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## IMPACT EVALUATION OF PROJECTS FOR SOCIAL RESPONSIBILITY OF OIL COMPANIES IN NIGERIA (FOCUS: NIGER DELTA)

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### Abstract

The study investigates the following research question: are social responsibility projects undertaken by oil companies marketable and replicable in their host communities? In addressing this question, the cross-sectional survey research design was used as a blue print for data collection at a particular point in time. The t-statistics was used to analyse the data collected on the impact of social responsibility projects on oil communities; the result of the t-test shows that social responsibility projects embarked upon by oil companies are not marketable and replicable. Based on this finding, it was recommended that, oil companies should always undertake ex-post evaluation of their social responsibility projects in order to ascertain if the projects are environmentally friendly. This can be achieved by considering issues like, evaluation designs and estimation methods.

**Keywords:** Ex-post evaluation, oil companies, social responsibility, project analysis.

### Introduction

The effect of oil companies contributions towards improved welfare (social responsibility) for Nigerians as a whole and Niger Delta in particular goes to the very beginning. In 1962 most of the oil companies began oil exploration activities in the country. They presented to the federal government an Aid-to-Education plan under which they pledged to provide \$900,000, over a period of five years for the education of Nigerians in various field. Since then, the oil companies in partnership with the Nigerian National Petroleum Corporation (NNPC) has evolved a comprehensive programme for supporting development of Nigeria's different sectors namely education, health, infrastructural development, employment generation, among others. The community development programme operates in the form of concentric circles with the companies neighbouring communities in the likes of Ogbonudo, Bazihoihou and Escravos to mention but few at the center of the circle, receiving the most of the attention (Emenike, 2001).

In the area of health care, the oil companies have done a lot in no small way. This they have done in the building of hospitals around various communities (Ogboredo, Beniharkas and Escravos) and they have joined in the fight against the dreaded HIV/AIDS disease. The oil companies sponsored Benikoukou fish and poultry project is another project aimed at empowering the people financially and also providing jobs and a ready source of protein for community folks. In promoting education, the companies' primary objective is to help ensure, especially in its area of operation, an enlightened citizenry that will be better equipped for gainful employment for the benefit of themselves and their communities. The goal is also to help Nigerian's towards the development of superior manpower. First, the oil companies introduced exclusively for their areas of operation, a community scholarship programme covering secondary and tertiary education (Norman, 2003).

Despite all these laudable projects by the corporate citizens, there has been increasing agitation and youth unrest (Emeribe, 2002b). This is because it is perceived that the companies are taking more

than they are giving. The relationship between the oil companies and their host communities is not cordial and as a result, most of the oil companies (e.g. ChevronTexaco Nigeria limited) in time past have embarked on some social projects like renovation of town halls, construction of schools, presentation of electric generating set and provision of diesel to supply electricity to the communities coupled with the receipt of four university and six secondary school scholarship awards every year from the oil companies. But the host communities want both the scholarship slot and the amount payable to be increased. They also want a deliberate employment policy to enable the community to benefit. Today, they have a lot of qualified youths without employment hence, the restiveness being experienced; the oil communities are of the view that the oil companies should also intensify its development strategies, register community contractors and ensure they are given contracts to empower them. According to them, project execution is too slow, the gestation period of projects are too long. Projects should be executed the year they are announced (Tolar, 2001).

Flowing from the above, it is obvious that the oil companies are of the position that they are alive to their social responsibilities whereas the host communities are of the view that the oil companies have done close to nothing when compared with the huge revenue generated by the oil companies from their host communities. Therefore, the question that comes to mind is, why this perceptual variation between the oil companies and their host communities? This question informs the objective of this study, which is: to carry out an impact evaluation of social responsibility projects under taken by oil companies and ascertain whether they are marketable and replicable. In achieving this objective, the remainder of this paper proceeds as follows: in Section 2, a review of literature on social responsibility and impact evaluation of oil community projects was carried out. In Section 3, the data collection procedures as well as the measures used to capture impact of projects carried out by oil companies on their host communities was spelt out. Section 4 reports the primary results,

while Section 5 concludes and considers some recommendations.

### Literature review

#### Social responsibility

Social responsibility is the responsibility of business to pursue goals that benefit society. It has to do with business decisions fulfilling broad social needs and expectations as well as the needs of the firm. Beyond these general statements, there is less agreement. Some consider the economic and social effects of business activity to be in harmony, while others see potential conflicts. Some believe that it is socially responsible for a company to incur costs that do not relate directly to the production of goods and services; others argue that acceptance of such costs is a violation of social responsibility (Cunningham, 1996).

Although nearly everyone agrees that business should be or contribute to social well being, there is much less agreement as to how that can be done. Smith (1776) proposed what is known as the classical view of social responsibility. Smith (1776) argues that in a private enterprise economy government should not set price or determine output. He believed that in pursuing their own goals, businesses would also be acting in the general interest of society. That is, when business make decisions aimed at maximizing their profit they also unintentionally promote the public or social interest. They are guided, as if by an "invisible hand," to use society's scarce resources for the greater good of all. According to this view any action that is not in the best interest of the firm works against the invisible hand and reduces good to the community. In the classical view, for instance if a firm donates funds to charity and doesn't get a corresponding return, it can not produce at the most efficient level, and society suffers as a result (Cunningham, 1996).

According to its many critics (Caldwell, 1998; and Brown, 1987), the classical view of the role of business in society is based on narrow thinking and outdated assumptions. It assumes that individual firms have no power in the market place and no control over processes. This is simply a descriptive

of perfect competition. Perfect competition, you will remember, is more an ideal than a reality. Critics of the classical view argue that firms must be willing to accept responsibility in proportion to their power. Some go so far as to argue that firms should actively divert their excess resources to social ends. According to these critics, using company resources to protect endangered species is appropriate and necessary, even though these activities may not lead to increased profits. The recognition that firms have power also implies that they may abuse that power (Iyayi, 1984).

Many observers (Osamwonyi, 1996; and Caldwell, 1998) feel that business enterprises are largely indifferent to the social consequences of their actions. In this view, firms tend to act irresponsibly unless they are constrained by legal and political means. These observers call for strict laws to govern product safety, advertising, population, and competitive practices. The classical view also assumes that business can stay healthy in a sick society. But in reality, say critics (e.g. Osamwonyi, 1996; and Caldwell, 1998), the pace of industrial activity places great stress on the environment and an emotional and physical health of workers. In the long run, can a firm operate profitably if clean air and water are scarce, or if the work deteriorates because of health problem? (Osatech consult, 1999).

#### **Six pillars of corporate responsibility**

Mastrup (2003) opines that, there is no gain saying that business must partner with society to sustain itself, improve the quality of life of the citizens, and protect the environment. Events of the past 25 years including political democratization in many countries, economic liberalization and information technology revolution, especially the internet revolution, have changed people's perception about the roles of business. There are two broad school of thought about the roles of business in society, whatever the opinions of both sides, besides the motive to generate profit, the sustenance of the enterprise, payment of taxes to government and the provision of paid employment for people, businesses have other important roles and responsibilities to play in the society. The roles

and responsibilities fall under the six pillars of corporate responsibility which comprises of business ethics, employee welfare, local business development, community engagement, human rights and safety and environmental stewardship (Brown, 1987).

*Business ethics* - business ethics is about making profit without compromising integrity, ethical behaviour and the principles of transparency and accountability. An unflinching attention to matters of ethics is a primary responsibility of business. There are various laws that clearly forbid unethical behaviour. Behaviours such as employee of a registered company and its overseas affiliate taking or giving bribe. The law also deters them from engaging in other activities that may be construed as inimical to ethical business practices (Bamberger and Hewitt, 1986).

*Employee welfare* - employee welfare is all about acquiring, developing and nurturing a high performance workforce that clearly supports its vision, values and business goals. This is because the performance of a company-whether it succeeds as a business or not – is largely dependent on the kind of employees available to implement strategic plans and policies. This is in cases referred to as organizational capability (Brown, 1987).

*Local business development* - the best way to achieve this is to help local firms build capacity which will enable them to deliver what is required of them. This is not about giving contracts, but by developing local capacity and this should be done mutually and gradually. It is important that this effort is not corrupted by policies directed to low technology jobs and poor standards. Instead, it should focus on increasing the patronage and improving the output of local fabrication and construction yards, and promoting partnership and alliances between local and international enterprises to build capacity and transfer technology (Brown, 1987).

*Community engagement* - this has to do with companies contributing to the communities where

they operate, they should however not replace government or be seen as an alternative government. Though, they do not have a contract with the government to build schools, but under an unwritten social contract, that is the right thing to do. Such a social contract must be specific to the environment. Companies may not be expert community development agent and so they have to partner with Non Government Organisations (NGOs) with a track record in sustainable development. The NGOs must be willing to live among the people and help ensure the sustainability of projects, among other things, build local capacity (Haastrup, 2004)

*Human right* - human rights, is all about you, your company and your world. We are all human and we know what is right. It is all about doing the right thing. In the past, upholding human rights was seen as the responsibility of government and monitoring compliance to international standards, not any more. Expectations have shifted to favour private sector participation in this area of human development (Haastrup, 2004).

*Safety and environmental stewardship* - operational excellence is the systematic approach to managing safety, health, environment, reliability and efficiency related aspects of business to deliver world class result. A key tenet of operational excellence is to operate safely or, not at all. Operational excellence is critical to business success and a crucial pillar of corporate responsibility, and that leadership accountability is the single most important factor in the success of operational excellence. Business leaders must establish the vision, set objectives, direct management and provide a reward scheme; while contravention is similarly punished (Haastrup, 2004).

### **Impact evaluation**

Osamwonyi (1998) states that, an impact evaluation assesses changes in the well being of individuals, households, communities or firms that can be attributed to a particular project, program or policy. It is aimed at providing feedback to help improve the effectiveness of the programs and

policies. Impact evaluation is decision-making tools for policy makers that promote accountability to the public. There are other type of program assessment, including organizational reviews and process monitoring, but these do not estimate the magnitude of effects and assign causation. Such a causal analysis is essential for understanding the relative role of alternative interventions in reducing poverty. (World Bank, 2006).

Information generated by impact evaluation informs decisions on whether to expand, modify, or eliminate a particular policy or program and can be used in prioritizing public actions. In addition, impact evaluation contributes to improve the effectiveness of policies and programs. In determining which technique to use when conducting an impact evaluation, one must consider evaluation designs, estimation methods, and implementation issues. (World Bank, 2006).

Evaluation designs are determined by the choice of methods used to identify the counterfactual and can be broadly classified into three categories that vary in possibility, cost and degree of selection bias: experimental, quasi-experimental, and non-experimental (World Bank, 2006). Estimation methods broadly follow evaluation designs. Different designs require different estimation methods which includes comparison of means, multi-variate regression, instrumental variable method, and double difference or difference-in-difference. Implementation issues may compromise the result of an impact evaluation. They generally fall under two categories of operational issues and threats to validity.

### **Evaluating impact of intervention**

Osamwonyi (1996) further submits that, impact evaluation is an assessment of the extent to which interventions or programs cause changes in the well-being of target populations, such as individual, households, organizations, communities, or other identifiable units to which interventions are directed in societal programs. One way of conceptualizing net effects (or outcomes) is the difference between persons or

other targets that have participated in a project and comparable individuals, or entities that have not participated in the project.

According to Osatech consult (1999) an impact evaluation must estimate the counterfactual, which attempts to define a hypothetical situation that would occur in the absence of the program, and to measure the welfare levels of individuals or other identifiable units that correspond with this hypothetical situation. How a counterfactual is constructed or visualized depends on a number of factors – partial coverage programs and full coverage intervention. Partial coverage programs counterfactuals are simulated by comparing program participants, referred to as the treatment group, with a control or comparison group. The control or comparison group is made up of individuals (or other unit of analysis, such as household, school, and organization) who have the same characteristics as program beneficiaries; while full coverage intervention rely mostly on comparing the situation of the relevant population group before and after the program (reflective comparison) (World Bank, 2006).

#### Monitoring and evaluation

Monitoring can be defined as: “a continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds”. Thus, monitoring embodies the regular tracking of inputs, activities, outputs, outcomes and impacts of development activities at the project, program, sector and national level. This includes the monitoring of a community’s progress, or other community measures of development success (World Bank, 2006).

Evaluation can also be seen as the process of determining the worth or significance of a development activity, policy or program to determine the relevance of objectives, the efficacy of design and implementation, the efficiency or resource used, and the sustainability of results. An

evaluation should enable the incorporation of lessons learned into the decision-making process of both partner and donor (World Bank, 2006). Monitoring and evaluation are synergistic. Monitoring information is a necessary but not sufficient input to the conduct of rigorous evaluations, while monitoring information can be collected and used for ongoing management purposes, reliance on such information on its own can introduce distortions because it typically covers only certain dimensions of a project or program activities, and careful use of this information is needed to avoid unintended behavioural incentives.

In contrast, evaluation has the potential to provide a more balanced interpretation of performance. Evaluation is a more detailed and time consuming activity, and because of its greater cost, it needs to be conducted more sparingly (Kayode, 1979). One approach is to rely on monitoring information to identify potential problem issues requiring more detailed investigation via an evaluation. Monitoring and evaluation can be conducted using a wide array of tools, methods and approaches, these includes: performance monitoring indicators, citizen report cards, focus group discussions and facilitated brainstorming by staff and officials, public expenditure tracking surveys, and cost benefit and cost effectiveness analysis (Brown, 1987).

#### Impact of social responsibility projects – ChevronTexaco and Agip in focus

According to Haastrup (2004), Chevron demonstrated its long-standing tradition of care and friendship recently as it reached out to people of Tsethelewu during an epidemic in the community. Early in February 2002, having received an “SOS” (Save-Our-Soul) call from the community about an outbreak of a disease suspected to be cholera, the company quickly mobilized its River Boat Clinic (RBC) team to intervene (Emeribe, 2002).

Despite the difficulty of the terrain, and to show the commitment of chevron and Agip to its host communities, the company’s medical team had to

hire two speed bouts that conveyed the chevron team to and from Isehelewu for two days. The team was able to give treatment to a total of 130 patients within the period. The team also gave public talks on personal hygiene and practical demonstration to the community on the prevention and management of diarrhea. In addition, the team taught the people how to prepare the popular anti-dehydration solution - Oral Rehydration Therapy (ORT) – (Emeribe, 2002).

Emeribe (2002) further opines that, Chevron and Agip is also concerned with local content initiative, which has continued to empower indigenous entrepreneurs. It all dates back to 1998 when chevron and Agip decided that a local contractor should handle one of the services being performed in-house at the Escravos Tank farm and Terminal. After due tender process, the job-tenth farm ground maintenance, gardening and environmental cleaning services was awarded to the Ugboeyungun Contractors Association (UGBECON), a union of local contractors located at the neighbouring ugboegungun community. The award of the contract among other things helped to provide employment opportunities for youths in

the area. It also empowered UGBECON to contribute to the development of the area through, among other things providing a new football pitch to promote sports in the community, and sponsoring the construction of a jetty to aid transportation in the area.

According to Apai (2002) on Saturday, June 15, 2002, the Ijaw youths in chevron Dibi field hosted their Itsekiri counterparts at a forum designed, among other objectives, to foster peace and unity among communities in the area. The event officially named "Youth Enlightenment Programme", was facilitated by chevron. Over 100 community leaders and youths attended the programme, which featured presentations and lectures on safety and health. A lecture on sexually transmitted diseases and HIV/AIDs was given and a lecture on both transportation safety and the danger of pipeline vandalism was also given (Apai, 2002). Elders of Opuama said the company had, through the programme, brought joy to his community, adding chevron and Opuama are now one (Apai, 2002). Despite all these laudable work, Tolar (2002) is of the view that the oil communities still want the oil companies to do more for them. This generates the hypothesis in this study:

*H: Social responsibility projects undertaken by oil companies are marketable and replicable.*

### **Methodology**

The cross-sectional survey research design was adopted in this study. The reason for the choice of this particular blue-print for data collection is simply that data were collected at a particular point in time on ex-post / impact of social responsibilities of oil producing companies on their host communities. The population of interest is oil producing companies in Nigeria, which carry out exploration and production activities in the Niger Delta region of the federal republic of Nigeria. The sample size in this study is two oil companies (ChevronTexaco and Agip) domiciled in the Niger Delta. The reason of choice of a sample size of two oil companies is because the population of oil companies in Nigeria is homogenous.

The stratified random sampling method was adopted because an homogenous population was more likely to produce a sample with a smaller sampling error than an heterogeneous one. The reason for using the stratified random sampling is to ensure adequate or proportional representation of the different categories or types of oil companies that make up the population; where the population is organized into homogenous strata with heterogeneity between the subset, the appropriate number of oil companies are then selected from each subset (stratum).

The data used for this study were secondary and primary sources. The secondary source is from records of the published annual reports of the oil

companies and their website (www.chevrontexaco.com). The primary source of data is through the administration of questionnaire. The questionnaire elicited questions regarding facts, beliefs, feelings and perceived motive of the oil companies' social responsibility to their host communities, hence its relevance. The nominal scale (percentage modes) and t-statistic was used in data measurement and analysis. This is because of the structure of the questionnaire administered to the respondents (use of labels) and the sample size which is less than thirty.

Stop

Responses	frequency
Yes	74
No	30

$$X = 74 = 0.71$$

$$N = 104$$

The actual normal proportion of Yes is 0.7  
Workings yield

$$t - \text{cal} = 0.22$$

$$t_{0.05} - \text{tab} = 2.056$$

*Decision:* since the calculated value of t - statistic is less than its table value at 5% level of significance we accept the null hypothesis and reject the alternative hypothesis.

Thus, social responsibility projects undertaken by oil companies are not marketable and replicable. This result is in agreement with the submission of Tolar, 2001; Osamwonyi, 1996; and Caldwell, 1998. They observed that companies are largely indifferent to the social consequences of their actions. In this view, they tend to act irresponsibly unless they are constrained by legal and political means. This position is in disagreement with the submission of classical view of social responsibility (Smith, 1776) that business can stay healthy in a sick society. But in reality, the pace of industrial activity places great stress on the environment and an emotional and physical health of workers.

### Conclusion

Even though laudable projects have been executed in oil producing communities in Nigeria by oil companies operating in such communities, yet there has been increasing restiveness in the oil communities even to the extent of threatening national security. The finding in this study goes to show that oil companies in Nigeria are carried

### Result and discussion

The result of the test of hypothesis is as shown below.

#### Hypothesis

Ho: social responsibility projects undertaken by oil companies are not marketable and replicable.

H<sub>A</sub> : Social responsibility projects undertaken by oil companies are marketable and replicable.

away with mere execution of projects without considering the impact of such projects on their host communities. This study shows that social responsibility projects undertaken by oil companies are not meeting the actual needs of their host communities; therefore, there is need on the part of these oil companies to take a second look at their social responsibility programme.



In the light of the above conclusion, it is hereby recommended that, to stem this gap between oil companies and their host communities, the following should be done:

1. Before implementing any social responsibility project, oil companies should ensure they improve the effectiveness of policies and programmes on such social responsibility projects by addressing the following questions:

- Does the program achieve the intended goal?
  - Can the changes or outcomes be explained by the program, or are they the result of some other factors occurring simultaneously?
  - Does program impact vary across different groups of intended beneficiaries (males, females, and indigenous groups), regions, and over time?
  - Are there any unintended effects of the program, either positive or negative?
  - How effective is the program in comparison with alternative interventions?
- And
- Is the program worth the resources it costs?

2. Oil companies should ensure the social responsibility projects they embark upon are marketable and replicable. This can be achieved by first of all embarking on ex-ante evaluation of the projects through administration of opinionnaires and interviews on host communities, to actually ascertain what will be beneficial and appreciated by them. It is not enough to just implement projects; any project accepted by an host community should be easily replicated in another community with ease and flexibility.

3. Oil companies should always undertake ex-post/impact evaluation of their social responsibility projects in order to ascertain if the projects are environmentally friendly. This can be achieved by considering issues like, evaluation designs, estimation methods and implementation issues.

4. Finally, the government has to be involved in correcting the social irresponsibility in the oil sector by enacting strict laws to govern product

safety, advertising, population, and competitive practices in the oil sector.

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