

CHAPTER IV

ROYAL DUTCH SHELL ROLES OF CSR TO IMPROVE COMMUNITY DEVELOPMENT IN NIGERIA

In this section, the author explains the impact of CSR Royal Dutch Shell in Nigeria according to the hypothesis written before about significant impact given by CSR programs Royal Dutch Shell roles to the community development including social, economy and environment sector in Nigeria 2015-2017.

Based on the concept that has existed in the community because of the company's presence in the region should be able to provide benefits to the community, especially people residing around the company. This can be done through Corporate Social Responsibility activities to encourage the ability of people following the needs of society. Besides, people are also facilitated in the form of opportunities to improve their welfare. While from an environment people are expected to participate actively in maintaining the sustainability of the company.

“The term social responsibilities of businessmen refer to the obligations of businessmen to pursue to follow those lines of action which are desirable concerning the objectives and values of our society. This definition implies that businessmen as members of society. It is assumed, however, that as servants of society, they must not disregard socially accepted values or place their values above those of society.” (Bowen, 2013). According to the concept of Bowen's explains, the CSR in the company is highly prioritizing. Corporate

Social Responsibility (CSR) is a concept that is known for its nature of moral and ethical to the public in operation of the business which focused into one form of actualization of Corporate Social Responsibility (CSR) is named Community Development (Ife, 2002).

It can be carried out by the company by attitudes and opinions that generally has in him the attitude and outlook of generosity. Furthermore, Ife (2002) states that Community Development (CD) for industrial environments can be used as a medium to increase community commitment can coexist symbiotically with business and their operations. Thus, the program is expected to provide benefits to the company's existence and can be used to develop a harmonious relationship between the company and the community around the company

As part of the Transnational Company, in this case, Shell based on the theory of sustainable development proves their roles in a country in 3 aspects of life in the form of social, environmental, and also the economy. As a form of Shell's responsibility, they carried out the corporate social responsibility activities to help develop community development in Nigeria by implementing a CSR program following the hypothesis that had been proposed before. The factors that determine community development was identified as the following: health, education, and employment along with environmental protection. The success of a CSR program by a company does not only come from the company itself but comes with a partnership that supports development in the community that can succeed. So, to realize it Shell Companies in Nigeria work with government, communities and civil society to fund and implement programs that have a lasting impact on lives in the Nigeria as a whole. Social investment activities focus on community and enterprise development, education, health, access-to-energy and since long time ago.

However, excludes community-driven development programs and initiatives in the Nigeria delivered through the Global Memorandum of Understanding (GMOU). A GMOU is an agreement that brings a group (or cluster) of communities together with representatives of state and local governments, SPDC and NGOs. Under the terms of the GMOUs, the SPDC JV provides secure five-year funding for communities to implement development projects of their choice. Under the terms of the GMOUs, the SPDC JV provides secure five-year funding for communities to implement development projects of their choice, which are managed by Cluster Development Boards (CDBs) under the guidance of mentoring NGOs. Projects include power supply improvement, construction of market stalls, sanitation, water supply improvements and community centers (Peters, 2010).

Currently there are 37 active GMOU clusters in Rivers, Delta, Bayelsa and Abia States. Since 2006 a total of \$228 million (N41.10 billion) has been disbursed to these clusters to fund development projects. This partnership model is aimed at bringing about sustainable initiatives; improving interface with communities; and engendering socio-economic development in communities where Shell Companies in Nigeria operate (Shell, 2017).

The partnership for human, institutional development and provision of physical infrastructure between the Shell Petroleum Development Company (SPDC) and the Niger Delta Development Commission (NDDC) in Nigeria. SPDC is undertaking partnership with NDDC as part of its overall CSR strategy for the region its success will be influenced by four key challenges. These are political support for NDDC, funding constraints, public perceptions and expectations of NDDC, as well as institutional priorities (Ite, 2007).

Shell also has been working alongside with the influential NGOs and community development organizations to strengthen education and health care, provide vocational

training and establish protected nature reserves. The Shell had been working with The Nature Conservancy for the Conservancy helped company to develop a nature-based approach to control pipeline, Shell has worked with Wetlands International on projects that range from managing biodiversity and water issues in to combining wetland conservation with the creation of sustainable livelihood opportunities for local communities in Nigeria that partner with the United Nations Development Programmed (UNDP) to implement programs in countries where need their expertise, Earth watch in Earth Skills Network for mentoring managers of protected areas to share business insights and knowledge and provide mentorship, United Nations Development Program & The Global Environment Facility, also joined with the government, forest communities and NGOs to develop Biodiversity Action Plans (BAPs). Also being a part of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the International Association of Oil and Gas Producers (OGP) through the joint Biodiversity Working Group (Triple pundit, 2011).

A. The Social Area

1. Health Facilitation

The condition of Nigeria a community can come together, pool resources and ensure collective access to best medical care. Shell Companies in Nigeria have supported community health projects and programs in the Niger Delta and other parts of Nigeria since the 1980s by providing health centers to outreach initiatives that take free health care services to the doorsteps of remote communities in the Nigeria that are equipped with supply and pharmaceutical donations, emergency care and screening services.

Other than being used to deliver health care in the communities. The health center also conducts prevention of disease through the health outreach program, which is provided a range of services including health education, vaccinations, eye testing, treatment of malaria and minor ailments, the distribution of mosquito bed nets, HIV screening and de-worming school children and also provide a health insurance for \$50 to covers more than 95% of community health care needs. The treatment covers premium necessary treatment needed at reasonable prices below the usual cost of treatment (Royal Dutch Shell plc, 2014).

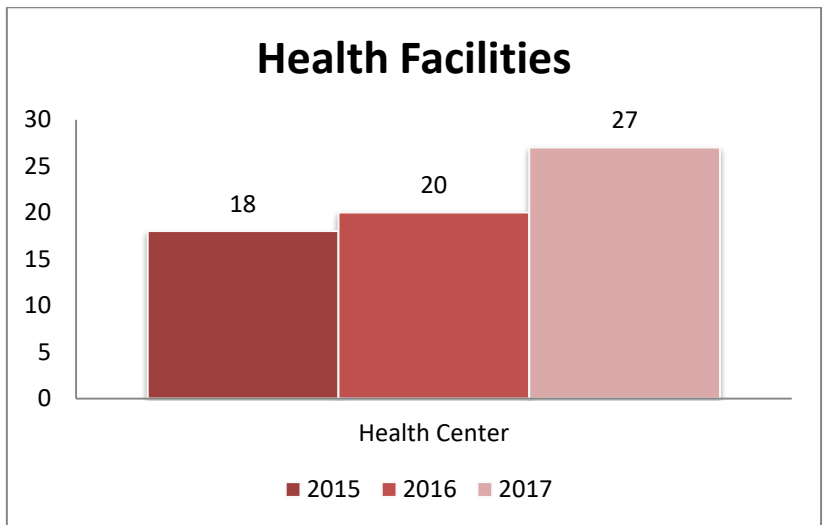


Figure 4. 1 Graph of Shell Health Center in Nigeria (Royal Dutch Shell plc, 2017)

The graph shows the number of health facilities in the form of health centers originating from CSR programs by Shell Nigeria for the past three years. Based on the data contained in the 2015 report of sustainability until 2017, it means that the health center is multiplied in Nigeria, which spread in various regions of the country itself. In 2015 Royal Dutch Shell provided support in the form of 18 health centers in Nigeria. Then in 2016, about two health centers were expanded with a total of 20 health center facilities, as time goes by the Shell provides seven more health centers as a total around 27 health center units in Nigeria (Shell, 2016).

Based on the Corporate Social Responsibility Program in Health Facilities Centers that have been provided by Royal Dutch Shell, it is explained that it is beneficial for the Nigerian community to improve public health and contribute to the prevention of diseases that bring harm to their community. Therefore, the health center is beneficial to support the quality of life to stay healthy also contribute to improving and saving the lives of people in the communities (Shell Nigeria, 2014).

2. Education Through Scholarship

Shell's support for education for the development involves assisting host communities to provide sustainable and qualitative education that ultimately reaches all the people yang has been the belief of Shell Nigeria since 1952 (Fajana, 1972). Shell as a number one oil company in Nigeria, the company, automatically has the foresight to think of the generations of Nigerians who would like to be one day to drive the independent nation like Nigeria. A quick way of achieving this was through scholarship. This program is one of the real forms of education in the CSR program that must be

implemented for this company. This program is also one of the factors to raise the standard of living of residents in the Nigerian community because from this it can produce qualified Nigerians in various fields of study. Lots of scholarship recipients get important job positions in public service, commerce, and industry.

Shell also has a primary goal in running this program, which is "to generate intellectual and creative energy required for sustained economic performance and global competitiveness of Nigeria." From this goal, it will help young people become Scholars and driving Growth and Development in Nigeria.

Shell implemented the importance of education to promote academic excellence and improve the skills of young Nigerians. By giving CSR programs to the community in the form of educational assistance in the form of scholarship. The scholarships can be obtained in 2 categories, namely the National Merit Award (NM), open to all Nigerians and the Areas of Operation Merit Award (OM) is for Nigerians who are native people from Shell's operational areas which is Nigeria. The aid of Scholarship carried out at three levels of education, namely:

1. The Shell Nigeria Secondary School Scholarship for the host communities which is very useful for helping Secondary Schools children stay in school as well as enhance academic achievement in host communities. This scholarship is spread in various secondary schools in Nigeria.
2. The University Scholarship is on the company's interest in the promotion of capacity building in the country. Shell Scholarship in this level of study is offered in all Subject Areas Courses at Nigerian Universities

- Postgraduate Scholarship is to provide an opportunity for qualifying students from these Niger Delta states from Rivers, Delta, Imo and Bayelsa State to further their education in courses that are relevant to the oil and gas industry. This is an overseas scholarship program that gives award ten scholarships for one year post-graduate MSc studies. The candidates are from Royal Dutch Shell operational areas to study for postgraduate qualifications at three top British institutions which are: Imperial College London, University College London and the University of Leeds.

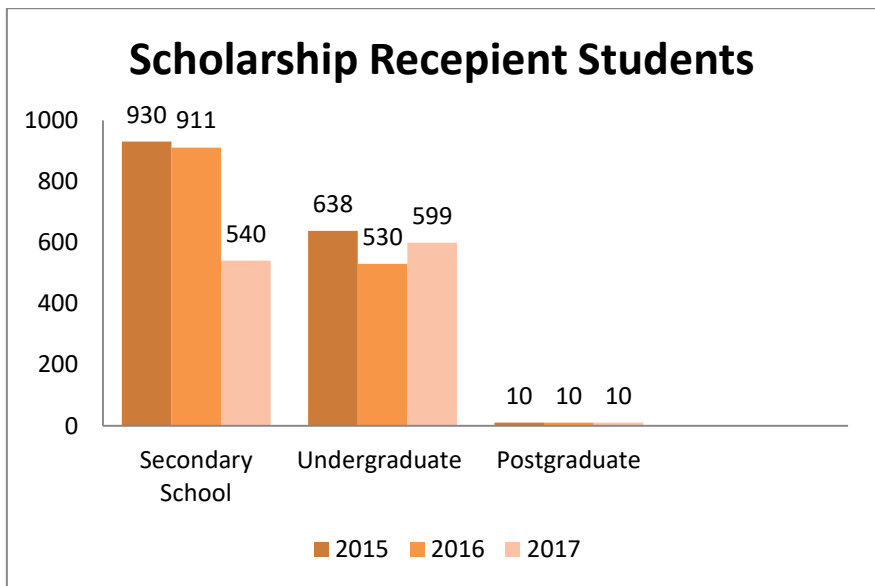


Figure 4. 2 Graph of Shell Scholarship Recipient (Royal Dutch Shell plc, 2017)

Every year the company gave the scholarship and provided funds to actualize this program happen. In 2015 Shell

Nigeria invested an operating fund around \$ 3 million in scholarships for support education programs. The total acceptance of the scholarship was awarded to 1578 divided into 930 secondary school students and 638 university undergraduates also ten postgraduate scholarships.

Shell Nigeria in 2016, Shell Companies in Nigeria invests around \$ 4 million as scholarships funds to support education programs. The total recipients of the scholarships awarded to 1450 people divided into 911 secondary school students and 530 university undergraduates also ten postgraduate scholarships.

In 2017 Shell Nigeria invested operating funds around \$ 5.2 million in scholarships to support education programs. The total recipient of the scholarship was awarded to 1149 people divided into 540 secondary school students and 599 university undergraduates also ten postgraduate scholarships.

Based on the explanation above, it can be seen that the Shell contributes to Community Development in the term of education in the form of scholarship that has been realized every year even though the scholarship recipient number varies according to those in need. This aid explains that the scholarship further enhances the thinking of the recipient itself to make use the knowledge they had in improve their quality of lives. The existence of this scholarship is also relieved the burden for many parents and guardians of getting education opportunity on the children which are considered very valuable. Indeed, this can also produce features of community development by education in Nigeria.

B. The Local Economic Growth

1. Local employment

The significance of employment has rightly been reflected more closely in the focus of development. The secure jobs with social benefits and fair pay offer a way out of poverty, which explains why employment is a crucial pillar of development among society. The income generated as a result boosts demand among local seller thereby creating a cycle that promotes economic growth.

As one of the world's leading energy companies, Shell plays a crucial role in helping to meet the world's growing energy demand in economically and socially responsible ways within employment to the local for help in tackle poverty and provide people with security and drive economic growth. As the company that reenacts and upholds their value of the people in the community is also applied in the term of the Shell Labor policy which prioritizes in give the local opportunity in change their life by work in the company though it can be obtained for people with the right skills and with the appropriate criteria.

The Policy bound to be applied in Nigeria for accommodates the company there. Most of the worker there are Nigerian, which is particularly important to assist the economic growth in the Nigeria that can be called as developing countries (Ikein, 1990).In the last three years of the company running in Nigeria, the local employment showed the number keeps increasing every single year.

In 2015 the number of a local worker in Shell which was 94% of employees was Nigerian. It includes the total

number of the people were around 4,000 local as local employees working at Royal Dutch Shell in Nigeria. For 2016 the number of the local were increased 1 percent become 95 % proportion of employees who are Nigerian which means The company employs more than 4,500 people directly of whom 95 percent are locals. Furthermore, in 2017, the Nigerian worker who has a job at Nigerian Royal Dutch Shell has grown to 6000 local direct employees of which over 96% of them are Nigerians (Shell, 2016).

At this time the current estimated salary earned by Shell workers is ₦450,000 - ₦ 500,000 equal to \$1230 -\$1367 per month for permanent workers while contract workers earn around ₦250,000 - ₦ 300,000 monthly equal to \$683 - \$820 depending on the importance of the position that they acquired.

Every year Shell increases the number of employees working in the company, the local employees' percentage proportions increased by 1% every year. Shell is also a company that wants to prioritize local as a choice of the worker for the company. With the existence of a permanent job, it will also generate a stable income (Djojohadikusumo, 1994). From there local economy conditions immediately undergo improvement with reduced unemployment number in Nigeria.

2. Shell LiveWIRE

Shell LiveWIRE is a Royal Dutch Shell social programme in an aim to help young people to start their own business and create employment. Since 1982 there quite impressive amount over 9.2 million young entrepreneurs have benefited from Shell LiveWIRE programs.

Shell LiveWIRE broaden the options profession for young people's by assisting them to change from being an employee to becoming an employer or making the transition from seeking employment to creating employment. Then, provide potential young entrepreneurs with access to the essential business knowledge and customized support they need to transform their enterprising ideas into a viable and sustainable business.

Nigeria is the country where Shell LiveWIRE programs most successful among other Shell host country. LiveWIRE Nigeria is a programme for youth enterprise development. It started in 2003. The programme delivers coaching, business development services and start-up funds to establish and expand their businesses. The Shell LiveWIRE programs in Nigeria have helped young entrepreneurs apply new approaches to the way of running their businesses. Provides opportunities for young people to realize their potentials through the creation and development of their businesses to determine the rate at which their business is growing and calculate the profit follow up by young entrepreneurs expand and create more employment opportunities for others (Shell LiveWIRE, 2013).

Ever since this program established 14 years ago, many benefits felt by the community of Nigeria especially in the field of employment. The program keeps running every year until today. Nowadays the total people programs generate over 6,780 youth as trained beneficiaries in enterprise development and management from the LiveWIRE program.

For the last three years, Shell in Nigeria Give the opportunity of the young entrepreneurs to join the program, the total was 250 people were trained in 2015. During that time the program already has trained 6,200 Niger Delta youth in enterprise development and management and provided business start-up funds to 3,100. The company has given the financial arrangement for the young entrepreneur to enable

them to start-up and grow their businesses with the budget over N15 million (the US \$ 41.200).

In 2016 there were 380 people were trained, which indicate the total number of the youth that has been trained at that time over 6,580 youths have been trained and 3373 have received business start-up grants. Shell LiveWIRE Nigeria has funds with a total of N25 million (the US \$68.600) to help the programme for start-up funding young entrepreneurs who have completed its enterprise development programme (Shell LiveWIRE, 2016).

A year later in 2017, there was 230 people were trained. To date, the LiveWIRE programme has trained beneficiaries 6,780 Niger Delta youth in enterprise development and management, and provided business start-up grants to 3,493. The company has given financial aid the program for the young entrepreneur around N28 million (the US \$77.300) to start-up and grew their businesses (Shell LiveWIRE, 2018).

From the explanation above, it has proven the Shell LiveWIRE Nigeria programmed in a creating job in as part Shell Corporate Social Responsibility can drive the dominant force for change by driving economic growth, creating jobs, and enhancing lives of the people. Following that, it guides the trained people to be more aware of the method in building their path of success to produce goods and services, innovate and design, build brands, manage opportunities and risks in the future of their business (Kumar, 2016).

C. The Environment Protection

1. Oil spill prevention

Corporate social responsibility (CSR) can refer to a wide range of actions that businesses take action on, but one primary focus of CSR is the environment. Environmental CSR aims to reduce any damaging effects on the environment from the after effect the business operation. By doing this CSR program in the environmental field, many things can become Advantages such as can reduce business risk, improve reputation and provide opportunities. Which according to this idea will eventually and generate savings and make a difference to the business (Banyte, Brazioniene, & Gadeikiene, 2010).

Shell is committed to responsibly operating the company facilities with due regard for the environment. As an oil company in Nigeria, it also brings out have a negative impact due to its business operations. Examples of negative things that come up if there is oil spill which gives direct consequences on the surrounding population's wellbeing, the environmental contamination, human health risks and safety (Ite, Ibok, Ite, & Petters, 2013).

When spills occur from Shell companies facilities in Nigeria, the company responds as quickly as possible. Usually, Oil spills happen due to crude oil theft and sabotage of facilities, as well as illegal refining that will cause the environmental damage from oil and gas operations. A key priority for Shell is to achieve the goal of no spills from its operations work hard to prevent them.

Prevention of oil spills has as much to do with operational procedures with the support of the latest technology and the right equipment. According to protocols of

maintenance procedures made to gave assurance of the company operation safely to prevent spills from ever transpire, minimizes the risk of a spill and protects the health and safety of people also the environment.

One of the ways is using the oil spill prevention act. Royal Dutch Shell cleans up and remediates areas impacted by spills that come from its facilities. In the case of operational spills, Shell also pays compensation to people and communities impacted by the spill. So Shell has the standards that the company follows in overcoming oil spill with remediation practices which is the Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (EGASPIN). Based on these standards, Shell has adopted techniques for cleaning up oil spills in most useful for the condition of Nigeria yang thee soil and climate conditions in the equatorial heat. After engagement with the communities, managed the clean-up will consist of four phases: clean-up of free-phase surface oil; remediation of soil; restoration of mangroves; and monitoring (Shell, 2017). Once the clean-up and remediation complete, the work is inspected, and, if satisfactory, approved and certified by the Nigerian government.

Operational spills – number*



Figure 4. 3 Graph of Operational Spill (Shell, 2017)

The number of operational spills from Shell companies in Nigeria fell from 16 in 2015 to 8 in 2016, which prove Shell's seriousness in handling oil spill events that occur in reducing the amount of the spill operation half amount than a year before. However, unfortunately, in 2017 the operation spill increase one number to 9 but does not hide that Shell has worked hard in dealing with the oil spill (Shell Nigeria, 2017).

The Royal Dutch Shell also works with communities and civil society across Nigeria to build a greater trust in preventing oil spill happen and make it easier for people to participate also involve in the act of preserve the condition of the country. Then, continue by surveillance as well as installing antitheft mechanisms on equipment and pipelines to lessen unnecessary interference and ensure that spills are detected and responded to as quickly as possible. There were daily checks over the pipeline network to identify any new spill incidents or illegal activities by the company efforts. To assure the oil spill never happened.

From the action of the Shell Company in Nigeria intake the several dangerous actions in term of oil spill prevention making Shell a company that prioritizes environment protection in CSR programs in Nigeria. From this, Shell is also participating in protecting the environment of Nigeria as part of the Nigerian community and appreciation to the country.

2. Freshwater

Natural resources are as essential in life as fresh water. With its daily use in human life, fresh water is an essential part of maintaining human survival. Demand for water always increase as the world's population rises and economies around the world continue to develop but the availability of it becomes difficult and rare is a growing challenge in some parts of the world. Royal Dutch Shell realizes It is crucial to the society, as the oil company that realizes the environment must be protected and preserves this valuable resource and manages its use responsibly and sustainably.

In a country like Nigeria water place a significant part in it, it is crucial to Shell develop water management plans for company facilities. These plans describe the long-term risks to water availability and define measures to reduce Shell use of freshwater or recommend alternatives to fresh water, such as recycled water, processed sewage water and desalinated water (Shell, 2016)

For these reasons, Shell taking steps to manage the company use of water responsibly. By includes looking for ways to reuse and recycle this valuable resource. Shell design and operate the facilities to help reduce freshwater use then, handle water use carefully, and adept use of fresh water to a local condition in Nigeria because water constraints affect

people in the country. One way Shell to maintain fresh water is by using it consciously and start withdrawn the use of it in general.

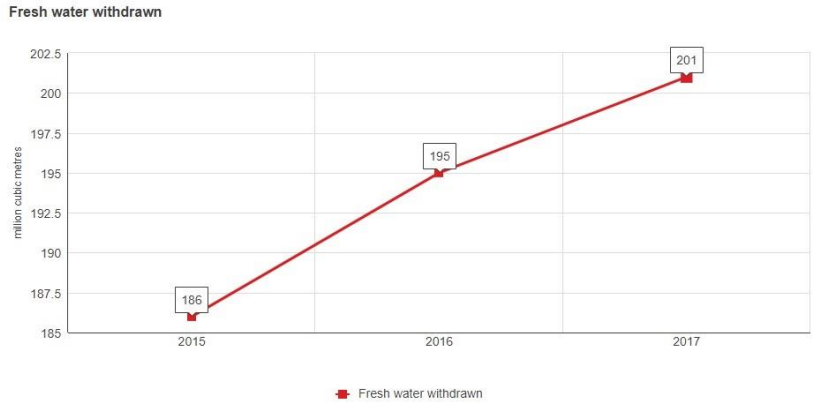


Figure 4. 4 Graph of Shell Water Withdrawn (Shell, 2017)

From the graph shown above shows that the freshwater withdrawal that Royal Dutch Shell has done as part of saving their environment was real. In the last three years from 2015 until 2017 Freshwater usage from this company decreases, so that withdrawn company status increases. In 2015 the withdrawn of fresh water was 186 million cubic meters than in 2016, it increased by 195 million cubic meters. Then the number continues to increase so that the highest number of fresh water for the within three years is 201 million cubic meters. Which define that Shell is aware of the freshwater importance, so the company has taken action in the form of freshwater withdrawn with a tremendous amount and contributes to preserving water in Nigeria so that it can still be used in future in the long run.