‘connect’ with those capable of advising on more appropriate CSR measures. What the Equity Partners are missing is a true commitment to engaging directly with fishermen and their dependents. Why does it appear that this unsustainable development trajectory is inevitable, and why is nothing being done to correct it? Legitimacy Theory, which was detailed in Chapter 3, helps to explain this outcome.
Table 9.1: Details of the Equity Partners’ CSR programmes

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fishermen</td>
<td>10 masters level scholarships for wards</td>
</tr>
<tr>
<td></td>
<td>Fishermen Regatta</td>
</tr>
<tr>
<td></td>
<td>Livelihood Enhancement and Enterprise Development Programme</td>
</tr>
<tr>
<td>Chief Fishermen</td>
<td></td>
</tr>
<tr>
<td>Fish mongers</td>
<td>Training on use of new technologies for preserving fish</td>
</tr>
<tr>
<td>Community</td>
<td>Renovation of a section of the community clinic building. No gadgets provided.</td>
</tr>
<tr>
<td></td>
<td>TV</td>
</tr>
<tr>
<td></td>
<td>Chairs</td>
</tr>
<tr>
<td></td>
<td>Renovation of local secondary school</td>
</tr>
<tr>
<td></td>
<td>Health Screening</td>
</tr>
<tr>
<td></td>
<td>Sponsoring annual festivals</td>
</tr>
</tbody>
</table>

To recap, legitimacy ‘helps to ensure the continued inflow of capital, labour and customers necessary for viability… [+] forestalls regulatory activities by the state that might occur in the absence of legitimacy...and pre-empts product boycotts or other disruptive actions by external parties’, action which ‘provide managers with a degree of autonomy to decide how and where business will be conducted’ (Neu et al., 1998 p. 265). The implication here is that being legitimate ‘enables organizations to attract resources necessary for survival (e.g., scarce materials, patronage, political approval)’ (Hearit, 1995, p. 2). Here, the articulation of legitimization strategies is particularly challenging given the industry (enclave oil production) and context (a developing world setting) in question. For mining, even in a developing world context, the approach is slightly more straightforward. An argument can be made that, given the more visible, and extended, presence of a mine on land, the operating company may need to think more creatively about ‘social contracts’. This may lead to unprecedented working partnerships with certain local partners, such as local tribal governments, NGOs and community groups, relationships which ensure that the project is sustained over the long-term and is aligned with the traditional customs and cultures of the communities surrounding operations (Hart and Sharma, 2004).

The situation is different for an offshore oil complex operating under an umbrella of ‘rentier politics’ because the demands of such community level actors are somewhat suppressed. An exhaustive discussion on how legitimacy applies to Africa’s offshore oil-producing regions is beyond the scope of this thesis. But it is important to make clear that legitimizing practices embed the strategy being pursued in such cases. As will be discussed in Section 9.3.2, these legitimating practices alone do not explain the status quo. The findings of this study suggest that power structures play an important role in corporate perception of stakeholder salience (Mitchell et al., 1997) and by extension, CSR outcomes. An adaptation of Barkemeyer (2007)’s model of ‘Home Market Legitimacy’ versus ‘Host Market Legitimacy’ helps
explain why this has unfolded, and why CSR has manifested in the way it has in the context of oil and Ghana.

In understanding how multinationals gain organizational legitimacy in developing countries, Barkemeyer (2007) presents three hypotheses. Each has direct relevance to the present case study, helping to shed light on how the three pillars of CSR identified in Chapter 2 – the business case, social license to operate, and accountability – have played out in Ghana’s oil sector, and why the CSR ‘outcomes’ of interventions are at times complete mismatches to what affected peoples seem to want. The first is the view that ‘CSR is mainly used as a means of managing primary (Northern) stakeholders’, or that the main body of stakeholders that need to be satisfied are found in the West. This certainly applies to the present case. For the Equity Partners to have gotten off the ground, they needed to secure financing, foremost from the IFC, whose involvement is a key to catalysing inputs from other lending institutions: on average, for each US$1 the IFC lends is attached to US$5 of additional investment (Feench, 1998). In 2009, it provided loan of US$100 million to Company 3 and US$115 million to Company 1, the two main Equity Partners.83 The move was instrumental in ‘readying’ Ghana for oil production, helping to usher in a US$602 million loan from the IMF in 2009 to tackle budget imbalances and an additional US$38 million loan from the World Bank in 2010 for the Gas and Oil Capacity Building Project, the aim of which is to assist with policy implementation and regulation.84

To secure funding from the IFC, an EIA must be conducted and for private banks, the Equator Principles – again, ‘a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions’85 – must be satisfied. Both have received their share of criticism over the years (see e.g. Hardenbrook 2007; Worsdorfer 2013), in particular for their cursory assessment of ‘the local’. This could explain why, in the current case, the EIA conducted by the Equity Partners seemed substandard: it was produced in line with the demands of Western financiers who have their own conceptualizations of what is adequate. Even IFC officials went on record to defend some of the criticisms raised, claims which have since been confirmed to have been excessively premature and even outlandish. These included (IFC, 2009):

1. The Project being 64 kilometres offshore and not being seen from the land, even at night. This distance, it was claimed by IFC officials, puts the Project well out of the reach of most artisanal fishermen operating from the coast.

2. The Project being situated in 1000 to 1700 meters of water, where the ocean floor contains little life and is essentially a layer of mud. It was deemed that there were no critical habitats within the

Project area. This assessment was based on: the IFC’s review of baseline data, including the Environmental Baseline Survey (EBS) on oceanographic or benthic features in the vicinity of the Oil Field Y, as well as scientific databases and available literature on life history, biology and behaviour, distribution range, population size, regional presence, preferred habitat, seascape features critical to the survival of the marine mammal species reported as occurring in eastern-central Atlantic, and their migration routes.

3. Recognition that commercial fishermen (primarily for tuna) do operate in the area. It was claimed that, as a result of a 500 metre safety zone that must be maintained around the MODUs and FPSO, there would be a very small reduction of fishing area compared to the total fishing area (785 km² vs. 235,349 km² of Ghana’s Exclusive Economic Zone).

Referring back to Barkemeyer (2007)’s initial hypothesis, the business case for CSR in Ghana’s oil sector was based heavily upon appeasing and pitching sellable ideas to the collection of financial institutions which have since bankrolled the project. Based on research findings, the execution of the EIA, which projected that a stakeholder approach was being adopted in Ghana, seemed to be more about building legitimacy with these high-level actors.

This leads to Barkemeyer (2007)’s second hypothesis, which is that ‘differing perceptions in the home and the host country can lead to a misjudgment of which kind of initiative would be deemed appropriate in the host country’. This in part proved true following the change in government in 2008. The Equity Partners’ executives had hitherto dealt with the NPP regime and crafted plans in accordance with its demands. Shortly after assuming office, the incoming NDC regime demanded a renegotiation of the oil contracts, a move which proved futile, largely because of the lack of negotiating platform the government had to stand on. It certainly unearthed the power dynamics of the situation, an imbalance which only NDC officials seemed not to recognize: on the one hand, powerful, donor-backed Equity Partners who had already made significant headway in developing Oil Field Y, and on the other hand, a government with no expertise in oil extraction and no knowledge of how to develop the project but which – unprecedentedly – was proposing to acquire the oil block, despite having no money to do so. In the end, government intervention simply delayed the planning and implementation of the project, as the Equity Partners reconvened and overhauled their strategy in an attempt to reach an agreement that appeased – and which ultimately, legitimized itself in the eyes of – the newly-installed NDC regime.

Another important part of the exercise, at least in the early days, was, as explained, linking with local elites, particularly traditional leaders. The Equity Partners were clearly breaking new terrain, and with the incoming NDC regime expressing concerns over the details of the oil contracts in place, it quickly became apparent the additional legitimacy was needed. As indicated, chiefs were deliberately targeted, and most, including Nana Kobina, embraced the Equity Partners likely because they believed they could benefit from the move. An official from one of the Equity Partners conceded, during an interview, to
having deliberately using chiefs and other elites throughout the CSR design phase, specifically when constructing classroom blocks in the community (to revisit Chapter 7):

We wanted to support the schools that are under trees. So in each community we are providing a 6 classroom block and 3 kg block…We did a trek trip somewhere in March and what we did was we consulted traditional authority, educational authority and also consulted the political unit…[On why we didn’t open it to the public]…One, we were working with time. And we thought that one, the traditional authorities represents the people, the educational leaders or educational heads having been dealing with those children knew exactly what was going on and where they could make the best impact. And political authorities, district assemblies, representing the people these three bodies could be the focal point of our approach. Because if you are going to organise town hall meetings for instance, you have to send the agenda back. Because the fisherman will tell you, for instance, that ‘I don’t think we need a school give me money to go buy fishnets’ [Interview, Corporate Official 4].

Referring back to the pillars of CSR, in the spirit of legitimacy, as revealed in the case of oil production in Ghana, companies place a premium on engaging local-level stakeholders who wield the most influence over operations, affirming Mitchell et al. (1997)’s assertion on the need for power in wielding stakeholder salience. This could explain why the EIA (Company 1, 2009) was carried out in the fashion that it was, and the decision was made to engage local elites and simultaneously side-line affected groups, namely fishermen. The social license to operate in this context, therefore, could be seen as a deliberate attempt to appease local elites and government; interestingly, as the project has progressed, the former have been deemed less important, hence their recent protests for a share of oil revenue.

This leads to the third and final hypothesis presented by Barkemeyer (2007): that ‘Companies benefit from the identification of different legitimacies in the home and host countries they operate in’. This has certainly proven to be the case in Ghana’s oil sector. Given that so much revenue was at stake, the NDC government wisely agreed, after some deliberation, to allow the Equity Partners to proceed. With the Equity Partners, government and donors now on the same page, it becomes quite clear how accountability – the third and final pillar of CSR identified here – applies: within the confines of the enclave and in a context of ‘rentier politics’, these organizations are only accountable to one another. The points raised by van Alstine (2012) earlier concerning the ‘Countdown to First Oil’ have resonance here.

The reference to ‘working with time’ in the above quotation and the simplicity with which community-level engagement took place are signs that the EIA was expedited, which could only happen in a ‘rentier’ setting with weak, unaccountable institutions. Perhaps even more indicative of the legitimating presence of the government is the fact that ‘First Oil’ was allowed to proceed without there being an adequate regulatory body in place for the management of upstream petroleum. This was not established until a full seven months after ‘First Oil’, in July 2011, when, through Act 821, the Petroleum Commission was established.86 A civil society officer reflected on the ramifications of this expedited process in an interview:

Currently, as I speak with you we have managed to pass the Petroleum Revenue Management Act and the Petroleum Commission Act. Normally you do have to sequence the governance framework in a way that makes sense and therefore helps to ensure consistency. That means you need to have first your policy. Your policy will be your articulation of your vision in terms of what role you expect a particular resource in this case, oil and gas to play in your national economy and then you step back to look at what laws you need ok? Or what provisions of laws you need to pursue those policy objectives. But what we have in the case of Ghana was that we developed the policy and the laws almost entangled so it might again become necessary after we have developed the laws to revisit the policy, to assure ourselves that the laws that we passed are consistent with the policy and they are adequate to pursue those policy objectives [Interview, Civil Society Officer 1].

If the Equity Partners, the IFC and other investors were genuinely concerned about CSR and local economic development, they would have waited until all of the pieces of the regulatory framework were in place before commencing production.

Another unprecedented move – though perhaps not unsurprising in the context of ‘rentier politics’ and resource enclavity – was the shift in focus entirely from affected communities to the Ghanaian population more generally, epitomized by the Local Content and Local Participation Regulations (discussed in Chapter 5). While the move will certainly benefit Ghanaians, it has altered the conceptualization of ‘the local’ considerably. The EIA sought to identify, and liaise with, individuals potentially impacted by oil production, a process which, as indicated, led to 115 fishing localities being identified as ‘enclave communities’. The Local Content and Local Participation Regulations cannot be thought of as an adequate response to the concerns raised, as they fail to address the needs of the communities in question. It seems that overnight, the focus of local economic development and by extension, CSR, in Ghana’s oil sector has changed, made possible only by the policy context in which production is taking place.

The three main stakeholder partners – the Equity Partners, Government of Ghana and donors – appear to be putting less effort into masquerading their legitimacy strategy as stakeholder engagement because there is no other party, beyond themselves, which can hold them accountable. There are several signs that the partners now function as one entity, particularly the government and the Equity Partners, and must therefore be thought of as one entity when evaluating progress made in the area of CSR and local economic development: it has become almost impossible to differentiate between them. The first is the open collaboration between the parties on key development issues, one of the more illustrative examples being liaison officers’ work stations. As explained, each is based at the district assembly of the community in question, where they work alongside government officials, in turn making it difficult for affected peoples to differentiate between the regulated and the regulator. The second is the rather inexplicable emergence of the government as a mouthpiece and apologist for the industry. Particularly noteworthy in this context is the EPA, which rather than fulfilling its obligation as regulator, is now one of the Equity Partners’ staunchest supporters. This was made clear during an interview with one official, who, as reported, insisted that there ‘were no problems with the industry’ and that ‘a Fisheries [Impact] Assessment was not needed’, despite evidence which suggests, contrary to the IFC’s downplaying of

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impact, otherwise. A final telling indication is the alignment of ‘thinking’ between the bodies, to the point where one is providing inputs to areas which it would normally have no business doing. For example, the Petroleum Commission is planning to move ahead with the ‘drafting of Corporate Social Responsibility Guidelines’ and to ‘guide and facilitate the implementation of CSR programmes undertaken by IOC’s’, outrageous propositions given that CSR should be the exclusive domain of the corporation and is purely voluntary, outside of government interference. But given the current organisational dynamic, this is by no means surprising.

The organisational dynamic that has emerged, however, is fairly representative of most extractive industry enclave-type ‘rentier’ environments. An illustrative and related example is the Asian mining sector, where, as detailed by Clark (2002), similar dynamics persist:

Until the late 1980s and early 1990s, the mining industry in Asia, with few exceptions, was able to act, often with the full support of government, as an ‘enclave’ activity primarily on the basis of economic arguments as being the best way to ensuring corporate profitability, foreign exchange earnings, tax revenues and for limiting ‘external’ (environmental, social and cultural) costs. As a result, the majority of decisions relating to mining were almost always based on negotiations solely between industry and government and with a primary focus on economic ‘trade-offs’ and/or concessions...Within such a closed system of decision making, decisions often did not take into account, or only incompletely accommodated, the needs and views of other stakeholders, in particular, those of local communities, indigenous people, concerns non-governmental organizations (NGOs), stockholders and a number of additional stakeholders with a diversity of vested interests [p. 35].

Figure 9.2: Wordle of Key Words used by IOCs in Sustainability Reports

Source: 2011-2013 Sustainability Publications of Equity Partners

Clark’s (2002) assertion seems to hold true in the Ghanaian context. As discussed in Chapter 3, there is a general belief that sustainability reporting, being a purely voluntary exercise, is being used by organisations to highlight superior performance and/or to legitimise their activities (Perez-Batres et al.

2012; Abbott and Monsen 1979; Abdullaha and Aziz 2011; Bessire and Onnée 2010). A detailed look at sustainability reports for the Equity Partners using Wordle produced the results presented as Figure 9.2. This Wordle shows the frequency of use of particular words relating to CSR in the Equity Partners’ sustainability reports. The key words were selected from data gathered during interviews with corporate officials. Local was the most commonly used word while inclusive and grassroots were the least used. Interestingly, the Wordle seemed to provide some evidence to support the argument being tabled here that legitimating practices underline CSR outcomes. In this case, the government is perceived to be a more salient stakeholder than communities (counted community and communities together). In the sustainability reports, there seemed to be an outward projection of the significance of all stakeholders in an effort to show a balance in stakeholder salience. Stakeholder was the third most used word. However, government was mentioned more than twice as many times as community.

Although sweeping conclusions should not be drawn from this Wordle, it, together with the findings presented in Chapter 6, 7 and 8, is sufficient grounds to describe the actions of the Equity Partners in Ghana’s oil and gas enclaves as ‘legitimacy masqueraded’. This means that the Equity Partners use disclosure to project an appreciation for affected communities and the need for a social license to operate from these communities. Yet, in an offshore enclave environment such as Ghana, precisely how a social license to operate applies is unclear. The government is perceived as the most legitimate and powerful stakeholder and is therefore accorded considerable salience (Chapter 7). From the confines of the offshore enclave in Ghana, cutting-edge ideas may, indeed, be conceived, but with a government and local elites to appease, it is not surprising that the interventions which materialise are complete mismatches with affected peoples’ needs. Consequently, the collusion of the Equity Partners, the government and donors in Ghana’s oil and gas industry has important implications for CSR and certainly goes a long way toward explaining (CSR) ‘outcomes’.

### 9.3 Policy-Led Enclivity and CSR Outcomes: An Inter-Disciplinary Review

The preceding empirical chapters – 6, 7 and 8 – have shed light on the unique nature of the CSR programmes that exist in Ghana’s oil and gas enclaves. The overarching goal of this thesis was to broaden understanding of the processes underpinning CSR decisions in Ghana’s oil and gas industry, an offshore resource enclave. A chapter by chapter report of the key findings of the study is provided in Figure 9.2.
Figure 9.3: Summary of findings by chapter

| Chapter 6 | Ghana exhibits the characteristics of a rentier state  
|          | History of enclavity in mining continues to shape oil and gas industry  
|          | Policy gap |
| Chapter 7 | Stakeholders are well identified by equity partners  
|          | Elite capture  
|          | Power driven stakeholder salience |
| Chapter 8 | Marginalised stakeholders  
|          | Agrieved artisanal community  
|          | Confusion over ‘regulator’ versus ‘regulated’ |

Indeed, and as depicted in Figure 9.3, several unique political and economic issues shape the approach taken to deliver CSR in Ghana’s oil industry. There are wider geographic implications of these issues as they shed light on some of the causes of the negative impacts of the oil industry observed elsewhere in Sub-Saharan Africa. This section of the chapter reflects on the findings presented in Figure 9.3 in light of the three pillars of CSR reviewed in this thesis: namely, the business case for CSR, the social license to operate and accountability (in this case, in Ghana). The empirical insights from the research, which will be discussed subsequently, are summarised in Figure 9.4. As this thesis was interdisciplinary, the insights provided are categorised according to subject area.
9.3.1 CSR and the Economic Development Agenda

Although the political leaders of Ghana had very high expectations of the oil find leading to economic growth, initial forecasts of the social and developmental impacts of the country’s new-found oil wealth (e.g. Ayelazuno 2013; Okpanachi and Andrews, 2012; van Gyampo, 2011; Briesinger et al. 2010) were, not surprisingly – given the history of oil production in the Sub-Saharan African region – pessimistic. Scholars, drawing attention to the Nigerian and Angolan experiences, quickly recognised that Ghana’s democracy might not be sufficient for it to defy the pattern that has unfolded in the region to date: that oil production may neither catalyse economic development nor catapult the country into the much-coveted ‘middle income’ status.88

Three key development studies related findings from this research can be summed up as follows: 1) that artisanal industries – in this case, fishing – which, if supported, could alleviate poverty and possibly facilitate economic development, are being marginalised by large-scale extractive industries; 2) that the type of CSR being implemented is indeed symptomatic of an organisation operating in relative ‘isolation’ (i.e. shielded and insulated somewhat from realities) such as a resource enclave; and 3) the policy treatment of communities affected by oil production is not well calibrated with, or informed by, local needs. Thus far, the impacts of newfound oil production have been largely macro, and reinforce findings in the development studies literature on the social and economic benefits provided by resource enclaves in poor areas of the world (see e.g. Ferguson 2005, 2006; Ackah-Baidoo, 2012). On a positive note, and contrary to the pessimistic views expressed by many of the scholars cited above, Ghana, as revealed in

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88 According to the World Bank, countries which fall into the ‘middle income status’ category have GDP per capita incomes which range between US$1036 to US$12,615. See http://data.worldbank.org/about/country-classifications (Accessed 30 April 2014).
Chapter 6, has indeed achieved low middle income status. Furthermore, it has managed to pass two bills, albeit, *ex post facto*: the *Local Content and Local Participation Regulations* and the *Petroleum Revenue Management Act*. But even these efforts may be insufficient in preventing a resource curse, incapable of offsetting, on their own, other forces at work, namely the country’s patronage-fuelled democracy, acrimonious political competition (Gyimah-Boadi and Prempeh, 2012), the lack of protection given to its artisanal industries (see Chapter 5) and its rentier characteristics.

The analysis of the third pillar of CSR presented in Chapter 2 hinted that the regulatory environment in developing countries influences the type of CSR practised. Ghana’s regulatory approach to its oil industry, as discussed (see Chapter 6), differs little from that of its mining industry. The stabilization provisions contained within oil and gas agreements, which guarantee immunity to IOCs if the country’s laws change, mirror those found in mining agreements. Additionally, the developmental impact of Ghana’s gold mining sector – largely a resource ‘enclave’ itself (Hilson and Okoh, 2013) – has been miniscule. Despite a 700 percent increase in gold production over the past three decades (Addy 1998; Aryee 2001), few monies trickle down to the grassroots. Like mining, where affected community residents point out, with regularity that they have been victimized by environmental degradation and dislocation, have not received adequate compensation for lands and/or crops, and have yet to see the fruits of the industrialization that has surfaced in their communities, including infrastructural development and better healthcare and education for their children (Akpalu and Parks, 2007; Hilson and Yakovleva, 2007; Garvin et al., 2009), inhabitants of the ‘enclave’ oil and gas communities visited during the course of this research have experienced similar grievances. These have already been expressed by the fishermen in communities AX, CP and B but have been largely ignored by the government and the management of IOCs.

There are a number of plausible explanations for what has transpired in Ghana with regards to oil and development. First, there was a rush to ‘First Oil’, which gave rise to a rather unique situation: the IOCs having commenced production and exploration *before* the government had put in place comprehensive legal frameworks to guide activities. Consequently, IOCs were able to exert influence in the formulation of the laws that were enacted *ex post*. In the words of one civil society officer, the *Local Content and Local Participation Regulations*, to a large extent, ‘was driven by business interest’. (Civil Society Officer 2) In Chapter 6, it was noted that a government official disclosed that the operator of Oil Field Y was working in harmony with the Ministry of Energy to develop the local content law. Second, the government of Ghana, through the Fisheries Commission, does not adequately monitor the artisanal fishing industry. During the period of data collection in the communities, the local office of the Fisheries Commission was closed. One government official noted that very little was being paid by fishermen in the form of taxation (Chapter 7). Comparatively, then, the government likely does not perceive the artisanal industry to be capable of facilitating economic development in the same way it sees industrial-size organisations, and likely views impacts on these fisheries as an inevitable consequence of development.
For development scholars who see CSR as corporate ‘greenwash’ (Blowfried and Frynas 2005; Beaver 1999), then, the implications of this setup is that very few lessons have been learnt from the likes of Angola, Cameroun and the Niger Delta. As has been demonstrated in Chapter 7, the government still wields enormous power in the eyes of IOCs and in the absence of the requisite government expertise to provide oversight of the industry and willingness to support local communities, artisanal industries, a significant source of livelihood for the underprivileged in society, will kowtow to large-scale extractive activities.

9.3.2 Ramifications of Offshore CSR for Social Accounting and General Management

In addition to the development literature, management scholarship – the areas of business ethics and strategic management in particular – has successfully made the case for organisations to give greater importance to their social and environmental footprints. However, as Gray (2006a; 2006b) argues, the concept of social and environmental accounting seems counter-intuitive to the accounting discipline with its primordial focus on quantitative indicators for determining an organisation’s efficiency. Undoubtedly, the case for social impact in accounting seems to have become a moot consideration in comparison to that of the environment (see for example Wilmshurst and Frost 2000; Hopwood et al. 2010). Many still see providing social amenities and safeguarding society as the duty of governments and arguing otherwise is difficult. The numerous studies that have been carried out on environmental accounting in recent decades (e.g. Gray 1992; Niskala and Pretes, 1995; Jaggi and Zhao 1996; Deegan and Rankin 1999, Wilmshurst and Frost 2000; Cormier and Magnan 2003, Pearce and Cooper 2013), buoyed by increasing policy attention on climate change, attest to this assertion. Given this limited focus on the social implications of accounting, this thesis sought to highlight an extractive industry’s approach to its social externalities. The goal here was to draw attention to the unique operational environments in developing countries that should be given consideration in the quest of social and environmental accountants to hold organisations accountable for their impacts (see for example Roberts and Scapens 1985; Schreuder and Ramanathan 1983; Scott and. Orlikowski 2012).

Some scholars have suggested that all organisational stakeholders should be treated equally irrespective of their salience to the organisation (Phillips 1997, Phillips et al. 2010; Deegan 2006; Clarkson 1995; Van Buren 2001; Brown 2013). However, recent occurrences such as Capital One’s deception of its clients in 2012, 89 Apple Inc.’s poor working conditions in its Chinese plants operated by Foxconn and Pegatron, 90 and the collapse of the Bangladesh garment producing factory linked to the likes of Walmart, Primark, Matalan, Benetton and Loblaw (collapsed and killing over 1000 91 workers in 2013), signify that these efforts have been tackled quite pedestrianly. In the developing world, the issue of fairness has become even more pronounced, and in the case of the oil and gas enclaves of sub-Saharan Africa,

communities affected by activities have had to bear the brunt of the negative impacts of drilling activities, despite the accumulation of millions of dollars in oil rents by central governments. Rentier politics have facilitated this behaviour. What has been observed in Ghana’s oil and gas industry, as highlighted in Chapters 6, 7 and 8, signifies that the same issues persist and begs the question: How can the social and environmental accounting cause appeal to organisations in a way that will cajole these organisations to earnestly address their impact on society and the environment? Attempting to provide insights as to how this could be accomplished is beyond the scope of this thesis but certainly worth pursuing in follow-up research.

Nonetheless, the findings from this research have three major implications for the disciplines of accounting and management. The first insight relates to one of the many challenges confronting social and environmental accounting – that is, facilitating a ‘rethink’ of how potential qualitative risks can be adequately captured by annual reports. The International Financial Reporting Standards (IFRS), IAS, defines materiality as:

Omissions or misstatements of items are material if they could individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor [Paragraph 7].

As it stands, public companies are given the discretion as to how to determine what is socially and environmentally material and worthy of disclosure (Repetto, 2004; Vance 2011). Wallace et al. (2004) note that ‘materiality is a highly subjective matter, and the determination of whether an item is material requires management to exercise significant judgment’ (p.14).

Likewise, Peter and Romi (2013) question the effectiveness of mandatory environmental disclosures in providing information about risk (potential liabilities and other reputational shortcomings) to the market. Although this study cannot definitively suggest that the issues identified by communities in Chapter 8 are material, there is sufficient evidence to suggest that without a comparative assessment of the impacts of oil and gas on affected communities conducted by the Government of Ghana, the real cause of the problems experienced by communities cannot be ascertained. As explained in Chapter 4, the researcher selected communities AX, CP and B because they seemed to be the most affected by the oil and gas activities. It was later discovered through further documentary analysis that, during the EIA process, these same communities had been identified by the IOCs as having the potential, of the 115 ‘enclave communities’ identified, to be the most affected by production. Yet, the company officials insisted during interviews that their operations did not impact on the livelihoods of fishermen and their dependents (Chapter 7).

Rationally speaking, any profit-making organisation will seek to minimise its disclosure of risk. Accounting exacerbates this minimisation strategy by not specifying any bright-line materiality rules for sustainability reporting. Hassan and Kouhy (2013), for instance, note that oil and gas companies in
Nigeria are not concerned with the environmental impacts of their activities and consequently changes in CO\textsubscript{2} emissions are not material for corporate disclosures. Moreover, Ismail and Umukoro (2012) argue that the different methods used to measure gas flaring in Nigeria – its most serious and well-documented environmental impact – leave room for underestimation of flaring impacts. These scholars highlight an important issue: that there is a potentially-understated conceivable risk and strategic selection of material information to be included in sustainability reports.

Additionally, the focus on ‘revenue’ and ‘assets’ as a threshold for materiality ignores the qualitative impacts that could affect business activities should they arise (Meier et al., 1995). Mitchell et al. (1997) argue that power can be conferred on a dependent stakeholder (in this case, affected communities) and raise its stakeholder salience. A practical example of stakeholder salience ‘increasing’ has been observed in the Niger Delta. Here, power was conferred on to the community militants by the likes of Ken Saro Wiwa (later executed by the Nigerian Government) who brought the plight of the Ogoni people to light and attracted significant international attention to the impacts of the oil and gas drilling in the Delta. Chevron and Royal Dutch Shell would experience considerable pressures to change their practices as a result of this uprising. Another example is the Ok Tedi Mine in Papua New Guinea. Here, an earthquake caused a rupture to a tailings dam, triggering continuous discharges of waste rock from mining into the areas where community members farmed and fish. Communities in the area increased their salience by coming together to form a strong voice, lobbying internationally, and pressuring the mine owner, BHP Billiton (BHP), and its subsidiary Ok Tedi Mining Limited to take responsibility for the disaster (Kirsch 1996). Despite statements by BHP to the effect that the mine waste was ‘virtually identical’ to natural sediment, the company admitted its error four years later\textsuperscript{92} and made an out of court settlement of US$28.6 million to the people. In 2007, another lawsuit for US$5 billion was filed over the same issue.\textsuperscript{93} Risks that are not perceived as material can change abruptly. With companies being able to determine what is material, there is a chance that potential risks go unreported. This situation is further compounded by the fact that sustainability reporting is purely a voluntary exercise.

The examples given above demonstrate how the business environment can change abruptly when powerless stakeholders become empowered. In Ghana’s oil and gas industry, therefore, the fortunes of IOCs could also change significantly should community members be empowered to take action. As already mentioned in Chapter 8, at the time of this study, there was only one oil field in operation. As a civil society officer explained in an interview:

\textit{…our concern is that as exploratory activities intensify in the area more rigs are more likely to appear in that particular area and the cumulative effects of all those lights is disastrous for the fishing industry in the Western Region and therefore it is time to begin thinking about the possible cumulative effects of about 5, 10 rigs [Interview, Civil Society Officer 1].}

As drilling activities intensify and the number of vessels multiply in the ocean, the fishermen will continue to pursue new working conditions which may adversely affect their livelihoods. But these communities do not have any backing from the government to address their plight and blame the oil companies for marginalizing their livelihoods.

The second issue relates to the different geographical contexts of organisations, which makes CSR a political construct. Accounting guidelines generally originate from the developed world where government institutions function comparatively better than in developing countries. Although the developed world is not immune to fraudulent corporate behaviour, there exist adequate data and monitoring of large-scale and artisanal industries which enable claims of livelihood inhibitors, for example, to be investigated and appropriate action taken. But as has been witnessed in Ghana and much of sub-Saharan Africa, institutions do not have the competency, resources, political backing and autonomy to advance the causes of artisanal industries and rural communities (Chapter 5). In these environments, then, even well-thought out accounting principles leave much to be desired. For multinationals operating in sub-Saharan Africa, obligations to society take a completely new form. Social goods which governments are typically supposed to provide become the focus of CSR programmes. In a sense, the context contributes to the notion of lowering of the bar for MNCs (CSR Pillar 3). A weak regulatory environment combined with institutional inefficiencies of developing countries could mean that MNCs’ best efforts to fulfill their fiduciary duties (Marcoux 2003) could fall short of similar efforts made in their home countries. To a profit-seeking organisation then, CSR may seem to be an unnecessary distraction from the core competencies of the business.

However CSR may be packaged, business stability and continuity takes precedence over community demands, especially where companies see communities as less powerful than governments in their ability to negatively impact on business stability and continuity. In line with Sundaram and Inkpen’s (2004) assertion that businesses should not be distracted by social and environmental externalities of their activities, IOCs operating in Ghana are operating well within their rights and ensuring that the stakeholder groups which ‘matter the most’ are accorded the requisite status. Consequently, in Ghana’s oil and gas industry, projects undertaken do not necessarily focus on what the beneficiaries want but rather those who are, in the words of a company official, ‘complementary’ (Corporate Official 1) to what government is doing. What happens, then, is the amount of spending on projects takes precedence over impact of spending. A Corporate Official offered a glaring account of how spending takes precedence over impact when he discussed what happens with the CSR spending of the Equity Partners:

CSR is not about spending money. It is about the impact of what you do. Now, but there were so much money matrix in that and you had to spend the money. If your report indicated that you had spent 60% then you were doing well. They didn’t really look at if you had impacted 60% of the people positively. I think that was also one problem that I had with their approach [Interview, Corporate Official 2].

The Corporate Official went on to say that
The budget has been allocated and the country that spent more was the one that was doing well. And I found it very confusing. You spent time on useless things like drawing graphs and for me using excel sheet and having nice reports on these and spending sleepless nights. So what is on the website probably they are the things they want to do. As I said, they have their minds at the right place and they have the money to do that but they are more interested in the garnishing than really in the actual proper way of doing it [Interview, Corporate Official 2].

Evidently, the geographic and political environment contributes to the CSR strategy adopted by IOCs in enclave environments. Yet, in a developing world context, the focus on quantitative measurements of efficiency negates the relevance of the amount spent. This is because the basic necessities of life readily available in the Western World are often a luxury in the developing world.

The final issue is the role played by multinational institutions and civil societies in enclave environments. As depicted in Chapter 7, civil society advocacy is rife in Ghana’s oil and gas industry. Similarly, multi-lateral organisations such as the World Bank/IFC play a dual role in the oil and gas industry – as a lender to IOCs and government, as well as a facilitator of civil society advocacy through financial grants. A complete analysis of civil society accountability and advocacy is beyond the scope of this study but as the literature on NGO accountability has begun to take root in the accounting literature, it is prudent to provide a cursory overview of the minor contribution that this study is making to this burgeoning literature (e.g., O’Dwyer et al. 2005; Edwards 2000; Gray et al. 2006; Unerman and O’Dwyer 2006; Ebrahim 2003; O’Dwyer and Unerman 2008; Davison 2007). Gray, Bebbington and Collision (2006) argue that for accountants, accountability is ‘typically seen as a straightforward – if contested - notion’ which is challenged by the existence of a ‘civil society’ (p. 320).

Civil society organisations in Ghana’s oil and gas industry have been very vocal about matters concerning Ghana’s stake in the industry. As explained in Chapters 6 and 7, they have played an important role in the development of the Petroleum Revenue Management Act and the Local Content and Local Participation Regulations. Quagraine (2012) reports that civil society advocacy in the oil and gas industry has surpassed that of mining.

But despite the laudable efforts of the civil society organisations in Ghana, there is still an issue of who these organisations are accountable to and whose interests they pursue. Section 9.2 revisited the grant (issued as part of a loan to the Government of Ghana) that the World Bank advanced to civil society organisations within the oil and gas industry to facilitate their capacity to provide oversight of the industry. As Davison (1988) puts it, accountability is a ‘demanding notion’ for NGOs (i.e., civil society organisations) who have to provide accounts to multiple stakeholders. In a way, the World Bank has successfully aligned itself with all facets of the industry – government, civil society and IOCs. This study does not provide any evidence to advance the notion that the grant given to the civil societies in the industry has had a negative impact on the type of advocacy pursued. However, if one considers that the World Bank as a lender to Ghana’s Volta River Authority (Ghana’s electricity provider) limited the organisation’s social and environmental performance (see Rahaman et al., 2004) then there is indeed
reason to be wary of the implications of such grants. Townsend et al. (2004) reported that funding agencies have rules which are branded as 'accountability measures' which limit the ability of Ghanaian civil society organisations to achieve their aims. Agyeman et al. (2009) conducted a study in Ghana which substantiates this argument. Agyeman et al. (2009) found that, inter alia, the pace of performance reporting on the impact of funding issued to civil society organisations exceeds the pace of actual impact experienced by beneficiaries. These accounts of civil society accountability quandary raises questions for the future of advocacy in the oil and gas enclaves of Ghana, a subject in need of further research.

9.3.3 Mounting Community Grievances: Critical Reflections

In Chapter 2, Grievance Theory was introduced in an attempt to understand the drivers of the latent community-level disputes brewing in the territory comprising the catchment area of Ghana’s oil and gas enclave. Revisiting Gurr’s (1970) seminal work, *Why Men Rebel*, it is argued that disputes arise when groups believe that there are discrepancies between what they receive and what they are entitled to. The author’s ideas have since been elaborated further in the development studies literature in an attempt to contextualise natural resource conflicts.

The explanation commonly given is that grievance-related disputes are linked with ‘motive’, and are generally about ‘justice-seeking’ (after Holden et al., 2011). The rents received from natural resource wealth such as oil and gas typically magnify the institutional weaknesses of host countries which, as explained in Section 1.2 and Section 2.4.2, fortify ‘rentier’ settings and perpetuate societal inequalities. It is the behaviour of host governments, awash with resource revenue, and that of the extractive industries which they promote that stokes community-level grievances such as those surfacing in the villages visited as part of this research.

Grievance Theory, as articulated in the development studies literature, attributes marginalisation, inequality and uprising to conflict. In the case of the affected communities in Ghana (Chapter 8), the following story can be constructed from the findings gathered in this research:

1) An EIA was conducted prior to oil production. The consensus in communities is that the procedure followed was not comprehensive enough, failing to engage properly with all affected parties. The EIA entailed community visits, a handful of public hearings, and very importantly, lacked a detailed Fisheries Impact Assessment.

2) Shortly after commencing production, the grumblings began in catchment communities. Complaints were voiced, specifically, over seaweed infestation, the creation of an exclusion zone and ‘the lighting issue’ (Section 8.6), which inhabitants consulted during the course of the research blamed on oil production.

3) In the eyes of local inhabitants, the responses of the company and the government have been woefully inadequate. Research revealed that the company has placed a liaison officer in each
district but that many local ‘elites’, including the traditional leaders and chief fishermen, empowered to dialogue concerns to these individuals and other company officials, may not be doing so. The procedure, it seems, is inadequate to cope effectively with the concerns being raised.

4) Because the companies themselves are operating within the confines of an offshore enclave, it is difficult for management to anticipate such problems. A system featuring company liaison officers certainly provides companies with an ‘in’ to affected communities but from the research undertaken, it is not the most efficient of setups. The government has also failed to come to the aid of communities, siding with the companies on the issues raised.

5) For affected communities, in addition to the government not coming to their aid, there seems to be little development taking place on the ground. Oil revenues are being used to propel an extremely centralized, top-down development programme, which, to date, has prioritized the amortization of loans and urban infrastructural development. Despite being the centrepieces of the EIA, affected communities seem to be deriving minimal benefit from oil-driven development in Ghana.

It is therefore not surprising that, in Ghana, local communities have viewed resident oil companies’ CSR programmes with some trepidation.

Findings from the research point not only to an inadequate EIA process but also a lack of preparedness on the part of government. Although – as detailed in Chapter 5 – Ghana has experience dealing with natural resource rents, specifically those generated by its booming gold mining economy over the course of the past three decades, the governance challenges posed by an offshore oil enclave are very different. From the outset, the government was very *laissez-faire* in its response to the countdown to ‘First Oil’ to the point where it did not implement its *Petroleum Revenue Management Act* until after production commenced. Ghana now exhibits all of the hallmarks of a rentier state, responding pedestrianly to community concerns, whilst simultaneously accepting oil payments and deflecting criticisms from operators.

Revisiting Murshed and Tadjoeddin (2009), therefore, the low-latent disputes brewing in Ghana’s oil communities align most closely with the conflicts which fall into the first broad category of conflicts: deprivation with ethno-communal, regional or class underpinnings. In this particular instance, the group being marginalized is artisanal fishermen and their dependents. Findings point to bureaucrats and local elites potentially hijacking a community development and engagement process which does not seem to be addressing, with any urgency, emerging concerns. Looked at from another angle, these grievances could be interpreted as confirmation of there being a legitimating strategy in place, despite claims which may suggest otherwise. As indicated, feedback from interviews with company officials reinforced conclusions drawn here from the EIA process: that stakeholder groups appeared to be ranked according to
‘importance’ and ‘influence’, and that CSR and development strategies were designed based on this
evaluation. Given the composition of the policies in place concerning, *inter alia*, local economic
development, revenue management and the type of CSR being promoted, along with how things have
played out between key stakeholders, it is difficult to argue *against* the complaints being directed by
communities at oil companies and the government. With a community development structure in place
sorely lacking an innovative dimension, and CSR which seems inappropriate given the context in question,
the residents of local fishing communities have clearly taken a backseat in the stakeholder engagement
process. The strategies being pursued in these areas rather seem to be directed at macro-level actors such
as the government, IFC and insurance providers. The consequent grievances expressed by residents of
Ghana’s fishing communities provide some validation that CSR and accompanying local development
strategies may, indeed, be legitimating, however unintentional it may be.

Although the links have not been made in the literature, as potentially witnessed in the case of oil
in Ghana examined in this thesis, legitimacy masqueraded as a stakeholder approach nevertheless certainly
adds an additional interesting nuance to Grievance Theory.

### 9.4 CONCLUDING REMARKS

This chapter has provided a summary of the key findings of this thesis and has discussed the
discipline-specific implications of the study. The study was inter-disciplinary and enabled conclusions
relating to management, accounting and development studies to be drawn. A main finding from this study
was that legitimacy is masqueraded by the IOCs in Ghana’s oil and gas enclaves. This is made possible
because of the political and geographical context within which the IOCs operate.

The next chapter will provide a conclusion to the study and will discuss the contributions of the
study to policy and the academic literature. It will also provide directions for future research in the area of
CSR.
10 CONCLUDING REMARKS: THESIS SUMMARY, CONTRIBUTION AND FUTURE RESEARCH

We’ve seen what others that have found oil have gone through and we’ve looked at their mistakes. Our oil will be a blessing and not a curse.94

- Duffour, 2010

10.1 OFFSHORE CSR IN GHANA’S OIL AND GAS ENCLAVE: A RECAP

This chapter offers concluding remarks on this study. It begins with a brief overview of the research conducted for this thesis. It goes on to highlight the study’s contributions to scholarship and policy, and concludes by identifying areas for further research in the area of CSR.

After driving for over two hours on a rough road in Ghana, a woman walking along the road and hauling a large bowl of foodstuffs was asked how long it would take to reach Community CP. She responded that it was not far off. Having retorted ‘you are the third person who has said that it is not far but we have been driving for over two hours’, she responded, in the local dialect: ‘I can't believe you are complaining about driving towards the community…I walk several miles to and from the community each day while carrying foodstuff!’ Upon arrival at this community, it was quickly appreciated why people, including the researcher, are discouraged from visiting it in the first place (see Chapter 4). The community was in a somber mood; a visit to the beach painted a much grimmer picture.

Plate 10.1: Sargassum (seaweed) in Community CP

As explained in Section 8.7, fishermen complained about seaweed infestation (Plate 10.1), the establishment of an exclusion zone around Oil Field Y, and the use of high beam lights on the ocean by oil companies which attract schools of fish to the rig, being threats to their livelihoods. The complaints here mirrored those of Communities B and AX. Much like the residents of Communities B and AX, the inhabitants of this community also seemed disappointed about the arrival of oil to Ghana, explaining that their dreams of its production helping to lift them out of poverty had not been realised. On the contrary, it was explained that oil production was pushing them further into poverty.

The negative impacts of oil production on livelihoods did not feature prominently in the nation’s rhetoric following the discovery of oil. In 2007, when Ghana discovered oil, it joined a group of elite countries. The perception was that revenue from oil is capable of contributing considerable amounts to the government’s coffers, finances which would catalyse much-needed economic development. Yet, oil’s devastating impact on livelihoods in other sub-Saharan African countries is real and worthy of consideration by Ghanaians. Before ‘First Oil’ in 2010, the IOCs had to comply with Ghana’s EPA law by completing an Environmental Impact Statement. As explained in Chapter 8, as part of the Environmental Impact Assessment, six fishing communities had to be consulted. The nature of the oil operations had to be explained to the communities in accordance with the requirements of the UN’s ‘Free, Prior and Informed Consent’ policy (United Nations, 2005, p. 9). This community stakeholder engagement exercise has been described as ‘comprehensive’ and ‘inclusive’ by the IOCs which lease Ghana’s Oil Field Y (Chapter 7). But discussions with the fishermen and dependents in the affected communities, undertaken as part of the research for this thesis, reveal significant flaws in the strategy, which, in turn, have had a bearing on CSR ‘outcomes’ (Chapter 8).

Essentially CSR ‘outcomes’ in the oil and gas enclaves found across sub-Saharan Africa are little different to those of Ghana’s nascent industry. Operating in enclaves results in ‘offshore CSR’ (Ackah-Baidoo 2012): interventions which, in the spirit of Ferguson (2005) and Singer (1950), are typically disconnected both ideologically and geographically from beneficiary communities. In addition to this development, findings from this research suggest that the Government of Ghana is struggling to facilitate the harmonious local economic development it promised at the time of the discovery (see e.g. Obeng-Odoom, 2013). Curiously, experiences from the industrial mining industry, which has been in existence in Ghana since the beginning of the 15th Century and has made few contributions to the local economy, have failed to influence policymakers (Garvin et al. 2009). As critics have shown, it has catalysed few downstream industries, and a significant proportion of earnings from the sector have been repatriated (Hilson and Okoh 2013). Mining in Ghana has developed in this fashion largely because of weak policies and monitoring; much of the same seems to be unfolding in the country’s oil and gas economy.

The short-time period between the discovery and production of oil in Ghana (2007-2010) was hailed as an industry record (see Chapter 6). However, this rush to ‘First Oil’ ran the risk of Ghana not
being prepared legislatively and policy-wise for production. At the time of ‘First Oil’, the state oil and gas company, the GNPC, was by law both a regulator and party to all oil agreements. This has produced clear conflicts of interest. In addition to the GNPC’s role, the exploration and production bill in existence at the time was passed during a period when Ghana was not producing oil in commercial quantities. It was not until 2011 that Ghana passed a bill to established its Petroleum Commission – a state institution responsible for regulating the oil and gas industry – and its Petroleum Revenue Management Act, a piece of legislation that regulates the management of petroleum revenue (see Chapter 6). In 2013, the government also passed the Local Content and Local Participation Regulations in an attempt to facilitate more equitable distribution of the benefits of oil and gas production, specifically to ensure that employable Ghanaians and local businesses gain from production. To date, however, a contemporary exploration and production bill has not been passed (see Chapter 6).

With the benefit of hindsight, specifically concerns over the legacy of mining, the researcher anticipated that rural local communities would be considered strongly in the new laws governing the oil industries. Yet, Ghana’s new oil laws provide very little ‘space’ for local communities, as illustrated in Chapter 6. In fact, the grievances now brewing in affected fishing communities appear to be side-lined altogether (Chapter 8). The fishing communities have rather been berated. The government has blamed what it believes to be the poor fishing habits of the communities, citing these as the reason for declining fish catches, not the oil companies’ practices. Incidentally, the three communities visited as part of this research were cited in the EIS as having the potential to be gravely affected by oil and gas production. In the absence of any protection from the government, however, the communities have turned to the oil companies themselves to meet their needs through CSR programmes.

Although laudable efforts have been made by the oil companies operating in Ghana in the area of CSR, there seems to be a stakeholder “salience” ideology in place that is contributing to ‘outcomes’ (Chapter 7). The companies have placed community liaison officers in the communities to dialogue with local stakeholders. On the surface, it seems as if the grievances of community members are very important to the IOCs, the management of which, by placing liaison officers, believes that the voices of the affected populations should be heard (Chapter 7). However, interactions with corporate officials revealed that the primary role of these liaison officers is to educate the fisher folk about the IOCs activities and to serve as the ears and eyes of the IOCs (see Chapter 8). Consequently, there seem to be mismatches between the demands of the affected fisher folk, on the one hand, and the ideas arrived at by IOCs and which underpin the CSR programmes in place, on the other hand (Chapter 9). This study found that as a result of IOCs operating in an enclave, CSR ‘outcomes’ speak more to the expressed needs of the government or what was described by one a company official in an interview as the ‘felt needs’ (see Chapter 8) of the communities. Culturally, Ghana has elite domination of key economic resources (Chapter 5). Elite Ghanaians feature prominently in government at the national, regional and district levels. Local chiefs are among this elite group. As gate-keepers of communities and the nation as a
whole, the voices of the elite are reflected in the CSR programmes of IOCs. This comes as no surprise as working in an enclave means a company may perceive itself as accountable mainly to the leaders of the country, as explained in Chapter 7. In order to minimise geo-political risk, it is necessary to appease what, in the view of the companies, is the most influential stakeholder: the government. The IOCs operating in Ghana, therefore, have done so, but in the process, have sidelined affected fishing communities.

Drawing on the Mitchell et al. (1997) framework, which is premised upon the idea that management identifies and prioritizes stakeholders according to power, legitimacy and urgency, along with the attribute of proximity put forward by Driscoll and Starik (2004), the research concludes that stakeholders are, indeed, ‘ranked’ by IOCs. It also found that power and legitimacy in particular were very important attributes in determining stakeholder salience. On the issue of proximity, it seemed that because of their lack of power, local fisher folk and the environment were not considered to the extent to which they should have. From the findings of this research, it is apparent that economic incentives take precedence over the environment and local fisher folk, who, in the case of Ghana, have no power in the eyes of the IOCs.

The remainder of this chapter highlights the academic and social impacts of the study as well as identifies key issues in need of further research in the area of CSR.

10.2 Knowledge and Policy Impact of Study

To recapitulate, this thesis had the following three objectives:

- To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualize the CSR challenge.
- To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments.
- To critically reflect on the implications offshore oil production has for accounting and development overall.

To address each, interviews and focus group discussions were carried out with an eclectic group of stakeholders, including company executives, government officers, civil society officials, and inhabitants of communities affected by oil production (see Table 10.1).
Table 10.1 Summary of Study and Findings

<table>
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<tr>
<th>Research Problem:</th>
<th>There is a need to understand how CSR programmes are generated in a resource enclave using a critical qualitative methodology to garner both institutional level and community level perspectives.</th>
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<tr>
<td>Overarching Aim:</td>
<td>To broaden understanding of the processes underpinning CSR decisions in Ghana’s oil and gas industry, an offshore resource enclave</td>
</tr>
<tr>
<td>Type of Study:</td>
<td>Exploratory Case Study</td>
</tr>
<tr>
<td>Research Method</td>
<td>Findings</td>
</tr>
<tr>
<td>Interview</td>
<td>To broaden understanding of how oil companies operating in offshore ‘enclave’ environments in sub-Saharan Africa have diagnosed and conceptualised the CSR challenge</td>
</tr>
<tr>
<td>Documentary Analysis</td>
<td>Chapter 7</td>
</tr>
<tr>
<td>Interview Focus Group Discussion Life History</td>
<td>To gather a comparative perspective from stakeholders on the impact of CSR programmes in offshore oil environments</td>
</tr>
<tr>
<td>Documentary Analysis</td>
<td>Chapter 8</td>
</tr>
<tr>
<td>Interview</td>
<td>To critically reflect on the implications offshore oil production has for stakeholder design, accounting and development overall</td>
</tr>
<tr>
<td>Documentary Analysis</td>
<td>Chapter 9</td>
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Interdisciplinary in its approach, and bringing together ideas from the fields of International Development, Accounting and Management, and Political Science, the thesis made four discernible contributions to knowledge. Each is outlined here.

1. Resource Enclavity and Economic Development. Over the past half century, a number of scholars, from Singer (1950) through to Ferguson (2005), have commented on the economic impact of extractive industries in developing countries. Analogous to the core-periphery dynamic articulated by Dependency Theory and World Systems Theory, these scholars have drawn attention to the way in which extractive industries develop in these settings, specifically, how foreign capital ‘hops’ into the developing world, catalyzing the growth of large-scale extractive industries projects but which fail to ‘kick-start’ any significant downstream development in the host country.

These projects develop as enclaves which are for the most part disconnected from wider society. Findings from this research, however, have shown that enclavity also affects decision-making in the area of CSR (Ackah-Baidoo, 2012). In the present case, it was shown that, from the confines of an offshore enclave, Ghana’s oil and gas companies, disconnected from the day-to-day realities of local communities, are not at the forefront of CSR; nor, from their isolated position are they particularly anticipatory when it comes to addressing community needs through CSR.

2. A broadened understanding of how the CSR process unfolds in the extractive industries in developing countries. A number of scholars (e.g. Prieto-Carrón et al. 2006; Jamali 2007; Aguinis
and Glavas 2012; Belal et al., 2013) have drawn attention to the acute shortage of explanations for
the rationale behind CSR strategies and their application in developing world settings.

The acute shortage of analysis in this area is clear. In the case of the oil and gas sector in sub-
Saharan Africa, most of the analysis that has emerged has focused on CSR ‘outcomes’, failing to
recognize that several complex assessments and the deliberations that have spawned the
interventions being made. The critiques offered by Frynas (2005) and others offer a ‘snapshot’ –
specifically, the endpoint – of a much more complex decision-making process concerning CSR in
the oil-rich settings of sub-Saharan Africa. This thesis has provided a rare glimpse of the many
nuances of the CSR process in the region’s oil economy by providing a detailed overview of the
processes and analysis underpinning key decisions. It accomplishes this by identifying the
antecedents of the Ghana experience, and linking these to ‘outcomes’. Not surprisingly,
perspectives on these outcomes vary among stakeholder groups.

The thesis provides a much clearer understanding of how the three main pillars of CSR – The
Business Case, Social License to Operate and Regulation, Accountability and Performance – apply
in developing world settings and more specifically, the oil-rich countries of sub-Saharan Africa.
The findings show that there is no business case for CSR; the social license is sought from salient
stakeholders and not necessarily the entire community; and finally there is a lowering of the bar
for accountability for IOCs.

3. **Stakeholder Theory and Legitimacy Theory in the Extractive Industries.** Both theories have been
used to explain CSR strategy in the extractive industries – typically one or the other. Findings
from the present study, however, suggest that a combination of the two apply. In the case of
offshore oil enclaves in sub-Saharan Africa and Ghana more specifically, the research points to
both theories having currency. It specifically suggests that oil companies’ approach to CSR, whilst
outwardly ‘stakeholder’ in design and actually packaged as such, are, in fact, ‘legitimacy’ strategies
masqueraded. On this note, it is instructive to establish that legitimacy here is perceived as being
pluralist (Hybels 1995) and not unitary as the accounting literature often suggests. The research
revealed that there are, in fact, many legitimating properties with the CSR strategies being adopted
in Ghana’s oil-rich settings, as evidenced by hierarchy of stakeholders identified by companies
from the outset. Significantly, the thesis has linked these ‘outcomes’ to ‘rentier politics’, which
further nourish resource enclaves such as the offshore oil projects in Ghana.

4. **Corporate Strategy and Grievances.** In the international development literature, grievance-related
disputes linked to natural resource extraction are understood to arise from glaring inequalities
between stakeholders. Grievances, the literature explains (Gurr 1970; Collier and Hoeffler 2004),
come about because corporations are typically accused of not doing enough in the context of
local development and/or governments stifle company efforts to support local communities,
which, in the most extreme of cases, fuel local insurgencies. But as this research has shown, it is largely corporate strategy, designed around the nuances of policymaking, governance structures and existing cultural dynamics, which largely results in such conflict. If given the right attention at an early stage, these disputes could be mitigated altogether. The research also showed that a company’s impact through its CSR is, potentially, assessed unfairly largely because of the failure of government to fulfill its obligations and provide basic services for its citizenry. In the Ghana case, a very centralized oil-related development strategy has meant that communities located within the catchment area of oil production have benefitted minimally. Naturally, the inhabitants of these communities have weighed the perceived impacts of oil production against what they believe to be minimal development provided by the government and resident oil companies, frustrations which have sparked local agitation. The thesis has provided rare insight into the anatomy of a low-latent grievance-related dispute linked to natural resource extraction in sub-Saharan Africa.

5. **Policy implications.** The case study of oil production in Ghana is further validation that resource-rich countries in sub-Saharan African countries are destined to continue underperforming developmentally provided that inadequate policy frameworks and weak institutional dynamics continue to persist. Ghana has the democracy, the political stability and track record (experience with extractives – gold mining specifically) which should yield a much more appealing oil-for-development recipe than those implemented across sub-Saharan Africa to date. But these features are incapable, on their own, of catapulting Ghana on to a progressive development path.

The current NDC Government has struggled mightily with its planning, implementing what appears to be an unrealistic *Local Content and Local Participation Regulations*, having attempted to renegotiate contracts before production, and failing to oversee the execution of a comprehensive EIA. The allure of oil rents is very real and tempting for any government, which is why changes are needed in multiple areas of policy in order to ensure that production is carried out in the most ethically-sound fashion as possible, and maximum local benefits are reaped. Change must be initiated from the very top, including overhauling the EITI and enshrining clear objectives in Poverty Reduction Strategy Papers – introduced briefly in Chapter 5 – to provide guidance for governments such as Ghana’s. These moves would help to fortify existing – and for the most part, weak and unclear – in-country policies.

### 10.3 RECOMMENDATIONS FOR FUTURE RESEARCH

This thesis set out to explore the nature of relationships between policymakers, local communities and IOCs. During the course of the research, however, it was revealed that civil society organisations and multi-lateral organisations also wield significant influences over IOCs, which affect CSR outcomes. The opinions of these stakeholders, therefore, were also surveyed. In keeping with calls for studies on employees as stakeholders in the area of CSR (Owen 2005), it is recommended that further studies explore
how the corporate vision of CSR is translated into practice by employees. A study of this nature in the developing world context will no doubt shed light on how employees perceive their roles in helping to alleviate the social and environmental externalities of business. It will also provide an idea of how individual values shape CSR programmes in these unique contexts. The salience assigned to different employees by IOCs in these settings is also worthwhile exploring.

Second, this study considered the managerial perceptions of stakeholder salience but in the process, offered some insights on the ethical stakeholder theory (see Phillips et al. 2010; Clarkson 1995; Van Buren 2001). As Benston (1982) explained:

Another root of the corporate accountability concept is equity or fairness, derived from the assumption that corporations are managed in ways that damage people who are unable to protect themselves. [p. 87]

The ethical branch of Stakeholder Theory coupled with the novel idea of vulnerable societies (Montalbano, 2011; Brown, 2013) provide an avenue for further insight into how future policies aimed at making organizations accountable can be generated in a broader and more inclusive manner. Critical amongst these policy interventions is more effective capture of secondary stakeholder discourses in corporate sustainability reports. On the back of the issue of ethics is the role that transparency initiatives such as the EITI, PWYP and the Revenue Watch Institute’s (RWI) programmes are playing in the extractive industries worldwide. In sub-Saharan Africa, for instance, a number of mining and oil and gas companies have signed on to these initiatives and have pledged to disclose payments to the government transparently, a move championed as beneficial to the populous. Although not explored in detail in this study, it was noted that Company 1, for instance, in addition to issuing numerous reports in the area of sustainability, had disclosed payments made to a number of governments in the region. Its efforts have been met with great admiration by officials at the RWI, who have called on other extractive industries companies to follow this lead. As Mahoney et al. (2013) explain, organizations with strong CSR programmes use sustainability reports to disclose superiority in the area of CSR. A study on why companies sign on to these initiatives, the challenges they face in complying with each, as well as the benefits – if any – that accrue to them as a result of being signatories will enable a better appreciation of whether or not such interventions are capable of facilitating improved transparency and accountability in the developing world context.

A third area of research worthy of exploration is work on Grievance Theory, specifically analysis which links disputes – including those which are low-latent – to stakeholder engagement strategies and CSR more specifically. Archel et al. (2011) argue that “CSR as a floating signifier has shown little potential to float towards civil society’s conception of what the term might mean” (p. 341), concluding that institutional views are at the forefront of stakeholder engagement practices. This view is congruent to the findings in this study – specifically that the voices of community leaders were the most featured in stakeholder engagement practices. Further research in this area will broaden understanding of these strategies and how legitimacy comes in to play in corporate reporting.
Finally, and as indicated in Chapter 9, the role of civil society organisations in enforcing accountability and transparency in Sub-Saharan Africa is an area in need of further investigation. The study identified a vibrant community of oil and gas civil society organisations in Ghana. However, the study also uncovered that the World Bank provided funding to civil societies in Ghana’s oil and gas industry to enhance their capabilities of playing an advocacy role in the industry (Chapter 7). Given the World Bank’s role as a stakeholder to government, IOCs and to civil society organisations, it is will be prudent to explore how funding sources in general influence the accountability initiatives of civil society organisations.
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APPENDIX 1 – INTERVIEW GUIDE

Interview Questions

Companies

   a. Please provide perspective on the regulatory environment you are operating in and how you go about achieving compliance.
   b. What is the process of negotiation with government officials?
   c. Explain how the EITI and PWYP campaign has affected your operations strategy.
   d. What feedback mechanisms do you have in place to elicit feedback from communities about your performance and how are your activities monitored?

2. Offshore CSR – ST’id and prioritization
   a. Who are your key stakeholders and why?
   b. How do you identify stakeholders?
   c. How do you prioritize stakeholders?
   d. How do you implement CSR projects?
   e. What challenges do you face in engaging stakeholders?

3. Oil, Corruption and Transparency – framework for good governance
   a. Where is oil revenue dispensed?
   b. How do you determine budgets for community development projects?
   c. Are there any headquartered blueprints you follow in community development projects?
   d. What mechanisms are in place to ensure that revenue is used for its intended purpose?
   e. Who do you consider the ‘affected community’?

4. Strategies for community development in the oil sector in Sub-Saharan Africa – c4
   a. How do you engage stakeholders in community development projects?
   b. How are ideas for projects screened, tested and refined?

5. A social license to operate: fact or fiction
   a. Do you feel you need a social license to operate in Ghana?
   b. What constitutes a social license to operate in this context?
c. Describe the process followed to secure the social license to operate?

**Government**

1. Can good governance be achieved in environments without governance?
   a. Please provide perspective on the regulatory environment within which oil and gas companies operate and how they go about achieving compliance.
   b. What is the process of negotiation with oil and gas companies?
   c. Explain how the EITI and PWYP affect the operations strategy of oil and gas companies.
   d. How concerned are you with the perception of how monies are being used?
   e. How do you go about alleviating concerns?

2. Offshore CSR
   a. Who are the stakeholders of oil and gas companies?
   b. How do you think oil and gas companies should identify stakeholders?
   c. How do you think oil and gas companies should prioritize stakeholders?
   d. How do you think oil and gas companies should implement CSR projects?
   e. What challenges do you perceive oil and gas companies face in engaging stakeholders?

3. Oil, Corruption and Transparency
   a. Where is oil and gas revenue dispensed?
   b. Who do you consider the ‘affected community’?
   c. How do you determine budgets for community development projects in ‘affected communities’?
   d. What mechanisms are in place to ensure that revenue is used for its intended purpose?

4. Strategies for community development in the oil sector in Sub-Saharan Africa
   a. How do you engage stakeholders in community development projects?
   b. How are ideas for projects screened, tested and refined?

5. A social license to operate: fact or fiction
   a. Do you feel oil and gas companies need a social license to operate in Ghana?
   b. What constitutes a social license to operate in this context?
   c. Describe the process that should be followed to secure the social license to operate?
Civil Society

1. Can good governance be achieved in environments without governance?
   a. Please provide perspective on the regulatory environment within which oil and gas companies operate and how they go about achieving compliance.
   b. What is the process of negotiation with oil and gas companies?
   c. Explain how the EITI affects the operations strategy of oil and gas companies.
   d. How concerned are you with the perception of how monies are being used?
   e. How do you go about having these concerns heard?

2. Offshore CSR
   a. Who are the stakeholders of oil and gas companies?
   b. How do you believe oil and gas companies go about identifying stakeholders, and how, in your view, can this process be improved?
   c. How do you believe oil and gas companies go about prioritizing stakeholders, and how, in your view, can this process be improved?
   d. How do you think oil and gas companies go about implementing CSR projects, and how, in your view, can this process be improved?
   e. What challenges do you perceive oil and gas companies face in engaging stakeholders?

3. Oil, Corruption and Transparency
   a. Where is oil and gas revenue dispensed?
   b. Who do you consider the ‘affected community’?
   c. How are budgets for community development projects in ‘affected communities’ determined?
   d. What mechanisms are in place to ensure that revenue is used for its intended purpose?
   e. How do you go about addressing or dialoguing with the oil companies?

4. Strategies for community development in the oil sector in Sub-Saharan Africa
   a. How do you engage stakeholders in community development projects?
   b. How do you go about effecting change?
   c. How do you go about dialoguing with the communities?
   d. How are ideas for projects screened, tested and refined?

5. A social license to operate: fact or fiction
   a. Do you feel oil and gas companies need a social license to operate in Ghana?
b. What constitutes a social license to operate in this context?

c. Describe the process that should be followed to secure the social license to operate?
Communities

- What contribution is the company making?
- What contribution is the government making?
- What contribution are civil society organizations making?
- What is the expected contribution?
- Do you feel oil is contributing to development?
- What do you feel or see the face of this oil and gas industry is?
- What system is in place for you to dialogue with the company?
APPENDIX 2 – INFORMED CONSENT FORMS

Informed Consent - Interviews

To be signed by Interviewee

Your participation in this interview is part of my doctoral research at the Aston Business School, Aston University in the United Kingdom. My thesis seeks to understand the process of implementing Corporate Social Responsibility (CSR) projects within the oil and gas industry in Ghana. I am particularly interested in understanding the process by which companies identify, select and prioritize stakeholders; implement CSR projects; and the challenges they face in doing so. I am also interested in community perspectives on how companies implement CSR projects. My thesis will contribute to growing literature on the CSR formulation process as well as the stakeholder identification process in sub-Saharan Africa.

I have purposively selected you for an interview because you are a fundamental stakeholder in the oil and gas industry. Your personal knowledge and experience forms an important perspective.

This interview will follow a semi-structured format. I will ask you a series of open-ended questions. You are free to withdraw from this interview at any time you feel uncomfortable or can decline to comment on a question and ask to move on to the next. If you wish to provide me with any written documents related to the interview questions, I will ensure their protection. With your permission, I would also like to digitally record this interview. I expect to take perhaps one hour or two of your time.

Your anonymity is re-assured by way of a number-coded system. I assign you a number prior to the interview, and this number is recorded in my notebook. I have the code system in a locked part of my computer to which I have the password only. I also have a small safe where my notebooks and external drive with the digital recordings are kept. I alone have the code. As such, to the best of my ability your anonymity cannot be compromised, and the information you provide to me is confidential for the purposes of my doctoral thesis only. If I decide to attribute any statement you have made in my final thesis as a personal quote, I will seek your approval first hand in writing. If you do not consent, I will attribute the quote only as a “Senior Official/Member/Stakeholder”, depending on your circumstances.

By answering the interview questions, you are acknowledging that you understand the terms of participation and that you consent to these terms. However, any answer provided can be withdrawn at any later stage and removed from my research results, if you wish. To do so, you can contact me on: +447540102288 or by email at ackahbja@aston.ac.uk.

I recognise the demands placed on your time, and thus thank you in advance for participating in this research. I would hope that, in the event that some follow up to your answers may be required, you would be willing to sacrifice some further minutes of your time, at your convenience. Furthermore, I would be very happy to make available my final thesis for your reading, if you are interested.

This study has been reviewed according to the procedures specified by Aston University Research Ethics Committee and has been given a favourable ethical opinion or conduct.

Numeric Code: 

Signature of Respondent    Date: 

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Informed Consent – Focus Groups

To be signed by respondents. Where respondent is illiterate, it will be administered verbally.

Your participation in this focus group discussion is part of my doctoral research at the Aston Business School, Aston University in the United Kingdom. My thesis seeks to understand the process of implementing Corporate Social Responsibility (CSR) projects within the oil and gas industry in Ghana. I am particularly interested in understanding the process by which companies identify, select and prioritize stakeholders; implement CSR projects; and the challenges they face in doing so. I am also interested in community perspectives on how companies implement CSR projects. My thesis will contribute to growing literature on the CSR formulation process as well as the stakeholder identification process in sub-Saharan Africa.

I have purposively selected you for this discussion because you are a fundamental stakeholder in the oil and gas industry. Your personal knowledge and experience forms an important perspective.

I will introduce a topic and ask you a series of open-ended questions related to the topic. You are free to withdraw from this discussion at any time you feel uncomfortable or can decline to comment on a question and ask to move on to the next. If you wish to provide me with any written documents related to the questions, I will ensure their protection. With your permission, I would also like to digitally record this discussion. I expect to take about one hour or two of your time.

Your anonymity is re-assured by way of a number-coded system. I assign you a number prior to the discussion, and this number is recorded in my notebook. I have the code system in a locked part of my computer to which I have the password only. I also have a small safe where my notebooks and external drive with the digital recordings are kept. I alone have the code. As such, to the best of my ability your anonymity cannot be compromised, and the information you provide to me is confidential for the purposes of my doctoral thesis only. If I decide to attribute any statement you have made in my final thesis as a personal quote, I will seek your approval first hand in writing. If you do not consent, I will attribute the quote only as a “Senior Official/Member/Stakeholder”, depending on your circumstances.

By answering the questions, you are acknowledging that you understand the terms of participation and that you consent to these terms. However, any answer provided can be withdrawn at any later stage and removed from my research results, if you wish. To do so, you can contact me on: +447540102288 or by email at ackahbaa@aston.ac.uk.

I recognise the demands placed on your time, and thus thank you in advance for participating in this research. I would hope that, in the event that some follow up to your answers may be required, you would be willing to sacrifice some further minutes of your time, at your convenience. Furthermore, I would be very happy to make available my final thesis for your reading, if you are interested.

This study has been reviewed according to the procedures specified by Aston University Research Ethics Committee and has been given a favourable ethical opinion or conduct.

Verbal Consent Given:  

| Yes | No |

Numeric Code:  

Date:  