



## THE IMPLEMENTATION OF CHEVRON AND SHELL GLOBAL MEMORANDUM of UNDERSTANDING (GMOU) IN RIVERS STATE: A COMPARATIVE STUDY

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**Abstract :** In the quest to understand the nature, structure, similarities, differences and outcome of the GMOU introduced by Multinational Corporations MNCs (International Oil Companies) (IOCs) in the Delta, this study had the objective of investigating the implementation of the GMOU by Chevron and Shell in communities where these corporations explore and exploit oil in the Delta region. The paper, using qualitative data, Stakeholder Theory, and Content Analysis as a method of data analysis, argued that whereas the GMOU is governed by the same ideology of developing the host communities, increasing the participation of community members in determining their own development and improving relations between the IOCs and their host, its implementation by Chevron and Shell including the governance structure and developmental outcomes differ. These differences notwithstanding, this study recommends, one hundred per cent implementation of the GMOU as the more the GMOU is implemented, the more the socio-economic life of individuals in these oil bearing communities improves.

**Keywords:** Multinational Corporations (MNCs), Corporate Social Responsibility (CSR), Global Memorandum of Understanding (GMOU), Host Community,

### Introduction

It was in 2005, that Chevron Nigeria Ltd (CNL) introduced the GMOU and Shell Nigeria adopted it in 2006. CNL remains Nigeria's third largest oil and gas Exploration Company while SPDC undoubtedly remains the largest. The GMOU represents the continuous search for a CSR technique that addresses core issues relating to how the oil bearing communities of Multinationals corporations in the Delta can be developed. The underlying motive for the launching of this fresh model include the failure associated with previous approaches or models of CSR in the Delta, the craving to lessen the dilemma of development provoked by the continuous yearning of communities and other actors for MNCs to provide social services focused at reducing hunger, poverty and distributing social goods and services to the host and the continuous conflict

between MNCs and their host that resulted to loss of lives and properties and destruction of oil installations and equipment in places where the MNCs explore and produce oil in the above region (Alfred, 2013; Emmanuel, 2010; Draper, 2010; Chevron, 2008).

The GMOU is a deviation from other methods of CSR previously deployed in the Delta. Firstly, there is a governing structure, it is participatory, it takes the down-top method to development, it gives room for government, NGOs and other actors to participate in its activities thereby making the entire process transparent and ensuring accountability. Since the invention of the GMOU approach, between 2005 and 2016 Chevron Nigeria Limited is said to have spent over \$ 100 Million (Chevron, 2017) while SPDC in its October 2012 edition of Shell World Magazine claimed to have provided

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grants of over five billion Naira to 12 communities' cluster that have completed 400 projects and additional 300 projects being implemented in various communities using the GMoU model. In 2011, the company spent over \$79.5M (about N11.9 billion) on the CSR GMoU model (SPDC GMoU Report, 2012).

Whereas Aaron (2012) examined the challenges of sustainability faced by the GMoU for oil companies operating in the Niger Delta, this study interrogate the achievement of the GMoU model by examining its implementation by Chevron and Shell. Considering this, it is unavoidable to ask: Is the GMoU model implemented differently by Chevron and Shell? In a bid to know the nature, structure, similarities, differences and developmental effect of the (GMoU), this study examined the GMoU implementation by Chevron and Shell in places where these corporations explore and exploit oil in the Niger Delta.

The remaining components of the study are organized in six sections; following this introduction is the explanation of some concepts that are in the paper. Next is theoretical framework, succeeded by the methodology. In the fourth section Chevron and Shell GMoU was juxtaposed while the fifth section discusses finding, accompanied by concluding remark and recommendations.

### **Conceptualization**

Misinterpretations of concepts are customary in the Social Sciences, as concepts lack precise definition. To mollify this circumstance, clarifying the basic concepts that featured in this paper is important. It becomes even more critical when it is realized that the concepts employed in this paper are often times usually defined to suit the ideological believe and orientation of the author. The concepts that requires such clarification in this paper is MNCs, CSR, Host communities and the GMoU.

### **Multinational Corporations**

Within and beyond the Social sciences, no consensus exists among scholars as regards the exact meaning, and activities of MNCs. Gilpin (1987: 231) brought out these cardinal peculiarities of MNCs when he defined it as:

... a multinational corporation... most frequently ... entails foreign direct investment by corporation and the ownership of economic units (services, extractive industries, or manufacturing plants) in several countries. Such direct investment (in contrast to portfolio investment) means the extension of managerial control across national boundaries... They have integrated the world economy more extensively than ever in the past, and they have taken global economic inter-dependence beyond the realms of trade and money into the area of industrial production.

Beyond this definitional debate, another intense debate is whether or not multinational corporations ought to pursue a CSR agenda. Using the Delta as a reference line, the scholars: Egbe and Paki (2011; 725) argued that, a gap exists between scholars and stakeholders who see these corporations as existing only for the motive of making profit for the shareholders and those arguing for the incorporation of social as well as economic agenda for corporations.

The multinational corporations however claimed to have paid the required rents/royalties to the State and to this end, therefore, the task of government is to dispense social goods and infrastructural necessities to the host communities, this perhaps better explain why some of the MNCs are not interested in development enterprise. Host communities, Community Based Organisation (CBOs), Non-Governmental Organisations, and most multilateral organisations however, argued that MNCs have the function of also delivering development to their host. The GMoU, therefore, is the logical outcome of this long debate between the MNCs and other actors.

### **CSR and Host communities**

It is important to note that CSR does not have a universally accepted definition (Crowther & Aras 2008:51; Wang, 2011:67; Uddin, Hassan & Tarique 2008:33). According to Okoye (2009:26) "corporate social responsibility (CSR) has become indispensable in modern business discourse; yet identifying and defining what CSR means is open to contest. Although such contestation is not uncommon with concepts found in the social sciences, for CSR it presents some difficulty for theoretical and empirical analysis, especially with regards to verifying that diverse application of the concept is consistent or concomitant". Howard Bowen (Cited in Rahman, 2011:102) said CSR is viewed as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". This definition is acknowledged as the first formal definition of the concept. Friedman (1970:126) is among those who offered contentious and yet critical views of CSR. According to him: "There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud". This view as expressed by Friedman (1970) provoked several response and reactions which in turn expand the literature of CSR. It is however, interesting to discover that, this controversy notwithstanding, there is a widely referenced and



cited definition provided by the European Commission (EC). CSR is defined by the EC (2001:43) as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. The definition was however reviewed and regarded CSR as a mandatory requirement. This study is guided and influenced by this definition.

The term host communities or oil bearing communities however, as used in this study refer to those communities that host MNCs and whose land oil is extracted from. Implicit in this definition, is the fact that, these companies may not be physically resident in these communities but are affected by the activities or operation of these corporations.

#### **GMoU**

SPDC GMoU Report (2011:6), defined the GMoU as “an agreement between SPDC and a group (or cluster) of several communities, cluster are based on Local government or Clan/historical affinity lines as advised by relevant state government. The governing structures are well defined with a 10 person community trust (at community level) cluster development Board (CDB) and a steering committee chaired by the state Government”. Draper (2010:87) further explained the working mechanism of GMoU thus:

Each of Chevron and Shell’s GMOUs is signed between the company and representatives of the several dozen communities which will benefit under it. The agreement calls for and creates a single central leadership board for each GMOU, called Regional Development Councils (RDCs) in Chevron’s program and Cluster Development Boards (CDBs) under the Shell system. Leadership is drawn from the local elite and community representatives, the companies, state and local governments, the Niger Delta Development Commission (NDDC) and civil society. Member communities may also be represented by local governance bodies like community trusts (CTs).

The GMoU, undoubtedly, is significantly different from previous models of CSR by MNCs in the Delta. First, there is a governance structure, it is participatory, it takes the down –top technique to development, it gives room for government, NGOs and other actors to take part in its activities thereby making the entire process transparent and ensuring accountability. The idea of the GMoU model may not be unconnected to the continuous call by citizens, government, International Organization, NGOs

and IGOs for MNCs to complement the work of government by promoting development in their places of operations.

#### **Theoretical Framework**

This study adopts the key assumption of Stakeholder Theory of CSR. Given the controversy on the meaning and significance of CSR, there are lot of postulations, theories and approaches. But these other theories do not appropriately fit in to serve as theoretical framework for this study. However, a critical review of these theories will offer a clearer picture to the subject which this paper seeks to simplify.

#### **Political Theories**

The political theories lay emphasis on power dynamics. Particularly, the power vested on corporations in the society and the utilization of such business power in a rational and responsible way in the political area without any form of abuse or compromise. This is imperative, given the shortcomings of human being; the tendency of misusing power is relatively high. This conceivably is the rational why measures are as a rule provided to checkmate the excesses of those entrusted with power. Accordingly, two major theories are relevant in this sense; corporate constitutionalism and corporate citizenship. “Social power equation” and the “Iron law of responsibility” are the two fundamental principles which explained corporate constitutionalism. The social power equation principle suggested that, “the social responsibilities of businessmen arise from the amount of social power that they have” (Davies, 1967 cited in Garriga & Mele 2004:56). The Iron law of responsibility principle also explained that the firm must use its social power in the society to avoid the danger of losing such power to other competing groups, particularly when society demands different responsibility from the business firms. Corporate citizenship on the other hand emphasizes the responsibilities, rights and the need for partnership between business and the society. Corporations engaging in CSR so as to retain its economic power in the society usually leads to a CSR that is not people centred.

#### **Instrumental theories**

These theories see the corporations only as a tool for achieving economic agenda with the eventual goal of creating social value (wealth) for the corporations. (Friedman, 1970; Garriga and Mele, 2004). In this regard, CSR only become important and acceptable when it has economic significance. Following this, within the instrumental theories, three reasons are advanced for engaging in CSR. The earliest is to maximize the shareholder value. The second is to achieve competitive edge or advantage over others. The third relates to cause-related marketing. It is though criticized for engaging only on CSR when it is profitable



to the firm; this motive makes CSR unproductive, thereby not impacting on the socio-economic lives of the host.

#### **Ethical Theories**

It evolves from ethical consideration or responsibility of corporations to society. These ethical responsibilities include: providing social amenities to the host communities, investing in infrastructure and different ventures that will improve the society. This shows that corporations should accept CSR as an ethical obligation. These conceptions are normative naturally and pay attention to ideal cases against what is, and the burden of achieving a good society. Approaches on this subject include universal rights, normative theory, sustainable development etc. This supposition is criticized for being too prescriptive and idealistic. Its inability to tighten the existing gap between idealistic and realistic views makes it to lose its efficacy and effectiveness.

#### **Integrative Theories**

These theories look at satisfying social demand. Here, the contention is that, society cannot exist in a vacuum; they therefore need individuals for its existence, growth and survival, hence the exigency of integrating social demand. (Garriga & Menenc, 2004). Through these social demands, the society interacts with corporations thereby eliminating legitimacy burden and crises. Theories in these categories believed in responding and achieving social acceptance such as corporate social performance, issues managements etc.

#### **Shareholder Theory**

Shareholder Theory is traceable to Adam Smith (1776). In “An Inquiry into the Nature and Sources of Wealth of Nations” Smith identified the usefulness of “invisible hand of the market” and the essence for non-interference from other non-stockholders except the shareholders. Shareholder theory dates back to 19<sup>th</sup> and 20<sup>th</sup> century. Hashimu and Ango (2012) observed that this theory, view corporations as agencies for creating surplus value for the owners. Involving in other affairs or actions not related to profit maximization is an aberration and unacceptable.

Branco & Rodrigues (2007:181) revealed that, “this view based on neoclassical economic theory define it (business) in purely economic profit making terms, focusing on the profit of shareholders”. The major contender of this view is Friedman (1970) who is also a Noble laureate. Friedman (1970) contend that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”. In his view, firms are established

for the sole aim of making money (profit) for her shareholders, developing the society is not part of its mandate.

In agreement with this notion, Lantos (2001) has identified two opposing but complementary perspectives associated with this school of thought: the “pure profit-making view”; and the “constrained profit making view”. In the first, non-ethical values such as lie, deceit, and dishonesty are allowed to some reasonable degree provided it helps the corporation in profit maximization. Lowering your ethical standard is therefore seen as a good business practice (Branco and Rodrigues, 2007). The constrained profit making view is associated with Friedman (1970) strongly contend that “social responsibility of business is to enlarge its profit without engaging in deception or fraud”. This idea is greatly criticized for ignoring other important principal stakeholders or actors who are affected by business activities and whose influence on what the organization can achieve know no bounds.

In summary, these theories focused on effective use of business power, integration of social demand in business, the need to contribute to society by doing what is ethical, etc. As good as these explanations are, they cannot sustain the argument being raised by this this study hence, the decision to adopt key postulations of Stakeholder Theory.

#### **The Stakeholder Theory**

According to Jamali (2008), what is regarded and known as Stakeholder theory started gaining ground from the 1980s (Freeman, 1984; Freeman & Reed, 1983). Freeman’s (1984) work is applauded for moving beyond the conventional thinking of his time as he helped in providing new insight as regard the duty of corporations in society. Freeman (1984) in his seminal book “Strategic Management: A Stakeholder Approach” defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the organizational objectives”. The argument is that “the goal of any company is or should be the flourishing of the company and all its principal stakeholders” (Wehane & Freeman, 1999). The assumption behind is summarized thus: “that to perform well, managers need to pay attention to a wide array of stakeholders, and that managers have obligations to stakeholders which include, but extend beyond, shareholders”

In line with this thinking, this study argued in defence of Stakeholder theory and call on MNCs in Delta territory to undertake effective CSR to transform their oil bearing communities given the enormous developmental challenges the region is being confronted with as a consequence of oil exploration and exploitation.

#### **Methodology**



This study utilized qualitative data and content analysis was applied in the detailed examination of the qualitative data. It also employed a theoretical analytic thinking to discuss difficulties relative to the implementation of Chevron and SPDC GMoU CSR model of community engagement in the Niger Delta. Excerpts from literature were also used to evaluate the impact of CSR in the oil bearing communities of the MNCs above region.

**Chevron Nigeria Ltd and Shell Nigeria GMoU: A Juxtaposition**

Whereas the GMoU is directed by the same ideology of transforming the oil bearing communities, increasing the involvement of community members in deciding their development option and improving relations between the IOCs and their host, its implementation by Chevron and Shell including the governance structure and developmental outcomes differ. The disparity in the governing standard is one area in which these models differ. In Chevron, power is entrusted on the Regional Development Board (RDC) as machinery in control of the day-to-day affairs of the GMoU whereas in SPDC, the Community Trust (CT) and Cluster

Development Board are saddled with the duty of implementing decision reached by the different parties on the GMoU. The CT could be referred to as the Lower chamber while the CDB is the Upper chamber. Again, in Chevron, the treaty is entered with the RDCs for the period of three years, in SPDC the agreement is signed with CDBs for five years period. Also, with regard to funding of enterprises, since the inception of the GMoU approach, within the interval of 2005 and 2016 CNL admitted to have spent more than \$ 100 Million (Chevron, 2017) while SPDC in its October 2012 edition of Shell World Magazine claimed to have provided grants of over five billion Naira to 12 communities’ cluster that have completed 400 projects and additional 300 projects being executed in various communities using the GMoU model. In 2011, the company was alleged to have spent a total sum of \$ 79.5M (about N11.9 billion) on development enterprise in the Delta through the GMoU (SPDC GMoU Report, 2012). However, both the Chevron and Shell GMoU identified Government, NGOs, and the NDDC as important stakeholders in the GMoU approach (Chevron, 2008; Draper, 2010). The tables underneath give further insights on SPDC and CNL GMoUs.

*Table 1: SPDC GMoU projects and programmes in the Niger Delta*

<i>Item</i>	<i>Commitments</i>	<i>Project status</i>
<b>Infrastructure</b>		
Water supply	Provide Gbarain and Ekpetiama kingdoms adequate and reliable source of potable water through the provision and/or installation of appropriate water supply facilities/equipment Build local capacity to efficiently operate the water facilities	No functional or successful water supply Saipem is trucking water to cushion the effect A few youths trained but not gainfully employed
Electricity supply	Connect communities to the Bayelsa Electricity Board (BSEB) power supply system To align with the BSEB to augment its power supply system Provide electricity back-up for Gbarantoru and Obunagha from the central processing facility when built and after energy demand analysis	No positive action No action No electricity yet
Community roads	Rehabilitate/construct of roads (of internal road networks), of Gbarain and Ekpetiama kingdoms	No internal road construction begun in place
Gbarain kingdom civic centre hall	Construct a civic centre hall including basic sporting equipment for Gbarain kingdom; design to be jointly determined by Gbarain kingdom and SPDC	Civic centre hall completed but no equipment or agreed facilities



Upgrade of town halls for Ekpetiama	Upgrade existing town halls for Ekpetiama kingdom; design and scope to be jointly determined by Ekpetiama kingdom and SPDC	Not yet upgraded
Construction of school blocks	Construct a block of six classrooms in Obunagha and in Gbarantoru	Not yet implemented
<b>Health projects</b>		
Construction of health centres	Construct and equip two health centres at Gbaraintoru and Ogboloma	Health centres constructed but not equipped or commissioned
Construction of health posts	Construct and equip two health posts at Obunagha and Bumoundi-Gbene	Health posts constructed but not equipped or commissioned
Provision of hospital equipment	Complement Bayelsa State to equip the two hospitals at Okoloibiri and Agudama	No action taken
<b>Human capital development</b>		
Support for the kingdoms' local employment bureau	Establishment of a dedicated oil and gas employment bureau	Employment bureau established but provides only minimal employment opportunities
Youth training	Continue with the planned youth training schemes agreed with Bayelsa and Saipem at Port Harcourt, Petroleum Training Institute at Warri and Technical College at Ekowe	No evidence of progress
Scholarship awards	80 post-secondary scholarships to indigenes of Gbarain and Ekpetiama kingdoms who pass qualifying test	No evidence of progress
Provision of craft, technical and laboratory equipment	Equip craft centres at Polaku and Agudama and basic craft training; to be jointly determined by the sustainable community development budget for Gbarain and Ekpetiama kingdoms Provide science laboratory equipment in three schools	Implemented  Laboratory equipment supplied instead of intro-tech
<b>Economic empowerment</b>		
Economic empowerment projects	Provide N200 million for economic empowerment projects in the kingdoms Provide four 14-seater buses for Gbarain and Ekpetiama kingdoms including driver training	Not fulfilled
<b>Public relations</b>		



**Source:** Emmanuel (2009)

From the table above, over 60 per cent of projects executed under the SPDC GMoU model are either totally abandoned or partially completed. A study conducted on the CNL GMoU also revealed the following.

Table 2: CNL GMoU Report

<b>COMMUNITY DEVELOPMENT AND IMPACT ON LIVELIHOODS</b>	
<p><i>GMOU</i></p> <p><i>Strengths</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Interest on community related development, not hand-outs.</li> <li><input type="checkbox"/> Greater percentage of community involvement.</li> <li><input type="checkbox"/> More tangible results, in health, infrastructure, socio-economic development etc</li> </ul>	<p><i>Weaknesses</i></p> <ul style="list-style-type: none"> <li>o Government role is minimal and inadequate.</li> </ul>
<b>FUNDING</b>	
<p><i>GMOU</i></p> <p><i>Strengths</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Handled previous bureaucratic funding problems that caused abandoned projects.</li> <li><input type="checkbox"/> Has prompted some RDCs to approach other donors</li> </ul>	<p><i>GMOU</i></p> <p><i>Weaknesses</i></p> <ul style="list-style-type: none"> <li>o CNL/NNPC are the sole funders today.</li> </ul>
<b>PARTICIPATION, INCLUSIVENESS AND REPRESENTATION</b>	
<p><i>GMOU</i></p> <p><i>Strengths</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> RDCs can now represent the community voices.</li> <li><input type="checkbox"/> Youth and other leaders are now playing active role in RDCs.</li> </ul>	<p><i>GMOU</i></p> <p><i>Weaknesses</i></p> <ul style="list-style-type: none"> <li>o Women are largely marginalized</li> </ul>
<b>COMMUNICATION, TRANSPARENCY AND INFORMATION SHARING</b>	



<p><i>GMOU Strengths</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Is apparently more transparent than before</li> <li><input type="checkbox"/> Increased call for town hall meetings and other mechanisms of promoting communication.</li> </ul>	<p><i>GMOU Weaknesses</i></p> <ul style="list-style-type: none"> <li>o RDCs are not using the GMOUs’ built-in communication mechanisms.</li> </ul>
<b>LEADERSHIP AND GOVERNANCE</b>	
<p><i>GMOU Strengths</i></p>	<p><i>GMOU Weaknesses</i></p>
<ul style="list-style-type: none"> <li><input type="checkbox"/> RDCs are representing community voices in decision-making.</li> <li><input type="checkbox"/> Capacity building and strengthening</li> </ul>	<ul style="list-style-type: none"> <li>o Work of the RDC leadership exceeds its “volunteer” status.</li> </ul>
<b>PEACE BUILDING, CONFLICT AND RELATIONSHIPS</b>	
<p><i>GMOU Strengths</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Improvement in relationship between the company and the host</li> <li><input type="checkbox"/> No community-sponsored attacks facilities since the start of the GMOUs.</li> <li><input type="checkbox"/> Promotion of peace by Peace Bureau.</li> <li><input type="checkbox"/> Stronger affiliation between different communities and different ethnic groups in some areas.</li> </ul>	<p><i>GMOU Weaknesses</i></p> <ul style="list-style-type: none"> <li>o Some said they are not benefitting sufficiently from Peace Bonus funds.</li> </ul>

**Source:** GMOU Participatory Stakeholder Evaluation – Final (2008)

Although both Chevron and Shell GMoUs have areas of strengths and weaknesses, from the table above and the extant review of literature, the Chevron model has comparative advantage over Shell model. This perhaps was responsible while in its Report in 2016, the World Economic Forum “Responsible Investment in Fragile Contexts” argued that the GMoU “has established Chevron as an industry leader in social performance in Nigeria” (Chevron, 2017).

**Conclusion and Recommendations**

The GMoU as explained in this paper is a new technique of CSR adopted by IOCs in the Delta to promote development in their host communities. This became important given the enormous developmental challenges in the region, the downfall of other models of CSR employed in the past and the continuous criticism and pressure mounted on the IOCs by the host, national and state governments including NGOs and IGOs to join the government in delivering development to their host. In bidding to know the nature, structure,



similarities, differences and outcome of this GMoU introduced by these IOCs in the Delta, this study had the objective of investigating the implementation of the GMoU by Chevron and Shell in communities where these corporations explore and exploit oil in the Delta. Following the examination of literature on the subject area, the study revealed that the governance structure, the implementation processes and developmental effects of the GMoU by Chevron and Shell differ but are however directed by the same ideology of developing the host communities, increasing community participation of members in determining their developmental option and establishing mutual connection among the IOCs and their host.

The recommendations underneath will help strengthen the GMoU by both Chevron and Shell:

1. One hundred per cent implementation of the GMoU as the more the GMoU is implemented the more the socio-economic lives of the people improves;
2. The GMoU should be redesigned to meet the developmental aspirations of the oil bearing communities;
3. The IOCs should adhere strictly to the rules guiding the GMoU framework so that the host communities will get maximum benefit of the GMoU;
4. Chevron and Shell should ensure the GMoU is not left in the hand of only the elites alone, women, youth and other individuals in the host communities must be included in running the GMoU;
5. Given the enormous challenges of development in these communities, Chevron and Shell should increase the fund budgeted for GMoU projects and programmes.

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