

BY WILLIAM GRANT AND ZACHARY KAPLAN

In Niger Delta, Chevron Launches New Paradigm for Corporate Social Investment

The old corporate social responsibility (CSR) model typically offered one-time, discrete infrastructure grants or programs aimed at assuaging local demands to “share the wealth.”

Chevron, the multinational energy corporation, is pioneering a new paradigm for local development that is drawing the attention of development practitioners and partners by focusing on wealth creation in local communities.

While the old model provided much-needed infrastructure and services, it failed to sustainably address the underlying development challenges in those communities and stimulate their economic growth. And all too often, within just a few years of their construction, the schools, roads, or clinics financed by CSR investments were found to be neither operational nor maintained.

Chevron’s approach: shifting the focus of social investments to economic development, employment, and increasing local incomes, which can lead to genuine wealth creation in local communities. The new paradigm is based on:

- A systematic diagnosis of the market issues that yields market-driven solutions based on building local capacity and opening doors for new market actors.
- Effective partnerships with local communities, leaders, and other development partners and private companies that can adroitly maximize the effectiveness and consistency of investments.



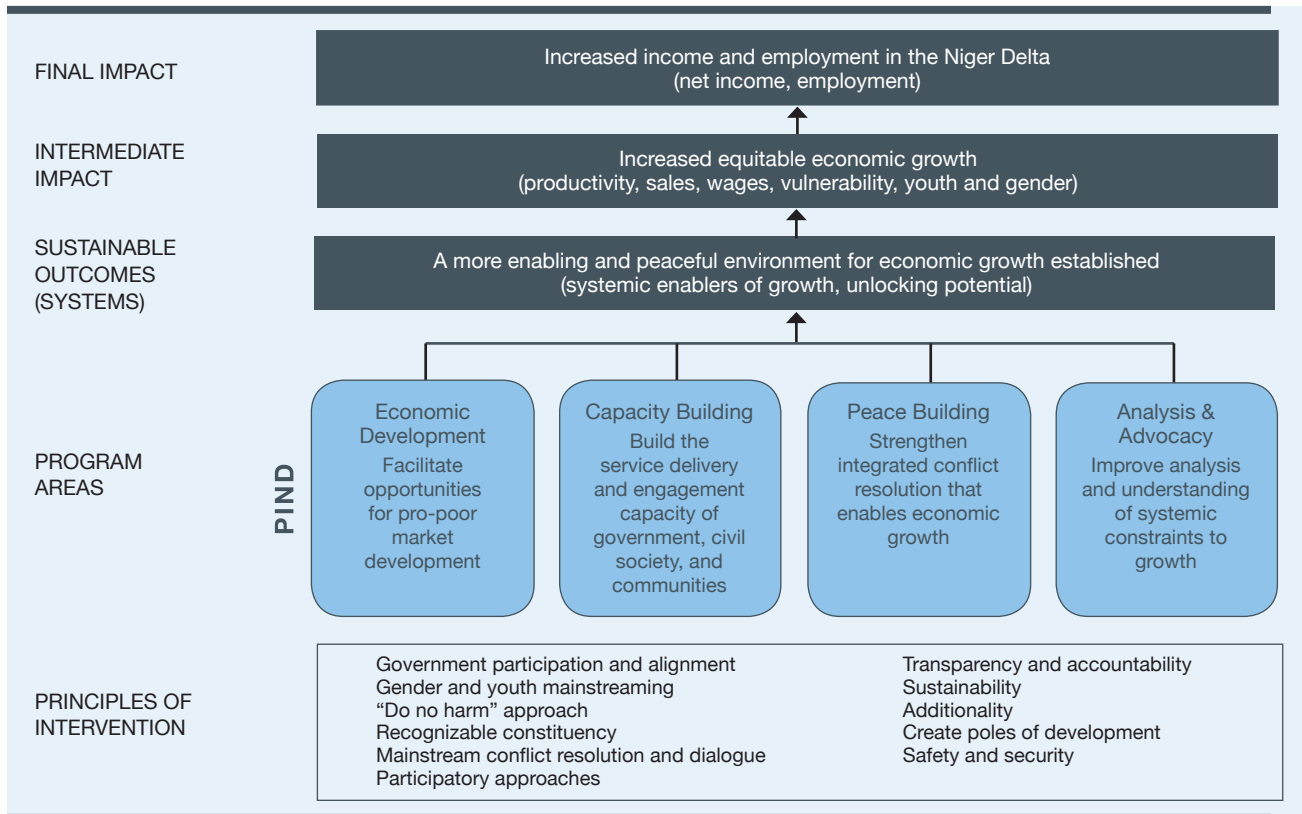
Photo courtesy of PIND Foundation

Fish farming is one of the value chains that the PIND Foundation is strengthening in order to create jobs and increase incomes.

Crucially, this work is being driven not by a donor agency or public institution but by a private company, Chevron, with vested interests in the long-term outcomes.

For Chevron, the incentive for reaching successful development outcomes is that they speak to the company’s socially oriented values and support its financial performance. In this model, the focus on increased incomes and employment for local people will lead to more stable and prosperous communities sharing in economic benefits. Social stability and prosperity reduce operational risks for Chevron while improving its business performance.

FIGURE 1. PIND OVERALL STRATEGIC FRAMEWORK



As a pilot, Chevron established the Niger Delta Partnership Initiatives (NDPI) Foundation in 2010 to support socioeconomic development in the Niger Delta region of Nigeria. Chevron has extensive operations in the Delta, pumping an average of 516,000 barrels of crude oil daily in 2011 from land, near-shore, and deepwater oil and gas facilities. In turn, NDPI created a parallel Nigerian-registered foundation, the Partnership Initiatives in the Niger Delta (PIND), to institutionalize this new way of working on economic development, capacity building, peace building, and analysis and advocacy.

Figure 1 captures the development logic of Chevron’s approach, whereby PIND focuses on systemic enablers of growth through four program components and their associated outcomes:

- By increasing local incomes and employment and improving the local business environment, Chevron reduces its operational risk.
- By promoting inclusive local growth and employment, Chevron reduces social risks such as youth unemployment, poverty, and other drivers of instability.
- By fostering competitive business practices, Chevron lowers the costs and improves the quality of locally sourced goods and services.

- By establishing long-term, mutually beneficial partnerships with local market stakeholders, Chevron improves its responsiveness to Nigerian local content laws.

COUNTRY-SPECIFIC STRATEGY

Recasting local community engagement through this long-term and local enterprise-driven lens is not easy: it requires a comprehensive understanding of local markets and the forces that either facilitate or limit market relationships. These structures are complex enough when deciphered in well-functioning, developed markets (such as the United States). They are even more complicated in many of the countries where Chevron operates (such as Nigeria).

Country-specific constraints, whether they are entrenched market distortions such as state monopolies that squash competition and prevent new firms from entering, or policy-based constraints such as debilitating tariff structures, often deter market-based development. However, once understood, these constraints can be addressed or mitigated, resulting in greater access for local enterprises to larger consumer market spaces fueled by companies like Chevron.

DAI's technical breadth and knowledge of development issues help transform PIND's vision into an implementable strategy. Recognizing that PIND is a local foundation seeking to provide locally managed economic development solutions, DAI helps conduct and oversee the foundational analytics, builds PIND staff capacity through training and mentorship, and institutionalizes many of the technical systems (such as institutional assessments, value chain training, and monitoring and evaluation) needed to implement the strategy.

Additionally, DAI's experience advising both public and private clients is providing insight into how PIND can bridge the gaps between the two sectors to achieve a healthier and more inclusive market system.

The DAI team began by assisting NDPI to set the overarching strategy for the economic development program and clarify its long-term vision for PIND. The challenge was to define a new approach to Niger Delta development that leverages key stakeholders such as donors, government, and the private sector, and set out a blueprint for market-driven development that could grow to be self-strengthening in the medium-to-long term. Clarifying the strategy was particularly important given PIND's untested development paradigm and the difficulty in working in the conflict-ridden Delta.

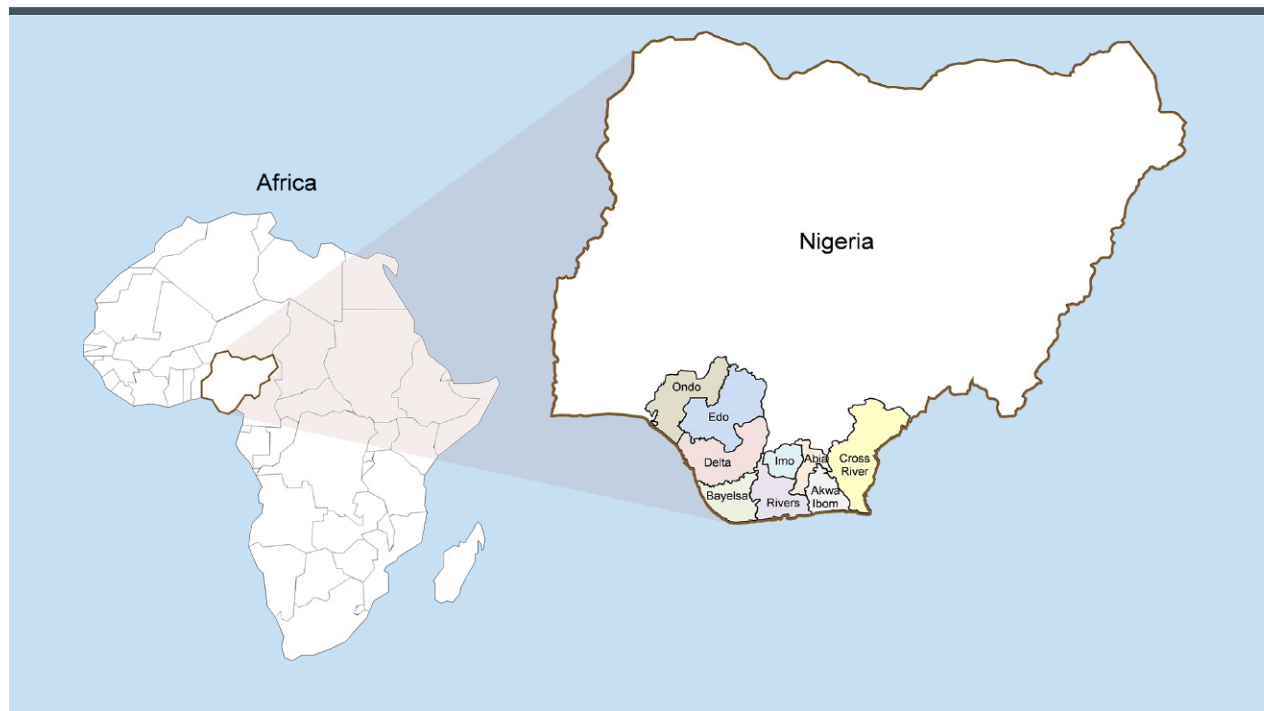
M4P: UNLOCKING LOCAL POTENTIAL

PIND's economic development strategy is based on the Making Markets Work for the Poor (M4P) methodology as expressed within a systemic value chain approach—in a nutshell, PIND encourages market-driven solutions to drive inclusive economic growth.

PIND applied its fundamental "partnership" principle to build consensus on its agenda and targets for intervention. It organized a broad consultative process, with lead public sector institutions and stakeholders in the Delta setting policy and growth agendas. Development partners active in the region—such as the World Bank, the U.K. Department for International Development, U.S. Agency for International Development, and invested private sector actors, including the oil companies—participated in evidence-based analysis to prioritize areas for intervention.

These consultations used empirical research to map out economic sectors of opportunity where PIND can facilitate market growth through partnerships and by strengthening existing local capacity to lead this growth. The sector selection process targeted markets based on growth, employment, and income generation potential for PIND's targeted communities, as well as on best fit with NDPI objectives and the feasibility of working with local partners.

FIGURE 2. PIND'S AREA OF OPERATION



PIND conducted participatory value chain analyses with staff from local partner institutions in the three prioritized sectors: oil palm, aquaculture, and cassava. Starting by training staff from PIND and cooperating institutions in how to carry out value chain analysis, DAI then supervised these pilot value chain studies. These were followed by scoping studies that investigated in greater detail particular weaknesses in each chain. Based on this work, PIND is designing support programs that include the poor to close the gaps found in these markets.

With DAI assistance, PIND is also working with Chevron Nigeria to analyze Chevron's local content supply, mapping Chevron Nigeria's overall consumption of goods and services against locally sourced goods and services, and identifying the goods and services that, with some assistance, can grow to occupy a greater share of Chevron's market.

Based on this analysis, DAI and PIND narrowed the list of promising goods and services to determine the optimum point of leverage for market-strengthening interventions. By focusing on broader value chains such as catering and marine services where Chevron's (and other oil and private companies') spend represents a strong growth market, PIND hopes to create initiatives that unlock local potential to meet that broader market.

PIND is moving to implement inclusive growth strategies for each of its value chains. As a core mandate, it is working through local implementing partners such as the Morgan Smart Development Foundation to broaden its outreach and build local capacity to drive economic development. DAI is supporting PIND and these local partners through value chain training, mentorships, guided case study and pilot projects, and technical assistance, a learn-by-doing process that maximizes capacity building and teaches local practitioners how to overcome challenges.

Key to the PIND strategy has been defining the role and structure of PIND's Economic Development Center (EDC), its forward-facing development arm. The PIND business plan has carefully analyzed the market for development services in the Niger Delta and designed training, analytical, and implementation activities through which the EDC can respond to the development needs in the market. The EDC is staffed with a lean team of development specialists at the operational base in Warri, Nigeria, in the heart of the Delta.

A NEW KIND OF CORPORATE ENGAGEMENT

DAI and PIND have been partners now for almost two years, with PIND growing from a small, interdisciplinary team with disparate focal areas to an integrated team with a clear vision of the relationships between capacity building, peace building, analysis, advocacy, and economic growth.

More and more, international corporations are appreciating their positions within local economies and looking for new ways to engage. Chevron/PIND's new paradigm, driven by business interest as well as a genuine corporate objective to leverage natural resources into local wealth creation, would seem to be a model for development way beyond the Niger Delta.

DAI Shaping a more livable world.

William Grant joined DAI in 1986 and has focused on bringing new models of market-led, sustainable economic development to bear around the world. He has worked in 50 countries, including 35 in Africa. He has played an important role in the development and application of subsector and value chain approaches and is currently leading numerous programs applying the Making Markets Work for the Poor (M4P) approach for private and international donors.



Zachary Kaplan joined DAI in 2012, focusing on public-private partnerships and improving service delivery by leveraging private investment. He has worked throughout West Africa, Latin America, and East Asia and is currently exploring new ways to bring together the public and private sectors to overcome constraints to economic competitiveness.



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