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MITIGATING THE EFFECTS OF THE CURSE OF RESOURCES: CSR STRATEGY

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In my last blog I looked at some of the security consequences of the Curse of Resources; using the specific examples of Nigeria and Egypt.

In this blog I will look at some of the social consequences of the Curse of Resources, and consider the role that can be played by Corporate Social Responsibility (CSR) in mitigating these consequences.

Undermining the local social fabric

The initial arrival of oil companies in Chad generated significant impact on the country's social fabric. Eleven primary schools were closed as teachers left their posts to seek employment as middle managers in the oil industry – on infinitely better terms.

There was a sudden growth in prostitution. The clients came from expatriate oil workers, and local farmers who were suddenly extremely rich as a result of compensatory payments given to them by oil companies, for access to their land.

There was an increase in paramilitary activity, both in regard to the protection of oil assets, and also as a result of local “bunkerers” purchasing arms with the profits they had made as a result of selling oil on the black market.

The decline in local agricultural activity generated a sharp rise in the local price of millet and food. Unemployment among locals living in the vicinity of exploration and production activities occurred at the same time as the sharp rise in food prices.

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Social License to Operate (SLO)

The term Social License to Operate (SLO) refers to a stakeholder perception of the legitimacy of a project, a company or an industry. Ernst and Young have said that a failure to achieve a SLO represents the fourth biggest risk to the success of commercial operations in the extractive industry.

Corporate Social Responsibility (CSR)

A Social License to Operate is often expressed using terms such as **CSR**, **Community Acceptance** and **Reputation**. Kenya is an example of a country which, keen to avoid the kinds of problems inflicted by the Curse of Resources on countries such as Nigeria and Egypt, has enshrined the principle of public participation in its constitution, under Article 10, (2) and Article 69 (d).

Escalating social and economic problems brought about by globalisation have raised new questions - as well as expectations - about corporate governance and ethical and social responsibilities.

In general CSR is taken to denote corporate activities - beyond profit making - which include issues such as protecting the environment, caring for employees and conducting ethical trade and community investment policies.

The increased interest in CSR that currently exists throughout Europe, especially Scandinavia, reflects a growing discontent with corporate self-interest and self-indulgence.

A role for multi-national corporations in resource rich countries

Multi-national corporations are increasingly encouraged to resolve economic and social problems, especially in frontier/emerging markets, many of which are resource rich.

In such situations multi-national corporations are capable of resolving economic and social problems in a way not possible for national governments, especially if those countries are suffering from the typical effects of “resource curse” such as a *rentier* mentality, corruption, over-centralisation and a collapse of local industry.



Exploration and production operations of the oil and gas industry tend to take place in remote locations. Consequently, the extractive industry tends to have an especially acute awareness of the issues faced in remote areas where the government's writ does not apply, and the challenge of acquiring a social licence to operate is significant.

The empowerment of local communities

Renewed contemporary interest in CSR is also due to factors such as growing market pressure for CSR principles to drive commercial activity, increasing regulatory pressure (especially from NGOs concerned about environmental damage and the rights of workers), the prevalence of social media – empowering local communities whose voices previously were not heard, and the increasingly competitive edge given to companies who implement CSR driven policies.

Issues to be addressed by CSR when combating the effects of the Curse of Resources

There is a connection between the Curse of Resources and CSR. Many of the effects of the Curse of Resources are exactly the kinds of issues that CSR policies seek to address. Examples include:

- **The environment.** Usually local communities are especially concerned about matters such as air and water pollution, water extraction, impacts on bio diversity and waste management. As we have seen one of the effects of the Curse of Resources is increased pollution of the environment.
- **Business conduct.** CSR policies strive for transparency and ethical commercial practice. One of the effects of the Curse of Resources is less transparency and increased levels of corruption.
- **Workers rights and safety.** CSR policies strive for better rights and safety conditions for workers. One of the effects of the Curse of Resources is reduced safety measures and rights for workers.
- **Community relationships.** CSR policies cover matters such as land access and ownership, equitable sharing of benefits and human rights violations by security forces. We have seen that the features of the Curse of Resources



involves violent disputes over land access and ownership, a failure to ensure equitable sharing of benefits, and human rights violations by security forces.

Introduction to Prospect Energy, Prospect Law and Mark Jenkins

Prospect Energy is an energy specialist technical consultancy firm based in London and the Midlands of the UK. It is a sister company of Prospect Law. The two firms provide advice on energy development projects and energy related litigation for clients in the UK and internationally.

Mark Jenkins advises clients on how to achieve commercial resilience in high-risk/non permissive environments. Among Mark's specialist areas of expertise are the management and motivation of traditional communities such as Bedouin tribesmen in the Sinai Desert, Somali Muslims in NE Kenya and Eastern Orthodox Christians in remote parts of Eastern Europe. He has a particular interest in Islamic culture and has worked on the staff of HRH Prince Ghazi bin Muhammed bin Talal, Special Advisor and Personal Envoy to HM the Hashemite King of Jordan. Other interests of Mark's include renewable energy, especially solar power, and economic solutions which are based on the principle of sufficiency, rather than consumption.

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