The Impacts of Corporate Social Responsibility on State Capacity and the Provision of Social Services: A Case Study of Multinational Oil Companies in Equatorial Guinea

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"I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it."
~ Adam Smith[1]

"The movement for corporate social responsibility has won the battle of ideas."
~ Clive Crook[2]

Introduction

For the past 60 years non-state actors have been involved in development efforts worldwide, particularly in Africa. Principally, these actors have been multilateral and bilateral aid organizations and non-governmental organizations (NGOs) financed by governments, businesses, and individual donors in far-away developed countries. In recent years a different type of non-state actor – the multinational corporation (MNC) – has emerged as an initiator of development projects in developing countries. Through their Corporate Social Responsibility (CSR) programs, MNCs are increasingly moving beyond their traditional philanthropy-from-afar approach and directly engaging development issues in countries where they operate.

CSR, as both a concept and programmatic activity, has grown rapidly. Yet despite its proliferation, there remains a lack of empirical studies that assess CSR's ability to generate sustainable development. Proponents of CSR christen it the new development paradigm and the solution to 50 years of failed development efforts (Hopkins 2007) based on their view that MNCs are the only entities in the world with the technology, resources, capacity, and global reach necessary to effectively accomplish sustainable development (Hart 2005). Critics, on the other hand, condemn CSR as corporate window dressing that fails to address the root causes of underdevelopment (Frynas 2005). In reality, insufficient empirical evidence of CSR efforts in developing countries exists to draw any definitive conclusions about their impacts on development (Carroll 1999; Visser 2008).

[1] Smith, Adam. *The Wealth of Nations*.
[2] Crook, Clive. 2005. "The Good Company," *The Economist* 374 (8410): 4

The purpose of this paper is to advance our understanding of CSR effectiveness in developing countries. Relying upon fieldwork conducted in Equatorial Guinea, the site of two wide-scope CSR efforts, this paper uses qualitative empirical evidence to analyze the strengths and weaknesses of CSR projects implemented in a developing country context. The paper's principal argument is that CSR programs, despite a number of shortcomings, can in certain contexts provide a mechanism for MNCs to pressure recalcitrant governments to invest greater financial and human capital in social welfare programs.

Specifically, this study analyzes two CSR programs that focus on improving health and education services – as well as strengthening the state's ability to provide them – in Equatorial Guinea. MNCs and their NGO partners – working closely with government ministries and civil servants in Equatorial Guinea – are investing considerable resources to reduce malaria, transform the country's neglected education system, and build the state capacity necessary to ensure project sustainability after the MNCs disengage from the projects. Although the MNCs have contracted with international NGOs to carry out the bulk of the projects' day-to-day operations, the MNCs have taken unusually active roles compared to typical donors. As will be discussed below, MNCs' hands-on participation, substantial resources, access to key government officials, knowledge of local conditions and challenges, goals-oriented approach to solving problems, and close proximity to and monitoring of the NGOs, makes these CSR programs substantially different from traditional donor-NGO development efforts.

The paper is organized as follows. The first section offers a definition of CSR and outlines its emergence as a mainstream concept and development tool. The second section addresses the growing capacity of MNCs to effect socio-economic impacts in developing countries where they operate. Third, a brief overview of Equatorial Guinea is provided to establish the context in which the CSR efforts studied here are being implemented. Then the structures, plans, and objectives of the two CSR projects are outlined, followed by a section that assesses their impacts. The succeeding section highlights the strengths and weaknesses of MNCs engaging in development efforts in Equatorial Guinea. Finally, a brief conclusion addresses some lingering concerns and highlights the principal contributions of the paper.

An Overview of Corporate Social Responsibility

The burgeoning number of definitions for CSR parallels its rapid ascent from a marginal to a mainstream concept. This paper will sidestep scholarly debates about how to define CSR and use a broad definition that incorporates all relevant stakeholders and highlights the developmental aspect of CSR: "Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development" (Petkoski and Twose 2003).

In recent years the attention that businesses, scholars, and practitioners have given to CSR has skyrocketed. In 2008, two-thirds of all Fortune 500 companies issued standalone CSR reports, up from one-quarter of those same firms in 2005 (Sustainable Life Media 2008; Center for Corporate Citizenship 2005).[3] The number of Google entries for "corporate social responsibility" has surged 240 percent in the past 6 years, from 1.6 million (November 2003) to 3.89 million (November 2009).[4] More than 5200 corporate participants and stakeholders from over 130 countries currently support the UN Global Compact, an initiative for businesses

[3] Contrast this with the comment of Jack Shakely, who researched around 100 corporate annual reports in 1977 and concluded that "not one corporation in five makes any mention whatsoever of its corporate philanthropy in its annual report" (Shakely 1977, cited in Koch 1979, p. 26), or with a survey of 112 high-level managers at large firms in the United Kingdom that revealed that most managers did not place high priority on the need to systematically record and report on CSR activities in the period 1974-1979 (Filios 1985).
[4] The November 2003 figure is from Leisinger (2005). The 2009 figure reflects a Google search conducted by the author on November 13, 2009.

committed to advancing socially responsible practices in the areas of human rights, labor, environment, and corruption (UN Global Compact 2009). The number of Global Reporting Initiative reports – the world's most widely used sustainability reporting framework, which measures economic, environmental, and social performance – increased 46 percent from 2007 to 2008 (Global Reporting Initiative 2010). In addition, the International Standards Organization (ISO) – a quasi-official network comprised of the standards institutes of 157 countries, which has formalized more than 18,000 international standards – is set to release a voluntary international standard for social responsibility (labeled "ISO 26000") in 2010 (ISO 2010).

CSR has become a thriving industry, a flourishing profession, and a new field of study. Consultancy companies that advise and evaluate corporations on CSR have emerged, and many NGOs have been quick to partner with well-financed corporations looking to 'do good.' Corporations are hiring executives with PhDs in the social sciences and the humanities (some with NGO experience) to manage and direct their well-staffed CSR divisions. Employment recruitment companies that focus on recruiting and placing specialists with CSR knowledge have sprung up. Executive-training programs in CSR are being offered at some of the world's premiere business schools, and in 2008 the *Financial Times* added CSR to its global MBA rankings. Scholarly interest in CSR also has escalated in recent years. The peer-reviewed *Journal of Corporate Citizenship*, dedicated exclusively to issues pertaining to CSR, began publication in January 2001, and numerous other journals across the fields of business, economics, political science, and anthropology increasingly feature articles on CSR. A quick search of one popular academic database, Google Scholar, reveals the growing attention paid to CSR by the academic community: the number of academic articles published each year with "Corporate Social Responsibility" in the title increased from 72 in 2000 to 558 in 2008, a 775 percent increase (See

Figure 1).[5] This trend parallels the findings of De Bakken et al (2005), whose more extensive study of the period 1969-2002 highlights the growing scholarly interest in issues pertaining to CSR (see Figure 2).[6]

{Figure 1 about here}

{Figure 2 about here}

The increased interest in CSR is not limited to companies and individuals based in the advanced industrialized nations. CSR reporting is becoming more common in emerging economies as well. The number of Central and Eastern European blue chip companies issuing stand-alone English-language environmental, social, and governance reports increased from 17 (15%) in 2006 to 41 (37%) in 2009 (PFS 2008). A number of countries, including Equatorial Guinea and Indonesia, require companies dealing in natural resources to invest in social and environmental responsibility programs. Stock exchanges in Brazil, South Africa, and Malaysia have disclosure requirements for environmental, social, and governance issues (Baue 2007). In China, CSR business organizations, conferences, and forums have emerged over the past five years.[7] In some countries, such as Chile, the emergence of international standards (e.g. UN Global Compact) and the importation of CSR by MNCs have placed pressure on national firms to adopt CSR in an effort to protect their market share and to adhere to what they perceive to be the most advanced management practice.

[5] Google Scholar search conducted February 13, 2010.

[6] One caveat is worth noting regarding these data. Since all of the databases used to calculate these data (and corresponding graphs) are based on databases that continue to add volumes of journals back in time, there remains the possibility that the observed increases are the product of more comprehensive databases for those periods rather than any actual escalation in the number of publications pertaining to CSR. A replication of these findings at some future point in time could test for this possibility.

[7] For instance, The China International Forum on Corporate Social Responsibility was founded in 2005. Chinese organizations focused exclusively on CSR include ChinaCSR and CSR Asia.

Recognizing the development potential of the private sector, many bilateral and multilateral organizations are partnering with MNCs on development projects. Given the rise of neoliberal ideas in the 1980s that effectively weakened the state's ability to provide public goods, donors and development agencies have tried to fill the void. These organizations, recognizing that the determinants of sustainable development are so broad and complex that no single organization can successfully tackle them alone, have increasingly looked to form partnerships with the private sector.[8] As then UN Secretary-General Kofi Annan stated in 1998, "In today's interdependent world, the United Nations and the private sector need each other. The World Bank (2002) has heralded CSR as a new vehicle for achieving an array of activities, from disaster relief to education, that were once the ambit of governments. In 2001, in an effort to meet the "new realities of development assistance and direct investment in emerging economies," USAID created the Global Development Alliance, which brings together public and private partners to implement, design, and fund development projects to achieve solutions "that no one actor could realize on its own." (USAID 2009). Since its inception in 2001, the Global Development Alliance claims to have facilitated more than 900 alliances formed with over 1,800 distinct partners – including corporations – leveraging billions in combined public-private sector resources (USAID 2009).

Despite the proliferation of CSR in recent years, it is worth noting that the fundamental underlying ideas of CSR are not new.[9] Tensions have always existed between business and society, with the former besieged to varying degrees by the criticisms, demands, and expectations of the latter. The business community historically has made occasional efforts to

[8] For an interesting discussion on how this has shaped the global health industry, see Buse and Walt (2000).
[9] Eells and Walton (1960: 455-457) even go as far as to link the ideas underlying CSR back to the origins of Christian ideals that compelled the powerful to assume some responsibility for the welfare of those less prosperous as well as to the French idea of *noblesse oblige*.

accommodate societal demands and expectations. What is new, however, is that over the past two decades the ideas underlying CSR have moved from the margins to the mainstream, both within the business community and amongst society at large. Society has placed greater demands and higher expectations on the business community, urging it to take more responsibility for the environmental and social consequences of business operations. This process has been facilitated by value shifts (Inglehart 1997), rapid technological innovations, economic growth, and the expansion of the modern corporation, which have spurred diversifications of products and markets and increased the scale and scope of interactions between business and society.

As CSR enters into mainstream development policy and practice, what do we know of its impacts? The vast majority of literature focuses on CSR from the business perspective. A burgeoning literature assesses corporate motives and rationales for dedicating resources to social issues. In particular, scholars intent on establishing a "business case" for CSR have dissected the relationship between corporate social performance and corporate financial performance to determine whether "doing good" contributes to a company's bottom line (see for instance Bragdon and Marlin 1972; Cochran and Wood 1984; Aupperle et al 1985; Orlitsky et al 2003; Tsoutsoura 2004; Margolis et al 2007; Poddi and Vergalli 2008). Indeed, between 1972 and 2007, 167 studies analyzing the links between corporate social performance and corporate financial performance were conducted (Margolis et al 2007).

Efforts to develop theories around CSR have principally relied on first outlining the firm's role and purpose and then deductively deriving the principles of action that follow (Margolis and Walsh 2003: 284). The narrow scope of such efforts has cast a spotlight on theoretical and normative issues concerning the firm's raison d'être, but relegated to the shadows the outcomes of corporate social activities in the real world. Understanding "the conditions under which, and the processes through which, the intended beneficiaries and institutions central to a healthy society" do or do not benefit from CSR is an important – yet poorly understood – factor in determining to what extent corporate obligations can or should extend to social concerns (Margolis and Walsh 2003: 283, 295). The impact of CSR – both on the problems and populations it seeks to help – is a topic that has been little studied, particularly in the context of developing countries (Belal 2001; Jamali and Mirshak 2007; Visser 2008). In many cases, the MNCs themselves have not systematically assessed the social impacts of their CSR efforts, focusing instead on the amount of money and equipment allocated to their CSR programs (Jamali and Mirshak 2007: 256).

Globalization and Multinational Corporations

The increased interest in and expansion of CSR is occurring in parallel to the expansion of corporate engagement around the world. There are now more than 60,000 MNCs corporations operating globally. Their economic significance combined with the fragmenting control that states have over MNCs (Logsdon and Wood 2002) have blurred the boundaries of state sovereignty and increased the capacity of MNCs to impact the communities and countries where they operate. Economic globalization has shrunk space and time across the globe (Giddens 1991), expanding the role of MNCs and increasing the number of people and places with which they come into contact. Competition over scarce resources and new markets has caused MNCs to invest in places farther afield from the stable and established markets of the U.S., Europe, and East Asia. Consequently, more and more MNCs are establishing operations in countries marred by poor governance, elevated poverty rates, endemic corruption, and weak or absent regulatory mechanisms.

As an increasingly ubiquitous economic force, MNCs wield tremendous economic and political power with the capacity to transform – for better or worse – the socioeconomic conditions of billions of people. The world's largest corporations rank among the largest economic entities on the planet, dwarfing the economic power of many countries. In 2009, 90 of the world's top 150 economies were corporations, with combined annual revenues of $11.5 trillion. The world's two largest corporations, Royal Dutch Shell and Exxon Mobil, each had revenues greater than the GDPs of 170 countries,[10] and their revenues combined were nearly equivalent to the GDP of sub-Saharan Africa.[11] The *profits* of Exxon Mobil ($45 billion) alone were larger than the GDP of 118 countries in 2009 (CIA 2009; Fortune 2009). While the MNC and its disproportionate power is not new – think of the tremendous scope and reach of the Dutch East India Company during the 19th and early 20th centuries – the economic power of MNCs has grown rapidly and become more concentrated in a few large firms. The world's top 1000 MNCs are now responsible for approximately 80 percent of the world's industrial output (Gabel and Bruner 2003).

The heightened potential for MNCs to impact the communities and countries where they operate is highlighted by the changes that have occurred in the sourcing of resource flows from the U.S. to developing countries. According to the Hudson Institute's Index of Global Philanthropy and Remittances (see Table 1), total public-private resource flows from the U.S. to developing countries were $235 billion in 2007. Setting aside remittances, private capital flows plus private philanthropy accounted for 86 percent of total public-private resource flows, up from

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[10] With revenues of $458 billion and $443 billion respectively, Royal Dutch Shell and Exxon Mobil rank as the 21st and 22nd largest economic entities in the world, after Belgium (GDP = $462 million) and ahead of Poland (GDP = $423 billion).

[11] The combined revenues of Royal Dutch Shell and Exxon Mobil were $901 billion. The combined GDP of all 48 sub-Saharan African countries was $922 billion.

about 30 percent in the 1960s.[12] In contrast, public funding of development has diminished in relative terms, accounting for around 14 percent of total U.S. official development assistance (ODA) in 2007, even as the value of U.S. ODA increased from $7.14 billion in 1980 to $21.8 billion in 2007.[13] Furthermore, the $6.8 billion that U.S. corporations contributed to international development assistance in 2007 represented a 24 percent increase over their $5.5 billion contributions for 2006.[14]

In short, the potential of MNCs to have a developmental impact on developing countries is growing. Corporate philanthropy is on the rise; in 2007, it was equivalent to 31 percent of U.S. official development assistance to developing countries (see Table 1). In some developing countries, particularly natural resource rich countries whose high GDPs makes them ineligible for substantial official development assistance, MNC contributions to development efforts exceed public U.S. ODA. For instance, the CSR spending of MNCs in both Angola and Equatorial Guinea is greater than the U.S. Agency for International Development's budgets for both countries (Schneidman 2007; And personal interview with a USAID official in Equatorial Guinea 2008).

The size of U.S. private capital flows to developing countries – more than four times the amount of U.S. ODA in 2007 (see Table 1) – further highlights the potential influence of MNCs in these countries. With a total economic engagement that dwarfs official ODA, the impact of MNCs on developing countries can be greater than that left behind by development agencies. How, and to what extent, MNC engagement influences the development trajectory of developing countries is in part contingent upon the manner in which companies choose to engage with host

[12] Data for the 1960s was taken from USAID (2007).
[13] Data for 1980 was drawn from USAID (2007). It is worth noting that reconstruction and other assistance in Afghanistan and Iraq accounted for 40 percent of U.S. ODA in 2005. Without these two conflicts, it is possible that ODA would have been significantly lower.
[14] This includes both cash and in-kind contributions.

governments and communities. Companies that are sensitive to the environmental and social impacts of their operations in developing countries may be able to maximize their positive – and minimize their negative – impacts on the countries in which they operate.

The Equatorial Guinean Context

Equatorial Guinea is an interesting case to analyze the effectiveness of CSR programs. The country earns substantial revenues from oil, yet still has high poverty rates, limited access to quality social services, and weak state capacity. The weak state institutions put in place by the Spanish colonizers were decimated by the totalitarian rule of the country's first leader, Francisco Macías Nguema, whose reign of terror from 1968-1979 has been compared to Uganda under Idi Amin (Decalo 1998). While state institutions have improved somewhat under the country's second leader, Teodoro Obiang Nguema (1979 – present), they remain weak. The country's bureaucracy is beset by problems associated with corruption, neopatrimonialism, rigid hierarchy, and lack of human capacity.

Although its substantial oil reserves provide it with the capital necessary to develop, it faces numerous challenges, in particular weak state capacity that has inhibited the delivery of health and education services (Klitgaard 1991; IMF 2006). With its population of just over 600,000 and daily oil production of 465,000 barrels of oil per day, the country produces more than five barrels per person each week, the highest ratio of oil to citizens in the world.[15] Oil accounts for approximately 97 percent of the nation's $10 billion exports (U.S. State Department 2008).

Despite this resource wealth, most citizens lack access to quality health and education services. According to the IMF, in 2006 an estimated 60 percent of Equatoguineans lived on less

[15] Information on barrels of oil produced per person per day is available at http://www.fsmitha.com/world/zx-gdp.htm.

than $1 a day and more than half of the country's population did not have access to potable drinking water (IMF 2006). Equatorial Guinea ranked 118th out of 182 countries in the UNDP's 2009 Human Development Index (UNDP 2009). Life expectancy is only 51 years, and the country's under-five mortality rate increased from 17 percent between 1990 and 2007; in 2007, one in five children died before age five (UNICEF 2008). Malaria was responsible for 24 percent of the deaths of children under the age of five between 2000 and 2003. Despite these dismal statistics, and in spite of the country's oil wealth, public expenditures on health as a percentage of total government expenditures averaged just 2.3 percent in the period 2004-2008 (IMF 2010), far below the averages for nearly all other African countries.

The country's education system is also in sub-par condition, lacking in both adequate financial and human resources. Public spending on education as a percentage of total government expenditures averaged just 2.1 percent in the period 2004-2008, far below regional averages (IMF 2010). In 2008, a majority (52%) of the country's 2900 primary school teachers were not certified instructors (PRODEGE 2008). Net student enrollment in primary school is 67 percent, behind the sub-Saharan average of 73 percent and the 86 percent average for all developing countries (UNICEF 2010). The repetition rate for grades 1-6 is 24 percent (UNICEF 2010), with only 17 percent of students overall at the official age for their grade (PRODEGE 2008). Primary school attendance is less than 61 percent, and less than one out of three children completes primary school (United Nations 2008).

The country's great need for health and education improvements, however, is not the only reason why Equatorial Guinea represents an interesting context in which to analyze CSR efforts. The country's small size, a total of 28,051 square kilometers (slightly smaller than the state of Maryland), has made it possible for the two CSR projects under study to be scaled up to the national level, increasing their scopes and potential impacts. In addition, given its substantial oil reserves (approximately 1.1 billion barrels) and poor development record, Equatorial Guinea is both a developing country and a resource-rich country, a combination typically associated with sub-par economic and political performance, otherwise known in scholarly literature as the "resource curse" (Sachs & Warner 1995; Ross 2001). Weak institutions and inadequate state capacity are well-entrenched features of developing nations with a dependence on natural resource revenues, the so-called 'paradox of plenty' (Karl 1997). With a high number of resource rich countries facing development challenges – fifty-seven by one count[16] – finding ways for countries to mitigate or reverse the development stunting effects of the "resource curse" is particularly pertinent. As is discussed below, studying CSR programs aimed at building a state's capacity to redistribute resource revenues via social services in a resource rich country provides insight into one potential tool for achieving that goal.

By agreeing to work with the oil companies on the implementation of the CSR programs, the government of Equatorial Guinea potentially opens itself to external pressure and technical assistance aimed at reforming state institutions and increasing the state's capacity to redistribute resource revenues via improved health and education services. Unlike the vast majority of African countries, the handful of Africa's resource rich nations – of which Equatorial Guinea is one – are not bound to international aid organizations and governments by asymmetrical relationships that leave them little choice but to submit to the policy prescriptions of foreign technical advisors intent on "fixing" Africa's governance issues.[17] The financial boon provided by natural resources decreases the need of resource rich countries to turn to foreign donors for

[16] BIC & Global Witness 2008. The International Monetary Fund (IMF) places fifty-five countries into this category.
[17] In fact, the high GDPs of such countries often make them ineligible for many types of bilateral and multilateral foreign assistance.

financial assistance, especially the kind tied to policy conditionalities. Instead, African leaders of resource rich nations suddenly find themselves the belles of the ball, with their dance cards filled with invitations to conduct business with the world's most powerful nations.

Finding ways to pressure and assist governments to improve state institutions and redistribute wealth more equitably thus takes on special significance in the context of resource rich countries. Given the lack of leverage western donors and international financial organizations like the IMF and World Bank have when dealing with resource rich states not reliant on their assistance, few external incentive structures are in place to pressure for meaningful changes. I contend that the oil company–host government interface via CSR programs constitutes a potential entry point for engaging resource rich countries on the issues of improved governance and more equitable redistributions of wealth. My preliminary research suggests that CSR programs facilitate interactions and dialogues that promote better governance and discourage institution weakening behaviors such as corruption and clientelism. Thus far, my research on CSR in Equatorial Guinea lends support to scholarly claims that CSR represents a mechanism for establishing incentive structures and assisting resource rich governments to increase institutional capacity in meaningful ways (Shankleman 2006). If the CSR efforts studied here have a positive impact on these variables in a country whose population has been victimized by the "resource curse", their lessons could inform development efforts in other developing nations, both resource rich and resource poor.

Two CSR Projects in Equatorial Guinea

MNCs operating in Equatorial Guinea's petroleum industry are mandated by Chapter XX, Articles 88-93 of the 2006 Hydrocarbons Law to invest in social development projects. While the range of activities in which MNCs involve themselves to fulfill this requirement is broad, this study focuses on two specific projects in which MNCs have partnered with the government to improve health and education. [18] One CSR project is working to improve the quality and capacity of the state's health system, working closely with the Ministry of Mines, Energy and Industry and the Ministry of Health and Social Welfare to implement a malaria reduction program. Another CSR project is working closely with the Ministry of Mines, Energy, and Industry and the Ministry of Education, Science, and Sports to improve the nation's education system. The primary objectives of both efforts are to 1) improve the quality and availability of social services, and 2) to increase state capacity by strengthening state institutions and increasing human capacity. To facilitate the second objective, a number of measures are being taken. To facilitate successful training and knowledge transfer, all foreign technical assistants are shadowed by local counterparts on-the-job. In addition, the companies are sponsoring expert-led workshops and are working closely with government officials to establish mechanisms for improved accounting, budgeting, and planning. Furthermore, the government and MNCs are sending locals abroad for specialized training.

Bioko Island Malaria Control Project (BIMCP)

The BIMCP represents a public-private partnership between Marathon Oil Corporation, Noble Energy, GEPetrol, SONAGAS, and the government of Equatorial Guinea to reduce malaria and its effects in Equatorial Guinea.[19] As part of the country's overall anti-malaria strategy, BIMCP falls under the umbrella of the National Malaria Control Program (NMCP) administered by the Ministry of Health and Social Welfare. The malaria control project was designed by Medical Care Development International (MCDI), an American-based NGO that

[18] All of the MNCs involved in these two projects are from the petroleum sector.
[19] Marathon and Noble Energy are American-based MNCs engaged in the exploration and production of petroleum products. GEPetrol (Guinea Ecuatorial Petrol) is the national oil company of Equatorial Guinea. SONAGAS (Sociedad Nacional de Gas de Guinea Ecuatorial) is a state-owned natural gas company.

also has been primarily responsible for the day-to-day implementation of the project.[20] While there are numerous partners involved in the project, only Marathon and the Equatorial Guinean government – the latter through the Ministry of Industry, Energy, and Industry and the Ministry of Health and Social Welfare – are actively involved in the project's implementation.[21]

BIMCP started in 2003 as a five year, $15.8 million initiative, and in 2008 it was extended another five years with an additional $28 million investment. The Equatorial Guinean government is responsible for one-third of the project funds, and the remaining two-thirds have been committed by Marathon, Noble Energy and business partners (Marathon Oil Corporation 2009). The project runs until 2013, at which time the government is scheduled to take over full ownership and control.

The impact of the disease on its employees and the local community where it operates influenced the decision of the participant MNCs to focus their efforts on malaria.[22] It is estimated that malaria kills more than one million people worldwide each year, with roughly 90 percent of the deaths occurring in sub-Saharan Africa. The disease is the leading cause of death in children in Equatorial Guinea. BIMCP is limited to Bioko Island, home of the nation's capital and

[20] One World Development Group, an American-based for-profit organization, was involved in project implementation 2005-2009 as a sub-contractor of MCDI. Other organizations that have or are working with the project in various capacities include the Medical Research Council of South Africa, the Harvard School of Public Health, Yale University, London School of Hygiene & Tropical Medicine, Texas A&M University, and local and Spanish chapters of the Red Cross.

[21] Noble Energy is effectively a 'silent partner', providing financial support for the project with little or no direct engagement in the project's implementation. It is less clear what direct roles GEPetrol and SONAGAS play in the project, since they are owned by the government, which engages on the project through the two ministries mentioned above. Ostensibly GEPetrol and SONAGAS contribute financially to the project, but the overall lack of government transparency in Equatorial Guinea makes it difficult (if not impossible) to track the financial resource flows of government organizations, although ongoing efforts are being made to increase government transparency. For instance, in March 2010 the Government of Equatorial Guinea submitted its final paperwork to the Extractive Industries Transparency Initiative (EITI) in an effort to become a "validated" member of EITI.

[22] Marathon Oil Corporation (2009) and personal interviews with representatives of Noble Energy (July 3, 2007) and Marathon (October 28, 2008), Malabo, Equatorial Guinea.

roughly one-third of the nation's 616,459 people,[23] which has important implications for project implementation.[24] Most notably, the relatively small size of Bioko Island – less than 2000 square kilometers – means that the project can be implemented island-wide, and its distance from mainland Africa – approximately 20 kilometers – lowers the short-term threat of cross-boundary malaria re-infestation.

BIMCP involves a multifaceted campaign that includes widespread indoor spraying (with a goal of reaching more than 90% of all buildings on the island, or an average of 120,000 structures annually),[25] free anti-malarial medications, particularly for children and pregnant women, improving medical facilities and staff, and distributing and promoting the use of bed nets.

Programa de Desarrollo Educativo de Guinea Ecuatorial (PRODEGE)

PRODEGE, a public-private partnership between Hess Corporation – an American oil company – and the government of Equatorial Guinea, was initiated in 2006 as a pilot project aimed at transforming the country's primary education system. It is a ten year, $40 million initiative with equal $20 million contributions from each partner.[26] The Academy for Educational Development (AED) – an American NGO with worldwide experience in education reform projects – was contracted to carry out the day-to-day implementation of the project in tandem with the Ministry of Education, Science, and Sports. The first 5-year phase focuses in

[23] It should be noted that differing data circulate regarding the country's population. The Equatorial Guinean government's last census places the population at more than one million, a statistic disregarded by most international organizations, including bilateral and multilateral donors, who accuse the government of inflating the actual number for political reasons. The statistic provided here comes from the U.S. State Department (2008).
[24] In 2006, the BIMCP model was extended to the mainland of Equatorial Guinea through a multi-year commitment by the Global Fund to fight Aids, Tuberculosis and Malaria (GFATM) totaling $26 million, making this program the only integrated nationwide malaria control project in Africa. Marathon assisted the government in the application process to the Global Fund and provided a one-time $1 million grant for the mainland project. Other than these exceptions, no MNCs have been involved in this project, which operates independently of the BIMCP.
[25] Phone interview with Marathon official, June 11, 2007, Houston, Texas.
[26] As of February 1, 2010 the second 5-year phase of the program had yet to be officially agreed upon by the two partners, although it is likely to be approved by both sides (Phone interview with PRODEGE representative, February 1, 2010, Bata, Equatorial Guinea).

particular on gathering data on the country's education system, training teachers in the use of "active learning methods" at two existing teacher development colleges, refurbishing 40 primary schools, drilling water wells and building latrines at these schools to improve water access and sanitation, improving course materials and class attendance, increasing parental and community involvement in education, and conducting a policy planning forum and establishing an education information system. The second 5-year phase will focus greater attention in strengthening state capacity, including improving the government's ability to design education policy plans and to collect and utilize educational statistics.

The Impacts of CSR in Equatorial Guinea

The success of the two CSR projects in Equatorial Guinea can be assessed along two dimensions: 1) improvements in social services, and 2) increases in state capacity. On the first measure, both CSR projects have made notable progress. The BIMCP has made significant headway in its effort to substantially reduce the transmission of malaria on Bioko Island. The prevalence of malaria infections and anemia (a frequent result of malaria) in children ages two to five declined 57 percent and 86 percent respectively between 2004 and 2008. There has been a 64 percent reduction in deaths among children under the age of five on Bioko Island (Kleinschmidt et al 2009).[27] This rapid success is due to an aggressive multifaceted campaign that includes widespread spraying,[28] the promotion and use of insecticide-treated bed nets,[29] mosquito collection and analysis, annual health surveys, better access to free anti-malarial medications and improved medical facilities and staff, and the use of advertising to raise awareness of the program and its goals.

[27] The under-age-five death rate on Bioko Island 2000-2004 was an estimated 152 per 1000 births. The death rate for the period 2004-2008 fell to 55 per 1000 births (Kleinschmidt et al 2009)
[28] About 80 percent of all homes and buildings received indoor residual spraying twice per year in the period 2004-2008, less than the stated goal of at least 90 percent coverage.
[29] According to Kleinschmidt et al (2009), an estimated 75 percent of households were using them by 2008.

PRODEGE has made rapid educational advances in a relatively short amount of time as well. Currently in its fourth year of operation, the program has achieved the two principal goals of its first (of two) five year phase: the establishment of two teacher training centers and the completion of at least 40 “model” schools that transform the teaching pedagogy from “write and recite” to an active learning environment where students are encouraged to express themselves, to ask questions, to think creatively, and to problem solve.[30] Both attendance and enrollment at these model schools has increased compared to pre-project levels. PRODEGE has incorporated into the project the use a new curriculum jointly designed by La Cooperativa Española and the government. In the spring of 2010, it is estimated that at least 950 of the 1200 primary school teachers that have been participating in teacher training programs will receive their certification. Ultimately, the project intends to train and certify all of the country’s 2900 primary school teachers. In 2010, the project will begin to provide training for all school principals and evaluators, and will complete a GPS school map that will provide education administrators better information for making policy decisions.[31]

Capacity building in Equatorial Guinea is a challenging proposition given the country’s history. Nearly all of the individuals interviewed for this study – which includes representatives from the Equatorial Guinean government, MNCs, NGOs, international organizations, and civil society groups – noted that one of the most significant development challenges facing the country is its lack of human capacity. The country’s educational system and human capacity were decimated by the dictatorial regime of Macias Nguema during Equatorial Guinea’s ‘lost decade’ of the 1970s, and both have been slow to recover under the current regime. In addition, a mistrust of foreigners is perceptible – a consequence of dictatorial rule as well as perceived

[30] Fifty-four model schools were operational as of November 18, 2009.
[31] Interview with PRODEGE representative, Bata, Equatorial Guinea, February 1, 2010.

opportunistic or disinterested behavior on the part of aid organizations in the past – an obstacle that development projects have to overcome to be successful. Overcoming people's mistrust and getting them to "buy in" to the projects' objectives has been a slow process gradually achieved through public relations sensitization campaigns and a demonstrated willingness to continue participating in the projects until they achieve sustainability.

To overcome human capacity gaps, the CSR projects have implemented on-the-job training programs and study abroad training programs. Improved education and the repatriation of citizens living, working, and studying abroad are incrementally improving the quality and quantity of the country's human resources, but progress has been slow, at times retarding the progress of the two CSR projects.

However, there are indications that state capacity is slowly improving within both projects. The Ministry of Health and Social Welfare has recently moved into a state-of-the-art building that will eventually house the offices of the BIMCP.[32] As part of its second 5-year plan, the BIMCP is initiating a training program that identifies local staff and sends them abroad for training. These individuals will eventually take over the day-to-day operations of the project. Local staff members are injecting their own ideas and expecting them to be heard and criticized, an indication that they are taking pride in and ownership of the project and not simply following the orders of foreign technical assistants.[33]

Certain improvements in state capacity (besides teacher and principal training) within the PRODEGE project leave room for cautious optimism about the prospects of project sustainability. There are indications that the government is beginning to take ownership of the

[32] As of January 20, 2010, the BIMCP offices had not yet relocated to the Health Ministry complex due to the fact that the Ministry of Labor employees are using this office space until their own new building is complete.
[33] Based on a personal interview with a NGO staff member, October 16, 2008, Bata, Equatorial Guinea.

project. It has secured the commitment of key individuals working within the government,[34] an important consideration given the highly politicized and personalized nature of government ministries. In addition, the Ministry of Education, Science, and Sports, which operates the project as part of its overall mission, has initiated a Sustainability Commission to analyze which aspects of PRODEGE to continue in the future and how to pay for them. The statistics unit, currently operated by foreign experts, now has trained government counterparts in data collection and analysis responsible for conducting future surveys and statistical analysis. The government, which had failed to fulfill its financial obligations during the project's first two years, eventually delivered on its financial promise and is currently up-to-date through 2010.[35]

The ability of the CSR projects to deliver on their goal to improve state capacity, however, requires overcoming numerous obstacles that still persist. MNCs have voiced concern that the government is not providing the human and physical resources necessary to successfully sustain the project after MNC involvement ceases. As one person affiliated with a CSR project told me, the government does not always seem to understand the importance and complexity of the CSR effort,[36] a complaint commonly echoed in numerous interviews with the staffs of MNCs and NGOs. These individuals point to inconsistent government involvement in the projects to highlight their concern. The government ministries responsible for the projects are understaffed, and the resources dedicated to the projects are deemed by some as inadequate. In 2008, for instance, four years after BIMCP was initiated, the Ministry of Health had designated just one person to be responsible for coordinating the more than 40 separate components of the malaria project and had allocated only one room with four desks to serve as the project's operational

[34] Interview with PRODEGE representative, February 1, 2010, Bata, Equatorial Guinea.
[35] Personal interview, January 28, 2010, Malabo, Equatorial Guinea.
[36] Personal interview, October 28, 2008, Malabo, Equatorial Guinea.

headquarters. By comparison, the MNC's project headquarters included 17 offices, a training center, and a warehouse for medicines.[37]

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Critics have suggested that CSR is corporate window dressing that fails to address the root causes of underdevelopment (Frynas 2005). Their concern is that CSR may distract attention away from larger issues – such as transparency, corporate accountability, and systemic inequities inherent in the dominant capitalist model – that must be addressed before global disparities in wealth and opportunity can be resolved. I am sympathetic to this viewpoint. However, such criticisms tell us very little about CSR itself as a mechanism for achieving development. The previous section has outlined some of the successes and potential failures of CSR projects in Equatorial Guinea. This section explores the role of the MNC in development projects, assessing in particular some of the positive and negative aspects of MNC involvement that emerge from the Equatorial Guinean experience.

Positives of MNC Engagement

Several positive aspects of having MNCs involved in development projects emerge from the Equatorial Guinea cases. As opposed to donors far removed from the country where projects are being implemented, MNCs are located in-country, which creates multiple advantages over more traditional donors. First, MNCs have acquired a sense of the local context. They understand the challenges that their employees and NGO partners face when attempting to implement development projects. Because of this, they are more likely than absentee donors to have realistic expectations about what can and cannot be accomplished, and how long it might take. Second, being in-country enables them to assist their NGO partners in project implementation when

[37] Personal interview, October 28, 2008, Malabo, Equatorial Guinea.
[38] This section is based on dozens of interviews with government, MNC, and NGO staff members conducted during three field research trips to Equatorial Guinea between July 2007 and February 2010.

necessary. Through their business operations, MNCs have developed key contacts in the local community – particularly within the government – that they can call upon to assist their development efforts. This has been particularly critical in Equatorial Guinea, where relationships with government officials can be especially important for advancing one's cause. In addition, because of their in-country business operations, MNCs already have a large support network in place that can be quickly mobilized to assist their NGO and government partners. Assistance may come in the form of equipment, additional human or financial resources, or logistical support. In both CSR projects outlined in this paper, the MNCs and their NGO partners work together closely, with regular weekly or monthly meetings and updates to monitor the need for additional MNC support.

MNC involvement differs from more traditional development donors and aid organizations in other ways. Corporations – accustomed by normal business practices to act quickly and efficiently – operate with a goals-oriented approach to solving problems. This enables them to make decisions and react to change more quickly than traditional international development organizations (e.g. World Bank, United Nations), which often are slowed by their own bureaucratic processes. This enables their development impact to be more immediate.

Perhaps the most provocative – if still tentative – hypothesis to emerge from the empirical evidence of CSR projects in Equatorial Guinea is that CSR projects have pushed the government to spend more resources on health and education than it would have spent if the CSR projects had not occurred. Interviews with individuals associated with the projects, including government officials, revealed that the CSR projects have served as catalysts for greater government involvement in the improvement of the country's health and education systems. The partnership aspect of the CSR projects has committed the government to dedicating more financial and human resources to social service programs than it had been investing prior to CSR project initiation. While it is important to not overstate the financial leverage of the CSR projects – after all, the government's financial obligations are relatively small, $2 million annually for PRODEGE and roughly $1.4 million annually for BIMCP – it would be a mistake to dismiss both the real and symbolic value of government involvement in the CSR projects. The extensive advertising campaigns[39] carried out to sensitize local populations to the projects – in particular for the BIMCP, which requires sprayers to enter people's homes twice annually – have served a dual purpose. Besides helping to win the support and participation of local communities, these campaigns have signaled to the local population the government's commitment to providing better health and education services.[40] These campaigns heighten popular expectations of the state, helping to institutionalize norms about the responsibility of the state to provide quality social services to the general public.

Negatives of MNC Engagement

Some negative aspects of MNC engagement in development projects emerge as well from the Equatorial Guinea cases. MNCs (and their partner NGOs) have at times undermined the effort to improve state capacity. Although companies make concerted attempts to work closely with the government on all aspects of the programs, at times they have failed to adequately coordinate with their government counterparts. Frustrated with government inefficiencies and lack of initiative, the companies – accustomed by normal business practices to act quickly and efficiently – occasionally succumb to the temptation to act without government involvement.

[39] Most notably, these include programming on the state-owned radio and state-owned television stations, roadside billboards, and in the case of spraying, door-to-door sensitization visits.
[40] Further signaling of this included promises of "educación y sanidad para todos" (education and public health for everyone) on electoral posters during the November 2009 presidential campaign and in the President's New Years Eve address broadcast to the nation on state-owned television.

Such behavior increases the short-term impacts and efficiency of the CSR projects, but undercuts their long-term sustainability.

There is also a lack of coordination between CSR projects and other international aid organizations and government financed development projects. Given that the foci of CSR projects – health and education – overlap with the activities and mandates of several aid organizations (e.g. UNICEF, UNDP, WHO) and the government's Social Fund, there appears to be a lost opportunity to coordinate and synergize development efforts. The lack of communication between the various organizations involved in development activities in Equatorial Guinea is somewhat surprising given the relatively small size of both the country and the expatriate community in Malabo (the capital). Possible explanations for lack of coordination include: the relative development inexperience of MNCs; MNC adherence to a principle of accomplishing tasks as quickly as possible, which discourages them from the time-consuming task of finding and working with additional partners; the possibility that some MNCs treat CSR as nothing more than an activity that they are compelled to do, and consequently they have little incentive to do more than the bare minimum required to complete a project; and the requirement that all MNC funded development projects must be routed through the Ministry of Mines, Industry, and Energy (with its own poor track-record of coordinating development projects), which can act as a disincentive for companies to potentially complicate their relationship with the government by attempting to work with international aid organizations that have their own complicated relationships with the government.

MNC-driven development projects also run the risk of failing to adequately understand local customs, traditions, and needs. Driven by Western standards of efficiency, MNCs can be insensitive to local customs or norms. Companies may misidentify a community's greatest needs, a risk that is exacerbated by the fact that the MNCs typically are responsible for proposing development project ideas to the government instead of the other way around.[41]

The business relationship between MNCs and the government presents a potential problem point for development projects. In Equatorial Guinea there are instances where MNCs have come under pressure from government officials to finance "pet" development projects. In such instances, MNCs are placed between the proverbial "rock and a hard place" as they attempt to navigate a path between the preservation of their relationship with the government and the avoidance of development projects that do not conform to company objectives or ethical standards. This is a particularly sticky challenge in countries where local conceptualizations of corruption differ from the definition of corruption in a MNC's home country. Besides the ethical issues involved in engaging in potentially corrupt activities, MNCs often are beholden to home country anti-corruption regulations, such as the United States' Foreign Corrupt Practices Act, that carry severe penalties for violators.

Conclusion

The involvement of the private sector in international development efforts has its upsides and downsides. Creating sustainable development is difficult, complex, and fraught with numerous obstacles. Given the relative newness of CSR as a vehicle for international development, it is inevitable that mistakes will be made. The learning curve for MNCs and the organizations with which they partner is steep, and there is an air of trial-and-error surrounding these efforts. As one government official put it, "there is no precedent sometimes for what we are

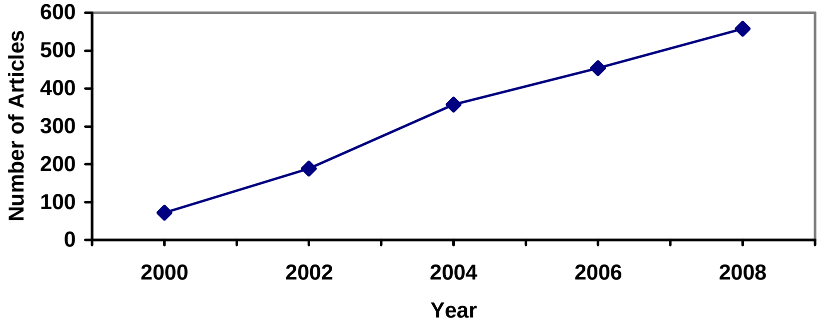
[41] The government does make the final determination regarding which proposed projects get implemented, but the MNCs have expressed frustration that the government does not take a greater interest in proposing its own project ideas. There are some indications, however, that the government is slowly taking greater responsibility for project initiation.

doing and no guarantee that it will work, but we are learning from experience."[42] Successful development builds upon prior efforts, learning from and correcting previous failures and successes.

The most significant finding to emerge from this analysis of CSR efforts in Equatorial Guinea is that their very existence has pushed the government to invest more in its people than it would have done otherwise. This study suggests that CSR may represent a mechanism for establishing incentive structures and assisting resource rich governments to improve social services. The MNC–government interface created by public-private CSR partnerships constitutes a potential entry point for engaging resource rich countries on the issues of improved governance and more equitable redistributions of wealth.

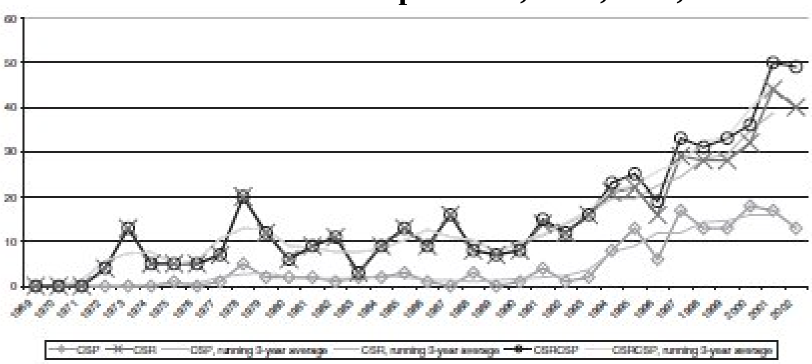
[42] Personal interview, February 9, 2010, Malabo, Equatorial Guinea.

Figure 1: Number of Academic Articles with "Corporate Social Responsibility" in Title



Source: Google Scholar (accessed February 13, 2010)

Figure 2: Number of Publications per Year, CSR, CSP, and CSRCSP



Note: CSR = corporate social responsibility; CSP = corporate social performance; CSRCSP = combined CSR and CSP.

Source: De Bakker et al 2005

Table 1: Total U.S. Economic Engagement with Developing Countries, 2007

	Billions of $	**%**
U.S. Official Development Assistance	**$21.8**	**9%**
U.S. Private Philanthropy	**$36.9**	**16%**
Foundations	$3.3	9%
Corporations	$6.8	18%
Private & Voluntary Organizations	$10.8	29%
Volunteerism	$3.5	9%
Universities & Colleges	$3.9	11%
Religious Organizations	$8.6	23%
U.S. Remittances	**$79.0**	**34%**
U.S. Private Capital Flows	**$97.5**	**41%**
U.S. Total Economic Engagement	**$235.2**	**100%**

Source: Hudson Institute's Index of Global Philanthropy and Remittances 2009, p. 16

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